

2003 Fourth Quarter Progress Report

GBTI Task Order No. 845

October 1 – December 31, 2003



*Privatization Implementation Project
With the Government of Egypt*

Implemented by IBM Business Consulting Services
Funded by USAID

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INTRODUCTION

The purpose of this document is to report activities and progress towards achieving benchmarks as required by Section 1.4 of GBTI Task Order 845. The Privatization Implementation Project (PIP) for the Government of Egypt is a follow-on activity to the Privatization Implementation Project that began July 1, 2000 and terminated September 30, 2002, which was also implemented by IBM. The current PIP began on October 1, 2002 and continues through April 30, 2004 as extended by option exercised effective April 1, 2003.

The following provides details on the activities by tasks to include past and future actions and a summary of activities by task; the progress toward reaching the benchmarks and the goals for the next quarter; a list of the deliverables during the quarter; and a list of team members and tasks assigned.

TASKS

Below is a summary of the activities performed under each of the four tasks in the Task Order Statement of Work: (1) transaction support; (2) general policy and advisory assistance; (3) public awareness, political advocacy, and constituency support; and (4) monitoring and reporting on public enterprises and privatization. These activities represent a summary of the project's efforts during the fourth quarter of 2003 towards successfully achieving the benchmarks required by 31 December 2003 as established in the Task Order.

Tasks One and Two: Transaction Support and General Policy and Advisory Support.

PIP provides advice to support the Government of Egypt's (GOE) privatization program in the areas of both transactions and general policy. The transactions support is related to marketing the government's privatization program generally, as well as support for individual transactions. (As described in PIP's task order, work related to individual transactions must in each case be approved by USAID and the Public Enterprise Office Executive Director.) General policy advice is intended to strengthen the decision-making process and to promote market-based valuation and privatization criteria, and is being led by a long-term US expatriate specialist in privatization policy. The activities of Task One and Task Two are closely associated and often overlap; consequently, these activities are described together in this report.

Specific Transaction Support. During the fourth quarter PIP provided specific transaction support related to an approved list of twenty-one companies.

A company profile and information memorandum were completed and approved by the Food Holding Company for **Egyptian Starch and Glucose**, which was tendered in late October. The date for submission of bids was extended at the request of interested investors until January 12, 2004. The company provides about 55% of Egypt's starch and glucose production.

A company profile and information memorandum were completed and approved by the Chemicals Holding Company for **Paints and Chemical Industries** (PACHIN), an attractive publicly-traded joint venture company. PACHIN is a major Egyptian paint manufacturer. PACHIN had not been tendered as of the end of the fourth quarter.

Highlights – Company profiles and information memoranda were prepared by PIP and approved by the Holding Companies for Egyptian Starch and Glucose, and ARACEMCO, which were tendered, and PACHIN, not yet tendered.
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An information memorandum was completed and submitted to the Metallurgical Holding Company for **Arab Ceramics (ARACEMCO)** for review and approval. ARACEMCO was tendered on December 21, 2003. The date for submission of bids is January 25, 2004. ARACEMCO is a producer of tiles and ceramics.

An information memorandum was completed and submitted to the Textile Holding Company for **Arab Polvara Spinning and Weaving Company**. As of the end of the quarter, the Holding Company had not approved the information memorandum and tendered the company.

PIP completed a preliminary valuation for **Alexandria Refractories**. However, information provided subsequent to the completion of the preliminary valuation by the company concerning an adverse issue relating to cost of production need to be accounted for in the valuation. Further necessary information was requested by PIP from the HC, but has not been forthcoming.

Highlights – PIP has completed a preliminary valuation for Alexandria Refractories

Next quarter – With additional information from the Holding Company, the valuation could be finalized.

At the request of the Public Enterprise Office, PIP provided assistance to Banque du Caire, which represents government shareholders, for developing an information memorandum for **Suez Steel**, a significant producer of steel pellets. The company is operating significantly below capacity, has incurred heavy debt and heavy operating losses. Due to political impediments it is not clear when or if Suez Steel will be tendered.

During the quarter work was postponed at the request of the Public Enterprise Office on three companies: RAKTA, National Paper, and Ferro Alloys. Work on RAKTA was postponed indefinitely due to apparently unresolvable environmental issues. National Paper was postponed indefinitely due to issues relating to obsolete equipment. These two companies were earlier promoted without success by Cairo Capital. Ferro Alloys was postponed without explanation.

Work has also not progressed on an information memorandum and valuation for Transport and Engineering Company (TRENKO) due to increasing operating losses and heavy unresolved debt service burden.

Figure 1: Status of companies approved for specific transaction assistance

Ref	Company Name	Activity from	Activity to	Months with activity	Status
1	Cairo Far East Bank	Oct-00	Dec-03	38	Banque du Caire has we understand stopped pursuing sale of this bank because of new capital requirements which make it impractical to operate this bank at its current size.
2	Alexandria Refractories	Jul-02	Dec-03	18	The HC for Metallurgical Industries requested a valuation and information memo for the company. Following the completion of a preliminary valuation a technical problem relating to furnaces has been introduced and will reduce the valuation. The HC is reviewing the effect and PIP has requested an assessment of the cost impact in order to adjust the valuation accordingly. Immediate sale is thus problematic.
3	Misr Iran Spinning & Weaving ("Miratex")	Jan-02	Dec-03	24	PIP prepared a fact sheet, diagnostic report, company profile, info memo, valuation report, and part of the data room. Both the Egyptian and Iranian shareholders had been willing to sell their shares. There are indications that political relations between Iran and Egypt may be improving, so there may be some greater opportunity for privatization, if relations in fact improve.

Ref	Company Name	Activity from	Activity to	Months with activity	Status
					opportunity for privatization, if relations in fact improve.
4	NEEASAE	Jan-03	Dec-03	12	Investment promoter retained and info memo completed. One Egyptian and one Chinese investor interested. We understand from the PEO that Minister Khattab believes this company can be privatized based on the interest indicated by at least one investor.
5	NARUBIN	Jan-03	Dec-03	12	Investment promoter retained. Info memo prepared and submitted to HC for approval. No further developments. Unlikely to result in privatization during first quarter 2004.
6	Car Engineering	Jan-03	Dec-03	12	Investment promoter retained, info memo completed, several investors are interested including ones from India, Korea and Japan. No further development. Unlikely to result in privatization during first quarter 2004.
7	Kom Hamada	Jan-03	Dec-03	12	Profile completed, investment promoter retained. One investor has negotiated with HC, but the parties haven't been able to agree on a ballpark price. Unlikely to result in privatization.
8	El Mahmodeya	Jan-03	Dec-03	12	Investment promoter retained. Info memo prepared and submitted to the HC for approval. Four investors interested, but no progress in tender decision. Unlikely to result in privatization.
9	EDFINA	Jan-03	Dec-03	12	Investment promoter retained and info memo prepared. HC not pursuing rapid privatization. Unlikely to result in privatization during first quarter 2004.
10	SEMAF	Jan-03	Dec-03	12	Investment promoter retained and info memo prepared. Four offshore strategic investors interested. We have been informed that other government considerations make it unlikely that the effort will result in privatization by parties unrelated to government.
11	Dyestuffs	Jan-03	Dec-03	12	Profile complete and investment promoter retained. No info memo yet prepared; this effort is doubtful.
12	Egyptian Starch & Glucose	Aug-03	Dec-03	4	Tendered during the third quarter. Information memo completed. Bid date extended to January 12, 2004. Six interested investors.. PIP has contacted fifty foreign and Egyptian companies by fax and email to promote this sale. (One offer published following Jan. 12, 2004)
13	Ferro Alloys	Aug-03	Dec-03	4	Information Memorandum nearly completed. PEO removed from candidates for privatization.
14	RAKTA	Aug-03	Dec-03	4	Postponed due to an environmental issue identified by PIP
15	Paints & Chemicals Ind PACHIN	Aug-03	Dec-03	4	Fact Sheet, profile completed, obtaining 2003 numbers for info memo; marketed in Gulf. Delayed privatization process for reasons that are unclear.
16	Transport & Engineering (TRENKO)	Aug-03	Dec-03	4	Assisting in valuation update; preparing info memo, but large losses incurred for 2003. Increasing losses indicate TRENKO will not be privatized during first quarter 2004.
17	UNIRAB (POLVARA)	Aug-03	Dec-03	4	Company profile and information memorandum completed and sent to HC for review.
18	Suez Steel	Aug-03	Dec-03	4	Valuation being reviewed by the CAA. The private sector shareholder expressed interest in buying the public share, but there is substantial resistance to sale by the senior executives. Substantial debt and substantial losses apparently need

Ref	Company Name	Activity from	Activity to	Months with activity	Status
					explanation.
19	ARACEMCO	Sep-03	Dec-03	4	Information memorandum prepared and being reviewed by HC and the PEO. Tender announcement made on December 21, 2003.
20	National Paper	Aug-03	Dec-03	5	Postponed due to a technical problem (obsolete equipment) identified by PIP
21	El Nasr Casting	Sep-03	Dec-03	4	Assisting with valuation. Meeting with potential investors. Unlikely to result in privatization during first quarter 2004.

Privatization Program Promotional Support

PIP provided general promotional support by preparing one page Kompass-formatted fact sheets, which can be promoted through the Kompass system. These fact sheets will also be available through the PIP website linked to the PEO website. The following companies were identified for general promotion.

- Egyptian Starch and Glucose
- EDFINA
- Tanta Oil and Soap
- Nile Oil and Detergents
- Egyptian Salt and Soda
- Paints and Chemicals
- Egyptian Ferroalloys
- Transport and Engineering Co.
- NEEASAE
- Engineering Automotive
- Aracemco
- Dakahleya Sugar
- Polvara Spinning and Weaving
- Alexandria Refractories
- Abu Qir Fertilizers
- El Nasr Casting
- Alexandria for Sodium Carbonate
- Al Mansoura Resins & Chemical Industries
- Al Nasr Company for Rubber Products 'Naroubin'
- Suez Steel

Highlights – PIP prepared concise, informative fact sheets for 26 companies in the internationally recognized KOMPASS format.

- El Shams for Housing & Development
- Delta Sugar
- Mahmoudia Spinning
- Kom Hamada Spinning
- Arab Contractor for Investment
- Egyptian Financial and Industrial Company

PIP has been working with the PEO to prioritize these and other privatization candidates according to probability of availability for and being successfully privatized. During the fourth quarter there was little progress made in obtaining agreement with the PEO for prioritizing candidates for privatization, in part because the PEO has little influence over the choices made by holding companies, which often do not sustain promotion of the candidates they choose for privatization. However, several companies have since been removed as priorities, including Tanta Oil and Soap, Nile Oil and Detergents, and Egyptian Salt and Soda. These companies were marketed in the Gulf.

PEO Executive Director Hamdy Rashad resigned as of year-end and was replaced by Essam Abed Fattah, 38, who formerly headed the Restructuring Fund.

Investor Conferences

During the fourth quarter, PIP prepared and developed a marketing trip in association with the Egyptian Businessmen's Association to Abu Dhabi, Dubai and Bahrain. During the trip PIP met with a number of investors, government officials and decision makers to present the investment opportunities of the Egyptian privatization program. Fourteen companies were chosen for presentation, of which all but one had good profit history. To date, this effort has not yielded investment offers. The major (though not the only) lesson learned from this exercise is that in order to attract investors, the GOE needs to develop an effective sustained marketing effort with high level representatives of owners for an identified list of opportunities and to be results focused. Among other negative factors, less controllable for the MPE, Gulf investors cited were unfavorable historic investment results in Egypt, as well as concern about currency stability.

<p>Highlights – PIP attended several investor conferences in Abu Dhabi, Dubai and Bahrain with a pre-selected short list of companies from the MPE.</p>
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PIP was also represented at the World Bank (WB) and International Monetary (IMF) Fund meeting held in Dubai for four days. The Boards of Governors of the WB and the Board of Governors of the IMF normally meet once a year to discuss the work of their respective institutions. The Annual Meetings, which generally take place in September-October, have customarily been held in Washington for two consecutive years and in another member country in the third year.

Because the Annual Meetings bring such a large number of member country officials together and investors, they provide opportunities for consultations large and small, formal and informal. Numerous seminars are held in conjunction with the meetings, including seminars conducted by staff members for members of the press. The Annual Meetings Program of Seminars is designed to foster creative dialogue among the private sector, government delegates and Bank and Fund officials.

As a result of the Gulf marketing trip, PIP identified many investors interested in reviewing the companies offered for sale especially in the food, tourism, chemical and engineering sectors. Following are some of the investors interested in specific sectors:

Highlights – PIP delegation initiated meetings and opened discussions with two dozen interested investors.

Food sector:

- Mr. Hisham El Dabal, Chairman of EL Dabal Group ‘Saudi Arabia’
- Mr. Safwat Farahat, General Manager of El Mansour Group ‘Dubai’
- Mr. Mohamed EL Gergawy, Head of Sales of Futaim Group ‘Dubai’
- Mr. Suliman Mazroui, Managing Director of Emirates Bank ‘Dubai’

Tourism Sector:

- Mr. Ahmed Shawky El Sayed, Sales Manager of Bin Masaood Group ‘Dubai’
- Mr. Mohamed EL Gergawy, Head of Sales of Futaim Group ‘Dubai’
- Mr. Mohamed Shehada, Chief Executive of Al Murshid Group ‘Dubai’
- Mr. Suliman Mazroui, Managing Director of Emirates Bank ‘Dubai’

Construction Sector:

- Mr. Dan J. Mizesko, Managing Partner of Al Shirawi Group ‘Dubai’
- Mr. Abdul Hameed Kooheji, Chairman of Kooheji and Sons ‘Dubai’
- Mr. Safwat Farahat, General Manager of El Mansour Group ‘Dubai’
- Mr. Mohamed EL Gergawy, Head of Sales of Futaim Group ‘Dubai’

Chemical and Engineering

- Mahmoud Al Mahmoud from the Investment Group of Kuwait Finance House ‘Kuwait’
- Mr. Safwat Farahat, General Manager of El Mansour Group ‘Dubai’
- Mr. Hussein f. El Rashidy, General Manager Bin Masaood & Sons ‘Dubai’
- Shawki El Bekry, General Manager of El Nabouda Group ‘Dubai’

Others in Abu Dhabi with broad investment interests

- HE Sheik Sultan Bin Khalifa Bin Zayed Al Nahayyan, Chairman, Crown Prince Court.
- HE Dr. Ahmad Bin Saeif Al Nahayyan, Chairman, Gulf Aircraft Maintenance Company
- HE Matar Humaid Al Tayer, Minister of Communications
- HE Sultan Bin Naser Al Swady, Governor, Central Bank of the UAE
- Abdullah Al Saadi, General Manager, National Investment Corp.
- Seed Gabr Al-Swatyedy, President, Board of Directors, Abu Dhabi CofC
- HE Sheik Ahmad Bin Zayed Al Nahayyan, Chairman, Abu Dhabi Investment Authority
- HE Shiek Hamad Bin Zayed al Nahayyan, Department of Economy

PIP also assisted in the preparation for the EgyptInvest conference being produced by International Event Partners, which will be held in early December. While reasonably well attended by interested investors, the conference lacked the government participation (perhaps because of a competing conference held simultaneously in Sharm El Sheik) necessary to make it a success. PIP arranged and paid for a Ministry of Public Enterprise booth and provided fact sheets for twenty-six companies all of which were distributed. As a result of this conference, one investor indicated serious interest in National Company for Maize Products (Company), a joint venture owned by several government-owned or controlled banks. We are informed that the Company is being merged with another government-owned company and is thus not currently available for privatization. The investor was also interested in acquiring a poultry business (to be used for development of vaccines) operated by the Ministry of Agriculture, but was unable to move the discussions forward. This raises a question as to how many business enterprises are owned and operated by government ministries and governates, and the feasibility of privatising such enterprises.

There is a continuing need for the GOE to develop a marketing program focused on companies that can and will be privatized sourcing investment in part or in full from outside Egypt. Historically, a large part of foreign direct investment (FDI) has been directed to privatization opportunities and accelerated privatization can produce significant increases in FDI, which has recently been below historic levels.

Pricing Policy and Valuation. Earlier, the Cabinet approved a pricing formula based on adjusted book value (“formula”) for issuing new shares under the Privatization-by-Capitalization program. For the first time in the privatization program, prices would be set (using the formula) and during this quarter the PEO indicated that the formula would be publicized. Although announcing a *formula* for pricing in this way isn’t equivalent to announcing a reserve price, it is a step in the right direction.

The public announcement of a reserve price is an improvement that PIP has long recommended to the PEO and has worked to implement across the board. The PEO indicated that it supports this improvement; however, the Ministerial Privatization Committee has not implemented such a policy. During September 2003 the Minister of Information announced the tendering of Egyptian Starch and Glucose along with the government’s reserve price. It would be a step forward if the public announcement of reserve price in this case is perceived as beneficial to the process and thus as a basis for the government to alter its policy for future tenders.

PIP has had numerous discussions with the Public Enterprise Office on the subject of pricing and valuation, and has advised that valuation, if not realistic, is a barrier to privatization. In the cases of many weak companies (such as many of those selected for Privatization-by-Capitalization) this often leads to a prolongation -- and a worsening -- of direct and indirect costly subsidies. Consequently, valuation is a continuing focus of privatization policy efforts, with the effort turning increasingly to application of earlier stated principles to specific cases.

The valuation and pricing emphasis in the fourth quarter was on companies controlled by the Textile, Metallurgy and Trade holding companies. Fifteen hours of valuation training was presented to eight HTC officials. As in the earlier training session, the training emphasized that reserve prices should reflect the value of the enterprise *to the HTC as seller*, rather than

some perceived market value or even an adjusted book value, as has been utilized in the privatization by capitalization program.

Cost of Not Privatizing Study

A major study, *The Costs of Not Privatizing: An Assessment for Egypt*, dominated policy work in the Quarter. Data was collected, models were built, and the report was drafted. The draft Study was presented to USAID on December 15, and further revisions followed. The methodology and results of the assessment relating to Law 203 holding companies and affiliates were also presented and discussed with the PEO during the quarter, and the methodology was used specifically to assess an offer for a company owned by the Textile Holding Company.

<p>Highlights – Cost of Not Privatizing Study virtually completed and presented to USAID on Dec. 16 and reviewed with the PEO on several occasions during the quarter.</p>

The Study was prompted by the observation that privatization dramatically slowed in Egypt from 2001 and that privatization of banks and insurance companies has barely begun. There are multiple reasons for this, but it became clear that the cost of inaction was not sufficiently weighted in privatization policy and decisions that privatization could have proceeded at a faster pace had the political will supported it. The inaction often reflected short-term considerations and sometimes special interests. Taking action is subject to criticism in the press and elsewhere (e.g. “the price was too low”), while inaction usually offered no focal point for criticism. By quantifying the cost of continuing to pursue a “go slow” approach to privatization, we hope to balance the privatization debate by making visible the costs of inaction.

In present value terms, the Study concluded that the cost of not privatizing the Law 203 Public Enterprises is estimated at LE 28 billion, and the banks and insurance companies at LE 19 billion in GOE budgetary terms. The macroeconomic implications extend well beyond these budgetary effects: foreign direct investment would double annually under a program of rapid privatization, gross fixed investment growth would increase to 18% per annum (versus 2% today), and over 600,000 new jobs would be created per year (versus 270,000).

Other policy initiatives included the promotion of flexible tender documentation and evaluation criteria and continued work on assessing and promoting sectoral privatization in the textile industry, including assessment of labor implications, as well as the overall impact of privatization of the spinning and weaving sector of the government-owned part of the textile industry.

Impact of Privatization for Spinning and Weaving Sector and Cotton Ginning Sector

During the quarter PIP completed a specific sector impact and assessment of the cost of not privatizing the spinning and weaving sector, as well as the cotton ginning sector. This work is contained in the appendix for the Cost of Not Privatizing assessment.

Pricing Flexibility Relating to Privatization by Capitalization Early on in the privatization by capitalization program, the GOE provided strong indications that it would make available considerable flexibility relating to pricing (in the broad sense of the term). So far in the program, which was announced over one year ago, there has been little indication that such flexibility has been enabled, as there have been no formal offers and informal offers have not been received with encouragement.

Total Bid Package Concept. Related to the Privatization-by-Capitalization concept, it is also significant that the Ministerial Committee recognizes that in many cases new investment in an affiliate is far more important than the price the holding company receives for its shares. This will be true for most low profitability or money-losing affiliate companies. PIP has developed and recommended a selection process that takes in to account committed new investment. This tender criteria methodology was presented and discussed with the PEO during the quarter.

Current Companies Tendered for Sale

The following Law 203 companies and assets were tendered for sale (or were on continuing open tender) during the fourth quarter 2003. Also shown is the status of companies tendered during the third quarter.

Law 203 companies and assets	Bid Opening/Open
Aracemco	December 23, 2003
El Mansoura Resins and Chemical Industries	August 12, 2003 Under negotiation
Misr Hotels	Unlikely to be privatized
Egyptian Starch and Glucose	Bid dated extended to January 12, 2004.
Dar May for Publishing	Chosen investor failed to meet conditions for sale
Egyptian American for Sanitary Tools (Ideal Standard)	Sale approved and closed for 20.01 % interest.
Tanta Flax and Oil	August 5, 2003 Two offers received are said to be substantially below reserve price, PEO believes a deal will be done, however.
15 Touristic Assets owned by EGOTH *	Open Process
Ornamental glass and tableware factory, Yassin – El Nasr Glass and Crystal	June 23, 2003 ** One bid above reserve price approved
Medical Ampoules factory, Mostorod – El Nasr Glass and Crystal	July 21, 2003 Negotiating
Glass Bottles Factory – El Nasr Glass and Crystal	August 11, 2003 Under negotiation

1 The 15 tourism assets owned by EGOTH are:

HOTELS	1.	Helnan Shepheard ¹
	2.	Amoun Island Hotel
	3.	Kalabsha
	4.	Mercure Luxor
	5.	EGOTH Oberoi El Arish
	6.	Helnan Dahab
Floating Hotels	7.	Tut
	8.	Anni
	9.	Atob
	10.	Hotob
Lands	11.	Beau-Lac Land (Thomas Cook) – Cairo
	12.	Magawish Land – Hurghada
	13.	Sultana Malak Land – Luxor
Projects Under Development	14.	El Gezira Elephanten Hotel and Aswan Oberoi Hotel Projects
	15.	Sidi Abdel Rahman Project and Alamin Hotel

¹ The opening of bids for Helnan Shepheard Hotel affiliated with EGOTH was on June 15, 2003. The company gave the bidders one-week extension to increase their values as offers received were below reserve price. By June 22nd, offers were re-submitted, and apparently were judged as too low.

Thirty-two Joint Venture Interests Selected for Sale. : During the third quarter thirty-two joint venture interests were selected for sale. During the fourth quarter two of these companies, Egyptian Starch and Glucose and ARACEMCO, were tendered. Others which had been worked on directly by PIP, such as Miratex, PACHIN and Semiramis were not offered.

Highlights – Two JV companies were tendered during the fourth quarter, Egyptian Starch and Glucose and ARACEMCO.

Company	Shareholders	% Of Ownership	Total Public Ownership
PHARMACEUTICAL SECTOR			
Medical Profession Company for Medicines	Industrial Development Bank	13.9%	26.1%
	Pension Fund of Medical Professions Union *	10.7%	
	Suez Canal Authority	1.5%	

FOOD SECTOR			
<u><i>El Dakahleva for Sugar</i></u>	Shark Insurance*	16.0%	100.0%
	Misr Insurance	16.0%	
	Banque Du Caire	15.0%	
	Banque Misr*	15.0%	
	National Bank of Egypt	11.3%	
	Bank of Alexandria	10.0%	
	Sugar & Industries	8.8%	
	National Insurance Company*	8.0%	
National Company for Corn Products	Banque Misr	34.9%	55.8%
	National Bank of Egypt	6.1%	
	Banque Du Caire	5.9%	
	Bank of Alexandria	5.6%	
	Industrial Development Bank	2.7%	
	Nasser Social Bank*	0.6%	
<u><i>Egyptian Food Company- Bisco Misr</i></u>	Food Holding Company	36.3%	50.3%
	Misr Insurance	6.8%	
	Ministry of Islamic affairs *	5.1%	
	Bank of Alexandria	0.9%	
	Educational Professions Syndicate	0.6%	
	National Authority for Social Insurance *	0.6%	
<u><i>Egyptian Starch & Glucose</i></u>	Food Holding Company	39.0%	58.6%
	Banque Misr	10.8%	
	Public & Private Sectors Employees' Social Fund *	5.0%	
	Egyptian Reinsurance Company	1.7%	
	National Bank of Egypt	1.2%	
	National Investment Bank	0.5%	
	Misr Insurance	0.4%	
	National Insurance Company *	0.0%	
<u><i>Delta for Sugar</i></u>	Sugar & Industries	52.8%	87.9%
	Shark Insurance	13.0%	
	Egyptian Awkaf Authority	6.4%	
	Bank of Alexandria *	6.3%	

	Kima	6.3%	
	Nasser Social Bank*	3.1%	
	Misr Insurance	0.03%	
HOUSING SECTOR			
Nasr City for Housing & Development	National Construction	25.1%	25.1%
El Shams for Housing & Development	National Construction	44.5%	78.9%
	Misr Insurance	23.1%	
	National Insurance Company *	5.2%	
	Shark Insurance	5.0%	
	Egyptian Reinsurance Company	1.1%	
United for Housing & Development	Misr Insurance	16.7%	26.6%
	Maadi for Development & Urbanization	4.4%	
	Legal Guardianship Liquidation Authority	2.5%	
	National Insurance Company *	2.0%	
	Contribution for Cotton Trade	0.2%	
	Holding Company of Housing & Tourism	0.1%	
	Nasser Social Bank *	0.6%	
Zahraa El Maadi for Investments & Development	Maadi Urbanization	59.5%	93.8%
	Arab Investment Bank	20.3%	
	Nasr Housing	6.4%	
	Mamora	6.3%	
	National Insurance Company *	1.3%	
Arab Contactors for Investments	Arab Contractors	88.0%	88.4%
Arab Investments Co. for Development	National Investment Bank	37.6%	37.6%
CHEMICAL SECTOR			
<u>Paints & Chemical Industries (Pachin)</u>	Chemical Holding Company	38.3%	44.2%
	Public & Private Sectors Employees' Social Fund *	4.0%	
	Misr Insurance	1.1%	
	Shark Insurance	0.8%	
Egyptian Financial & Industrial Co	Metallurgical Holding Company	25.3%	38.8%

	Banque Misr	5.8%	
	National Investment Bank	0.7%	
	National Authority for Social Insurance *	6.3%	
	Misr Insurance	0.6%	
	Egyptian Reinsurance Company	0.1%	
Abu Kir Fertilizer Co	Egyptian Public Oil Authority	11.9%	53.6%
	Public Manufacturing Authority	7.9%	
	Bank of Alexandria	7.5%	
	National Bank of Egypt	5.1%	
	Banque Du Caire	4.6%	
	Banque Misr	4.6%	
	Nasser Social Bank *	3.7%	
	Egyptian Reinsurance Company	3.2%	
	National Insurance Company *	3.1%	
	Kima	1.7%	
	Misr Insurance	0.4%	
Egyptian Fertilizer (US \$)	National Investment Bank *	10.0%	46.0%
	Banque Misr*	10.0%	
	Misr Insurance *	10.0%	
	Chemical Holding Company	5.0%	
	Bank of Alexandria*	5.0%	
	Metallurgical Holding Company	2.5%	
	Nasr Cook	2.5%	
	Egyptian Reinsurance Company *	1.0%	
METALLURGICAL SECTOR			
Alexandria Co for Petroleum Products	Alexandria for Oil	20.0%	84.4%
	Cooperative Society for Oil	10.0%	
	Misr Petroleum	10.0%	
	National Bank of Egypt	5.2%	
	Shark Insurance	5.2%	
	Bank of Alexandria	5.2%	
	Bank Du Caire	5.2%	
	Banque Misr	5.2%	
	Misr Insurance	5.2%	

	Insurance Fund of Government Sector Employees *	4.5%	
	Insurance Fund of Business Sector Employees *	4.5%	
	Nasser Social Bank *	4.2%	
<u>Arab Co for Porcelain - Aracemco</u>	Metallurgical Holding Company	31.2%	38.0%
	Chinaware & Porcelain	3.7%	
	Nasser Social Bank *	3.1%	
<u>Alexandria National Co for Iron & Steel - Dekheila</u>	National Investment Bank	8.1%	44.8%
	Banque Misr	6.9%	
	Misr Insurance	6.8%	
	National Bank of Egypt	5.7%	
	Egyptian Public Oil Authority	4.7%	
	Metallurgical Holding Company	4.5%	
	Bank of Alexandria*	3.9%	
	Executive Authority for Industrial Projects	2.0%	
	Egyptian Reinsurance Company	1.2%	
	Banque Du Caire	1.1%	
Gas Misr Co.	Egyptian Public Oil Authority	80.0%	80.0%
Alexandria Mineral Oil - AMOC	National Bank of Egypt	26.3%	100.0%
	Alexandria for Oil	20.0%	
	Banque Misr	20.0%	
	Misr Insurance	10.0%	
	Cooperative Society for Oil	5.0%	
	Insurance Fund of Government Sector Employees *	5.0%	
	Insurance Fund of Business Sector Employees *	5.0%	
	Misr Petroleum	5.0%	
	Shark Insurance	3.7%	
Egyptian Co for Prefabricated Concrete	Segort	40.0%	40.0%
Maritime Transportation Sector			

El Suez Cargo Co	Red Sea Harbours Authority	30.0%	38.1%
	Maritime Transportation Holding Company	6.8%	
	Suez Governorate *	1.3%	
Textile Sector			
<i>Arab & United Co. for Spinning & Weaving UNIRAB</i>	Spinning Holding Company	32.5%	34.3%
	National Insurance Company *	1.2%	
	Misr Insurance	0.5%	
	Shark Insurance	0.1%	
Electrical Contracting Sector			
Misr Mechanical & Electrical Projects Co - Kahromica	National Construction	39.0%	39.0%
TOURISM SECTOR			
Rowad El Wahat for Tourism Development	Tourism Fund (rep: National Bank of Egypt)	10.8%	17.4%
	Egypt Hotels	6.7%	
Misr Co. for Tourism & Real Estate Investments	Misr Insurance*	95.0%	98.6%
	Egyptian Reinsurance Company*	3.6%	
Arab Co. for Tourism & Hotels Investments	EGOTH	71.3%	100.0%
	Cairo International Airport Authority*	17.1%	
	Arab Investment Bank	11.6%	
Semiramis Company for Hotels	EGOTH	28.9%	28.9%
Rowad Misr for Tourism Investments	Egypt Hotels	25.0%	48.3%
	Services & Development Fund-South Sinai	8.3%	
	National Insurance Company *	7.5%	
	Shark Insurance	7.5%	
Egyptian Co for Tourism Projects - Tulipe	Banque Du Caire	10.0%	22.0%
	Tourism Fund (rep: National Bank of Egypt)	7.1%	
	EGOTH	4.9%	

Tourism Development	EGOTH	71.5%	71.5%
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companies among the thirty-two listed above were actively marketed during the fourth quarter, while more companies are expected to be the subject of marketing and promotion during the first quarter of 2004.

Another issue impeding the sale of these JVs is that banks and insurance companies which hold such interests may not be subject to MPE authority for such sales, unless an interest is held by a Law 203 holding company or affiliate. Otherwise, a Joint Venture Committee chaired by the PEO Executive Director has oversight. Apparently the JV Committee needs more authority as the government-owned National Bank of Egypt (NBE) has independently promoted the sale of its own shares rather than the GOE promoting sale of all GOE-owned shares, which would comprise a much larger and normally more saleable combined interest. While the effort by the NBE is laudable, a more coordinated program to sell JV interests would benefit overall privatization implementation.

Strengthening the Privatization Decision-making Process and Enhance Transparency

Tender Criteria and Evaluation In anticipation of the tender of the eight Privatization-by-Capitalization candidates, work continued during the quarter in cooperation with the PEO on the development of tender criteria and a tender evaluation scheme. In Privatization-by-Capitalization, as noted earlier, the amount of new capital to be invested in the firm is an important criterion of investor selection. In the cases of weak or unprofitable firms where new investment is essential to survival, capitalization may be much more important than the price offered for existing shares.

Debt Resolution for Law 203 Affiliates In March 2003, the MPE proposed a structure for resolving a significant amount of the debt overhang for Law 203 affiliates and subsequently initialled an agreement with the Holding companies and five state banks, including the National Investment Bank. The proposal was reviewed by the Ministry of Finance. A resolution to this issue could enhance not only the possibilities for sale of the Law 203 affiliates, but also has the potential to improve the financial health of state banks, which would also provide a beneficial step toward privatising the state-owned banks. Although there was indication from the MPE that a resolution would be forthcoming, by year-end there had been no progress on this issue to our knowledge.

Significance of Trade Agreements on Public Enterprises At the request of the PEO, PIP recommended a study to be undertaken by IBM to assess the potential impacts of various trade agreements on specific public enterprises, specifically the eight companies identified for privatization-by-capitalization. In subsequent meetings with the PEO, the PEO indicated that it would prefer to pursue the possibility of carrying out this study within its own organization.

Consequently, the feasibility of PIP performing Task 2.5 in the Statement of Work should be reviewed and amended.

Figure 2: Transactions completed ending December 31, 2003

During the fourth quarter 2003, there were no privatizations recorded although there were two tender announcements, as noted above. During the period between task orders and the fifteen-month period ending 31 Dec 2003, there have been three asset sales, a company sale, a lease with purchase obligation and one liquidation. For the purposes of this report, we included five transactions for a total compensation of LE 331.7 million (LE 340.2 million – LE 8.5 million).

Type	Company Name	Method	Buyer	Date	Value LE million
Law 203	Cairo Metallurgical Products – Shobra Armenian Factory	PA	Alexandria Investment Co.	Jun-02	8.5
Law 203	Alex Cooling	Liquidation	-	Aug-02	33.0
Law 203	National Plastic Company – liquid batteries factory	PA	United Batteries Co.	Nov-02	1.2
Law 203	National Plastic Company – bags factory	Lease with purchase	-	Nov-02	2.0
JV	Gezira Sheraton Hotel*	Shares	ACCOR Co.	Nov-02	279.0
Law 203	EGOTH Assets: Isis and Osiris	PA	Saudi investor	Mar-03	16.5
TOTAL					340.2

* Previously reported estimate value of Gezira Hotel transaction increased by LE 97.7 million as a result of obtaining more information. Before the update, the transaction was reported as LE 181.3 million.

PA = Purchased Asset

Information Management System/Database. PIP has been assisting the PEO to improve its current practice of data collection and management of information through the following courses.

Basic Database	Start Date	Current Status	Duration in hours	Attendees
Mastering Access	14/Jun/03	Completed	48	9
Access Core	14/Jun/03	Completed	20	4
Access Advanced	1/Jul/03	Completed	20	2
SQL-Core	1/Jul/03	Canceled	24	11
Technical	Start Date	Current Status	Duration in hours	Attendees
Windows 2000 NET & OS	21/Jun/03	Completed	24	5
Windows 2000 Adv. Server	14/Jul/03	Completed	40	5
Windows 2000 Net Infra.	21/Aug/03	Completed	40	5
Windows 2000 Directory Ser.	14/Sep/03	Completed	40	5
Exchange Server	14/Oct/03	Completed	40	5

ISA Server	7/Feb/04	Waiting	16	6
IIS	17/Jan/04	In Progress	24	5
SQL Query	21/Feb/04	Waiting	16	5
SQL Prog.	27/Mar/04	Waiting	40	6
SQL Admin.	10/Apr/04	Waiting	40	6
Web Design	Start Date	Current Status	Duration in hours	Attendees
Web Designing & Development	1/Feb/04	Waiting	150	5

The courses boosted organizational performance for the PEO IT staff by teaching techniques utilizing technology to leverage business development and operations. The MS Access course assisted the PEO staff to transfer the database of company profiles, factsheets and financial statements for law 203 and joint venture companies from Microsoft Excel format to Microsoft Access. This database had collected five years of information for over 670 companies. The Microsoft Access file format made file sharing on the intranet as well as transferring all fact sheets and other promotional material to the ministry's website much more convenient & time saving, and with a much better quality. IT members from the PEO also became Microsoft certified in some topics to be ***M.S. System Engineers*** and they are working on enhancing the PEO network structure and managing the servers as well

Highlights – PEO IT staff became certified as M.S. System Engineers, now working to enhance the network structure at the PEO and managing servers.

During the fourth quarter, technical IT personnel have started web site design and development training. Visual improvements have already been made, making the site more appealing to users. Design improvements are planned to better link the MPE's site with other related sites.

Continued training is planned for the first quarter of 2004 to complete the web site development and maintenance classes.

Activities planned for the first quarter of 2004 and current status – Tasks One and Two

- Identify and prepare fact sheets for twenty to thirty priority companies from the government's privatization plan for seventy-four identified companies' with good potential for market acceptance.
- Complete valuation training for personnel of seven additional holding companies.
- Assess sectoral impact of Egyptian Starch and Glucose tender.
- Complete analysis of "fonds de commerce" legal structure and educate owners, particularly Textile HC as well as promote the concept with investors.
- Obtain at least one offer for a company designated for privatization-by-capitalization.
- Obtain PEO buy-in for proposed tender evaluation criteria

- Promote with appropriate officials policy paper addressing legal and organizational problems that have impeded privatization progress and recommend specific corrective measures.
- Assess activities and progress of Investment Promoters and discuss improvements with PEO.
- Promote Cost of Not Privatizing assessment with appropriate government officials and other interested parties.
- Assist PEO to develop realistic earnings multiples for pricing purposes.
- Promote economic and realistic valuation criteria in case-by-case evaluations of investor bids.

Task Three: Public Awareness, Political Advocacy, and Constituency Support

Throughout the fourth quarter of 2003, PIP has maintained its public awareness program as closed advocacy and more specialized focus promoting the Ministry for Public Enterprise as requested by Minister Khattab last quarter. Activities carried out this quarter include investor outreach, holding company privatization newspapers, roundtable discussions for the “Cost of Not Privatizing” study, and research on “Egypt’s Liberal Economic” heritage report.

Investor Outreach

PIP hosted a delegation from the PEO and MPE as representatives of the Egyptian Government’s Privatization Program to Dubai and Abu Dhabi to attend the World Bank and International Monetary Fund meetings. These annual meetings normally attract a large number of country officials and investors; PIP identified this opportunity for the MPE to publicize the privatization program and initiate sustainable marketing efforts.

Highlights –PIP and MPE collaborated to prepare, print and distribute factsheets at conferences in Dubai, Abu Dhabi and Bahrain. Potential investors met directly with the Minister of Public Enterprise.

In collaboration with the MPE, PIP organized, prepared, advertised and hosted an information session for the MPE at the Arab Financial Forum in Bahrain. Fact sheets for 26 companies were prepared, printed and distributed, which can now be viewed on the MPE website. Potential investors had the opportunity to meet with Minister of Public Enterprise and Executive Director, PEO.

Egypt Starch and Glucose was first tendered on September 30, 2003. PIP performed an investor outreach search and focused promotions towards selected foreign companies. A large database was compiled from which emails and faxes were sent out to approximately 50 potential investors from different countries with the announcement of the company’s sale. As the deadline was extended by the Holding Company, PIP sent out emails and faxes to the same companies to inform them of the extension. Several companies interested in attaining more details about the company contacted PIP.

The MPE, with PIP’s assistance, participated in the **EgyptInvest 2003 Conference** on December 3-4, 2003. PIP handled all logistics with the conference organizer on behalf of the MPE. PIP coordinated the design, productions and set up of the booth and banners for the display of the Ministry for Public Enterprise. PIP’s graphic designer designed an advertisement for the MPE to promote 29 selected companies from different sectors such as

chemical, construction, engineering, food, metallurgical, textiles and a few Joint Ventures, which the Government has chosen to promote. The advertisement was included in the official conference folder as well as the MPE’s folder that was distributed from the booth at the conference. Moreover, each company also had a fact sheet included in the packet distributed by PIP/MPE at the conference. More than 250 folders were distributed to the conference guests. In addition, PIP created and distributed approximately 50 compact discs containing fact sheets to further reach the targeted audience. Two companies were interested in getting more details and contacted PIP representatives; PIP forwarded the interested parties to the PEO.

Also during the first week of December, the MPE attended the Investment and Development Horizons Conference in Sharm el Sheik. This conference included prominent speakers from around the Arab region and focused on investment projects between Arab countries. PIP supported the MPE’s presence at this conference as well; the PEO distributed the fact sheet packets, MPE advertisements and CDs produced by PIP.

Highlights –Full color advertisements and factsheet packets were created and produced by PIP for distribution to several conferences as well as Korean, Swiss and Italian delegations.

The MPE full color advertisement and fact sheet packets were printed again by PIP for distribution to several foreign delegations which arrived in Cairo during December.

Privatization Newspaper

The Metallurgical and Chemical holding companies were chosen by the PEO to be the first holding companies to have specialized Privatization Newspapers. These holding companies were selected due to their history of privatization success stories and willingness to privatize companies. After an introduction to the Privatization Newspaper concept to the Holding Companies to the PEO, PIP conducted several visits to the Holding Companies and met with the chairmen and assistants to assess their needs and select appropriate topics. During initial meetings, Engineer Wadie Meshreky, from the Metallurgical Holding Company and Ms. Azza Aboul Farag, from the Chemical Holding Company showed a high level of interest.

Both Holding Companies welcomed this opportunity which enables them to overcome misconceptions about privatization and negative publicity about earlier transactions. The Holding Companies have also given PIP access to their labor union representatives to discuss news content. Holding Company willingness is evidenced by their recognition of important issues and desire to communicate with employees affected by potential changes.

To coincide with Task Two, PIP is preparing a study, which analyzes the cost of not privatizing. Together with another research paper, “Egypt’s Liberal Economic Heritage”, roundtable discussions will be held with non-supporters of privatization. Throughout the next few months, PIP will continue the private advocacy campaign through these activities:

Technical Activities	Research “Egypt’s Liberal Economic Heritage” to support the Cost of Not Privatizing Study
Presentations	Round-table discussions on privatization using the Cost of Not Privatizing study

The Cost of Not Privatizing assessment, discussed in an earlier section, was discussed on several occasions during the quarter with the PEO and virtually completed. The study was also

presented to the USAID Cairo Mission. Work also proceeded on a paper summarizing Egypt's Liberal Economic Heritage.

Activities planned for the next quarter – Task Three

- Continue interviewing representatives from the two Holding Companies and prepare articles for the Privatization newspaper.
- Identify a printer to reproduce the newspaper, explore options for the design.
- Complete the articles for the Privatization newspaper.
- Complete the research and paper on “Egypt’s Liberal Economic Heritage”.
- Organize roundtable discussion for the Cost of Not Privatizing Study.
- Search for potential investors and develop database for recipients to tender announcements.
- Promote tender announcements, if any.

Task Four: Monitoring and Reporting on Public Enterprises and Privatization

PIP provided limited monitoring and reporting of privatization activities for public enterprises to include:

- The project’s website (www.egyptpip.com) continues to be updated during the fourth quarter. Improvements include adding 30 companies to the list of companies being highlighted by the MPE. The user can now obtain all the data from the factsheets for each company by a link with the MPE. The site provides regularly updated data on companies being offered through the PEO, activity reports of the program, summarized newsprint articles, and limited historical information of the privatization program.
- A statistical report of the project’s website, for the period October 1st, 2003 to December 31, 2003, indicates that the number of hits and requests on the site has fluctuated dramatically. Due to a technology problem during October, the overall results are low for that month. During the quarter the site had 33,8932 hits, 7,945 requests, and 2,316 visits, with 3.43 average number of requests per visit and an average visit duration of 2.42 minutes. Refer to deliverable for more details on the website usage.
- Prepared and posted a quarterly privatization program report to its website for the period July to September 2003. A report for the fourth quarter is currently being finalized and should be posted by end of January 2004.
- Prepared and disseminated more than 172 articles from local newsprints (Al Ahrām, Al Ahrām Weekly, Al Akhbar, Al Alam Al Youm, Al Gomhorya, Al Wafd, and Benou Al Youm) that focuses on privatization topics to include the MPE, PEO, HCs and its affiliates, as well as industries and sectors, such as banks and insurance companies.
- Provided updates and revisions to RRSA’s indicators and project data for USAID Egypt’s new website.

Activities planned for the next quarter – Task Four

- Prepare and disseminate the fourth quarter privatization program report for 2003.
- Document the Privatization Program pipeline as new transactions occur.

- Update RRSA with latest privatization results for their PMP indicator.
- Implement new ideas for promoting the Privatization Program on the PIP's website to improve the usefulness to its audience and increase usage.

SUMMARY OF ACTIVITIES BY TASK

This table provides a summary of the activities by task during the fourth quarter and activities planned for the next quarter.

	4th Qtr 2003	Next Qtr
Task One: Transaction Support		
1.1 Provide specific transaction assistance including: marketing/promotional assistance, advertising, international road shows, valuation assistance, data rooms, company profiles, information memoranda, prospectus, legal and bid documents – approved in advance on a case-by-case basis up to thirty transactions.	Added El Nasr Casting for valuation assistance.	Work with PEO to identify another nine priority companies with good potential for market acceptance.
1.2 Provide general transaction support: prepare quick diagnostics, financial analyses, and sector studies on the remaining public enterprises to identify strategic privatization opportunities - at varying levels of analysis, ranging from calculation of basic financial and operational ratios to more in-depth examination of the company.	Prepared diagnostics and financial analyses in the form of fact sheets for twenty-six companies as general promotional materials.	Work with PEO to prepare diagnostics and financial analyses in form of fact sheets for twenty additional companies with reasonable potential for privatization. Update other fact sheets with FYE 2003 information. Work with PEO to establish a sustainable promotion program in cooperation with the holding companies.
1.3 Provide general transaction support: advise on, guidance, and limited training to the PEO, HCs, and JV shareholders on how to develop tenders, fact sheets, company profiles, information memoranda, data rooms, valuations, and bid documents.	Two week valuation seminar carried out for Housing, Tourism and Cinema HC.	Carry out valuation training for Trade, Metallurgy, Chemicals, Maritime, and Construction, Textiles, Food HCs.
1.4 Provide general transaction support: advisory assistance to the PEO, HCs, and JV shareholders to help them procure the services of investment promoters on a fee basis - develop guidelines before the end of 2002 for selecting and hiring investment promoters, review promotional plans, and monitor progress.	Prepared guidelines. Continued to monitor progress and assist investment promoters in negotiating terms and conditions of offers.	Review status of and provide recommendations for privatization by capitalization program as promoted by retained investment bankers.

	4th Qtr 2003	Next Qtr
1.5 Provide non-transaction-specific promotional support (marketing campaigns and road shows) that advances the general goals of the privatization program or specific sectors, especially as they support the individual activities of investment promoters working on specific transactions - also, provide a list of possible international, regional, and local investors for all cases in which an investment promoter has been retained.	Assisted PEO to promote program in Gulf states, Abu Dhabi, Dubai and Bahrain, and Egypt	Provide list of potential Gulf investors.
1.6 Provide general transaction support: monitor the strategic importance and sectoral impact of transactions, particularly the size and the role of a public enterprise to be privatized, and the impact of privatization on the sector.	<p>Provided draft paper on a Sectoral approach to privatization in the textile sector – during second quarter.</p> <p>Completed analysis of “fonds de commerce” legal structure for textile industry and promoted structure with Swiss investors.</p> <p>Cost of not privatizing study yielded impact of privatization by sector, in particular textiles, banks and insurance companies. Specific analysis was developed in the Spinning and Weaving and Cotton Ginning sectors of the textile industry.</p>	Complete sector analysis as contained in the CONP assessment.
1.7 Provide general transaction support: track/report all Law 203 and JV privatization pipeline activity as measured by the number of tenders and offers, bidders purchasing bid documents and conducting due diligence, and bids received.	On-going	Continue to monitor
Task Two: General Policy and Advisory Assistance		
2.1 Examine the legal, financial, and economic feasibility of recapitalizing companies through capital increases offered to the private sector – alternative options that consider the total value of a proposed privatization transaction, such as explicitly valuing the investment plan of bidders in lieu of strictly cash bids, should also be considered.	<p>Continued to work with PEO to implement flexibility inherent in pricing formula approved by Cabinet.</p> <p>In connection with privatization-by-capitalization program, PEO/HCs now also entertaining proposals for exsiting shares.</p> <p>Direct discussion with Textile HC relating to developing rational pricing approach for Kom Hamada</p> <p>Provided tender evaluation proposal for PEO consideration.</p>	<p>Obtain at least one offer for a company designated for privatization-by-capitalization</p> <p>Obtain PEO buy-in for proposed tender evaluation criteria.</p>
2.2 Investigate the feasibility of separating privatization decision-making authority from the operating management of the public enterprises and JVs.	Prepared a policy paper addressing fundamental legal and organizational problems that have seriously impeded progress on privatization. The paper recommends specific corrective	Complete and present the Cost of Not Privatizing assessment to the PEO and other potentially interested parties.

	4th Qtr 2003	Next Qtr
	measures, most of which will involve changes in law or regulation. The Cost of Not Privatizing study will provide additional support to the recommendations.	
2.3 Propose and advocate strategies to compensate private sector investment promoters, paying particular attention to the different ways that retainer and success fees could be financed.	In earlier quarters, provided PEO with advice and advocated methods for paying investment promoters. Investment promoters were retained using MPE funding with success fees to be paid by HCs.	Review performance of investment promoter program with PEO and recommend revisions.
2.4 Propose and advocate strategies to increase the incentives for owners of public enterprises to advocate and support privatization more strongly.	Paper completed for recommending changes in incentives for HC managements and responsibility for executing privatization plans for Law 203 companies. Completed "fonds de commerce" research.	Identify investor interests and promote the focus of privatization efforts on companies that conform to the interests, thereby creating a more market-driven privatization program. Complete educate owners, particularly Textile HC about "fonds de commerce" acquisition structure.
2.5 Determine the significance of various international or multilateral commitments or agreements (such as WTO) on the operations of specific public enterprises and privatized companies, and use this information to assist the GOE in the development of appropriate privatization strategies.	PEO decided to pursue this study on its own.	To be reviewed and amended
2.6 Facilitate discussions, conduct a study, and advise the GOE on the liquidation of selected companies, while compensating fairly the employees and resolving debts in an economically and socially responsible manner, if requested.	Virtually completed study on the costs of not privatizing. Complete "fonds de commerce" research and educate owners, particularly Textile HC.	Carry out discussions relating to and promoting the consideration fo the results of the cost of not privatizing assessment.
2.7 Work with the Central Audit Agency and other appropriate GOE authorities to achieve more flexible valuation and pricing policies, and more importantly, gaining greater acceptance of the importance of attracting investment capital and management expertise.	MPE has initiated and implemented other methods of setting reserve prices, e.g. using p/e multiples. Discussed with PEO and presented to HC personnel the notions of using value to seller as reserve valuation and relying on competitive bidding to set price. Conducted training session in valuation techniques for personnel of three HCs.	1. Assist PEO to develop realistic earnings multiple as a partial basis for reserve pricing. Sell notion that reserve pricing should be minimum market, and in fact should reflect consideration of value to the seller. 2. Conduct remaining two training sessions in valuation techniques for holding company staff.
Task Three: PR		

	4th Qtr 2003	Next Qtr
3.1 Design a public awareness and public relations plan to increase the level of political and popular support for privatization.	Completed 2002 4th quarter.	Refer to 3.4 below.
3.2 Develop plan in consultation with the PEO and delivered to the GOE before the end of 2002.	Completed	Refer to 3.4 below.
3.3 Launch program in early 2003.	Mass media campaign discontinued. Advocacy campaign initiated with research and studies for cost of not privatizing	Research continues, final paper in December 2003.
3.4 Obtain input and agreement on the basic approach of the plan from either the Minister of Public Enterprise, Ministerial Privatization Committee, or office of the Prime Minister.	Basic approach for mass media radio and television rejected by Minister of Public Enterprise.	Advocacy campaign to begin after research papers finalized and with approval by the MPE.
3.5 Conduct seminars and focus groups, and dissemination of information to targeted audiences.	Completed focus groups February 2003.	Prepare and implement the first roundtable discussions for cost of not privatizing study.
3.6 Conduct meetings/focus groups with key constituencies (GOE, labor groups, HCs, industry & sector representatives)	Conducted several interviews with Holding Companies in preparation for HC newspaper. Selected topics and drafted articles.	Continue visits and interviews to HCs; develop articles for In-Company newsletter, publish newsletter.
Task Four: Monitoring and Reporting		
4.1 Provide limited monitoring and reporting for public enterprises and privatization activities, covering primarily activities of the MPE, PEO, HCs and affiliate companies, JVs, other public enterprises, and banks and insurance companies.	Reported on HC and JV privatization activities as well as other relevant activities to include laws, transactions, economic and financial overview	Continue monitoring and reporting of privatization activities Update report format and content, as needed
4.2 Regular (at least weekly) translation and electronic dissemination of press articles.	Summarized and disseminated more than 172 newsprint articles	Continue with process to summarize and disseminate than newsprint articles
4.3 Quarterly privatization review disseminated via email and posted on a website.	Prepared and disseminated 2003 Third Quarter program report on website	Prepare and disseminate 2003 Fourth Quarter program report

BENCHMARKS

Progress towards the benchmarks has been active and significant steps have been taken to increase the probability of achieving, if not, exceeding all five, with the proviso that the public relations program benchmark is satisfied by production of privatization newsletters published for two holding companies.

Benchmarks	To be achieved Oct 1, 2002 to Mar 31, 2004	Progress during period Oct 1, 2002 to 31 Dec 2003
Policy Benchmarks		
Increased separation of privatization decision-making authority from public enterprise management. Overall, improved decision-making authority for transactions.	Provide PEO with at least 2 recommendations to improve decision making	Responsibility of selling more than 79 JV companies in which Law 203 companies have an interest of any size transferred to the MPE/PEO. Promoted the concept of pricing problem assets at adjusted book value on a case-by-case basis so long as price is at or below market; promoted public announcement of reserve price; promoted setting reserve price at value of the firm to the GOE Promoted separation of authority for privatization performance from operating management.
Increased acceptance by the GOE to use private sector investment promoters, especially to pay retainer fees.	At least three cases of investment promoters being retained by the GOE.	LE 2 million fund approved by Cabinet to support fees to retain IPs Eight investment promoters selected and retained by HCs
Increase the incentives of the owners of the public enterprises to support privatization.	Conduct an economic impact study to determine the true costs of not privatizing	Study under way and virtually completed by year-end. Embarked on discussion within government.
Political Support Benchmarks		
Broad, high-level public relations plan, designed to increase public and political support for privatization, should be developed and delivered to the GOE.	At least five meetings with political decision makers and journalist seminars	Mass media campaign discontinued; new approach recommended by MPE and initiated with two newsletters , which are in preparation.
Transaction Benchmarks		
Number and value of transactions, including the total value of cash, instalments, investment, debt resolution, and employee considerations included in the purchase agreement should increase.	Provide direct and indirect transaction support for an additional 20 companies, including distressed companies.	5 transactions closed estimated at LE 340.2 million; at least one additional transaction expected during 1 st Q 2004.
Strategic importance and sectoral impact of transactions, particularly the size and the role of the public enterprise in each particular sector, and the impact of privatization on the increasing role of private enterprises in that sector.	Activity cancelled. Review this	Analyzing data on public enterprise (Law 203 and JV) companies in 27 identified sectors

DELIVERABLES

The following deliverables were prepared and disseminated to HCs, affiliates, and the PEO.

Company Name	Document	Date	Linked Document
CONP	Cost of Not Privatising	Dec, 2003	CONP Report - Pres Handout.doc
CONP	Cost of Not Privatising	Dec, 2003	CONP Report.5.6.1.doc
CONP	Cost of Not Privatising	Dec, 2003	Cost not privatising - sector analyses.xls
CONP	Cost of Not Privatising	Dec, 2003	Costs not privatising - Law 203.doc
CONP	Cost of Not Privatising	Dec, 2003	Org impediments Decision STEPS.ppt
CONP	Cost of Not Privatising	Dec, 2003	Organization Imp - cover sheet.doc
CONP	Cost of Not Privatising	Dec, 2003	Organization Impediments to Privatization.doc
Bolivara	Info Memo	Nov, 2003	Bolivara - final2.doc
Suez Steel	Info Memo	Dec, 2003	Suez Steel(AR).doc
Alex Refractories	Kompass Fact Sheet	Oct, 2003	Alex Refractories-FS.doc
Arab Contractors	Kompass Fact Sheet	Oct, 2003	Arab Contractors-FS.doc
Narubin	Kompass Fact Sheet	Oct, 2003	Narubin-FS.doc
El Shams	Kompass Fact Sheet	Nov, 2003	El Shams-FS.doc
Misr Chemicals	Kompass Fact Sheet	Nov, 2003	Misr Chemicals (Kompass one page fact sheet).doc
Suez Steel	Kompass Fact Sheet	Nov, 2003	Suez Steel-FS.doc
Alexandria for Sodium carbonate	Kompass Fact Sheet	Dec, 2003	Alexandria for Sodium carbonate (Kompass one page fact sheet).doc
Delta Sugar	Kompass Fact Sheet	Dec, 2003	Delta Sugar-DR.doc
Egyptian Salt & Soda	Kompass Fact Sheet	Dec, 2003	Egyptian Salt & Soda.doc
Engineering Automotive Manufacturing Company	Kompass Fact Sheet	Dec, 2003	EAMC.doc
Mansoura Resins	Kompass Fact Sheet	Dec, 2003	Mansoura Resins.doc
Nile Oil & Detergents	Kompass Fact Sheet	Dec, 2003	Nile Oil & Detergents.doc
Tanta Oil & Soap	Kompass Fact Sheet	Dec, 2003	Tanta Oil & Soap.doc
PEO	Letter	Oct, 2003	PEO letter Emirates Invitation.doc
PEO	Letter	Oct, 2003	PEO letter Emirates letters.doc
PEO	Letter	Oct, 2003	PEO letter Gulf Mkt Fact sheets.doc
PEO	Letter	Dec, 2003	CONP Emails to PEO.doc

Company Name	Document	Date	Linked Document
PEO	Letter	Oct, 2003	PEO letter Hamdy Gulf Trup.doc
UAE Trip	Letter	Oct, 2003	Emirates Fahim ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Hamad ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Matar ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Mohamed ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Nahayyan ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Saeed ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Seed Gabr ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Sultan bin Naser ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Consul Gen ltr.doc
UAE Trip	Letter	Oct, 2003	Emirates Sultan ltr.doc
PEO	Letter	Nov, 2003	PEO letter Approval for Egypt Emblem.doc
PEO	Minutes of Meeting	Oct, 2003	Agenda Proposed 10-22-03.doc
PEO	Minutes of Meeting	Oct, 2003	Agenda Proposed Agenda Proposed 10-29-03.doc
PEO	Minutes of Meeting	Oct, 2003	Agenda Proposed 10-8-03.doc
PEO	Minutes of Meeting	Nov, 2003	Agenda Proposed 11-5-03.doc
PEO	Minutes of Meeting	Nov, 2003	Agenda Proposed 11-01-03.doc
PEO	Minutes of Meeting	Dec, 2003	Agenda Proposed 12-17-03.doc
PEO	Minutes of Meeting	Dec, 2003	Agenda Proposed 12-9-03.doc
Banks	Others	Dec, 2003	Big 4 Banks DataBase - Last version after Bruce Adjustments.xls
Economic Authorities	Others	Dec, 2003	Economic Authorities Data.doc
Joint Venture Banks	Others	Dec, 2003	Joint Venture Banks.doc
Newsletters for HC	Public Awareness & Investment Outreach	Dec, 2003	Mtg PEO forHCNewsletters.doc
Development of Privatization	Research	Oct, 2003	Research - Development of Privatization.doc
Electricity	Research	Oct, 2003	Research - Privatization of Electricity.doc
Privatization Impact on Employment	Research	Oct, 2003	Research - Privatization Impact on Employment.doc
Telecommunication	Research	Oct, 2003	Research - Privatization of Telecommunication.doc
Electricity	Research	Nov, 2003	The Privatization of the Electricity Distribution

Company Name	Document	Date	Linked Document
			Electricity Distribution Company.doc
Health Sector	Research	Nov, 2003	Research - Health Sector in Egypt.doc
Alexandria Refractories	Valuation	Nov, 2003	Alexandria Refractories Modified Valuation.xls
Alexandria Refractories	Valuation	Nov, 2003	Alexandria Refractories Modified Valuation Report.doc
Alexandria Refractories	Valuation	Nov, 2003	Alexandria Refractories Modified Valuation (Stabilizing Sales Price).xls
Total	58		

BUDGET PIPELINE

A separate report provides an analysis of estimated costs accrued and billed to include a breakout of the estimated level of resources allocated to Task One – Transaction Support. This report will be communicated in a separate report, available January 15, 2003.

TEAM MEMBERS AND THEIR RESPECTIVE TITLES AND TASKS

The following is a list of all employees and their relationship to active tasks during the quarter. The organizational chart provides an overview of the project's structure.

	First Name	Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Richard	Moss	COP	LT	10/1/2002	COP
Mr.	Monty	Palmer	Project oversight	ST	10/1/2002	Project Mgt
Mr.	Hisham	El Adl	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mahmoud	Soheim	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Said	Mostafa	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Sherif	Korayem	Privatization Specialist	LT	10/1/2002	Task 1
Mr.	Mohamed	Rabie	Privatization Specialist	ST	10/1/2002	Task 1
Mr.	Richard	Dangay	Privatization Specialist	ST	11/10/2002	Task 1
Mr.	Ayman	Taha	Privatization Specialist	LT	1/29/2003	Task 1
Mr.	Emad	Moursy Mohamed	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Fouad	Abdel Wahab	Privatization Specialist - Senior	LT	10/1/2002	Task 1 & 2
Ms.	Hend	Taha	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Mohamed	Ragui	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Mr.	Bruce	MacQueen	Privatization Advisor	ST	10/15/2002	Task 2
Ms.	Hoda	Howeidy	Public Awareness – Web Site and Reports	LT	10/1/2002	Task 3
Ms.	Hala	Helmy	Public Relations Specialist	ST	11/21/2002	Task 3
Ms.	Nevine	Lotfi	Privatization Specialist	LT	10/1/2002	Task 1 & 2
Ms.	Safaa	Sabry	Database Manager	LT	10/1/2002	Task 4
Ms.	Sarah	Mubarak	Intern	LT	10/1/2002	Task 4
Mr.	Ahmed	Mohamed Adam	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Yasser	Youssry Al- Sayed	Driver / Messenger	Admin	10/1/2002	Operations
Mr.	Sayed	Abdel Gawad	Driver / Supervisor	Admin	10/1/2002	Operations
Ms.	Heba Tellah	Adel Hashish *	Executive Secretary	Admin	10/1/2002	Operations
Mr.	Sherief	El-Banna	Logistics Administrator	Admin	10/1/2002	Operations
Ms.	Mona	Bittar	Executive Secretary	Admin	12/5/2003	Operations
Mr.	Mohamed	Mostafa	Network (IT) administrator	Admin	10/1/2002	Operations
Mr.	Adel	Said Ahmed	Office Assistant	Admin	10/1/2002	Operations

First Name		Last Name	Title	LT/ST/ Admin	Start date	Primarily supports
Mr.	Nader	Ahmed Aly	Office Assistant	Admin	10/1/2002	Operations
Mr.	Taha	Aboul Saoud Fahmy	Office Assistant	Admin	10/1/2002	Operations
Ms.	Wessam	El-Niazy Hammad	Project Accountant	Admin	10/1/2002	Operations
Ms.	Rasha	Reda Farid	Project Administrator	Admin	10/1/2002	Operations
Mr.	Ahmed	Rashad Mohamed	Security / Office Assistant	Admin	10/1/2002	Operations
Mr.	Tarek	Mohamed Mahmoud	Security / Office Assistant	Admin	10/1/2002	Operations
Ms.	Rebecca	Rishty	Chief Operations Officer – replace Torence Holmes	LT	4/1/2003	Task 3, 4 & Mgt
Mr.	Constantin	Abarbieritei	Privatization / IB Specialist	ST		Project Mgt
Mr.	Imam	Lotfallah	Public Relations/Economist	ST	10/15/2003	Tasks 2 & 3

* On maternity leave most of the quarter Oct 03 – Dec 03.

December 31, 2003

