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G. Bank Group Operations

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# 1. Statement of Loans and Credits

## THE STATUS OF BANK GROUP OPERATIONS IN EGYPT

### A. STATEMENT OF BANK LOANS AND IDA CREDITS

(As of October 31, 1977)

Loan/Credit Numbers	Approved FY	Borrower	Purpose	Bank	Amount in million US dollars	
					Less cancellations IDA	Undisbursed
Ln 243-UAR	60	SCA	Suez Canal Expansion	56.5	--	--
Cr 181-UAR	70	UAR	Nile Delta Drainage	--	26.0	6.9
Cr 284-UAR	72	ARE	Railways	--	30.0	1.9
Cr S-13-UAR 1/	73	ARE	Cotton Ginning Engineering	--	0.2	--
Cr 393-UAR	73	ARE	Upper Egypt Drainage	--	36.0	18.4
Cr 412-UAR	73	ARE	Development Industrial Bank 2/	--	15.0	1.7
Cr 423-UAR	74	ARE	Cotton Ginning Rehabilitation	--	18.5	5.5
Cr 437-UAR	74	ARE	Population	--	5.0	3.0
Cr S-15-UAR 3/	74	ARE	Talkha Engineering	--	0.4	--
Cr 484-UAR	74	ARE	Talkha Fertilizer	--	20.0	6.1
Cr 524-EGT	75	ARE	Ag/Ind Imports	--	35.0	1.9
Ln 1062-EGT	75	ARE	Ag/Ind Imports	35.0	--	1.4
Ln 1064-EGT	75	SCA	Suez Canal Rehabilitation	50.0	--	41.7
Ln 1085-EGT	75	ARE	Tourah Cement	40.0	--	11.1
Ln 1098-EGT	75	ER	Railways II	37.0	--	19.2
Cr 548-EGT	75	ARE	Telecommunications	--	30.0	23.2
Cr 576-EGT	76	ARE	DIB II 2/	--	25.0	18.0
Ln 1239-EGT	76	APA	Alexandria Port	45.0	--	44.9
Ln 1276-EGT 4/	76	ARE	Fruit and Vegetable Dev.	50.0	--	49.8
Cr 637-EGT	76	ARE	Upper Egypt Drainage II	--	40.0	36.3
Ln 1285-EGT	76	ARE	Upper Egypt Drainage II	10.0	--	10.0
Ln 1292-EGT	76	ARE	Textile Rehabilitation	52.0	--	51.8
Ln 1369-EGT	77	AWA	Alexandria Water Supply	56.0	--	56.0
Cr 681-EGT	77	ARE	Education	--	25.0	25.0
Cr 719-EGT 5/	77	ARE	Nile Delta Drainage II	--	27.0	27.0
Ln 1339-EGT 5/	77	ARE	Nile Delta Drainage II	27.0	--	27.0
Ln 1440-EGT 4/5/	77	ARE	Nile Delta Drainage II	12.0	--	12.0
Ln 1453-EGT 5/	77	EEA	Regional Electrification	48.0	--	48.0
Ln 1456-EGT 6/	77	ARE	Industrial Imports	70.0	--	70.0
Cr S-005-EGT 5/	77	ARE	Iron Ore Beneficiation and Engineering	2.5	--	2.5
Ln 1482-EGT 5/	78	SCA	Suez Canal Expansion	100.0	--	100.0
Totals				691.0	333.1	
Of which has been repaid				56.5	0.6	
Total now outstanding				634.5	332.5	
Amount sold			7.5			
Of which has been repaid			6.0	1.5		
Total now held by Bank and IDA 5/				633.0	332.5	720.3

### B. STATEMENT OF IFC INVESTMENTS

Year	Obligor	Type of Business	(amount in US\$ million)		
			Loan	Equity	Total
1976	Arab Ceramic Company	Ceramic Industry	4.25	.75	5.0
				(plus .635 contingency (5.635 commitment))	

- 1/ Refinanced under Credit 423-UAR  
 2/ Formerly Bank of Alexandria  
 3/ Refinanced under Credit 484-UAR  
 4/ Third Window Loan  
 5/ Not yet effective  
 6/ Declared effective November 7, 1977



## 2. IFC Operations

The Corporation's efforts in Egypt have focussed on trying to assist the Government in providing an appropriate framework for providing foreign investments in the country, advice on improving financial markets and specific projects promotion.

With respect to the first of these tasks, a close and effective dialogue has been established between IFC and the Investment Authority, both on legislation affecting foreign investment (Law 43) and the procedures used by the Authority staff in evaluating proposals. Recent amendments of Law 43 in line with the recommendations made by IFC, the Bank and other groups such as Chase Manhattan have considerably improved and clarified the situation with respect to foreign investment, removing many of the earlier hurdles.

On the financial market side, IFC has provided advice on revision of legislation and is more specifically helping the Egyptians to review the situation with respect to securities trading. The next step in this program is training here in the United States in CY78 for Egyptian staff concerned with this matter.

The Corporation, at the request of the Government has also expended considerable effort in proposals with respect to converting the Government-owned Development Industrial Bank into a joint venture DFC, although it is unlikely at this point that this joint venture will be realized due to the difficulties inherent in substantially modifying the existing Government-owned banking institution.

In terms of specific project work, IFC has approved two investments in Egypt - the first is in a wall tile and sanitary ware plant that will produce for both the Egyptian and export markets; the second is in a ready-made garment factory which will be entirely export-oriented. For the future, IFC is working on basically two types of proposals: the first concerns assisting public sector enterprises which have major projects which they want to implement as joint ventures to gain access to international technological and managerial resources and the second is smaller private sector sponsored projects (such as the garment project) where IFC's presence can help facilitate completion of satisfactory arrangements with foreign technical partners.

The most advanced project in the first category is an integrated direct reduction steel project in Alexandria, producing 400,000 tons of reinforcing bars for the construction industry. IFC is working with the Government to formulate the plans for creating this project and as a first step intends to help finance 25% of the cost of a detailed feasibility and pre-engineering study of the project. Another major project of this nature is a large agricultural project to produce sugar beet, refined sugar and a number of other crops such as rice and maize. This project is being done as a joint venture with a French firm and IFC is presently examining the feasibility of the project with the view to taking an equity and loan participation. The Corporation is also in discussions with two other agricultural projects in the citrus field that are planned to be done on a joint venture basis. IFC has also been asked to assist the Government in putting together a hotel project in Luxor with foreign investors which will complement the Bank's tourism infrastructure project in that important tourist destination.

Finally, IFC is examining a number of smaller projects in the second category (i.e. private Egyptian sponsorship) but it is too early to say which of these are likely to move forward.



### 3. Status of the Bank Lending Program

#### Project Execution

The FY77 lending program was processed close to schedule. The five main projects approved, which were the same as the program shown in the 1976 CPP, eventually totalled \$267.5 million rather than the originally planned \$256 million, due to amendments to project amounts. The total also includes an Iron Ore Beneficiation and Engineering Credit of \$2.5 million, which was approved in June. The actual lending programs for FY76 and FY77 totalled \$498.5 million, compared with the \$486 million of the relevant CPPs. In FY77, Egypt received \$52 million IDA, and \$12 million Third Window. Of the FY78 program, the Suez Canal Expansion Loan of \$100 million was approved on August 9, 1977.

There are now 23 Bank/IDA financed projects under implementation in Egypt. Disbursements in the 12 months to October 31, 1977 totalled \$81.7 million compared with \$72.8 in the twelve months to October 31, 1976. This reflects roughly constant performance allowing for the greater amounts effective and undisbursed in 1977 on the one hand, and for the fact that the bulk of the imports loan was disbursed in 1976. By and large the disbursement picture is reasonable: Egypt is close to the average for the Bank's borrowers. Delays in disbursement have a variety of causes but mainly reflect delays in implementation, rather than the actual processes of disbursement--although the recent Controller's Department mission did disclose and solve some problems in submission of applications, etc. Analysis of project supervision reports indicates that during 1977 implementation problems have marginally worsened (70 percent of project showing moderate or serious problems compared with less than 60 percent a year ago) although there is only one "problem project", i.e., the Railways. Implementation has been hindered especially by institutional problems (particularly the drainage and railway projects), and by the pressures on the construction and civil works sector. These questions are discussed further in Sections E and F.

Shortage of local funds for Bank-financed projects was much less of a problem in FY77 than in previous years and has not been a problem in FY78. In response to our frequent prompting, the Government in February 1977 confirmed its policy that urgent priority would be given to local financing for projects financed by the Bank and other foreign donors under concessionary terms. Additionally, the Government agreed during negotiations for the Second Nile Delta Drainage and the Regional Electrification Projects, to establish special funds for local currency needed. Such special funds will, the Government has agreed, be included in future projects where appropriate.

Delayed effectiveness continues to be a problem in Egypt. It takes on the average about 5 months to declare a loan/credit effective. The delays are largely due to the time taken by the People's Assembly to review agreements prior to ratification. We continue to discuss with the Government

ways of alleviating this problem although it must be recognized that legislative bodies do not lightly give up prerogatives such as the right to scrutinize agreements with international organizations. Of the 6 loans/credits that were to become effective since about July 1977, two were declared effective on time, one was declared effective 6 weeks after the original target date and for the remaining three the effectiveness deadlines were postponed by two months. They are not yet effective. One of these had to be postponed for a second time.

Project Preparation has proceeded more quickly and effectively in the past year, especially in the tourism, urban, telecommunications and textile projects. The continuing industrial sector studies have now indicated a number of priority areas for industrial projects (e.g., textile, cement, construction steel, bricks, paper), sector work has also led to development of proposed projects in tourism, urban development, education and water supply. Ongoing or soon-to-be started Bank supported sector studies in industry, power, transport and water supply will provide a sound base for Bank Group and other donor operations, as well as make an important contribution to Government sector planning. However, shortage of prepared projects are likely to be a major problem as donor preference shifts toward project financing.

#### Tariff Increases

Reflecting Egypt's overall problem with the reintroduction of prices as a measure of real costs and scarcities, we have encountered and continue to encounter difficulties with tariff adjustments for the railways and telecommunications projects. Progress has been made in adjusting water tariffs in Alexandria. A regional study of cost recovery for drainage projects is progressing very slowly.

#### Payments

Egypt's record in making service payments has improved considerably. In FY76 late payments on 9 loans/credits were reported to the Senior Vice President 20 times and to the Board 3 times. In FY77 there were no such reports to the Board, late payments on 5 loans were reported to the Senior Vice President 9 times.

#### Status Report

To facilitate actions to be taken by the Bank, the Government and the borrowers, we prepare regularly a comprehensive status report on all projects under implementation and for projects under preparation. The most recent version of this report providing detailed information which reflects the status as of December 30, is attached.



IBRD/IDA OPERATIONS  
IN THE  
ARAB REPUBLIC OF EGYPT

STATUS REPORT  
OF  
ONGOING AND PROPOSED PROJECTS

DECEMBER 30, 1977

EUROPE, MIDDLE EAST AND NORTH AFRICA REGION  
COUNTRY PROGRAMS DIVISION 1A

\* Projects to be visited (pp. 13 +14).

I. PROJECTS UNDER IMPLEMENTATION

A. Statements of Loans/Credits with Undisbursed Balances

As of November 30, 1977

Project	Number	Date Signed	Effectiveness Date Original	Date Actual	Est. Orig. Proj. Cost (\$ m)	Amount (\$ m) <sup>1/</sup>	Undisbursed Balance (\$ m)
Nile Delta Drainage I	Cr 181	04/17/70	07/14/70	12/22/70	147.0	26.0	6.6
Railways I	Cr 284	02/09/72	05/10/72	07/17/72	134.0	30.0	1.9
Upper Egypt Drainage I	Cr 393	06/08/73	09/06/73	11/28/73	123.8	36.0	18.4
Development Industrial Bank I	Cr 412	06/29/73	10/29/73	11/29/73	15.0	15.0	1.7
Cotton Ginning Rehabilitation	Cr 423	07/30/73	11/30/73	02/15/74	40.4	18.5	5.1
Population	Cr 437	11/06/73	04/06/74	03/25/74	10.5	5.0	3.1
Talkha II Fertilizer	Cr 484	06/24/74	10/23/74	01/22/75	132.0	20.0	5.8
Agricultural/Industrial Imports I	Cr 524 Ln 1062	12/20/74	03/20/75	03/19/75	542.0 <sup>2/</sup>	35.0 35.0	2.0 1.4
Suez Canal Rehabilitation	Ln 1064	12/20/74	03/24/75	04/21/75	288.0	50.0	31.6
Tourah Cement	Ln 1085	02/10/75	06/10/75	06/09/75	87.5	40.0	13.9
Railways II	Ln 1098	04/02/75	07/31/75	08/20/75	299.0	37.0	21.0
Telecommunications	Cr 548	05/16/75	08/14/75	08/14/75	173.4	30.0	22.3
Development Industrial Bank II	Cr 576	07/29/75	10/28/75	02/19/76	25.0	25.0	17.2
Port of Alexandria	Ln 1239	04/19/76	08/17/76	08/30/76	151.0	45.0	44.9
Fruit and Vegetable Development	Ln 1276-T	06/11/76	09/10/76	12/20/76	108.0	50.0	49.8
Upper Egypt Drainage II	Cr 637 Ln 1285	06/11/76	12/10/76	01/31/77	282.0	40.0 10.0	36.4 10.0
Textiles Rehabilitation	Ln 1292	09/20/76	12/20/76	02/16/77	140.5	52.0	51.8
Alexandria Water Supply	Ln 1369	03/07/77	07/06/77	07/06/77	121.7	56.0	55.9
Education I	Cr 681	03/07/77	07/05/77	08/19/77	53.0	25.0	25.0
Industrial Imports	Ln 1456	07/15/77	11/15/77	11/07/77		70.0	70.0
<u>Projects signed but not yet Effective</u>							
Nile Delta Drainage II	Ln 1439 Ln 1440-T Cr 719	07/15/77	11/15/77	01/16/78	210.0	27.0 12.0 27.0	27.0 12.0 27.0
Regional Electrification	Ln 1453	07/15/77	11/15/77	01/16/78	70.6	48.0	48.0
Iron Ore Beneficiation and Engineering	Ln S-5	07/15/77	10/18/77	12/19/77	3.0	2.5	2.5
Suez Canal Expansion	Ln 1482	09/28/77	01/26/78		1002.9	100.0	100.0
Water Supply Engineering	Cr S-20	12/29/77	05/02/78		2.3	2.0	2.0

<sup>1/</sup> Net of cancellations.

<sup>2/</sup> Estimated foreign exchange cost.



I. B. STATUS REPORT ON PROJECTS UNDER IMPLEMENTATION

NILE DELTA DRAINAGE I

(Credit 181, \$26 million)

Project Description: (a) Construction of 11 drainage pumping stations and connection to power supply; remodelling of 1,700 km of open drains; (c) installation of field tile drains in 950,000 feddans, including construction of three tile factories; (d) acquisition of workshop equipment; (e) acquisition of tile drains maintenance equipment; (f) acquisition of vehicles, office and training equipment.

Status: Construction of pumping stations and remodelling or excavation of open main drains are proceeding substantially according to the revised schedule. However, field drainage installation is falling behind schedule. Shortage of cement and scarcity of labor are the main reasons given by the Egyptian Public Authority for Drainage Projects (EPADP) for the poor performance in field drainage installation of this year. To these should be added poor management and lack of interest on the part of contractors for greater achievements. A major problem had in the past been the shortage of local funds for drainage works. In 1977 the allocation to EPADP was less than it had requested but sufficient for the reduced achievement of the year. A special fund is to be established for local currency payments for all drainage projects.

ACTIONS REQUIRED:

1. EPADP should improve field drainage performance and fulfil its obligations to the Bank (evaluation of drainage works, establishment of cost accounting systems, carrying out the study on farmers ability to pay for drainage works.
2. Maintenance of open main drains and field drains is poor and arrangements to carry it out need to be improved.
3. Coordination is needed between Ministries of Irrigation and Agriculture for obtaining farmers collaboration in field drainage maintenance, for reclaiming saline/alkaline soils in the project area and for evaluating drainage effect on crop yields and soil properties.

RAILWAYS I  
RAILWAYS II

(Credit 284-UAR, \$30 million;  
Loan 1098-EGT, \$37 million)

Project Description: The projects support the railways rehabilitation program through 1977 and include improved signalling and telecommunications, relaying track and replacement of traction and rolling stock, modernization of marshalling yards and workshops, spare parts, training and consultant services.

Status: Investment in mobile assets is satisfactory but progress on fixed installations, notably telephones, track renewal and workshops is slow. The provision of adequate communications can have a significant impact on operations and the work which has been dragging on for years needs to be completed as soon as possible. The railway operating situation is extremely serious with over 200 locomotives (of a fleet of 550 locomotives) out of commission; this has reduced rail freight traffic daily from about 60 scheduled trains to only 20 operating trains. About 70% of the spare parts ordered for a total of about US\$15 million will be delivered before the end of 1977. The 30 recently imported locomotives from West Germany and Canada are now in service. The order of 15 additional locomotives from the same supplier in West Germany will be delivered by the end of this year. ER asked approval by the Bank to purchase another 35 locomotives from West Germany. These locomotives were originally programmed for 1978/80 and will be temporarily used on the Bahariya Iron Ore Line until new locomotives ordered by the Ministry of Industry are delivered. All 80 2000/2400 HP locomotives are not financed by the Bank. The 32 1000/1650 HP locomotives for suburban traffic, financed by the Saudi Fund, are being delivered. A short-term consultant study on maintenance of rolling stock gives many recommendations for improving the situation. ER accepted an offer made by the UK Government to finance the long-term maintenance study with grant aid and a team of the consulting firm Transmark arrived in Egypt. Tariff increases are substantially overdue, no increase having been made in passenger fares since 1967 and in freight fares since 1957. The status of the project was reviewed with ER and the Ministry of Transport during supervision missions in April, July and November 1977 with emphasis on the locomotive problems, the need for tariff increases and reduction of staff. Letters were sent at the end of June to ER and to the former Minister of Transport on the findings of the mission. The tariff issue was raised with the Egyptian Delegation to the Annual Meeting and Government was requested to review the recommendations of the Bank letters as a matter of urgency.

ACTIONS REQUIRED:

1. Tariff increases should be introduced to improve the financial position of ER and to make progress towards the targets in the relevant loan covenants.
2. A major effort is needed on the part of ER to improve maintenance of locomotives.
3. Government and ER to reply to Bank's June letters.



UPPER EGYPT DRAINAGE I

(Credit 393, \$36 million)

Project Description: (a) Installation of tile drains in 300,000 feddans of Upper Egypt, remodelling and construction of open main and branch drains, construction of five pumping stations and amelioration of 22,400 feddans of saline land. (b) Support for a bilharzia control program in 900,000 feddans of Upper Egypt.

See Status and ACTIONS REQUIRED Nile Delta Drainage I on page 2.

DEVELOPMENT INDUSTRIAL BANK I (DIB)  
DIB II

(Credit 412, \$15 million)

(Credit 576, \$25 million)

Project Description: Provision of foreign currency through BOA's development finance activities for long-term lending for industrial projects. Funds are also provided for staff training and for office equipment.

Status: DIB I--Funds are entirely committed. DIB II: Subproject submissions were slow to start with -- during most of 1976 -- because the efforts of the management of BOA's term-lending department were concentrated on the establishment of the Development Industrial Bank (DIB). Subproject submissions accelerated towards the end of 1976 and about \$22.8 million or 91 percent of the credit was committed by December 1977. Several projects are ready for submission and we expect IDA funds to be fully committed by end-1977 or early 1978. The transfer to DIB was declared effective on March 28, 1977.

ACTIONS REQUIRED:

(See DIB III; projects under consideration.)

COTTON GINNING REHABILITATION

(Credit 423, \$18.3 million)

Project Description: The project comprises Phase I of a three-phase program for modernizing Egypt's cotton ginning industry and includes (a) constructing and equipping four new ginneries, (b) rehabilitation of ten existing ginneries, (c) technical assistance, and (d) a program for retraining of workers likely to be displaced by project.

Status: (a) The scaled-down project (four new plus one rehabilitated ginneries) to be financed from IDA credit is making slow progress mainly due to slow civil works. Completion is now not expected before March 1979, more than two years behind schedule. The implementation of the remainder of project (nine rehabilitated ginneries) to be financed from a loan of the Saudi Fund has been delayed to late 1979/early 1980 because this loan became effective only in July 1976. But in the light of progress of civil engineering to date, even these targets may not be realistic anymore. (b) Revised cost estimates indicate that IDA credit and Saudi Fund loan are adequate to cover foreign costs. However, substantial cost increases in local costs (from \$22.8 million estimated in July 1975 to \$95 million estimated in February 1977) require additional budgetary allocations during coming years. (c) Performance of local specialists who prepare detailed design works for new ginneries has improved and they are scheduled to complete their work in January 1978. The new engineers who have been employed to carry out design work for the rehabilitated ginneries are making good progress. (d) Substantial delays in project implementation are caused by poor performance of civil contractors particularly El Kahira. As a consequence this firm was replaced by Misr Concrete on the Shirbin Site. However it continues to work at Basud and Beni Suef. (e) Government is taking no action to implement retraining program since it claims that workers displaced by project have found new employment elsewhere and therefore have no need for retraining. Government suggested that training funds be reallocated to other project categories. IDA informed Government that funds for retraining program should either be cancelled or decision on utilization of funds should be deferred until project has progressed further. (f) Because of abolition in early 1976 of Egyptian Cotton General Organization (ECGO) which was IDA's contracting partner under project agreement, the latter will have to be amended. Government has been informed that new legislation which provides for Project Implementation Unit (PIU) becoming legal successor to ECGO is acceptable to IDA. By presidential decree of 1977 the PIU was upgraded to status of General Authority for Rehabilitation of Ginneries (GARG).

ACTIONS REQUIRED:

1. Government to help improve progress in civil works by (i) maintaining pressure on civil works contractor (El Kahira) to proceed with construction of operational buildings at Basud, (ii) getting agreement of Ministry of Housing to replace El Kahira by Misr Concrete to complete Shirbin site and by SPECO to complete Beni Suef site.
2. IDA has to prepare letter setting forth necessary changes in legal documents resulting from GARG's replacement of ECGO.



POPULATION I

(Credit 437, \$5 million)

Project Description: Support for Egypt's health services and family planning program through (a) construction of general health centers, polyclinics and a training center, and (b) carrying out an experimental family planning home visiting program, together with studies of acceptor characteristics.

Status: The project has been greatly delayed by a shortage of local currency and by administrative problems. It is now being carried out with a reduced scope but substantially in accordance with the revised schedule. Eight health centers have been completed and equipped; the remaining health center, 4 polyclinics, and one training centre are expected to be ready by April 1978. Procurement of vehicles and equipment proceeds slowly. Problems: (a) The Project Unit is slow in submitting regular reports, disbursement requests, bid evaluations and draft documents for IDA review, and often does not follow Bank procurement requirements. (b) The Project Unit is still inadequately staffed.

ACTIONS REQUIRED:

1. The Project Unit should make an effort to remit required reports and disbursement requests, etc., more quickly than hitherto.
2. Competent staff must be appointed to the Project Unit to handle accounting and financing matters.
3. Reports on part (b) of the project are awaited.
4. Staffing of the project facilities was delayed by the anti-cholera campaign. Action must be taken to make them operational.

TALKHA II FERTILIZER

(Credit 484, \$20 million)

Project Description: Expansion of existing fertilizer production facilities of El Nasr Co. for Fertilizers and Chemical Industries (SEMADCO) at Talkha to increase urea capacity, design and install ammonia plant and polyethylene bag-making unit and related technical assistance.

Status: Procurement has been completed except for some small items. In May 1977 SEMADCO together with the engineering contractor estimated the new mechanical completion date as August 31, 1978, or ten months later than estimated at appraisal time. Latest progress reports, however, indicate further slippage caused by shortage of skilled labor and delays in the completion of civil works drawings by local consultants.

ACTIONS REQUIRED:

A supervision mission should visit Egypt early next year.

AGRICULTURAL AND INDUSTRIAL IMPORTS I

(Credit 524, \$35 million;  
Loan 1062, \$35 million)

Project Description: To help finance imports of raw materials, intermediate goods and equipment to help improve capacity utilization in industry and agriculture, and for the Port of Alexandria. Also to carry out studies of the different subsectors of Egyptian industry, to help identify development strategies and priorities.

Status: Disbursements were initially slow but are now substantially in line with the revised schedule. Funds had been substantially committed for all components by March 31, 1977. Disbursements are expected to be completed by December 31, 1977.

ACTIONS REQUIRED:

Central Bank must ensure that contracts and disbursement requests, etc., are forwarded more quickly to Bank headquarters.

SUEZ CANAL REHABILITATION

(Loan 1064, \$50 million)

Project Description: Financing part of the foreign exchange needs of the Suez Canal Authority (SCA) in reopening and reequipping the Canal to restore traffic to the 1967 level, including studies for expansion of the Canal.

Status: The project has been implemented broadly in accordance with the original schedule. Procurement under the Bank loan is progressing satisfactorily.

ACTIONS REQUIRED:

1. SCA has not supplied periodic reports required under the loan agreement.
2. A request for reallocation of loan proceeds needs to be submitted.



TOURAH CEMENT

(Loan 1085, \$40 million)

Project Description: Design, construction and commissioning of facilities for expansion of Tourah Cement Company's (TCC) plant, adaption and modernization of existing facilities and related technical assistance.

Status: Procurement of machinery and equipment to over 90% complete and most items already on site awaiting erection. Erection contract signed with General Contractor who was to start work during November 1977. Civil works contracted to Arab Contractors (OSMAN) delayed due to late start and inadequate rate of construction. These delays will delay the overall project by between 1-1/2 to 2 years provided rate of construction is improved immediately.

ACTIONS REQUIRED:

The October 1977 supervision mission alerted Ministry of Housing, Arab Contractors and Tourah to engage in an updated construction schedule immediately to which the Contractor must adhere. A letter to the Tourah Cement Company with copies to various Ministries concerned, dated November 16, 1977, further elaborates on this point.

RAILWAYS II

(Loan 1098, \$37 million)

See Railways I and II, page 3.

TELECOMMUNICATIONS I

(Credit 548, \$30 million)

Project Description: Support for the first phase of the Arab Republic of Egypt's Telecommunications Organization's (ARETO) program for modernization, rehabilitation and expansion of Egypt's internal and external telecommunications facilities. Cofinanced by the Saudi Fund and by suppliers' credits, the IDA credit was originally to be used for cables, cable equipment and telex equipment.

Status: US\$17 million of IDA credit has been committed under contracts for cables and cable equipment. Tenders for electronic telex exchanges have been invited and received but ARETO cancelled the tender and proposed to defer procurement of these exchanges to the Telecommunications II Project. Government and ARETO requested and the Bank agreed in principle to use the remaining credit funds for the purchase of additional cables. ARETO expects to commit balance of IDA credit in early 1978. No contracts have been awarded under Saudi Fund loan of US\$23 million but ARETO expects to award contracts for telephone exchanges and coaxial cable systems in Suez Canal Zone shortly. Physical installations are about two years behind schedule. ARETO appointed three vice chairmen on June 27 and endorsed tariff increases for Government approval.

ACTIONS REQUIRED:

1. ARETO should expedite procurement under both IDA credit and Saudi Fund loan.
2. Progress on physical installations needs to be considerably improved.

BANK OF ALEXANDRIA II

(Credit 576, \$25 million)

See Bank of Alexandria I and II, page 4.



PORT OF ALEXANDRIA

(Loan 1239, \$45 million)

Project Description: Rehabilitation of the port, including dredging, opening a new entrance channel, construction of deep water berths, construction of storage, paving working areas, procurement of tugs, cargo handling, traffic control, and workshop equipment, and other floating and shore equipment, conducting management studies and other technical assistance. The project is financed by IBRD, USAID, OECF of Japan, and the Alexandria Port Authority (APA).

Status: Project implementation was initially slow but now enters an action phase. The Engineering Consultants have completed the design of the main civil works and tenders are to be issued shortly. Procurement action on some of the Bank financed equipment has commenced. USAID's Consultant (F.R. Harris) took up work in November 1977. Procurement of the OECF financed items is well advanced.

ACTIONS REQUIRED:

1. APA to submit selection of management consultants for Bank comment. Proposals for the studies were submitted by an agreed shortlist of firms and are under review by APA.
2. APA to strengthen its project unit to enable it to cope effectively with the upcoming large amount of civil works.

FRUIT AND VEGETABLE DEVELOPMENT I

(Loan 1276-T; \$50 million)

Project Description: (a) Construction of Nubariya Main Drainage Outfall; (b) assistance to Vegetable Research Institute and Seed Certification Unit of Ministry of Agriculture; (c) loan to Bank Misr for onlending to: Nubariya Seed Production Corporation (NSPC) to establish a vegetable seed farm, and to Nile Company, El Wadi Company, Union of Producers and Exporters of Horticultural Crops, Potato Growers' Cooperative, and other borrowers to be identified for agroindustrial subprojects, including packing and storage facilities; (d) technical assistance to Bank Misr to identify further projects.

Status: Consultants have started work on design of Nubariya Drain, and procurement on other matters is underway. Consultant now working with Bank Misr ADLD. There are delays in some Bank Misr sub-loan agreements, and Bank Misr has not yet identified additional subprojects to utilize unallocated funds. All components are subject to considerable delay. The delays under this project have now become a subject of concern.

ACTIONS REQUIRED:

Bank Misr should make a major effort to overcome its differences with identified sub-borrowers, and to speed implementation. To expedite preparation of further subloan applications Bank Misr should arrange for its consultant to give priority to identifying and appraising sub-projects and to train ADLD staff.

UPPER EGYPT DRAINAGE II

(Credit 637, \$40 million;  
Loan 1285, \$10 million)

Project Description: (a) Installation of tile drains in 500,000 feddans of Upper Egypt, remodelling and construction of branch and main drains, construction of a pumping station, amelioration of 12,000 feddans of saline land. (b) Support for the bilharzia program under Upper Egypt Drainage I and extension to an additional 120,000 feddans.

See Status and ACTIONS REQUIRED for Nile Delta Drainage I on page 2.

TEXTILES REHABILITATION I

(Loan 1292, \$52 million)

Project Description: Expansion and rehabilitation of Kafr El Dawar Fine Spinning and Weaving Company's (KED) spinning and weaving and Misr El Beida Dyers' (EB) dyeing and finishing capacity and related technical assistance.

Status: The project is proceeding with a four-month delay caused by a later and slower than anticipated start of the civil work. The project is now estimated to cost about US\$11 million equivalent (all in local currency) more than appraised, due mostly to increased scope of civil works; no difficulties are foreseen in financing this. Early management problems have now been overcome and both companies have developed effective Project Implementation Units. Disbursements are slower than anticipated reflecting delays in procurement.

ACTIONS REQUIRED:

There are two violations of legal covenant: (i) the financial statements received were not audited, and (ii) the current ratio for El Beida is still below 1.5:1. The Bank is preparing a letter to inform the Government and the two companies on these and other matters.



ALEXANDRIA WATER SUPPLY

(Loan 1369, \$56 million)

Project Description: Expansion by additional 350,000 m<sup>3</sup>/day and rehabilitation of existing water treatment capacity in Alexandria to (a) help meet future water demand, (b) improve water quality, (c) strengthen distribution system, (d) provide reliable water meters for improved billing and reduce unaccounted-for water, and (e) provide related technical assistance.

Status: The tariff increase required under the project is now in effect and has been reflected on the water bills beginning August 1, 1977. Consultants for the final design of the project and the procurement of goods and services have started work. In designing the project the consultants will review and take into account the results of a USAID financed interim Water Master Plan presented in September 1977.

ACTIONS REQUIRED:

The Bank has informed the Government and AWA by letter of October 13, 1977 about the findings of the most recent supervision mission. The particular areas brought to their attention were: unpaid Government bills, maintenance and replacements of water meters, submission of first quarterly progress report, appointment of Management Consultants arrangements for compensation of AWA's operating the desert pipeline to MERSA MATRU and conversion of Government loans to AWA to equity. The Bank is presently expecting a reply on the above issues.

EDUCATION I

(Credit 681, \$25 million)

Project Description: The project will provide financing for furniture, equipment and technical assistance to help (a) expand, diversify and upgrade the training of technicians and skilled workers; (b) introduce comprehensive preparatory and secondary schooling, on a pilot basis, to provide more instruction in practical courses; (c) increase and upgrade the training of primary school teachers, technical teachers and workshop instructors, and (d) improve educational and manpower planning.

Status: Credit was approved by Board on February 22, 1977, signed on March 7, 1977 and became effective on August 19, 1977. Project implementation units created and fully staffed in each ministry concerned. Over 90% of the equipment and/or furniture requirements of the various Ministries are being bid. Technical problems have been encountered with the two technical institutes under the Ministry of Higher Education which now need to be redesigned resulting in a two-year delay. Technical assistance contracts in part have already been negotiated and all are expected to be finalized shortly.

ACTIONS REQUIRED:

1. Executing ministries to complete evaluation of equipment tenders.
2. Government should promptly finalize the technical assistance contracts.
3. Technical Institutes in Alexandria and Benha should be redesigned as soon as possible.

NILE DELTA DRAINAGE II \*

(Ln. 1439-EGT,  
Ln. 1440-T-EGT,  
Cr. 719-EGT, \$66 million)

Project Description: Construction of new and replacement of old pumping stations, remodelling of open drains covering 800,000 feddans, and installation of tile drainage on area of about 400,000 feddans. Extension of Bilharzia control program in Upper Egypt and support for UNDP Master Plan for Water Resources.

See Status and ACTIONS REQUIRED Nile Delta Drainage I on page 2.



REGIONAL ELECTRIFICATION I

(Ln. 1453-EGT, \$48 million)

Project Description: Distribution and transmission facilities for 19 rural zones and 13 urban centers; extension of Phase II of UNDP-financed Power Sector Survey; electricity tariff study; review of safety practices; and training.

Status: Loan was approved by Bank's Executive Directors on June 9, and signed on July 15, 1977. Rural Electrification Authority (REA) signed contract with consultants for engineering preparation of project facilities in late June. Egyptian Electricity Authority (EEA) has concluded contracts with consultants for the extension of the sector survey and for the tariff study.

ACTIONS REQUIRED:

Government, EEA, and REA to meet loan effectiveness conditions by January 16, 1978. Outstanding conditions are the setting up of a special fund, ratification of loan documents and provision of legal opinion.

INDUSTRIAL IMPORTS

(Ln. 1456, \$70 million)

Project Description: Financing for imports of raw materials, intermediate goods, spare parts and equipment to overcome production bottlenecks in industry.

Status: Loan signed July 15, 1977. Was declared effective November 7, 1977.

ACTIONS REQUIRED:

1. Ministry of Industry to inform eligible industrial sectors of finance available under the technical assistance component.
2. Supreme councils to decide on the allocation of these funds.
3. Terms of Reference of experts will be reviewed by the Bank before contracts are signed.

STEEL (IRON ORE BENEFICIATION AND ENGINEERING)

(Ln. S-5, \$2.5 million)

Project Description:

1. Determination of feasibility to beneficiate Bahariya iron ore to produce an improved feed for the ironmaking operations at Helwan steel plant (HADISOLB).
2. Diagnostic study to help modernize and rehabilitate HADISOLB's existing plant and equipment including related infrastructure, and provide operating and management assistance to enable HADISOLB to satisfy the market requirements and run at its design capacity.
3. Initiation of detailed engineering work, including preparation of tender documents for iron ore beneficiation study.

Status: Consultants to prepare both iron ore beneficiation and diagnostic studies have been appointed and are working. Bank loan to finance these studies as well as detailed engineering approved on June 14 and signed July 15. Effectiveness date postponed twice.

ACTIONS REQUIRED:

1. Conditions of effectiveness to be fulfilled by February 20, 1978, the new date of effectiveness.



SUEZ CANAL EXPANSION I \*

(Ln. 1482, \$100 million)

Project Description: Widening and deepening Canal to allow passage of ships up to 16.1 m draft (53 feet), that is, all existing general cargo and bulk carriers and tankers up to about 150,000 tons dead weight laden and 350,000 tons in ballast. The project would include: dredging about 550 million cubic meters, dry excavation and shore revetments; mooring stations; bypass and breakwater at Port Said; tugs, traffic control and other equipment; technical assistance. Total project cost would be about \$1,003 million (measured at the parallel market exchange rate), including foreign exchange of about \$676 million.

Status: The Bank loan of \$100 million was approved on August 9, 1977. Dredging is underway by a Japanese company (PentaOcean) financed by the Overseas Economic Cooperation Fund (Japan). The Suez Canal Authority is carrying out dry excavation and revetment using its own forces. It is expected that the Government and SCA will obtain from other sources the loans required to finance the foreign exchange costs of the project.

ACTIONS REQUIRED:

1. Before effectiveness SCA must:
  - (a) Employ consultants to advise on its financial, economic and traffic planning office; and
  - (b) Sign loan agreements with Arab and Kuwait Funds and Islamic Development Bank. Agreement with Japan initial-  
led November, and those with Saudi and Abu Dhabi Funds signed.
2. By December 31, 1977, the traffic planning office must be fully established. Due to delays in appointing consultants, the date cannot now be met.
3. By March 31, 1978, the cofinancing agreements must have become effective. This date is also unlikely to be met because of delays in signings.

WATER SUPPLY ENGINEERING PROJECT

(Cr. S-20, \$2 million)

Project Description: Preparation of second water supply project including organizational changes of sector.

Status: Executive Directors of IDA approved credit on December 6, 1977; credit was signed December 29, 1977.

ACTIONS REQUIRED:

1. Selection and appointment of consultants.

II.B STATUS REPORT ON PROJECTS UNDER CONSIDERATION

DFC III

Project Description: Provision of foreign exchange to Development Industrial Bank (DIB) to support industrial projects primarily in the private sector. Projects will include Small Scale Industries (SSI) component (financing and technical assistance), and will be cofinanced with OPEC Special Fund (OSF).

Status: Appraisal mission returned to the Bank early-August and is preparing its report. Its findings were communicated to Government and DIB on September 23, 1977; major areas requiring attention: (i) strengthening of DIB's management and staff; (ii) joint administration of Bank and OSF loans.

ACTIONS REQUIRED:

1. Strengthening of DIB's Board of Directors, management and staff.
2. Search for a suitable senior management advisor and technical advisor for DIB.
3. Finalizing the administrative arrangements in regard to OSF cofinancing.

TEXTILES II

Project Description: Expansion and rehabilitation of National Spinning and Weaving Company, Alexandria.

Status: Appraisal mission returned to the Bank in October and is preparing its report. Its findings were communicated to the Government on December 8. Major issues in December 8 letter and requiring attention: (i) Government's views as to how it plans to resolve sector issues affecting textile industry, i.e. pricing policy, employment and wage policy, training requirements. During loan negotiations Bank would like to reach agreement with Government that these areas be looked into and that specific proposals and action programs be worked out; (ii) review and analysis of functions, responsibilities, coordination and procedures of three primary agencies (General Organization for Industrialization, Consolidation Fund, Higher Council for Textiles, including its Secretariat) concerned with textile industry; (iii) establishment of task force consisting of representatives of Ministries of Industry, Education and Manpower and Textile Secretariat to (a) review textile sector's manpower needs and (b) prepare specific training and retraining program; (iv) export promotion scheme for textile sector and (v) establishment of compensation package which will enable National to attract qualified managers and skilled workers.

ACTION REQUIRED:

Government response to December 8 letter.



MINUFIYA AND SOHAG AGRICULTURAL DEVELOPMENT

Project Description: In two pilot governorates, Minufiya and Sohag, financing, through the new agricultural development bank, purchase of agricultural machinery and irrigation pumps to replace draught animals and so to increase meat and dairy production; construction of agricultural storage facilities and machinery maintenance workshops; support for the agricultural extension services; technical assistance to the agricultural development bank and to the cooperatives; a study of appropriate mechanization policies.

Status: Following preparation report prepared with assistance from the FAO/IBRD Cooperative Program, appraisal mission visited Egypt September-October 1977. A financial study of the agricultural credit bank is being carried out by an Egyptian accounting firm.

ACTIONS REQUIRED:

1. The agricultural development bank will need strengthening to act as a channel for project funds (Ministry of Agriculture, Ministry of Finance).
2. Proposed mechanization must be justified in the light of current employment problems in Egypt. Appraisal mission is currently giving priority to this issue (which is crucial to the justification and feasibility of the whole project) in order to firm up its findings in this respect.
3. The Government needs to reach a decision on the function and organization of the agricultural cooperatives. The Bank would be prepared to finance provision of technical assistance for this purpose. An urgent decision is needed by the Ministry of Agriculture to appoint appropriate consultants, so that work can start early in 1978.
4. Bank to review findings of appraisal mission and of the financial study of the credit bank and communicate them to Government.

IRON ORE BENEFICIATION PROJECT

Project Description: Construction of iron ore beneficiation plant and associated facilities, including improvement of transport facilities, of the Egyptian Iron and Steel Company's (HADISOLB) existing installations.

Status: Iron Ore beneficiation and engineering loan approved by Executive Directors on June 14, 1977 and signed on July 15, 1977 to help finance study determining feasibility of beneficiating Bahariya iron ore.

ACTIONS REQUIRED:

Preparation of feasibility study under above loan.

URBAN DEVELOPMENT

Project Description: Provision of sites and services in Alexandria and Assiut and slum upgrading in Cairo, combined with community services and employment-generating activities designed to serve lowest income groups.

Status: Project identification mission visited Egypt January 30 to February 17, 1977. Ministry of Housing and Reconstruction (MOHAR) has assembled local project preparation unit (PPU) and has appointed foreign consultants to support this team. The Association, on April 7, 1977 agreed to provide up to \$350,000 out of the project preparation facility to finance the foreign exchange costs of the consultants. At end of July consultants produced draft interim preparation report. Bank project preparation review missions which visited Egypt from July 25 to August 12 and again in September/October, reviewed and discussed interim reports, and agreed with MOHAR and consultants on future steps, including changes in consultants and PPU staffing. A further mission visited Egypt from November 27 to December 19 and has substantially appraised the project. Some outstanding data necessary to complete the draft appraisal report is now being prepared by the Government and is expected in Washington by the end of January.

ACTIONS REQUIRED:

Completion by the Government of project preparation of outstanding data required to complete appraisal.



SECOND POPULATION PROJECT

Project Description: Support for the Government's family planning program by financing improvement in the delivery of MCH/FP services through improved supervision, expanded training and limited extension of facilities; a pilot community incentive program; an expanded community outreach program drawing on experience of the first project. It is probable that the project will have an IEC element and will include provision of communication equipment and transport.

Status: A mission visited Egypt in October to assess information available and obtainable to justify the components proposed by the Government in its preparation report of July 15, 1977. The Ministry of Health has promised a revised preparation report by early January.

ACTION REQUIRED:

1. This project must be more broadbased than the first, and be directly linked to a strong and properly coordinated national family planning program. Therefore, although the Ministry of Health (MOH) will continue to take the lead in preparing and administering the project, it is essential for other ministries and agencies concerned with population matters in addition to the MOH to be involved in the preparation of the project.
2. The MOH needs to strengthen its department for family planning. Strong counterpart staff need to be appointed if the project is to proceed.
3. Hypotheses to test and outlines for the pilot community incentive program need to be developed; and
4. The IEC element still needs to be designed.
5. Appraisal may take place in February if the revised preparation report contains appropriate information.

## TELECOMMUNICATIONS II

Project Description: The project would include the most essential new works of Arab Republic of Egypt Telecommunications Organization's (ARETO) 1978-80 program for rehabilitation and expansion of local and long-distance telephone and telex facilities. Items proposed for IDA financing are automatic telephone exchange equipment for 60,800 lines, PABXs 15,000 lines, telephone cables and cable equipment, 3,000 line telex exchange in Cairo and 2,000 teleprinters.

Status: Negotiations for a proposed credit of \$53 million were substantially completed on December 28, 1977.

### ACTIONS REQUIRED:

1. Prior to Board presentation of the proposed credit, Government has to nominate an expert to serve on IDA's Statutory Committee and to approve the draft credit documents; and ARETO has to (i) send IDA the final report of its asset valuation study and (ii) notify IDA of the receipt of LE 4 million for partial payment of overdue receivables from public agencies.
2. Prior to the effectiveness of the proposed credit, Government approval of increases in telephone installation fees, telegraph charges and trunk call charges as proposed by ARETO, would be required to ensure an adequate contribution of user based resources toward ARETO's investment program.

## POWER II

Project Description: Further support for the rehabilitation and development of power transmission, distribution systems and 2 x 300 MW steam station on coast of the Gulf of Suez.

Status: Consultants under the ongoing Regional Electrification project were appointed in June 1977 to review the Government's \$400 million Rural Electrification Program and to determine priorities of electrification works but the start of the study is delayed. Consultants are being selected to conduct feasibility study of the steam station. The USAID is financing the study.

### ACTIONS REQUIRED:

1. Consultants and Rural Electrification Authority to proceed with review of Rural Electrification Program.
2. Egyptian Electricity Authority to engage consultants for Suez Steam Station study.
3. Bank to send project identification/preparation mission in February 1978.



### RAILWAYS III

Project Description: Further support of the Egyptian Railways' (ER) Rehabilitation and Improvement Program, particularly for signalling and telecommunication, track renewal, motive power and rolling stock.

Status: ER's future role in the transport sector is being reviewed in the Transport Sector Survey financed by the Bank under the Railways II project. A final phase I report was expected in November 1977. The project is intended to follow-on to Railways II and to cover ER's 1978-80 investments in the Government's 1976-80 Five-Year Plan. The level of the program is not yet decided. However, there will be a large carry over of track renewal, signalling and workshop rehabilitation works for which no or only little additional financing is needed. Further, substantial financing offers favorable terms for motive power and rolling stock have already been received from bilateral sources. Consequently the need for a Bank loan during the present Plan period is uncertain and will be reviewed during the January 1978 mission (see 2 below).

#### ACTIONS REQUIRED:

1. Government and ER to improve ER's financial position (through tariff increases) and motive power availability (see Railways I). Progress on these matters would be required before the appraisal process can start.
2. ER to revise its investment program to reflect the findings of the Transport Sector Survey and Bank to pre-appraise project in January 1978 if tariff increases have been approved by then.

### EDUCATION II

Project Description: Construction, equipment, furniture and technical assistance for comprehensive, vocational/technical and teacher training schools and training centers to support programs of the Ministries of Education, Higher Education, Industry and Mineral Wealth, Housing and Reconstruction, and Agriculture including a population education component.

Status: Technical assistance for pre-investment and sectoral studies is provided under the ongoing Education Project. Project preparation is proceeding well and expected to be completed in February 1978.

#### ACTIONS REQUIRED:

1. IDA to review and communicate to Government findings of in-depth reconnaissance mission of October 1977.
2. Government to complete project preparation.
3. Appraisal planned for March/April.

AGRO-INDUSTRY AND FISH-FARMING PROJECT

Project Description: To be determined; one possible component would be a further loan to Bank Misr for onlending for small to medium agro-industry projects, another a loan to an institution to be identified to develop fish-farming activities.

Status:

- (a) Agro-Industry Component. The loan to Bank Misr for the Fruit and Vegetables Project included funds to prepare a second such project. The intention was that a report prepared by Bank Misr with the help of consultants would be available by December 1977. However, since we understand that Bank Misr has not started work on this report, and since they have yet to submit any suitable sub-projects to use the free funds available to them under the first project, it is likely that the component may be delayed. We are urging Bank Misr to expedite the identification and preparation of this component.
- (b) Fish-Farming Component. Bank reconnaissance mission in July 1977 pre-identified possible fish-farming project components. A FAO-CP mission visited Egypt in September/October 1977 to identify project components and initiate preparation. The mission's report is under review.

ACTIONS REQUIRED:

- 1. Bank Misr should arrange for its consultant to concentrate on project identification.
- 2. Ministry of Economy should follow up with Bank Misr to ensure that preparation work starts expeditiously. The Ministry of Agriculture should also be asked to make alternative proposals to us for agro-industry project components.



TOURISM I

Project Description:

1. In Luxur, infrastructure for tourism activities and local population, a visitor center, protection of some temples, resettlement of people living on antiquities site, a hotel training school and modernization and expansion of one hotel.
2. In Abu Simbel, upgrading of a road and expansion of the existing hotel.
3. In Cairo, upgrading of the Cairo and Pharaonic Boat museums.
4. Tourism market and economic study.

Status: Consultants have been appointed to help Government prepare components 1 and 2 above. Competent museum experts to help prepare component 3 are being selected by Government. Project preparation work is expected to be completed in May 1978.

ACTIONS REQUIRED:

Government is expected to communicate shortly if it will need PPF funds to finance experts for museum component. A project preparation/pre-appraisal mission is scheduled for March/April 1978 to help finalize report on different project components. Appraisal mission scheduled for mid-1978.

III. UNDP PROJECTS FOR WHICH BANK IS EXECUTING AGENCY

A. POWER SECTOR SURVEY

<u>Signed</u>	<u>Orig. Proj. Cost</u> (\$ m)	<u>Amount</u> (\$ m)	<u>Undisbursed Balance</u> (\$ m)
April 1976	1.8	0.9	0.5

Project Description: The Survey examined the institutional and organizational structure of the sector, its development programs and operating standards in the light of the country's future power needs.

Status: Phase I diagnostic reports were submitted in November 1976 and April 1977. Implementation phase II is now in progress through a team leader plus five specialists in finance, system planning, system operations, energy economics and generation maintenance.

ACTIONS REQUIRED:

Consultants and Electricity Authority to complete implementation phase by May 1978.

B. MASTER PLAN FOR WATER RESOURCE DEVELOPMENT AND USE

<u>Signed</u>	<u>Orig. Proj. Cost</u> (\$ m)	<u>Amount</u> (\$ m)	<u>Undisbursed Balance</u> (\$ m)
February 1977	3.2	1.25	1.24

Project Description: The study will present a comprehensive plan for the development of water resources and related activities in water-using sectors for the Five-Year Plan period, 1981-85, and a perspective plan up to the year 2000. These plans will include guidelines for water use policies and operational procedures in the relevant sectors, and will indicate the level and appropriate phasing of necessary water-related investments, including follow-up studies required for preparation of projects.

By the end of the study period, the institutional requirements and scope of follow-up activity required by the government in water resources planning will be defined and recommendations in this respect will be made. Additional funds have been made available for the project from the Bank's loan for the second Nile Delta Drainage Project.

Status: The project co-manager and three of the four expatriate staff for the executing agency (EXWAP) have been appointed and have started work.



4. Memoranda of Conversations

- (a) Minutes of Annual Meetings (1977) Discussions
- (b) President Sadat's letter of April 23, 1977
- (c) Prime Minister Salem's letter of June 1975
- (d) Mr. R. S. McNamara's letter to Prime Minister Salem of July 8, 1975
- (e) Minutes of meeting July 15, 1977 - Mr. McNamara and Minister of Health Badran

## OFFICE MEMORANDUM

TO: Files

DATE: October 3, 1977

FROM: Horst H. H. Eschenberg, EM1DA

SUBJECT: EGYPT - EMENA Region Meeting with  
Egyptian Annual Meetings Delegation

1. The EMENA Region's meeting with the Egyptian delegation was held on September 27. The delegation consisted of Dr. Abdel Moneim El Kaissouni, Deputy Prime Minister for Financial and Economic Affairs; Dr. Hamed Abdel-Latif El-Sayeh, Minister of Economy and Economic Cooperation; Dr. Abdel Razak Abdel Meguid, Minister of Planning; Mr. Abdel Fattah Ibrahim, Governor of the Central Bank; Mr. Samir Koraiem, Under Secretary, Ministry of Economy and Economic Cooperation; and Dr. Ashraf Ghorbal, Egyptian Ambassador to the United States. The following Bank staff members were present: Messrs. Benjenk, Paijmans, Knox, Dubey, Maiss, Adler, Humphrey, Küpp, Ikram, Eschenberg. The following points were discussed:

2. Status of Five-Year Plan Dr. Kaissouni said that a copy of the Plan had been delivered to the Bank by Dr. Meguid; that the Plan, covering the period 1978-82 had been submitted to the Party; it was going to be reviewed by the legislative assembly in the third week of November and ratification by the President was expected in January 1978. He said that the budget for 1978 would also be submitted in November together with the Plan for 1978.

3. Mr. Benjenk inquired about the timing of the next Consultative Group meeting. He said that the Bank's basic economic report on Egypt was in preparation, that the full report would be submitted to the Government in December and that the Bank hoped to discuss it with the Government in January next year. He suggested that the second CG meeting, in our view, would focus more than the first on projects to be financed by participating donors. Therefore a detailed list of projects is needed, hopefully in time to be reviewed by donors prior to the meeting. Also, he suggested that the next CG meeting should be scheduled to follow the annual discussion of aid in the major donor countries. For the reasons mentioned, Mr. Benjenk recommended that the second CG meeting should be scheduled for late May. Prior to the meeting, Dr. Benjenk suggested to Dr. Kaissouni that they visit major donors. Dr. Kaissouni agreed that a CG meeting in May would be appropriate and donors visits should be scheduled after the January discussions.

4. Noting progress that has been made in the Egyptian economy, Mr. Benjenk asked the delegation to comment on what further progress is proposed in the Plan document. Dr. Kaissouni replied that the main policy changes which he hoped would result in substantial further progress, would be introduced with the budget document for the next year. The delegation explained that priority in the Plan was being given to agriculture, expanding infrastructure and encouraging joint venture enterprises and small-scale industries. It was suggested that particular attention would



be given to ongoing projects which are over 50 percent complete. In this connection, Dr. Kaissouni handed over a copy of a letter from the Misr-Iran Bank to Dr. Kaissouni reminding him of his agreement to request a line of credit of \$50 million from the World Bank to be guaranteed jointly by Iran and Egypt. Dr. Kaissouni said that he hoped this could be done in addition to the Bank/IDA operation already planned for Egypt.

5. Mr. Benjenk said that he was pleased to note that outstanding arrears had been settled thanks to a variety of aid commitments, particularly the one from GODE but also the recent bond issue. Mr. Benjenk expressed the hope that the second tranche of the GODE commitment would be released soon. Dr. Kaissouni commented that the increase in arrears had been largely due to use of bankers' facilities which in future the Government would try to forego as much as possible. He suggested that a maximum target of \$500 million had been set for use of bankers' facilities which he hoped Egypt would not reach. Regarding the use of the second tranche of GODE funds, Dr. Kaissouni expressed hope that instead of reducing further arrears, it will be possible for Egypt to use a sizeable portion of these funds for project financing.

6. Regarding the balance of payments position, Mr. Benjenk asked if it was true that the reduction in imports had been achieved largely reducing imports of investment goods, that the level of imports of consumer goods had been unchanged. Dr. Kaissouni replied that the apparent reduction in imports of investment goods was due to a change in timing of import orders, that the actual level of imports of investment goods had not changed significantly.

7. Mr. Benjenk congratulated the Government on progress that has been made on developing a family planning program more clearly and also the progress that has been made towards preparing a second family planning project for Bank financing. He referred to the very useful meeting between Mr. McNamara and Dr. Badran, the Minister of Health, where Mr. McNamara had again expressed his concern about the preoccupation of the Egyptian family planning agency with the long-term solution through an improved standard of living at the expense of more immediate measures to reduce fertility. Dr. El Sayeh handed over some information which the Bank had requested from the Ministry of Health in connection with the next family planning project. Dr. Kaissouni commented on the matter saying that he was very encouraged by the fact that two critical subjects were now being discussed publicly in Egypt on the question of subsidies and family planning. He felt that this was an overdue step towards coming to grips with these difficult problems.

8. Mr. Benjenk said that the Bank was pleased to make available Mr. John Adler who was visiting Cairo for a few days starting October 10 to discuss the establishment of a monitoring system of the investment program. He felt that such a monitoring system would be very important, perhaps essential to enable the highest levels of Government to interfere in the processing of the investment program when necessary. Dr. Kaissouni said he agreed completely, that until now the Government has had to give priority to other matters such as the debt problem, the CG,



the preparation of the Plan, but now that these things were behind them they were anxious to think about a monitoring system and they were very grateful to the Bank for making Mr. Adler available.

9. Mr. Paijmans said that while we appreciated the difficulties the Government is having moving closer to using the price mechanism to reflect scarcities and costs more realistically, there were a number of Bank-financed projects which were seriously affected by unrealistic prices. The most serious of these existed in the two railways projects. The railways has not been allowed to raise rates to a level which had been agreed between the Bank and the Government in the two loan agreements. He pointed out that a letter had recently been written to the Government with a copy to the Ministry of Economy listing the kind of changes in the rate structure the Bank feels are absolutely necessary. He requested that the Government review these recommendations as a matter of urgency. The delegation agreed.

10. Mr. Paijmans also said that we had questions about the exchange rate which is being used to convert Bank loan funds into pounds. He explained that on occasions when the Bank had to buy Egyptian currency to finance local currency expenditure under Bank-financed projects, some of the conversions were still being made at the official rate. The delegation said that the matter would be looked into.

11. Dr. Kaissouni said that he was grateful for the assistance of the Bank and IDA but he felt in view of Egypt's circumstances he very much hoped that IDA financing in Egypt could be increased.

12. Dr. Kaissouni also said that he intended to ask Mr. McNamara to visit Egypt in January next year; that he hoped that Mr. McNamara would be prepared to participate briefly in the "Cairo Symposium."

13. Actions to be taken by the Bank:

- (a) Schedule second CG meeting for late May 1978.
- (b) Prepare for January 1978 discussions of basic economic report.
- (c) Prepare for Mr. Benjenk's visit to major donors for period January-May.
- (d) Prepare for and follow up on Mr. Adler's visit to Cairo to recommend a monitoring system of the investment program.
- (e) Discussions with Central Bank of rate of exchange to be used for converting Bank-supplied foreign exchange into local currency.
- (f) Consider making available line of credit to Misr-Iran Bank.



14. Actions to be taken by Government:

- (a) Preparation of project list.
- (b) Action on raising railway tariffs as suggested in Bank letter of June 29, 1977.

cc: Messrs. Benjenk, Knox, Paijmans, Dubey, Humphrey, Köpp, Maiss, Moreau

HHHEschenberg:mh

September 29, 1977

William S. Humphrey, EMLDA

EGYPT - Annual Meeting Delegation's  
Discussions with Mr. McNamara

1. Mr. McNamara met with the Egyptian delegation to the Annual Meetings at 5 p.m. on Wednesday, September 28. The following were present for Egypt: Dr. Abdel Moneim El Kaissouni, Deputy Prime Minister for Financial and Economic Affairs; H.E. Dr. Ashraf Chorbal, Egyptian Ambassador to the United States; Mr. Fouad Hussain, Adviser to the Deputy Prime Minister; Mr. Sanir Koraiem, Under Secretary, Ministry of Economy and Economic Cooperation; Mr. Mashhour Ahmed Mashhour, Chairman, Suez Canal Authority; and Mr. Abdel Rahman Montasser, Director, Suez Canal Authority. For the Bank: Messrs. Knapp, Benjenk, Chenery, Paijmans, and Humphrey. Mr. Abu Akeel of the Legal Department was also present to supervise the signing.
2. The meeting opened with the signing of the \$100 million loan for the expansion of the Suez Canal. Mr. McNamara said how glad he was to sign a loan with our first borrower in Egypt, particularly one for a project which would bring great benefits to both Egypt and the world.
3. Dr. Kaissouni then invited Mr. McNamara to visit Egypt. Mr. McNamara said that he hoped such a visit could take place once the plan was approved. Dr. Kaissouni said that the plan had been discussed by the Cabinet and now had been given to the Party. He expected it to go to Parliament in November. He was not sure when the plan would be finally approved by Parliament and hoped that this would not hold up Mr. McNamara's visit. Mr. McNamara and Dr. Kaissouni agreed that January might be an appropriate time since by then the budget would have been approved. Mr. McNamara said he would be interested in discussing progress in such matters as increasing savings, establishing investment priorities, setting up a debt management unit, all of which were pertinent in determining what the Bank could do to help Egypt and what encouragement we could give others to continue our assistance.
4. Dr. Kaissouni said that since he had met with Mr. McNamara in March there had been a successful meeting of the Consultative Group at which it had been possible to explain to those present the real problems facing Egypt and the serious action being taken to tackle them. It had been accepted by everyone that it would take some years to resolve these problems and that donors would need to continue to help over the long rather than the short term. In recent months, further progress had been made on addressing Egypt's problems. On the monetary side, all arrears of banking facilities had been wiped out and payments on these facilities were now current. Money from the CODE had provided somewhat more than half of the resources to pay off arrears, slightly less than half had come from Egypt's own resources. This had been possible because the balance of payments had improved significantly in the first six months of 1977.



5. Dr. Kaissouni conceded that problems in implementing the investment program had continued, perhaps because, with their preoccupation with short-term problems, the economic team had not devoted enough attention to development issues; however, a number of steps had been taken to speed up development. The rate of interest had been increased and savings had been exempted from taxes. A committee to remove bottlenecks in the development program had been set up under the chairmanship of the Prime Minister. The local currency problems faced on many World Bank projects had been resolved and Egypt had been successful in arranging a large package of financing for the expansion of the Suez Canal. Further steps to speed up development were contemplated and he noted that President Sadat was now devoting more of his attention to economic matters.

6. There followed a discussion on the population problem. Mr. McNamara said that he had enjoyed meeting with Dr. Badran, the Minister of Health, whose views on family planning he could endorse entirely. However, he was concerned by the opinions of Dr. Bindary who apparently believed that reduced family size was a function of development and that emphasis on contraception was not desirable. Mr. McNamara believed that, although there was a linkage between elements of development and fertility rates, he did not believe that a population program could be successful without emphasis on contraception. He added that the Bank was happy to help Egypt prepare a second population project but he felt that, unless the highest level of government accepted the need for a comprehensive attack on the problem, a second project would be as unsuccessful as the first. Dr. Kaissouni said that the government was now determined to have an effective program and that it was encouraging that the need to curb population growth was now being discussed openly and being accepted by large numbers of people. Mr. McNamara reiterated that the Bank could only go forward with a second population project if there was a united desire at the highest level to have an effective program. The quality of life for future generations in Egypt would depend on what was done now.

7. On the question of subsidies, Dr. Kaissouni mentioned that it was encouraging that the need for reduction of subsidies was now being discussed openly which would help the government take action in future. In response to Dr. Kaissouni's invitation to Mr. McNamara to address a symposium on urban development in Cairo during his visit, Mr. McNamara said he was most reluctant to participate on a subject where he knew so little.

8. Dr. Kaissouni mentioned that the General Accounting Office (GAO) had recently reported unfavorably on the use of USAID loans in Egypt. He had discovered that this report was based on information available in October 1976 and that US authorities now agreed that aid was moving at a satisfactory rate. Mr. McNamara said that he knew that the US Government supported aid to Egypt if it could be used effectively. All the donors wanted Egypt's development program to be on a sound base and supported steps needed to reduce subsidies, increase savings and refine investment priorities. He was glad that President Sadat now found himself able to devote more time to economic matters and he appreciated what Dr. Kaissouni had done to bring new leadership and coordination to economic policy in Egypt.

September 29, 1977

9. After thanking Mr. McNamara for sparing Mr. Adler to visit Egypt to advise on monitoring the investment program, Dr. Kaissoumi concluded by asking if more IDA funds could be made available for Egypt. Mr. McNamara said that IDA funds were necessarily limited although he felt the recent replenishment at a level of about \$8 billion was encouraging and would permit substantially higher absolute amounts for Egypt. However, the important thing was for Egypt to take the economic measures which would enable it to become more creditworthy and thus absorb increasing amounts of Bank funds since Bank lending in Egypt was limited by creditworthiness rather than the amounts of funds available.

Cleared with Mr. Paijmans

cc: Mr. McNamara's Office (2)

Messrs. Knapp  
Benjenk  
Chenery  
Knox  
Paijmans  
Dubey  
Humphrey  
Kopp  
Maiss

WSHumphrey:sap



الرئيس

April 23, 1977

Dear Mr. McNamara ,

Thank you very much for your letter of March 29th, in which you inform me of the forthcoming first meeting in Paris, of the consultative group for Egypt. I have seen the Chairman of the group, Mr Benjenk, and have received from him detailed information on the background and direction in which it is proposed that the group should proceed.

I should be glad if you would convey to the members of the group my best wishes on the occasion. The delegates gathered in Paris all represent countries which Egypt considers to be its closest friends, and multilateral organizations with whom we entertain excellent and continuous relations. All have shown their great interest in Egypt's economic development as evidenced again recently by major agreements which have been concluded or are being finalized.

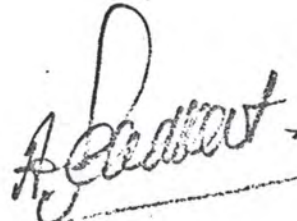
We welcome the two types of support that are being made available to us. First the balance of payments assistance will help us to overcome the most immediate difficulties with which we are faced and which are the result of the particularly delicate historical juncture in which my country and brother nations find themselves. Secondly, we attach equally great importance to project and commodity aid which are an investment for the future and help to prepare for the much more rapid pace in economic development which it is our policy to promote. Over the next few years, as the situation in our region improves, it would be natural that gradually more emphasis should be placed on this latter form of cooperation.

I have reviewed the policy statement which Dr. Kaissouni , the Deputy Prime Minister, presented to you. we

feel it outlines clearly Egypt's development strategy, economic reforms and growth objectives over the 5 - year plan period ending 1980.

The cooperation and financial agreements which have been concluded and which will be negotiated in the future have a very important place in the foreign and economic policy of Egypt. I take a close personal interest in them and have given the necessary instructions that reports should be made to me at regular intervals on the progress made and on any difficulties encountered in the implementation of these agreements.

With my best personal wishes and my thanks for the useful work which the world Bank is carrying out in cooperation with my government .



Yours sincerely,



June 5<sup>th</sup> 1975

Dear Mr. McNamara

I have recently had the pleasure of meeting Mr. Munir Benjenk in Cairo at the conclusion of the World Bank's current annual economic mission to Egypt. I have also had discussions with the Mission on the current economic situation and they have reported to me their preliminary findings.

Mr. Benjenk has conveyed to me your continued interest in the economic policy measures initiated and contemplated by the Egyptian Government. As you know, 1974 was a particularly difficult year for most developing countries, including Egypt. The present Government, however, is determined to promote further liberalization and rationalization of the economy. We believe that the process of liberalization would benefit greatly from a strengthening of the existing relationship between the Bank and Egypt.

I would like to reaffirm that our policy objectives remain unchanged and are as set out in the 1975 Plan. Some policy measures have already been taken to strengthen the process of economic liberalization. We are presently contemplating other important steps in this connection. I should like to take this opportunity to discuss these and related economic issues with you in some detail.

I am very conscious of the importance of improved economic management if my country is to achieve its economic potential. As a first step towards further improving coordination between the Ministries involved in economic policymaking, the Government intends to create appropriate machinery to facilitate the flow of information between them. I intend to set up a secretariat composed of Ministerial representatives and additional experts attached to the Supreme Committee for Economic and Political Planning and chaired by a person designated by me. The Government is also, through the Ministry of Planning, giving priority to frequent assessments of the economic situation and the Ministry will review the implementation of policy measures and report regularly on these to the Committee. The Supreme Planning Committee comprises all ministers with responsibilities relating to economic activity; the Committee meets at least once every two weeks to review economic policy. We expect this close monitoring of the economic situation at the higher levels of Government to continue.

The outlook for the Egyptian economy over the medium and long run is favorable. The Suez Canal has been opened



and will provide an important source of foreign exchange. Similarly, the SUEZ Pipeline will start operations in 1976. The outlook in the tourism and petroleum sectors is also extremely promising as pointed out in the most recent Bank report.

Nevertheless, Egypt is presently experiencing serious liquidity difficulties arising primarily from our increased import needs in order to fully utilize existing capacity and build up a reasonable level of stocks (at a time when international prices had increased sharply). As a result of this and an associated shortfall in foreign exchange availability, Egypt was forced to increase its use of short-term credit, mainly in the form of external bank facilities, beyond the levels originally contemplated by the Government. We are however aware that improvements are urgently required in the management of the country's external resources and external debt. We are tightening up the procedure for formulating the foreign exchange budget, which is an important tool for the short-term management of our foreign exchange resources. Accordingly, the Supreme Planning Committee will on a monthly basis review the foreign exchange budget, and will also closely examine the Projections of expected monthly changes in short-term debt and



banking facilities, in order to determine priorities in the expenditure program, both on the capital and current accounts.

The Government is aware of the problems inherent in the excessive use of banking facilities. The Government has therefore imposed a ceiling on the use of these facilities, by restricting the amount of new letters of credit opened to the amount of repayments on outstanding facilities. In addition, we are making a serious effort to secure a substantial refinancing of existing banking facilities through a medium-term loan from friendly countries. Negotiations for obtaining such refinancing are already under way.

In order to improve the management of Egypt's external debt, we are setting up an external Debt Management Unit within the next three months for the centralization of available information on the country's external debt. This Unit will also prepare analyses of the implications of different external debt management strategies as a basis for decisions to be taken by the Government in the monthly meetings of the Supreme planning Committee.

As part of our liberalization policy, and in order to stimulate our exports and strengthen our balance of payments,



we have instituted a parallel market for foreign exchange operations. We have also liberalized import procedures through the creation of the "own exchange import" scheme. Imports both through the parallel market and own exchange scheme have grown considerably during the year thus increasing the availability of intermediate goods and industrial raw materials. The Government fully realizes that the increased operations of the "own exchange imports" scheme has had a negative effect on the growth of parallel market resources. To further strengthen the parallel market we propose to implement a number of measures by the end of the year, including more frequent revisions of the parallel market exchange rate. Moreover, as the liquidity position improves, we intend to make substantial allocations to the parallel market from official exchange receipts. We hope to gradually widen imports through the parallel market and own exchange import scheme from the present level of about

10 percent of total imports to about double that percentage by the end of 1975 and for all imports, except basic goods by the end of 1977.

Our immediate concern has been with the country's external position. But we are also keenly aware of the importance of improvements in mobilization of domestic resources. On the revenue side, we propose to enact a unified income tax law; a modernized and simplified customs law; reform the sales tax; and to increase inheritance and stamp taxes. We expect all these changes to be presented to the National Assembly before the end of the year. These measures, combined with improvement in tax administration, should significantly improve our ability to mobilize domestic resources.

We are also seriously concerned with improvements in the efficiency of our public sector enterprises. The measures already taken include the promulgation of suitable legislation in order to decentralize the operations of



certain public sector enterprises. Among the measures that we propose to institute this year is the gradual closing down of enterprises that are not economically viable, after careful evaluation of their performance that is currently being undertaken. Other measures being undertaken in the hope of increasing efficiency include greater decentralization of management decision making within enterprises and the sale of shares within public sector enterprises to the private sector.

In order to further improve the operations of the banking system we will introduce legislation to strengthen the role of the Central Bank in controlling domestic credit; and relax the ceiling on the interest rate. We have already passed legislation to increase competition between our commercial banks by permitting them to operate in all sectors and to engage in all kinds of banking activities. In addition as an essential measure to control price rises, every effort will be made to limit Government borrowing from the Central Bank. This will also be reviewed regularly by the Supreme planning Committee.

The widening of the parallel market and the improvement of the efficiency of public sector enterprises should help to reduce the distortions in relative prices which exist



in the economy. As you are aware, as a result of the low level of incomes generally prevalent in Egypt, it has been Government policy to maintain reasonable price levels for basic items of mass consumption. This has also been influenced by a desire to avoid a vicious wage/price spiral. The burden of subsidization has increased considerably in 1974 as a result of rising world prices. We would, however, hope over time, as international prices resume more normal levels and as our agricultural productivity increases, to lessen the volume of these subsidies. In the interim, we are studying the distribution of the benefits of subsidies in order to make them more selective, and will extend to other essential commodities and to utility rates the dual pricing system which is at present applied to domestic sales of tea and sugar so as to bring about a net reduction in their levels in 1976. Tax and licensing measures will be taken to restrain consumption of petroleum products by private cars so as to ensure that the benefits of subsidized petroleum products accrue to public transport on which the limited income groups depend. The Government is also conducting studies to examine the entire spectrum of implicit subsidies that exist in the economy as a result of price controls and other Government regulations, with a view to their ultimate rationalisation.



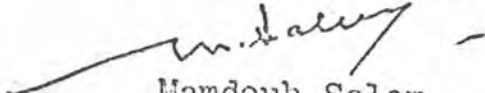


The preparation of the Five-year Plan (1976-80) has progressed considerably. Sectoral plans are being submitted and reviewed and consistency tests are being undertaken. The Government intends to prepare a Five-year Plan framework within which the annual plan for 1976 will be formulated by November 1975. In 1976 the indicative Plan will be further refined to reflect the priorities and trends of development, within the framework of long-term perspectives. The Government of Egypt, in the context of the more frequent consultations with the Bank (referred to below) would, during the course of this year, be prepared to discuss with the Bank the macro-economic framework and overall sectoral targets implicit in the indicative Five-year Plan.

During my meetings with the members of the Bank's economic mission I had suggested that your staff should review Egypt's economic situation, perhaps on a more informal basis, two or three times a year, in addition to the more formal annual review. I am pleased that Mr. Benjenk has accepted this suggestion. I also appreciate the Bank's offer of technical assistance in carrying out our studies.

With best wishes,

Sincerely Yours



Mamdouh Salem.

Prime Minister of Egypt.

July 8, 1975

His Excellency  
Mamduh Salem  
Prime Minister of the  
Arab Republic of Egypt  
Cairo, Arab Republic of Egypt

Dear Dr. Salem:

Thank you very much for your letter of June 5 in which you inform me of various policies and measures in the area of economic management which the Egyptian Government intends to implement at present and during the next year. As you know, we follow the economic developments of Egypt with great interest, and your letter has been very valuable in bringing the Bank Group up to date on how your Government intends to tackle Egypt's economic problems and accelerate its development.

I appreciate very much your having personally received the recent economic mission and discussed with it the policy objectives and programs of the Government. Mr. Benjenk has already reported to me about his excellent reception in Egypt and the very useful discussions that he had with you and the members of your Government.

I need not reiterate how much importance I attach to the continuation and development of a dialogue on economic policies between the Government of Egypt and the Bank. In this connection I certainly agree with your suggestion to Mr. Benjenk that Bank staff should review Egypt's economic situation on an informal basis two or three times a year in addition to the more formal annual review and we are making arrangements accordingly. We hope to send a small economic mission to Cairo in October to continue the exchange of views on the economic management program.

I am very gratified to learn from you that the Government is determined to promote further liberalization and rationalization of the economy and that measures are being undertaken to promote this policy. The commitment of the Government to these objectives in an unfavorable international economic situation - inflation and recession - is evidence of your strong desire to achieve to the full the long-run development potential of the Egyptian economy. However, as you yourself have made clear, a number of important measures have to be undertaken in the immediate future for the fullest realization of this development potential.

I was particularly glad to learn of your intention to set up a technical committee attached to your office with the aim of improving economic coordination, and of the measures your Government intends to take with the aim of improving resource allocation, including rationalization



of prices and the phased widening of the parallel market to cover all imports other than basic items of mass consumption by 1977. I hope that the detailed plan for implementing these measures would be drawn soon, and would like to assure you that we at the Bank would be ready to give any technical help in this matter that you deem useful.

The significant efforts that your Government is making to strengthen resource mobilization and rationalize the system of consumption subsidies are also important in generating the resources needed for a higher level of investment, as are also the measures for improving the efficiency of public sector enterprises. Of particular importance in improving the management of external debt is the External Debt Management Unit you intend to set up shortly.

I need not stress, Mr. Prime Minister, the very great importance of a medium-term development plan in establishing priorities, coordinating policies and providing a perspective and a frame for the Government's annual plans. I well appreciate the efforts the Government is making for the preparation of the annual plan for 1976 within the framework of an indicative five-year plan (1976-80). As a major supporter of Egypt's development efforts, the Bank, and I personally, will be looking forward to seeing the indicative plan and framework, and hope that in the course of the first year this framework would be developed into a draft of a full five-year plan in which all efforts for development can be coordinated.

On our part I should like to take this opportunity to reiterate our interest in assisting Egypt as far as possible through lending and technical cooperation in its task of developing its economic potential and utilizing its resources efficiently in the interest of the Egyptian people. We will continue to follow with keen interest the progress the economy will achieve along the lines outlined in your letter. We hope that successful processing of the projects in our lending program for the next fiscal year (1976) will result in a level of commitment at least equal to that of last year, and that the projects we will submit to our Board of Executive Directors within this program will continue as in the past to help in reinforcing your Government's efforts to rebuild the economic infrastructure, raise productivity in agriculture and industry, expand exports and strengthen economic institutions. I also hope that Bank Group support, together with your efforts to mobilize other long-term external capital, will further domestic resource mobilization and thus create a base for a substantially higher level of investment and acceleration of economic growth.

Please accept, Mr. Prime Minister, my best personal regards.

Sincerely,

Robert S. McNamara

cc: Messrs. Benjenk, Paijmans,  
Karaosmanoglu, Asfour, Dubey  
VDubey/EAsfour:sap  
July 1, 1975

## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: July 15, 1977

FROM: <sup>WST</sup> William S. Humphrey, Acting Director, EMENA CPISUBJECT: EGYPT - Meeting between Mr. McNamara and  
Dr. Badran, Minister of Health

1. Mr. McNamara met with Dr. Badran, the Egyptian Minister of Health, at 6:00 p.m. on July 14. Dr. Badran was accompanied by Dr. El-Naggar and the Egyptian Chargé d'Affaires in Washington Mr. Mohamed Shaker. Messrs. Knox, Messenger and myself were also present.
2. Mr. McNamara began by congratulating Dr. Badran on his efforts to promote a more intensive family planning program in Egypt. He said that the consequences of a rapid population growth in Egypt were as serious as in any country in the world, and that a firm commitment to family planning at the highest level was of the utmost importance. In this connection he was concerned that the Government seemed divided on this question, and he was worried about going forward with a second population project in Egypt under these circumstances.
3. The Minister outlined his approach to family planning and population control. He said that in his view it was one of the most serious problems facing Egypt and that the results of not tackling it would be disastrous. He described the way in which his ministry was integrating both training in family planning and delivery of services into the wider medical system. He added that whether the program was successful or not depended on the success of the workers in the field in getting the confidence of the local population, particularly in the rural areas.
4. Mr. McNamara said that he agreed entirely with the Minister's approach, but that he still felt that the Bank should only be involved in a population project in Egypt if the Government was united on the question. He added that we were anxious to do everything we could to support the Ministry of Health in its endeavours to address the problem, and that we would get to work immediately on the project proposal which the Minister had brought with him.

Cleared with &amp; cc: Messrs. Knox, Messenger

cc: Mr. McNamara's office  
Messrs. Knapp, Benjenk (o/r), Paijmans,  
Kanagaratnam, Baldwin, Haynes, Eschenberg

WSHumphrey:js



5. Statement of Professor Alex Moeller (former Minister of Finance of the Federal Republic) describing his report on structural, economic and financial problems of Egypt

Honoured President of the Arab Republic of Egypt!

I.

Today I have the honour of presenting the Report requested by you containing proposals for the solution of the most important structural, economic and financial problems of Egypt. If it is your wish I can also - independent of this Report - place at your disposal the Considerations for the Reform of the Economic and Developmental Decision-making Process which are not inherent in the terms of reference but which automatically emerged from the global study and will perhaps gain your personal interest.

On January 17 this year a communiqué approved by you stated the following:

"At the request of the President of the Arab Republic of Egypt the Federal Chancellor of the Federal Republic of Germany expressed his willingness, in execution of the Agreement on Technical Cooperation between the two Governments of June 27, 1973 to send the former Federal Minister, Professor Dr. Alex Möller, as a personal advisor to President Sadat of Egypt."

Then, in an outline of the goal of the advisory activities the terms of reference as reflected in the title of the Report are laid down. Finally, the superordinate advisory function entrusted to me as advisor to the President is stipulated.

At the beginning we proceeded on the assumption that, after the engagement of independent experts whose collaboration was

indispensable for the task at hand, we would require at least one year in order to prepare a Report which would do justice to the demands placed on it. But, as the preparatory work was completed much faster than expected, we could already embark on our work on March 12, 1977. Fortunately we succeeded in procuring the services of experts who were familiar with the subject matter and had the necessary experience in various technical fields from the German Development Institute in Berlin. This team consisted of Klaus Billerbeck, Christian Heimpel, Wolfgang Hillebrand, Hans-Helmut Taake and Dieter Weiss.

I would like to say quite openly that after the unrest in the middle of January I suggested to President Sadat that our work should be arranged in such a way as to enable the Report to be presented in September already without, of course, any loss of painstaking care. The reasons for this were and are quite obvious. I would like to state explicitly that the achievement of this deadline was only possible through the exemplary cooperation of the Egyptian Government Authorities, the Commission of the European Communities and the advice given by leading experts in specialized fields.

In April Dr. Taake and I spent a few days in Washington to have talks concerning Egypt with the World Bank and the International Monetary Fund. Vast experience, a wealth of material and an open-minded attitude seldom to be found gave us essential help along the way. It would have been foolish not to make use of the expertise on Egyptian interests and concerns available in these two institutions. No team can, without such support, find and assemble all the inter-relationships, the facts and the causes of existing difficulties in a manner which permits them to be used with a clear conscience.



If some of the points in the Report which in my eyes are crucial do not reflect the views of those who helped us - and this applies to everyone - then I would request you to bear in mind that it is only one's own self-formed opinion which should determine the understanding of the economic and financial situation of Egypt and the proposals derived from it. It is certain that we have not been able to fulfil various expectations. This is not because of the Report but because of the unusually precarious situation - in purely economic terms - with which your country is faced for reasons which must be examined without bias. Studies in some other countries would certainly produce more surprises than one would tend to assume at first if they were carried out by experts who are not tied to their results or bound by any other interests.

## II.

A Summary has been added in front of the Report in order to give an overall view of the scene which will facilitate the subsequent examination.

This Summary is divided into four sections:

1. The contribution of other countries and Egypt's own contribution.
2. The fundamentals of an Egyptian development strategy.
3. The most important strategic guide-lines for development in the sectors  
Industry,  
Agriculture,  
Services.
4. Supportive social, educational and regional measures for growth policy.

A list of the specific issues dealt with in the Report is given in the Annex.

### III.

In order to show you a very brief extract of our reflections and the stand we have taken, permit me to present a few examples from the four sections in the Summary:

#### Re. 1:

Given the strong specialization of exports in a few commodities (cotton, petroleum) and services (Suez Canal, migrant workers, tourism), the high import bill (capital goods, wheat) and the equally high level of foreign capital requirements, Egypt's economic development can only come about if there is a division of labour and cooperation with the rest of the world, in particular with the Arab and the Western European countries and the USA. In the short and medium term, according to the Report, the political and financial support provided by other countries will be of great significance for the implementation of the new Egyptian policy because it could offer the country the opportunity of attaining self-sustaining economic growth after it has passed through a period of consolidation.

The Report goes into great detail why, apart from the provision of foreign assistance, the use made of it is as important. Foreign aid which is mostly consumed or invested in projects which do not correspond to the prevailing conditions and possibilities of Egypt's



economy, will result in considerable distortions of the economic structure which will impair all activity. An improvement of the planning and organizational efficiency of the administration and the formulation of medium-term guide-lines for development would be a significant reinforcement of the Egyptian Government's own contribution. In this phase of reorientation a spell to recover its financial breath is indispensable. Precise proposals relating to this whole complex are made in the Report.

In order to

- re-integrate Egypt's economy into the system of international economic relations,
- initiate the vital process of establishing a balance between trade flows and payments flows which is indispensable for the rehabilitation of the balance of payments, and
- remove the latent uncertainty about eventual devaluation measures or unilateral revocation of debt service commitments by the Egyptian Government,

it is proposed that the three-part division of the foreign exchange market should be abolished and the present exchange rates should be replaced progressively by a realistic reunified rate which will reflect the scarcity ratios and be binding without any exception for all foreign trade operations.

We also believe that a progressive re-integration into the world economy should be accompanied by a greater desire for cooperation between Egypt and the Arab Monetary Fund.

Re. 2:

The recommendations for an Egyptian development strategy are based on the specific conditions of the country. This seems to indicate that in all questions which concern the economic order for development, a pragmatic approach should be taken and, in the various sectors of the economy, the combination of control instruments which promises most success vis-à-vis the envisaged goals in this critical phase of reorientation should be selected. The combination of different control measures and promotion instruments will vary depending on the sector and the branch of industry concerned and will also be subject to change over time. Egyptian development policy will, therefore, have to be highly differentiated. Many central problems, such as stagnation of agricultural production or growing unemployment, cannot be solved through large-scale projects or uniform nation-wide programmes but rather through numerous single, often tedious, measures. It is this re-structuring which constitutes the most important task of sectoral policies.

In this context Egypt cannot confine itself to the alleviation of production or organizational problems. On the contrary, the open policy calls for more far-reaching structural adjustment measures whose implementation implies the departure from some deeply-rooted traditions of the country. They include

- a population policy and family planning programme without which a long-term solution of growth and employment problems seems to be doomed to failure;
- a regional diversification programme, in particular to slacken the regional concentration of industrial and commercial activity in the Greater Cairo Area and the Greater Alexandria Area;



- the willingness to delegate decision-making powers from the centre to regional bodies, subordinate authorities and self-governing institutions;
- a "streamlining" of the public service with the aim of making it contribute more to economic development.

In its present structure the Egyptian budget does not reflect reality. It is too intricate, it is split into numerous sub-budgets, it has double-counting and is therefore obscure in terms of finance statistics and subject to various interpretations in terms of financial policy. The rehabilitation of Egypt's financial policy calls for:

- the creation of a clear policy-oriented budget structure and an analogous administrative competence and control structure;
- the mobilization of additional revenues as a result of the development process;
- the explicit continuation of the fiscal reform and tax administration measures already introduced;
- the conversion, as revenues rise, of spending from consumptive into productive expenditure; the reduction of subsidies step by step with internal productivity growth;
- the reduction of inflation financing and the development of a sound internal loan policy;
- the rehabilitation of the public companies sector through wage and price policy measures and a performance-oriented incentive system.

This important chapter occupies the place it merits in the Report.

Re. 3:

In the present industrial policy the emphasis is laid on the consolidation and the expansion of existing branches of industry and the increase of foreign exchange earnings in the shortest possible time. This goal system should be enlarged to include

- a strategy for the progressive expansion of the - hitherto neglected - capital goods sector without which a higher level of industrialization cannot be reached;
- the continuation of the import substitution strategy and, parallel to this, the successive increase of Egyptian industry's international competitiveness through the introduction of profitable production methods and the application of modern technology;
- a revision of Egypt's free zone concept in order to permit measures which, in the short term, would reduce Egypt's foreign exchange outflows attributable to the free trade zone, and ensure the formulation of a convincing perspective for the development of the industrial free trade zones in the long term;
- a strategy to raise the level of industrial employment which will have to start with the promotion of handicrafts and small industry.

There is no doubt that agricultural production can be raised further. As the infrastructure of Egyptian agriculture has to be expanded, the investment allocations to this sector should be greatly increased. Priority should be given to a better utilization of "old land". Here, water management, intensive crop rotation, the rapid spread of



high-yield varieties and agricultural mechanization will play a crucial role. The introduction of such measures pre-supposes a change in agrarian structure, in particular the introduction of strict acreage control and the control of fragmentation of land through inheritance. Land reclamation projects should not be considered as an alternative but as a complement to this intensification of utilization.

The most important areas for promotion of production are price policy, improvement of the administrative structure of agrarian policy and the expansion of rural institutions.

The reduction of subsidies for basic food items can only be undertaken cautiously and in small steps as these subsidies are the most important socio-political instrument of the Egyptian Government today. Budget expenditure for subsidies will rise because of the reunification of the exchange rate and higher producer prices. This additional requirement can be offset in part by reducing some subsidies for inputs. At the same time some of the excesses of the subsidy system could be eliminated. The pre-condition for the final abolishment of the food subsidies is a growing economy and the ability of the administration to develop a differentiated social policy oriented towards various under-privileged groups. But, as long as the economy stagnates and food expenses make up the greater part of the consumption expenditure of the low-income groups, the subsidies will continue to be a guarantee against hunger and social unrest.

Furthermore, the expansion of physical infrastructure, particularly in the transport and communications sector, is indispensable as a means of dynamizing Egyptian economy, making the country

more attractive to foreign investors and thus, ensuring the success of the open door policy.

A housing programme which is already being developed, has two important objectives: the regional function of decongesting the present urban centres and the socio-political task of creating low-cost housing for the mass of the poorer population groups who migrate to the towns.

These are brief indications of points which are dealt with in depth in the Report.

Re. 4:

Only if there is growth of Egypt's economy can the conditions for the solution of the country's social problems be created. On the other hand, economic development requires a climate of social peace. If, in the course of the open door policy, the steering of economic activity is left to the market, the socio-political components of economic policy will have to be strengthened. This applies in particular to

- covering the basic needs of the low-income groups of the population at acceptable prices (food, housing, clothing, health);
- improving the employment situation;
- greater participation of the pluralistic institutions (trade unions, professional associations) in the economic and social life of Egypt;
- the adaptation of social insurance and social welfare to the more differentiated structure of society brought about by the open door policy.



The solution of the deteriorating employment problem calls for quick reactions. Family planning measures should reduce the growth of the working population. But even if these measures are crowned with success Egypt will still have to find employment for over 5 million additional persons by 1990 and about 10 million by the year 2000. Therefore effective employment policy measures will have to be found as soon as possible. Details of this are given in the Report.

The goal in the reform of the education sector is an orientation towards the needs of the productive sectors. At present the system of education serves to absorb a part of the growing population rather than to satisfy the needs of the economy. The outcome is a short-term easing of the labour market but the very high price paid for this is loss of productivity in the economy due to lack of qualification and motivation of skilled workers, office staff and medium-level cadres.

It is suggested that a reorganization of the system of education should curb access to university and that the technical lines of training should be expanded as an alternative.

I hope that these examples suffice to show you the considerations on which this Report, now presented to you, is based. The Report was completed on June 30, 1977.

#### IV.

Mr. President!

Your open door policy which you proclaimed when you assumed the responsibility for your country has been able to initiate an economic and social change which will put Egypt's economy on a new basis

within a few years. As a result of this policy a powerful momentum has set in in some sectors of Egypt's economy which, in my opinion, gives reason to hope that Egypt will be able to draw abreast with the more developed countries and will strengthen its economic independence and self-reliance. The purpose of this Report is to help it along the chosen path and to remove obstacles which at present still impair the continuity and balance of development.

Please allow me to add a few personal words in conclusion.

We, while working on this Report, were constantly impressed by the almost inapprehensible tradition of a country which led the world into the first stages of development, the origins of which some have forgotten and others wish to erase with a magic formula. If one studies the history of this country it is often necessary to hold one's breath and then breathe in deeply in order to further absorb the achievements produced in Egypt many millenia ago which, now in the form of silent immobile stone, are still full of vivid expression for those whose minds are open.

Egypt plays a central role in the Near East conflict. This country, together with its President Sadat, wishes to help in bringing about a state of peace which is acceptable to all. For this it needs the economic, financial and monetary order it is striving for. The desire to make a helpful contribution with due consideration of the envisaged goals was the - certainly not facile - motivation of our work.



## Enclosure

- I. Industrialization strategy
- II. The role of private capital
- III. Reform of industrial management
- IV. Agricultural development strategy
- V. Agricultural prices as an instrument for steering agricultural production
- VI. New food subsidy arrangements
- VII. Reform of agricultural decision-making mechanisms and institutions
- VIII. Increased use of the services sector
- IX. Infrastructural requirements in transport and communications
- X. Orientation of the education system towards productivity and performance
- XI. Approaches in employment policy
- XII. Organization of family planning
- XIII. Social policy measures
- XIV. Basic elements of a housing programme
- XV. Formulation of policies, programmes and projects
- XVI. Rehabilitation of the public budget
- XVII. Mobilization of internal capital
- XVIII. Regional diversification for the decongestion of the Nile Valley and the Nile Delta and the reduction of South-North migration
- XIX. Functions of the military sector in the development process
- XX. Foreign trade cooperation
- XXI. Exchange and trade safeguards
- XXII. The contributions of the OECD countries, the Arab oil states and Iran, the socialist countries and the international organizations to the rehabilitation of Egypt's economy and to the solution of the external debt problem

H



#### H. UNDP ACTIVITIES

1. The UNDP Resident Mission in Egypt was established in early 1951. Since July 1977 it is being headed by Gian L. Pennacchio (biography attached).
2. The UNDP Five-Year Program (1977-81) has been elaborated on the basis of the Government's development objectives and priorities as reflected in the Five-Year Development Plan (1978-82). The total UNDP Five-Year Program for 1977-81 amounted to \$42.7 million with IPF's share of \$31.5 million.
3. The sectoral breakdown of the program is shown in Table 1 page 4 of the attached brief UNDP document (pp. 1-7) and the detailed discussions of the projects are available in the attached UNDP Country Program (pp. 1-31).

UNDP PROJECTS FOR WHICH BANK IS EXECUTING AGENCY

A. POWER SECTOR SURVEY

<u>Signed</u>	<u>Orig. Proj. Cost</u> (\$ m)	<u>UNDP Share</u> (\$ m)	<u>Undisbursed Balance</u> (\$ m)
April 1976	1.8	0.9	0.5

Project Description: The Survey examined the institutional and organizational structure of the sector, its development programs and operating standards in the light of the country's future power needs.

Status: Phase I diagnostic reports were submitted in November 1976 and April 1977. Implementation Phase II is now in progress through a team leader plus five specialists in finance, system planning, system operations, energy economics and generation maintenance.

ACTIONS REQUIRED:

Consultants and Electricity Authority to complete implementation phase by May 1978.

B. MASTER PLAN FOR WATER RESOURCE DEVELOPMENT AND USE

<u>Signed</u>	<u>Orig. Proj. Cost</u> (\$ m)	<u>UNDP Share</u> (\$ m)	<u>Undisbursed Balance</u> (\$ m)
February 1977	3.2	1.25	1.24

Project Description: The study will present a comprehensive plan for the development of water resources and related activities in water-using sectors for the Five-Year Plan period, 1981-85, and a perspective plan up to the year 2000. These plans will include guidelines for water use policies and operational procedures in the relevant sectors, and will indicate the level and appropriate phasing of necessary water-related investments, including follow-up studies required for preparation of projects.

By the end of the study period, the institutional requirements and scope of follow-up activity required by the government in water resources planning will be defined and recommendations in this respect will be made. Additional funds have been made available for the project from the Bank's loan for the second Nile Delta Drainage Project.

Status: The project co-manager and three of the four expatriate staff for the executing agency (EXWAP) have been appointed and have started work.



C. STUDY OF THE BANKING SYSTEM

<u>Signed</u>	<u>Original Project Cost</u>	<u>UNDP Share</u>	<u>Undisbursed Balance</u>
1977	\$25,000	\$25,000	\$25,000

On August 8, 1977 the Governor of the Central Bank of Egypt requested us to be the executing agency for a project leading to a study of the banking organization, and bankers training and research. We have agreed to the Governor's request.

Project Description

The title of the proposal is "Establishment of Banking Studies and Training Center - Preparatory Assistance - Terms of Reference of Consultants". It calls for three consultants to be engaged: one on banking organization to advise operational aspects of the Central Bank as well as other banking institutions; second for training to identify training requirements in the banking system; and a third on banking research to advise on research programs for the banking sector.

We have engaged Professors Edward Mason (Professor Emeritus, Harvard), James Duesenbery (Chairman of the Economic Department, Harvard), and K. Krishnaswamy (Deputy Governor, Reserve Bank of India) to carry out the above proposal. They will arrive in Cairo January 1-3 for a stay of 3 weeks.

CURRICULUM VITAE

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copy*

NAME: PENNACCHIO Gian L.

NATIONALITY: Italian

DATE OF BIRTH: 6 May 1931

MARITAL STATUS: Married  
3 children

LANGUAGES: Italian  
English  
French  
Persian  
German

EDUCATION: 1949-1951 University of London - Matriculation - English and Mathematics

1952-1953 Italian Institute of the Middle and Far East, Rome - Diploma in Oriental Languages (Persian)

1954-1957 University of Rome - Law Studies

1960-1961 University of Teheran, Iran - Persian Language and Culture

EXPERIENCE: 1963 to present United Nations Development Programme

1977 to present Chief, Division for Regional Projects  
Regional Bureau for Africa, New York

1975-1976 Chief, Division for West Africa  
Regional Bureau for Africa, New York

1971-1975 Resident Representative, Brazzaville,  
People's Republic of the Congo

1969-1971 Deputy Resident Representative, Nairobi, Kenya

1966-1968 Deputy Resident Representative, Ouagadougou,  
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1964-1966 Programme Officer, Kinshasa, Congo (now Zaire)

1963-1964 Assistant Resident Representative. Cairo,  
United Arab Republic (now Egypt)

1959-1962 Personnel and Public Relations, Italconsult, SpA,  
Rome, Italy

1959 Chief of the Press Section, Italian Embassy, Teheran,  
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UNITED NATIONS  
DEVELOPMENT  
PROGRAMME



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Country and intercountry programming and projects

COUNTRY PROGRAMME FOR

EGYPT

UNDP assistance requested by the Government of Egypt  
for the period 1977-1981

EMBARGO:

NOT FOR PUBLICATION UNTIL FORMALLY APPROVED  
BY THE GOVERNING COUNCIL

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CHAPTER I

INTRODUCTION

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2. In addition, in the world at large, the entire concept of technical assistance has perceptibly changed and this change has required a re-orientation of thinking - "New Dimensions" - in so far as UNDP programmes are concerned. It is recognized that technical co-operation is to encourage self-reliance on the part of the recipient Government: the Government itself knows what its development objectives are, and is in the best position to define these objectives as best it can. Heroin lies the challenge of New Dimensions. That is to define what is to be achieved and then to decide how best to achieve it. In many cases, the traditional project mix of experts-fellowship-equipment may not be the best method of attaining these objectives. New ways may have to be sought.



## CHAPTER I

### INTRODUCTION

1. The First IPF Cycle of the Country Programme for Egypt was completed on 31 December 1976. During the execution of this Programme much valuable information was gained on the process of programme implementation. A summary of certain of the conclusions of this experience is as follows:

- (a) During the First IPF Cycle (1972-1976) Egypt's share was US\$27.5 million. The level of funding for the main sectors of the Programme is indicated below:

Agriculture	25.0%
Education and Scientific Research	23.4%
Human Resources	15.3%
Industry	15.0%
Transport and Communications	13.0%
Natural Resources	5.0%
Health	3.2%
Power	0.1%

- (b) However, as the years went by, the content of the Programme in terms of actual projects changed from that prescribed in the original one. Many projects which appeared to have a high priority in 1971 faded in importance in the later years of the Programme, others - not featured in the original document - gained significance; all in accordance with the development needs of the country.

Furthermore, in view of the particular socio-economic and political importance acquired by the Suez Canal Region, the Governing Council in its January 1975 session approved a Canal Zone project amounting to US\$4.6 million. A Cost-Sharing Fund was created in June 1975, with a target figure of some US\$15 million.

- (c) The process of initiating the implementation of the previous Programme was found to be a difficult and time-consuming task, especially in projects that needed construction work. It is, in fact, quite common for a period of one and a half to two years to elapse between the definition and the final launching of a project.

2. In addition, in the world at large, the entire concept of technical assistance has perceptibly changed and this change has required a re-orientation of thinking - "New Dimensions" - in so far as UNDP programmes are concerned. It is recognized that technical co-operation is to encourage self-reliance on the part of the recipient Government: the Government itself knows what its development objectives are, and is in the best position to define how these objectives may best be met. Herein lies the challenge of New Dimensions: first to define **what** is to be achieved and then to decide how best to achieve it. In many cases, the traditional project mix of experts-fellowship-equipment may not be the best method of attaining these objectives and new ways may have to be sought.



3. The First IPF Cycle provided valuable insights into factors which affected the quality of the Country Programme and the effectiveness of UNDP assistance. The content of the current Country Programme was, as a result, determined on the basis of a definition of major development objectives, the attainment of which requires external technical assistance.

4. An Inter-Ministerial Seminar was held in Cairo from 21-24 June 1976, chaired by the Ministry of Foreign Affairs and the Ministry of Planning. It aimed at defining the major development objectives and needs of all Government departments and assigning a measure of priority to them. Senior ministry representatives were thus able, together with representatives of the UN system, to review the Programme as a whole, and also to appreciate the needs and priorities of all the ministries concerned. Furthermore, through the medium of the Seminar, it was possible to ventilate new ideas on the perspectives and opportunities afforded to the Government in exercising its prerogatives as to the scope and content of the Country Programme.

5. The Government's objectives and needs were considered jointly by the Government and the UNDP, regardless of whether the final sources of financing would be bilateral or multilateral or a combination of both. In this connexion, the Government requested the UNDP to assist in the identification and formulation of projects that could be financed by other donors.

6. In the light of the major objectives of the Government Development Plan (1978-1982) now under preparation, the Seminar adopted the following recommendations which provided a basis for the new Country Programme:

- (a) A strategy for optimizing the use of development assistance should be worked out based, on the one hand, on a thorough study of the needs and their priorities, and, on the other hand, on the available resources. Machinery should be established to co-ordinate, evaluate and make use of the available resources.
- (b) An integrated Country Programme should be prepared, with projects concentrating on significant areas of development and which effectively realize the aims of the economic and social plan of the State. The ongoing projects should be appraised with this objective in view so as to decide whether they should continue to be assigned high priority.
- (c) The Government should ensure the continuity of projects and programmes, so that they go on effectively after the conclusion of external assistance.
- (d) All measures should be taken to ensure that maximum use is made of local expertise, and to provide adequate incentives for local counterpart staff. Foreign expertise should be used whenever needed; however, attempts should be made to shorten the periods during which foreign expertise is made use of and to define as accurately as possible the problems for the solutions of which such foreign help is required, hence the type and duration of assistance required.



- 3 -
- (e) Special attention should be accorded to projects which are designed to transfer modern technologies and to those which provide training at all levels.
  - (f) In the light of decisions by the UNDP Governing Council concerning the introduction of "New Dimensions in Technical Co-operation", increased flexibility should be exercised in the use of resources available to the Programme. Furthermore, consideration should be given to the financing of projects which, by virtue of their higher risk or unusual nature, are less attractive to bilateral donors.

7. As recommended by the Seminar, sectoral follow-up discussions were held with the substantive ministries with the participation of representatives of the Ministry of Foreign Affairs, the Ministry of Planning and the UNDP office. These meetings resulted in a comprehensive identification of sectoral priorities, as well as individual projects, which together with the general theme and approach is reflected in this document (vide in particular Chapter IV: Development Objectives and UNDP Assistance).

#### Future Development Planning

8. It is important to emphasize that a number of the ongoing projects included in the previous Country Programme were developed at a stage when Egypt had a centralized economy with practically all the major means of production in Government hands. In the past three years, the country has adopted a new direction, which in the economic field is reflected by a transition from a centrally planned type of economy toward a market type of economy, the liberalization of foreign investment (the "open door policy"), and the decentralization of decision-making in public enterprises. Although many of the UNDP-assisted projects are still relevant - and even under present stringent financial conditions (applying both to the UNDP and the Government) the emphasis has been on the necessity to complete ongoing projects rather than abandon them in favour of new projects - it was recognized that the new Country Programme must reflect this changing nature of the country's economy.

9. Although the shape of the country's new Five-Year Plan is still to be decided, it is possible to discern certain background factors that are being considered. These are as follows:

- (a) President Sadat's "October Working Paper" of 1974, which indicated constraints and broad priorities for the future development of the country. In particular, this Paper provides a long-term perspective for Egypt's development up to the year 2000 which may be used as a basis to define short-term priorities.
- (b) The preparation of a new administration policy, which is aimed at increasing the efficiency not only in the public but also in the private sectors.



- (c) The existence of the "open door policy" under which foreign investment is giving maximum incentives for growth.
- (d) The steps being taken in the international arena to promote a New Economic Order, and the need for the Egyptian Economic Development Plan to reflect international priorities in this respect. Especially the concepts of "Technology Transfer" and "Technical Co-operation Among Developing Countries" are of relevance in an Egyptian context. In preparing the present Country Programme it has been taken into consideration that Egypt has a special position among the developing countries in that it has already reached a considerable stage of development and has significant production capacities in many fields. This is reflected in Egypt's substantial amount of technical assistance as well as technology and knowledge transfer to other developing countries, and also in the "brain-drain" problems presently facing the country.
- (e) High priority is given to a significant increase of the production capacity of the country and it is emphasized that national as well as foreign assistance resources should concentrate on promoting maximum exploitation of already existing production capacities in order to achieve important short-run economic results.



CHAPTER II

DEVELOPMENT PERSPECTIVE

10. Egypt has been classified by the General Assembly as one of the most seriously afflicted countries. This, of course, is mainly due to the fact that during the last ten years Egypt faced exceptionally serious problems of wars and their aftermath.

11. These difficulties have led to sharp increases in Government consumption expenditures including defence requirements, concomitant stagnation of domestic savings and the scarcity of foreign exchange and capital inflow, in addition to the population growth and the servicing of external debts.

12. However, the Government's Five-Year Development Plan aims at a new administrative policy geared towards increasing the efficiency of both the Public and Private sectors utilizing fully idle resources and capacities.

13. Two of the principal objectives of the Plan are:

- (a) to offset the serious deficit in the balance of payments;
- (b) to reach a stage of self-sufficiency.

14. The "open door policy" adopted by the Government immediately after the October War in 1973 has started to make a favourable impact on foreign financing institutions which have indicated their willingness to participate in the capital investment needed to accelerate the economic development of the country. However, the main bulk of assistance coming from Arab and Western countries has been directed to projects which are capital intensive and therefore offer limited employment prospects.

15. The increase of the agriculture potential is still the main concern of the development efforts in Egypt, a concern stemming from the rapidly increasing population. The population growth, combined with a strong migration to the big cities, mainly Cairo and Alexandria, creates enormous strains on the infrastructural systems of these two cities in particular, and the whole economy in general.

16. The Government's Development Plan expresses determination to remove the obstacles to the development of the rural areas and increase land productivity by applying modern technology in the use of water as well as to production.

17. The Plan also promotes a more sound distribution of activities and urbanization programmes that tend to expand the inhabited areas outside the fertile Nile Valley. This, together with the improvement of services and utilization of idle resources, training, maintenance, research and survey facilities will undoubtedly contribute to remedy the present situation.



CHAPTER II

18. Industry continues to play a significant role in the economic development of the country. The Public Sector will be maintained as the backbone of industrial development, and the Private Sector and foreign investors will be encouraged to undertake joint ventures in line with the "open door policy". Emphasis is put on export-oriented industries and on programmes to channel industries away from the congestion of the big cities and from fertile lands into less crowded areas and desert lands.

19. The expansion and improvement of all levels of education, the raising of the general level of the children's health, and the consolidation of the scientific and technical facilities which will produce good technicians, are the principal aims in the field of Education. On the other hand, the further development of preventive and curative medicine, the improvement of the standard of health services in rural and urban areas, the strengthening and expansion of the existing medical educational and training institutes and schemes and the strengthening of the control of endemic diseases are the main goals of the Health Sector.

20. Future prospects include the potential natural resources and expanding earnings from oil, phosphates, the Suez Canal traffic and tourism.

21. Egypt's central role in the region and her being host country for a multitude of inter-Arab Governmental and private regional organizations entitles her to additional substantial benefits from a variety of activities on a regional basis, inter alia UNDP assisted regional projects financed from the regional IFP's (vide Chapter V - Relationship with Inter-Country Programmes and Projects).



CHAPTER III

DURATION, TIME FRAME AND ANTICIPATED RESOURCES

22. The duration of this Country Programme is from 1977-1981, which also coincides with the Second IPF Cycle.

23. As during the First Cycle, periodic reviews will take place with a view to reassessing the validity of the Programme at various stages of its implementation.

24. The National Development Plan that was originally designed for the Five-Year Period 1976-1980 will now cover the period 1978-1982. The development objectives, however, will remain unchanged. Thus, while the time-frame of the Country Programme is different from that of the Plan, the necessary congruity between the two with regard to development objectives remains unaffected.

25. The 1977-1981 IPF for Egypt has been established at US\$31.5 million as against US\$27.5 million for the previous Cycle. This is distributed as follows:

IPF	Reserve	Carry-over from 1st Cycle	Planning Level	Provisional Ceilings				
				1977	1978	1979	1980	1981
\$31,500	-2,710	-1,547	=27,243	5,500	4,762	5,175	5,653	6,153

Although this amount is not as substantial as compared with resources provided by some bilateral and other donors, yet it is encouraging to note that it will contribute to invite a number of bilateral donors to express interest in collaborating with the Government and UNDP on various flexible formulas.

26. Cost-sharing, either from the Government or a third party, or both, is being arranged for the following projects:

- EGY/74/015 - Master Plan Studies for the Canal Zone
- EGY/76/001 - Canal Zone Regional Programme for Feasibility and Design Studies
- EGY/75/004 - Power Sector Survey
- EGY/73/028 - Planned Maintenance in Metallurgical Industries
- EGY/73/024 - Master Plan for Water Use

The Government has expressed the wish that consideration should be given to the use of local funds as a means of increasing the IPF resources on a cost-sharing basis.

27. There are also other important programmes within the general purview of the UN system whose inputs are contributing significantly to Egypt's broad programme of development:

- WFP's current programme in Egypt is of the order of US\$130 million approximately. Through its food contributions, it is assisting projects in such fields as agriculture, education and the preservation of ancient monuments.



CHAPTER III

- UNFPA is providing substantial assistance to the Supreme Council for Population and Family Planning and to the Central Agency for Public Mobilization and Statistics.
- The World Bank has become increasingly involved in a number of technical assistance activities covering almost all the sectors of the Egyptian economy.
- UNICEF has a number of programmes providing grant aid for projects in many sectors of the Egyptian economy.
- Agency Regular Programmes.
- SIS Programmes.
- Assistance through Voluntary Contributions.

Provisional Ceiling  
 1978 1979 1980 1981  
 5,000 5,175 5,653 6,133

Although this amount is not as substantial as compared with resources provided by some bilateral and other donors, yet it is encouraging to note that it will contribute to a number of bilateral donors to cover the investment in various collaborative with the Government and UNP, on various fields. The following are arranged for the following projects:

- BOY/74/015 - Master Plan Studies for the Canal Zone
- BOY/76/001 - Canal Zone Regional Programme for Feasibility and Design Studies
- BOY/75/004 - Power Sector Survey
- BOY/73/028 - Planned Maintenance in Metallurgical Industries
- BOY/73/024 - Master Plan for Water Use

The Government has expressed the wish that consideration should be given to the use of local funds as a means of increasing the IIF resources of a cost-sharing basis.

21. There are also other important programmes within the general purview of the UN system whose inputs are contributing significantly to Egypt's broad programme of development:

- WFP's current programme in Egypt is of the order of US\$150 million approximately. Through its food contributions, it is assisting projects in such fields as agriculture, education and the preservation of ancient monuments.



CHAPTER IV

DEVELOPMENT OBJECTIVES AND UNDP ASSISTANCE

I. Theme for UNDP Assistance to Egypt during the 1977-1981 Cycle

28. After having reviewed the general economic situation in Egypt as well as the problems and constraints facing individual sectors of the Egyptian economy, the Government has requested UNDP to concentrate, during the 1977-1981 Cycle on assisting in promoting the production capacity and capability of the country and thus help to provide a sound economic base for increasing the welfare of all segments of the population, especially the poor rural and urban masses. This approach is - both in form and in substance - in compliance with the major decisions of the June 1976 Seminar. To give the Programme maximum impact, it has been decided to identify, in the major sectors of the economy, clusters of projects which would all contribute toward achieving the over-all goal of increased production. In other words, to help increase production with the available resources and promotion of a fair distribution of the national product, is recommended to be the ultimate goal for UNDP activities in Egypt during the new Five-Year Cycle.

29. Accordingly, the present Programme identifies constraints in the different sectors of the economy, solutions to which contribute significantly to reaching the ultimate goal.

30. Below is given an indication of high priority areas in the different sectors of economy where it is recommended UNDP assistance be concentrated:

Agriculture (vide paragraphs 33-39)

(a) Geographical Concentration

- New Lands: Activities centred around established companies in the newly reclaimed lands.
- Old Lands: Activities centred around Sakha.

(b) Themes for Agricultural Development

- Field Food Crops
- Farm Production
- Farm Mechanization
- Land and Water Management
- Animal Production

Industry/Transport/Communications (vide paragraphs 40-49)

- Utilization of Idle Capacity
- Maintenance
- Training
- Promotion of Export-oriented Industries
- Industrial Activities Related to Agricultural Development



Education and Scientific Research (vide paragraphs 50-55)

UNDP assistance to this Sector should be determined by the needs of the above-mentioned directly productive Sectors and should be an auxiliary tool to overcome the identified constraints presently hindering the optimal utilization of available resources.

Concentration areas:

- Training of middle-level technicians and cadres necessary to achieve the goals set out in Agriculture/Industry/Transport/Communications.
- Promotion of university and higher education as well as research necessary to achieve the goals set out in Agriculture/Industry/Transport/Communications.

Health (vide paragraphs 56-62)

UNDP assistance to the Health Sector is - in line with the overall theme of the Programme - being determined by the need to increase productivity as well as the welfare of the Egyptian people.

Concentration areas:

- Improvement of basic health services
- Health Education
- Training and education of auxiliary health personnel

II. Sectoral Reviews

31. Reviews of the different sectors of the economy have been undertaken with the above-mentioned theme in mind. A great variety of projects have been identified and the Government wishes the most important of these projects to be mentioned in the present Programme. While UNDP resources will concentrate on activities as outlined above, it is the intention in this Programme to indicate a pipeline of projects identified through the Country Programming Exercise, for financing either through the UNDP, as more funds might be forthcoming during the latter part of the Cycle, or by bilateral donors.

32. While the main bulk of UNDP assistance will be channelled into the priority areas as defined above, it has been decided to set aside an amount of about US\$250,000 to cover urgent high priority needs which might occur in the different sectors during the Country Programming Cycle and which could be solved with small scale type of projects, e.g. provision of high level consultancy services. Such a type of assistance could for example be rendered in transportation where the sectoral review identified an urgent need for this kind of support to the Suez Canal Authority (vide paragraphs 90-91) Another project which could be financed in this way is the Administrative Support Project, the aim of which is to reduce administration costs in individual projects by centralizing certain services and supplies (vide paragraph 92).



A. AGRICULTURE AND IRRIGATION

(a) Major Constraints in connexion with Agricultural Development

33. During the formulation of the Country Programme, stress was laid on the major constraints in the **fields** of Agriculture, Irrigation and Drainage. As land and water constitute the most scarce factors of production within the Agricultural Sector, the programming of the UNDP assistance is directed toward solving problems in these two key areas. The emphasis is now placed on projects yielding higher return.

34. The growth of production in the Agricultural Sector declined during the last ten years but efforts are being made to reverse this trend. With the exception of cotton, the yield of most crops has not improved significantly. A large proportion of the reclaimed lands, approximately two-thirds, has not been made fully productive. The groundwater level has risen seriously as a result of the increase in water use thus reducing the productivity of some lands and necessitating major drainage programmes.

35. In recent years the increase of food imports has contributed considerably to the widening of the foreign exchange gap, thus impeding imports of essential capital goods, with serious consequences not least for the **Industrial Sector**. Government subsidy to basic food items, fertilizers and insecticides amounts to over L.E.500 million annually. Despite this, food prices have increased more than 60% since 1967. Slow growth in agriculture results directly in slow or no increase in the income of over half of the population, and current food prices are reducing the real income of urban workers. The main reason for **this** slow rate of growth has been capital shortage and slowness in land reclamation, as well as agricultural policies. While major Government inputs have been directed towards the reclamation of New Lands, the traditional growing areas of the Nile Valley and Delta, where small farmers in co-operatives produce about 90% of farm outputs, have been lagging behind. The implementation of projects to provide proper drainage systems has also been slow.

36. Efforts to develop production co-operatives in the Nile Valley and Delta farming areas were partially carried out. The co-operatives have largely become devices for transmitting Government inputs for desired crops and maintaining the Government-established price structure in the Agricultural Sector.

37. The problem of agricultural development in Egypt can be expressed in terms of imbalance between demands placed on the Agricultural Sector and the response of the Sector to these demands, which include:

- (i) provision of food and improvement of nutritional standards of a rapidly growing population;
- (ii) construction of a strong industrial infra-structure, **dependent** in part upon earnings of foreign exchange through export of agricultural products;
- (iii) absorption of an increasing labour supply and elimination of under-employment in the rural sector.



(b) The Government's Development Policy for the Agricultural Sector

38. To ensure that the Agricultural Sector responds to these demands, during the transitional and the new Five-Year Plan, agricultural development policy concentrates on:

- (i) improving further the productivity of the limited soil and water resources through soil drainage and amelioration schemes and better irrigation practices (intensive approach);
- (ii) horizontal expansion of production through integrated land reclamation and settlement projects (extensive approach);
- (iii) improving the productivity of crops, through modern technology and higher quality inputs such as fertilizers and seeds, with special emphasis on the cultivation of export-oriented crops;
- (iv) filling the protein gap through expanded livestock production and the development of fisheries;
- (v) improving the standard of living of the rural population through integrated rural development programmes encompassing infra-structural development, rural electrification, provision of pure water supplies, better social and health services, population planning and functional literacy programmes and establishment of agro-industries;
- (vi) strengthening agricultural institutions, especially the co-operative movement, credit and price support mechanisms, marketing, research and extension services and improving farm product packaging, transport and storage and reduction of waste;
- (vii) improving the planning, administrative, managerial and organizational skills to marshal available resources for faster agricultural development;
- (viii) increasing the cadre of middle-level managers and technicians needed to expand and maintain farm mechanization;
- (ix) promoting agro-industrial units introducing modern technology in the overall effort to accelerate the transformation of agriculture and the modernization of the countryside.

(c) Priority Areas for UNDP Assistance to the Agricultural Sector  
(Annex I, page 33 refers).

39. The main bulk of UNDP assistance to the Agricultural Sector during the previous Country Programming Cycle was concentrated on activities in the new lands outside the Nile Valley, EGY/73/048 - Control of Water Logging and Salinity in the Areas West of the Nubaria Canal; EGY/74/006 - Integrated Rural Development and Agro-Industry Promotion in the Newly Reclaimed Land; EGY/71/561 - Ground Water Pilot Scheme, New Valley. However, in order to increase, within a relatively short time span, local food supply and reduce food imports, it has been deemed necessary to establish a better balance of resource allocation between the small farm sector, concentrated in the old lands, and the development of the newly reclaimed lands. Hence the Government has requested that the main thrust of UNDP assistance to the Agricultural Sector be concentrated in the following areas:



- (i) In the present Country Programme, the major area of concentration is on a farm improvement development programme for the Nile Valley. This programme constitutes a major revision of the field crop productivity project, EGY/71/591, focussing on applied farming system research within the Kafr El Sheikh Governorate using the Sakha Experiment Station and several demonstration farms. The main objective is 5% annual increase of crop yields in the Governorate and improvement of extension methods.
- (ii) As a consequence of the projects EGY/73/048 and EGY/74/006, mentioned above, a project on development planning and water management improvement in the Newly Reclaimed Lands has been requested, to transfer the result of engineering and economic studies to the farm level and also backstop the agriculture business in the Newly Reclaimed Lands.
- (iii) In the field of improvement of land productivity, the Government is requesting UNDP assistance in carrying out studies regarding the soil deterioration, soil management and irrigation practices in the Delta as well as in assessing the soil fertility level in various areas. The Government has already allocated over L.E.1 million for soil amelioration programmes.
- (iv) The UNDP has been requested to assist in improving meat and milk production through the development of animal husbandry and management practices, and thus to help to bridge the gap between the production and the consumption of meat and also to increase the milk productivity of the Egyptian cattle.
- (v) Finally, the Government has requested UNDP assistance to strengthen the existing laboratory facilities for the diagnosis of poultry diseases and to train the staff attached to these laboratories in the most up-to-date techniques in diagnosis and vaccine production for poultry diseases.

## B. INDUSTRY

- 40. The Industrial Sector contributes approximately one quarter of the Egyptian GDP and is expected to play a crucial role in the growth of the economy.
- 41. The "October Working Paper" stipulates inter alia that the **Public Sector** will be maintained as the backbone of industrial development and that entrepreneurs from the Private Sector and foreign investors will be encouraged to undertake joint ventures in line with the "open door policy". Emphasis is on export-oriented industries and on channelling industry away from the congestion in Cairo and Alexandria into areas outside the fertile Nile Valley with an industrial potential, such as the Suez Canal and Asswan regions.
- 42. According to the draft national Five-Year Plan (1976-1980) industrial development will absorb 33% of the L.E.8 billion budgeted for investment. Approximately, half of this amount is needed in foreign exchange.



(a) Development Constraints in the Industrial Sector

43. The main constraints confronting the planned objectives are the following:

- (i) The capital requirements needed to realize the plans constitute a sizeable charge to the economy.
- (ii) Although the investment plan assumes a great ability to absorb advanced technology and foreign capital, certain management techniques have to be developed in order to utilize modern technologies with emphasis on middle-level management.
- (iii) The physical infrastructure of the country is not adequate enough to accommodate the proposed industrial expansion programme. Constraints apply to harbour facilities, free zones, telecommunications, roads, etc.

(b) Government Priorities and Future UNDP Assistance

44. The Government's future industrial programme will centre on the following:

- (i) Better utilization of existing industrial capacities
- (ii) Increase of exports by improvement of quality
- (iii) Industrial Free Zones
- (iv) Pre-investment studies
- (v) Industrial location
- (vi) Industrial activities related to agricultural development
- (vii) Transfer of technology
- (viii) Training

(i) Better Utilization of Existing Industrial Capacities

Taking into consideration that Egypt has a large-scale existing, installed industrial capacity, particularly in the public sector, balance of payment problems can best be met in the short run by better utilization of existing industrial capacity. Some projects from the previous Cycle, namely EGY/72/009 - Engineering and Industrial Design Development Centre; EGY/72/016 - Central Metallurgical Research and Development Institute; EGY/69/562 - Textile Quality Control Centre; EGY/73/020 - Textile Development Centre served and are serving this purpose. In the new cycle, however, this will be one of the most important targets. It will be realized by means of a very flexible, large-scale project within the frame of which (assisted by in-plant studies, proposals of action-oriented measures at plant level, etc.) it is intended to overcome some of the difficulties at present preventing the companies from reaching higher efficiency.



Thereby a more rational division of labour and product specialization among firms could be achieved, thus avoiding over-investment in some plants and scarcity of capacities in others. The funds available through UNDP to comply with the assistance needed are limited and efforts are being made to integrate other financial resources. Thus, for example, the Government is conducting sectoral studies with a World Bank Loan. Since maintenance also plays an important role in the safeguarding of investment and decreasing idle capacity, a UNDP-assisted project is introducing modern maintenance systems in the Iron and Steel Complex in Helwan, the largest industrial project in the country.

(ii) Increase of Exports by Improvement of Quality

An important means of improving the balance of payment is to increase export possibilities by quality improvement. As the textile industry is the most important foreign exchange earner in the Industrial Sector, the project of assistance to the Textile Quality Control Centre - EGY/69/562, was devoted to this very aim in the former Cycle. The above-mentioned Textile Development Centre - EGY/73/020, is also working for the quality improvement of textile products. Further development of this Centre has been envisaged in the new Cycle. The quality of the products of the engineering industry will be further improved through the Quality Control Centre for Engineering Industries - EGY/71/585.

(iii) Industrial Free Zones

The setting-up of industrial free zones is one important means of increasing hard-currency incomes by promoting export-oriented industries. Several areas have been identified as having a potential for attracting foreign capital in industrial free zones: light industries in Nasr City near Cairo airport and Port Said and heavy industry near Alexandria and Suez. The promotion of these industries is the theme for several studies carried out through a UNDP-assisted project, EGY/73/045 - Free Zones and Investment Development. A second phase of this project has been envisaged for the present cycle.

(iv) Pre-investment Studies

UNDP is assisting in carrying out pre-investment studies through EGY/76/001 - Canal Zone Regional Programme for Feasibility and Design Studies, as well as in the establishment of two pilot plants; EGY/73/020 - Textile Development Centre and EGY/72/016 - Central Metallurgical Research and Development Institute. These Centres will improve the utilization of indigenous materials and resources. Similar activities will be carried out in two Centres to be set up by the Government, namely, a Food Development Centre and a Plastic Development Centre (vide (vi) below).



(v) Industrial Location

New lands away from the agricultural areas should be exploited for industrial expansion. This involves expenditures in infra-structure as well as training programmes for the immigrating labour force. The "October Working Paper" stresses the good opportunities for industrial development in the Suez Canal Zone. The UNDP-assisted project EGY/74/015 - Master Plan Studies for the Canal Zone, has been investigating inter alia the industrial location potential in the area. Based on the reports and recommendations of this very large-scale project, a presently ongoing project EGY/76/001 - Canal Zone Regional Programme for Feasibility and Design Studies, financed under cost-sharing arrangements involving several donor countries, has been approved to undertake pre-investment studies in the area (vide Governing Council 20th Session DP/GC/XX/CRP 2 Document of 13 June 1975; (iv) above; as well as paragraph 80).

(vi) Industrial Activities Related to Agricultural Development

Agricultural promotion and growth is receiving high priority with a view to increasing food production. Industry supporting this goal is mainly dealing with food processing, fertilizers, pesticides, and agricultural machinery. UNDP assistance is requested in the food processing industries through the Food Development Centre. In the initial stages, the project will concentrate on food canning. UNDP assistance is also requested for a Plastic Development Centre which will facilitate the use of plastic for irrigation and drainage as well as the packaging of agricultural products, a training centre for fertilizer industries and a pesticide pilot plant. These projects, although on the reserve list, are crucial, not only for the development of agriculture in Egypt, but throughout the Arab Region. Depending on further scrutiny, the Government intends to associate itself with other Governments in the region and recommend these projects for financing through UNDP Regional Funds.

(vii) Transfer of Technology

Application of experiences of different countries in the field of transfer of technology and their adaptation for the industrial development of Egypt is of special importance here where a significant industrial development has already been achieved and large-scale industrial projects are either implemented or under elaboration. In order to develop a systematic approach for the evaluation and approval of foreign technological proposals and international licencing agreements, UNDP assistance is required to strengthen the capabilities of the General Organization for Industrialization (GOI) which is responsible for the expansion of industry in Egypt. The electronic industry, being in its initial stages of development and having an important impact throughout industry, has a crucial role to play in the transfer of technology. Thus, the UNDP-assisted project Electronic Industry Research and Development Centre is of special significance in the development of the electronic industry.



(viii) Training

Raising skill at all levels through training is of utmost importance for Egypt since not only the labour reserves of existing industrial plants and new ones have to be ensured but the firstline workers seconded in other Arab countries must also be replaced. For this purpose a Training Centre will be organized in the Engineering and Industrial Design Development Centre and also a Fertilizer Training Centre.

C. TRANSPORT AND COMMUNICATIONS

45. The Government's major objectives for the development of the Transport and Communications Sector are:

- (i) improvement and strengthening of internal transport facilities (passenger and cargo);
- (ii) strengthening the civil aviation fleet in order to cope with the increasing demands ;
- (iii) strengthening the maritime transport fleet through purchase of additional cargo ships and oil tankers ;
- (iv) completion of projects which aim at improving and enlarging the Suez Canal to allow inter alia oil tankers with 250,000 tons' capacity to cross ;
- (v) completion of projects for the improvement and expansion of the existing telephone networks as well as improving communications facilities with the outside world ;
- (vi) increasing the storage capacity for capital commodities ;
- (vii) renovating equipment available at the broadcasting and television stations.

46. The improvement of already existing services and utilization of idle resources is at present given higher priority than initiating new projects. Therefore, priority areas in this sector include:

- (i) training;
- (ii) repair and maintenance;
- (iii) research and surveys especially in connexion with roads and ports.



47. The main problems facing this Sector are to achieve better co-ordination and planning within the Sector, better utilization of existing capacities, improvement and expansion of the repair and maintenance facilities, adequate provision of spare parts as well as modernization and expansion of the different transportation and communications facilities, especially cargo-handling, storage and telecommunications. In order to solve these problems, the Government attaches great importance to the raising of manpower skills to the required technological standards. In this respect, UNDP assisted the Government during the first Country Programming Cycle through projects in the fields of railways - EGY/73/038; inland water transport - EGY/72/014; civil aviation - EGY/73/034; telecommunications - EGY/69/557; and meteorological services - EGY/71/580.

48. In the field of transport, the Government has identified repair and maintenance problems as priority areas for UNDP assistance in accordance with the over-all objectives of the Programme. As examples of possible project requests falling naturally within these priority areas - although also trying to find solutions to other problems in the Transportation Sector - could be mentioned:

- (i) integrated transport monitoring and maintenance system for the Middle Delta Bus Transport Company;
- (ii) strengthening of the Central Workshop for Ship-building and repair and maintenance of the fleet operating on the Nile;
- (iii) outlining a road destined to accelerate development of the southern part of Egypt, by connecting Asswan to the Port of Berenice as an outlet on the Red Sea and preparation of a pre-design phase for a harbour at a site having the natural advantages;
- (iv) strengthening and modernizing of training facilities at the Egyptair Flying Institute.

49. In the field of communications, UNDP assistance is requested to realize the following Government objectives:

- (i) completion of the projects for the improvement of the existing telephone units and installation of additional ones through renovating the telephone cable network in Cairo and Alexandria;
- (ii) modernization of physical facilities for training at the broadcasting and television stations as well as upgrading of the training programmes.

#### D. EDUCATION AND SCIENTIFIC RESEARCH

##### (a) Education

50. The Government's education programme emphasizes the following objectives:

- (i) to expand and improve education, stressing the need to improve student standards and expand the student body to absorb all youngsters of school-going age into schools by 1980 and raise the age limits for compulsory education;
- (ii) to consolidate scientific and technical educational facilities so as to produce good technicians;



- (iii) to develop curricula which keep pace with the requirements of society as a whole;
- (iv) to encourage regular attendance at school by all children;
- (v) to make parents more aware of the benefits of education;
- (vi) to provide meal services for all children, and to improve their general level of health, particularly in the rural areas.

51. UNDP has, during the last Country Programming Cycle, put **emphasis** on introducing new educational designs especially in the following fields, in accordance with the objectives (ii) and (iii) above:

- (i) training of middle-level technicians: Project EGY/71/592 - Technical Teacher Training Institute aims at assisting in providing an adequate supply of trained technicians and teachers;
- (ii) developing specialized manpower for future needs by strengthening and modernizing laboratories and scientific research in universities, higher institutes and technical training institutes (Alexandria University, Cairo University and Ein Shams University, EGY/74/008, EGY/73/041 and EGY/73/056 respectively);
- (iii) strengthening of post-graduate scientific research work with a view to producing Ph.D and M.Sc. degree holders within the country. UNDP assistance, covering two phases, to the Scientific Centre for Advancement of Post-Graduate Studies, Alexandria University - EGY/71/573 and EGY/74/008, has been extended to assist the University in **strengthening** post-graduate research work in Physics, Mathematics, Physical Chemistry and Biochemistry. UNDP assistance is also being given to the Faculty of Engineering, Cairo University - EGY/73/041.

Priority areas for UNDP assistance to the Education Sector during the present Cycle

52. As already stated in paragraph 30, UNDP assistance to the Education Sector is in this Programme being determined as a function of the needs in the production-oriented sectors of the economy and the Government has requested concentration on the following two areas:



(i) Training of middle-level technicians:

The expanding industrial development of Egypt is aiming not only at restoring the economic structure which suffered over the past decade but also to achieve a well-planned economy based on modern technology that would satisfy the needs of the country. In order to meet the demands for such an economic development, Egypt has recognized the necessity for qualified trained technical manpower in sufficient numbers. This force of technical manpower, which includes skilled workers, technicians, engineers and highly qualified research workers is being formed by the efforts of industry and the Ministries of Education and Higher Education as well as the Ministry of Manpower (vide pages 22-23 on Human Resources). The Ministry of Education intends to establish five new institutes at Alexandria, Kafr El Sheikh, Mansoura, Port Said and Assuit offering five-year technician courses, thus ensuring a balanced regional development of technical education. Each institute will have the same enrolment and output targets and will offer certain courses as well as new specialized ones to meet the particular needs of certain local industries. During the First Cycle of the Country Programme, UNDP's assistance in technical training focused on training technical teachers (EGY/71/592 - Technical Teachers Training Institute). In the Second Cycle, UNDP is aiming to assist the Government in implementing the following three projects:

- the Port-Said Technical Institute for Ship Building Technicians;
- the Alexandria Technical Institute for Petrochemical Technicians;
- the Assuit Technical Institute for Mechanical, Electrical and Power Station Technicians.

(ii) University and Higher Education:

According to the needs of industry and agriculture, the Government intends to request UNDP assistance to develop specialized highly trained manpower by strengthening and modernizing laboratories and scientific research in universities, higher institutes and technical training institutes. A specific project identified during the sectoral review as enjoying high priority is assistance in establishing a National Science Education Centre attached to the Ein Shams University - EGY/73/056.

(b) Scientific Research

53. During the first Country Programming Cycle, UNDP was requested to assist in the strengthening and expansion of research institutions in such significant fields as coastal erosion - EGY/70/581 and coastal protection studies - EGY/73/063 and marine sciences - EGY/69/017. A large-scale project, which will continue through 1978, assists the National Centre for Radiation Technology. Its immediate objective is to apply electron-beam treatment in order to improve outputs from the Agricultural, Industrial and Health Sectors.

54. Stressing the importance of environmental considerations in economic development, the Government is requesting that consideration be given to a national pilot programme of research related to pollution of the environment, in the light of the establishment of an Aquatic Environmental Pollution Centre in the University of Alexandria.



55. UNDP is also requested to assist the already existing Medical Centre for Nuclear Radiation, Cairo University.

E. HEALTH

56. The sectoral plan lays stress on the improvement of the quality of health services and education both in urban and rural areas. The Government wants to consolidate and integrate services rendered in preventive and curative medicines and to maintain and improve the standard of health services in the rural and urban areas by means of raising the efficiency of district, general and specialized hospitals, and integrated clinics and rural health units. Particular attention is given to vertical expansion with stress on preventive methods including mass immunization and control of endemic diseases through better environmental sanitation and special programmes. Expansion of hospital facilities and rural health units is envisaged. In this regard, the Government is directing special attention to the quality of drinking-water, and the sewerage and waste disposal in the rural areas. There is also a need to evaluate the existing rural health centres with a view to improve the services rendered in the rural areas and effect a better coverage of the whole rural territories.

57. To realize these objectives, the Government aims at reaching the following main goals:

- (i) to increase the number of nurses and physicians and to improve the nurse/bed ratio from 1/8 to 1/6;
- (ii) to improve the ratio of hospital beds per thousand of population from 2.2 to 2.5;
- (iii) to strengthen and expand the existing medical educational and training institutes and schemes with a view to increasing and improving the number of teaching staff and aides and in order to prepare and make available the required number of medical and auxiliary personnel, especially nurses;
- (iv) to increase the number of health units from 1,700 to 2,500, each serving a minimum of 500 persons
- (v) to increase the number of mobile units to serve areas outside the range of rural health units and combating endemic diseases such as **schistosomiasis, malaria, ankylostoma, and trachoma** by preventive methods;
- (vi) to extend the coverage of the medical insurance scheme to the maximum number of beneficiaries.



58. UNDP assistance to the Health Sector 1972-1976 covered mainly the improvement and development of viral vaccine activities - EGY/71/586. UNDP involvement also covered the production of the BCG vaccine - EGY/71/026, assistance to the Department of Allergic Diseases of the Respiratory System - EGY/71/029, and to the Nutrition Institute - EGY/68/003, testing of a new drug against bilharzia - EGY/71/028, the development of nursing education through the production of learning materials for nurses - EGY/73/059, as well as the establishment of a central blood bank - EGY/73/053.

59. It is planned that the present Cycle should cover fields of crucial importance such as preventive medicine services in the rural areas, combine control and production of viral and bacterial vaccines including development of provincial laboratories, and assist in the establishment of a number of units for allergic diseases of the respiratory system in the industrial centres such as Mehalla El Kobra and Shubra El Kheima; and health education and development of laboratory services through the training and education of laboratory assistants (paramedical services).

60. The UNDP Programme for the Health Sector should assist the Government in its Programme for Manpower Development.

61. Even though covered by bilateral assistance, it should be mentioned that efforts are underway to develop a medical repair and maintenance centre which is of crucial importance in the development of the Health Sector.

62. Making use of available technical capacities in Egypt, a Regional Training Centre for Maintenance and Repair of Technical and Scientific Medical Equipment could be established in the Region with funds from inter alia the regional IPF.

#### F. HUMAN RESOURCES

63. From 1900, Egypt's population of 10 million began to steadily increase to reach 20 million in 1950. Thereafter, the rate of increase accelerated to reach a peak of 2.8% annually in 1965, and in 1970, the population touched 33.3 million. The growth rate then slowed down somewhat. However, at the current rate the population, now estimated at 38.2 million, will reach 70 million in 2000. This population growth is caused by a steep decline in death rates with a lesser decline in birth rates. A death rate of 31 per thousand in the mid-30's dropped to 15 per thousand in the mid-60's to 12.5 per thousand in 1976, whereas the birth rate of 45 per thousand in the mid-30's declined to 42 per thousand in the mid-60's and 36 per thousand in 1976.

	<u>Death Rate</u> <u>per thousand</u>	<u>Birth Rate</u> <u>per thousand</u>	<u>Net Growth Rate</u> <u>per cent</u>
mid-30's	31	45	1.4
mid-60's	15	42	2.7
1975	12.4	36	2.36



64. The expansion of modern health measures within the rural areas has reduced the overall death rates and infant mortality, although malnutrition and endemic diseases are still taking a heavy toll and have left the country with a young population. Consequently, expenditure on public services including education, health and social services increases the dependency burden on the productive population.

65. Of Egypt's total employed labour force of about nine million, equivalent to about a quarter of the population, nearly half is working in agriculture, some 16% in industry, 14% in distribution and transportation, and 21% in other services sectors.

66. The climate for investment has shown considerable signs of improvement during the years 1974 and 1975 as a result of Government policy to foster private initiative and foreign investments. These include projects for petrochemical industries, refineries, fertilizer factories and iron and steel works. However, these projects are capital intensive and therefore offer limited employment prospects.

67. UNDP assistance to this Sector was in the form of one large-scale project which aimed at assisting the Government in establishing the Occupational Safety and Health Institute in Heliopolis - EGY/67/559, and two small-scale projects in manpower planning and vocational guidance which were meant to assist in designing and implementing vocational training programmes.

68. Under the present circumstances, and in view of the broad and specific objectives of the Five-Year Plan, the Sector's task is a heavy one. Egypt's wealth lies mainly in the availability of the trained cadres of personnel required for the development plan. This wealth has been exposed to a heavy toll due to "brain-drain", which results from the migration to not least Arab countries of qualified and trained manpower looking for better pay and better working conditions. The Government intends to make every effort to offset this imbalance. A new wage policy is needed relating wages to production in all the sectors of the economy.

69. According to the mandate of the Ministry of Manpower and Training, the Ministry has been made fully responsible for all manpower planning, studies and research formerly handled by other institutions. With this in view, the Ministry is carrying out at present manpower assessment and planning, employment policies, productivity and the development of manpower resources. To perform such duties in an efficient manner, the Government requested assistance in the development of a national centre for labour studies whose main task is to assist the Ministry of Manpower in attaining the following three fundamental objectives:

- (i) promoting the use of available labour supply in terms of both personnel and time units of labour flow;
- (ii) increasing the productivity of the labour force;
- (iii) meeting the needs of the country's development plan from skilled and trained manpower.



G. NATURAL RESOURCES

70. Egypt's principal indigenous energy resources are solar energy, oil, natural gas and hydro-power. There are also small undeveloped coal deposits in the Sinai and potential sources of uranium, but these are limited and economically unattractive.

71. The energy policy of the country aims at developing and exploiting indigenous energy resources as rapidly as possible to meet future requirements and to supplement these internal resources by recourse to nuclear power from the early 1980's. However Egypt's plans for economic development on one hand and the transformation of the world energy scene following the 1973/4 oil price increases on the other, have emphasized the need to formulate a more clearly defined national energy strategy. In this connexion a Ministerial Committee on Energy was established in 1974. The primary responsibility of the Committee is to co-ordinate the work of the different energy agencies in the light of national economic and social development needs: to review the present organization of the energy sector with a view to its improvement; to consider the most economic way of meeting the country's energy requirements; to consider legislation on energy matters; and to take decisions on joint issues concerning the ministries and agencies engaged in the energy field.

72. The principal objectives for the electric power sub-sectors are to provide power for new industries which the Government is anxious to encourage and to electrify 4000 villages. At present and for the next four years, the installation of new generation plants is tied closely to meeting the needs of new industrial enterprises, which are under construction or being planned.

73. Generating facilities consist principally of the High Dam and Asswan Dam hydro-plants at Asswan on the Nile in the south of the country and a number of thermal plants around Cairo and the Suez Canal. The hydro and thermal plants are connected into the national grid.

74. A load forecast for the period to 1980 is based essentially on anticipated major new loads combined with growth of existing loads and implies an average annual growth of 10% p.a. Growth in sales during the 1960's which included part of the war years, averaged about 7% p.a. The main new large loads which formed part of the basis for the load forecast, consist partly of existing industries which have definite plans for expansion and partly of planned industries both requiring an aggregate demand of about 1400 MW.

75. The long range programme for the electric power sub-sectors (1980-2000) is based on the assumption that it would be appropriate to introduce generating plant unit sizes of 600 MW during the 1980's, the first 800 MW unit by 1988 and the first 1000 MW by 1995. It is also planned to introduce the first nuclear plants in 1983.



76. UNDP has assisted the Government in **modernizing and upgrading the training programmes** for personnel working in the field of electric power through the provision of experts, equipment and fellowships - EGY/67/557 - Electric Power Training Institute.

77. UNDP is presently carrying out a sectoral study for the electric power sub-sector - EGY/75/004, with a view to helping the Government to cope with the increasingly complex problems of operation, distribution, organization, expansion programmes, accounting systems, tariffs and training and above all, formulate and develop an appropriate power policy.

78. Since 1966, UNDP has been assisting the Government in assessing the mineral resources in the south eastern part of the country - EGY/65/556 - Assessment of the Mineral Potential of the Asswan Region, Phase I. Initial photo-geological and airborne geophysical surveys have appraised promising areas for such minerals as tin, tungsten, copper, iron and chromium. During a Phase II project EGY/72/008 which started in September 1972, an intensive programme of drilling was carried out to determine the economic viability of the minerals already traced.

79. The Government has expressed the need to strengthen within the Geological Survey Authority the sector undertaking the exploration and evaluation of the mineral potential of Egypt.

#### H. PLANNING

##### (a) Suez Canal Region

80. The Suez Canal Region, in view of its potential, has been chosen as the region where the new direction of development should begin in order to relieve the Nile Valley from the burdens of over population. The "October Working Paper" states the following:

"Within one comprehensive plan this area should be changed into an industrial, agricultural, touristic area with free trade **zones** as well as university facilities specializing in subjects commensurate with the requirements of the area. With its unique situation, the area is capable of attracting various kinds of investments. Its comprehensive plan should be realized along modern regional planning systems, thus making of it a land for new life, a pioneer model for the Egypt we want before the end of the century."

81. The UNDP responded to this mandate and has become involved in one of its biggest and most significant projects assisting the Government in the formulation of comprehensive master **plans** for Port Said, Ismailia, Suez, and a structure plan for the region.



82. Valuable experience has been gained during the course of this **exercise** and the Government is implementing these plans through the following procedures:

- (i) relating the master plans of the region to a strategy for the development of the country as a whole;
- (ii) institutionalizing the planning activities both at the national and regional levels;
- (iii) preparing detailed planning, feasibility and design studies, as identified by the master plans.

83. The master plans of the regions identified more than one hundred projects requiring in-depth studies. The total cost of investments as defined by the master plans would reach L.E.6 billion.

84. Now a follow-up project EGY/76/001 - Canal Zone Regional Programme for Feasibility and Design Studies - has been initiated. In view of financial constraints in the Country Programme and the international importance of the region, UNDP cost-sharing arrangement with a target of US\$15 million has been launched by the Government and assisted by UNDP. To date **approximately** US\$9 million have been raised. Eight priority studies have so far been selected and are related to an integrated programme comprising industry, tourism, land reclamation, environment, water resources, agriculture, fishing and manpower resources. It is anticipated that these studies will absorb all the funds presently available.

85. A significant aspect of this project is that the methodology used could be adapted to the other regions in the country and will eventually contribute to drawing the New Map of Egypt.

(b) Asswan Region

86. A considerable number of studies and research projects regarding the Asswan Region have been prepared focussing mainly upon the development of tourism, agriculture, certain industries defined by the potential of the region, and fisheries in the Lake Nasser. These studies were limited to the Governorate of Asswan but are expected to become an important input in the development of a strategy for a comprehensive development of the region.

87. The need for such a development strategy for the Asswan Region should be borne in mind when preparing the proposed regional project - REM/75/017 - Development of Lakes Nasser and Nubia, which will concentrate on integrated rural development and overall planning for the whole Lake Nasser and Nubia Region.



(c) Regional Planning and Plan Co-ordination in the Arab Region

88. The larger the horizon of any long range national development plan, the more obvious becomes the number of issues that have their cause and effect on a regional and global rather than on a national scale, and consequently the more urgent the need for economic integration. This principle was at the basis for several measures agreed upon at the Lima Conference in respect of co-operation among developing countries. The above was also one of the key issues at the "Joint Symposium on Long-range Planning and Regional Integration with Special Reference to the Arab Region", which was held in Cairo 14-21 January 1976. At this Symposium there was also an agreement on the principle that industrialization is the corner-stone on which economic integration must be built with a proper balance between industrial and agricultural development. Egypt is a dynamic promoter of medium-range and long-range planning efforts in the Arab Region as well as an active member in regional and inter-regional organizations dealing with these problems. UNDP is assisting these efforts presently through the Regional Project of assistance to the Council of Arab Economic Unity - REM/71/292, which is the main inter-governmental Arab Organization dealing with these problems. Further assistance in formulation of regional development models is foreseen on a Regional basis in the Regional Programme for Europe, Mediterranean and the Middle East (vide DP/218 of 6 October 1976, paragraph 132).

89. On the national level, UNDP has assisted in the development of economic planning models through the project EGY/74/026 - Long Range Comprehensive Planning for Social and Economic Development. Pending availability of resources, the Government has requested further assistance in this important field.

I. MISCELLANEOUS

(a) Suez Canal Authority

90. Deepening of the Suez Canal has already begun as part of an overall construction scheme, which, costing several billion dollars, involves the total development of the Suez Canal area centred on Suez, Ismailia and Port Said (paragraph 80 refers). While specialized companies continue dredging at the southern end of the canal, the widening work on the middle section of the Great Bitter Lake has just started.

91. Government considers that the expansion programme should be supported by independent specialized advice in the form of consultancy services for increased efficiency in the utilization of allocated funds for the development and exploitation of the Canal waterway. Thus the Government considers that UNDP assistance is needed in connexion with the following activities:



- (i) a survey of the depths in the northern and southern waters of the Canal;
- (ii) training of pilots;
- (iii) review of the existing studies of modernization of the navigation control system;
- (iv) evaluation of the studies on the navigation aids.

(b) Administrative Support

92. Administrative support of various projects based on the pooling of services to UNDP-assisted projects which are not large enough to economically justify the incorporation of this type of support will be provided through a central supporting project. The project is meant to increase the servicing capacity of both the Government and the UNDP office and is based on the consideration of optimal utilization of available resources.



CHAPTER V

RELATIONSHIP WITH INTER-COUNTRY PROGRAMMES AND PROJECTS

93. Parallel to the Country Programming exercise, a series of in-depth discussions with the Ministry of Foreign Affairs as well as with selected sectoral ministries have taken place concerning Regional Programme matters. This task was facilitated by the fact that the Regional Programming exercise for the next IPF period roughly coincided with the Egyptian Country Programme exercise.
94. During all these discussions, the Government repeatedly stressed the importance it attaches to and its full support of UNDP regional activities. Of main interest to the present Country Programme has been the regional project proposed for a multifaceted, intersectoral approach to integrated rural development in the Lakes Nasser and Nubia region as a co-operative undertaking by the Governments of Egypt and the Sudan. Egypt is also expected to benefit during the first part of the next Regional Programming Cycle from the project RAF/71/217 - Schistosomiasis Control in Man-Made Lakes. This project, which is headquartered in Ghana, is expected to provide technical assistance as well as a small amount of equipment to the programmes presently being formulated by the Egyptian Health Authorities for control of schistosomiasis in Lake Nasser. The problem needs urgent attention as a result of the Government's decision to start, by January 1978, to implement the plans for construction and subsequent settlement of villages along the shores of Lake Nasser.
95. It is realized that all planned programmes and projects in the Asswan Governorate should be co-ordinated closely with these proposed regional activities.
96. The Government is keenly aware that duplication and overlap between activities financed from National, Regional, Inter-Regional and Global UNDP funds should be avoided and all possibilities explored to utilize already existing Regional, Inter-Regional and Global facilities before entering into similar activities at the national level.
97. There are of course some cases where similar or complementary activities take place both at the National, Regional and Global level in which case serious co-ordination is strongly urged. Some examples of such cases:

<u>National Activity</u> <u>(Ongoing and Proposed)</u>	<u>Regional/Global Activity</u> <u>(Ongoing and Proposed)</u>
EGY/71/592 - Improvement of Field Crops Productivity	REM/71/293 - Improvement and Production of Field Crops in the Near East and North Africa
EGY/73/024 - Master Plan for Water Use	GLO/70/001 - CIMMYT
EGY/73/023 - Assistance to the Hydraulic Research and Experiment Station, Delta Barrage	RAF/73/001 - Hydrometeorological Survey of Lakes Victoria, Kyoga and Mobutu Sese-Seko



National Activity  
(Ongoing and Proposed)

Study of Sedimentation in Lake Nasser (proposal)

Fertilizer Training Centre (proposal)

Long-Range Comprehensive Planning for Social and Economic Development (ongoing EGY/74/026 and proposal)

EGY/73/034 - Civil Aviation Training Centre

EGY/71/586 - Virus Research Training and Production Centre

Production of Bacterial Vaccines (Tetanus, DPT and BCG) and National Control Laboratory for Biological Substances (proposal)

Regional/Global Activity  
(Ongoing and Proposed)

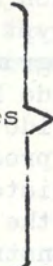
REM/75/017 - Development of Lakes Nasser and Nubia (proposal)

REM/75/018 - Regional Development of Fertilizer Industry (under P.A.)

REM/71/292 - Assistance to the Council of Arab Economic Unity

REM/73/002 - Training and Advisory Services in Civil Aviation

WHO expanded Programme on Immunization (Inter-Regional Project Proposal)



It is realized that all planned programmes and projects in the sector...  
The Government is keenly aware that duplication and overlap between...  
There are of course some cases where similar or complementary activities...  
take place both at the national, regional and global level in which case...  
action co-ordination is strongly urged. Some examples of such cases:

Regional Activity  
(Ongoing and Proposed)  
EGY/75/017 - Improvement and...  
EGY/75/001 - UNCTAD...  
EGY/75/001 - Survey of Lakes Victoria, Kyoga and...  
EGY/75/001 - Hydrological...

National Activity  
(Ongoing and Proposed)  
EGY/75/017 - Improvement of...  
EGY/75/001 - Master Plan for...  
EGY/75/001 - Assistance to the...  
Hydraulic Research and Experiment...  
Station, Lake Nasser



CHAPTER VI

SIGNIFICANT FEATURES OF THE COUNTRY PROGRAMME

98. The main thrust of the present Country Programme has been described in some detail in paragraphs 23-32. Through a series of sectoral discussions with the Government priority areas as well as individual projects in compliance with these priorities were identified. Taking into consideration, however, the limited resources available for the Programme, the over-all theme of increasing the production capacity and capability of the country was used as a guideline to identify projects within the sectoral priority areas which would be given highest consideration for UNDP financing in the present Programme. The following page shows some of the main features of the Country Programme.

99. The formulation of this Programme was facilitated by the experience gained during the first Country Programming Cycle. The most important of these may be summarized as follows:

- (i) The detrimental effects of too strong a fragmentation of programme resources.
- (ii) Emphasis should be put on those sectors which could help Egypt to become self-reliant as soon and as much as possible.
- (iii) **Ways** and means should be devised, both in the project design itself and in the follow-up measures proposed, to ensure proper continuity of operations after the conclusion of UNDP assistance.
- (iv) The importance of ensuring adequate and continuous counterpart support.
- (v) Increased reliance on high-level, short-term consultants instead of foreign resident experts.
- (vi) The equipment component should be carefully examined so as to ensure a really national and effective use of items which are, at times, both very expensive and very delicate.
- (vii) The experience obtained by UNDP in Egypt, its increased ability in assisting the Government in identifying priority areas of technical co-operation justifies a greater catalytic role by the UNDP. This role could and should therefore expand far beyond the provisions of the UNDP-financed Programme and cover larger areas of technical assistance by servicing, for instance, the Government in its negotiations with foreign partners, be they developing or developed countries, public or private entities, and making fullest use of the capacity and experience of the United Nations Development System. Also this new role could comprise the activity of assisting in keeping the international community informed on the investment opportunities in Egypt.



## SIGNIFICANT FEATURES OF THE COUNTRY PROGRAMME

### Overall Goal

Increase the production capacity and capability of Egypt thus providing a sound economic base for increasing the welfare of all segments of the population with special emphasis on improving the standard of living for the poor rural and urban masses.

### Productive Sectors

#### Agriculture

- Field Food Crops
- Farm Production
- Farm Mechanization
- Land and Water Management
- Animal Production

#### Industry

- Utilization of Idle Capacity
- Maintenance
- Quality Control
- Industrial Activities related to Agricultural Development
- Promotion of Export-Oriented Industries
- Transfer of Technology
- Training

### Supporting Services

#### Education and Scientific Research/ Human Resources

- Training of Middle-Level Technicians
- Strengthening of Higher Scientific Research and Development

#### Transport and Communications

- Training
- Repair and Maintenance
- Utilization of Idle Capacity
- Improvement of Managerial Practices

#### Health

- Training and Education of Auxiliary Health Personnel
- Improvement of Basic Health Services
- Health Education



Financial Summary

<b>I. Resources taken into account for programming</b>		
1. Resources available		<u>(In US\$'000)</u>
(a) IPF resources available for programming		30,381
(b) Other resources (Government cost-sharing contribution or trust funds)		12,308 <sup>a/</sup>
2. Provision for adequate programming		<u>nil</u>
Total resources taken into account for programming		<u>42,689</u>
<b>II. Use of resources</b>		
1. Programmed (all sectors)		
(a) Ongoing projects	\$23,049	
(b) New projects included in the Country Programme	\$16,930	
(c) Earmarked for specific objectives and activities for which projects are to be worked out at a later stage	<u>nil</u>	39,979
2. Reserve		<u>2,710</u>
Total Resources Programmed		<u>42,689</u>

<sup>a/</sup> This includes \$5,395,000 (excluding UNDP/OPE overhead) projected, but not yet pledged by potential third party donors in respect to EGY/76/001 (Suez Canal Zone Feasibility and Design Studies). Not included are cost-sharing contributions planned for EGY/73/028 (Planned Maintenance in Metallurgical Industries) and EGY/75/004 (Power Sector Survey); preliminary estimates for these are not yet available.



III. Annual financial distribution of programme by sector

SECTOR	1977	1978	1979	1980	1981	TOTAL
1. Agriculture	1,789,126	1,677,622	1,786,700	1,654,850	1,500,000	8,408,298
2. Industry	1,479,299	1,663,000	1,579,000	1,350,000	1,520,000	7,591,299
3. Planning and Trade	1,165,243	6,691,447	4,106,012	150,000	80,000	12,192,702
4. Transport and Communications	695,111	160,162	729,980	1,165,000	1,100,000	3,850,253
5. Human Resources	-	-	40,000	66,000	100,000	206,000
6. Health	129,910	41,802	223,420	523,450	500,000	1,418,582
7. Natural Resources	449,000	150,000	-	35,000	300,000	934,000
8. Urbanization	-	12,000	125,000	180,000	200,000	517,000
9. Education	1,364,505	970,583	767,600	653,700	853,000	4,609,388
10. Miscellaneous	11,900	216,831	23,300	-	-	252,031
11. Reserve						2,710,000
GRAND TOTAL	7,084,094	11,583,447	9,381,012	5,778,000	6,153,000	42,689,553



## ANNEX II

LIST OF PROJECTS BY SECTOR

Sector:	<u>ESTIMATED GOVERNMENT INPUT (L.E.)</u>	<u>ESTIMATED TOTAL UNDP INPUT (US\$)</u>
<u>Agriculture, Forestry and Fisheries</u>		
<u>A: Ongoing/Approved Projects</u>		
EGY/71/561 - Groundwater Pilot Scheme, New Valley	17,587	116,700
EGY/71/591 - Improvement of Field Crops Productivity (Phase II)	545,050	313,106
EGY/73/023 - Assistance to Hydraulic Research and Experiment Station	56,120	888,084
EGY/73/024 - Master Plan for Water Resources Development and Use	640,500	2,100,000
EGY/73/086 - Establishment of Frozen Semen Distribution Centre	-	5,000
EGY/73/048 - Control of Waterlogging and Salinity, Nubaria	39,613	332,525
EGY/73/069 - Improvement of Foot and Mouth Disease Vaccine	-	25,000
EGY/74/006 - Integrated Rural Development and Promotion of Agro-Industries in the Newly Reclaimed Lands	<u>432,343</u>	<u>200,000</u>
	Sub-Total 1,731,213 (A)	3,980,415
<u>B: New Projects</u>		
EGY/77/001 - Improved Farming System for the Nile Valley		1,275,600
Improvement of Milk and Meat Production		350,000
Development Planning and Water Management in the New Lands		1,436,800
Improvement of Land Productivity and Fertility		1,040,433
Support to Laboratory Diagnosis of Poultry Diseases		<u>325,050</u>
	Sub-Total (B)	<u>4,427,883</u>
	GRAND TOTAL 1,731,213 (A&B)	8,408,298
<u>C: Reserve Projects: NIL</u>		



Sector:	<u>Industry</u>	<u>ESTIMATED GOVERNMENT INPUT (L.E.)</u>	<u>ESTIMATED TOTAL UNDP INPUT (US\$)</u>
	<u>A: Ongoing/Approved Projects</u>		
EGY/71/585	- Quality Control Centre for Engineering Industries	650,000	304,508
EGY/72/009	- Engineering and Industrial Design Development Centre	243,000	761,525
EGY/72/016	- Central Metallurgical Research and Development Institute	3,360,000	1,300,831
EGY/73/020	- Textile Development Centre	1,388,000	693,350
EGY/73/028	- Planned Maintenance in Metallurgical Industries	48,000	255,980
EGY/73/029	- Electronic Industries Research and Development Centre	81,000	269,664
EGY/76/003	- Housing and Town Planning	-	5,900
	Sub-Total (A)	5,770,000	3,591,758
	<u>B: New Projects</u>		
	Idle Capacity	-	1,499,041
	Textile Development Centre (Phase II)	-	450,500
	Electronic Industries Research and Development Centre (Phase II)	2,000,000	600,000
	Plastics Development Centre	-	700,000
	Food Development Centre	-	200,000
	Transfer of Technology	-	200,000
	Industrial Training	-	350,000
	Sub-Total (B)	2,000,000	3,999,541
	<u>C: Reserve Projects</u>		
	Fertilizer Training Centre		
	Pesticide Pilot Plant		
	Integrated Management Electric System		
	Exploration of Basic Metals		
	Management Consultancy		
	Dyestuffs and Related Chemicals		
	Sub-Total (C)		
	GRAND TOTAL (A&B)	7,770,000	7,591,299



	ESTIMATED GOVERNMENT INPUT <u>(L. E.)</u>	ESTIMATED TOTAL UNDP INPUT <u>(US\$)</u>
Sector: <u>Planning, Trade and Finance</u>		
A: <u>Ongoing/Approved Projects</u>		
EGY/73/045 - Free Zones and Investment Development		91,096
EGY/74/026 - Long-Range Comprehensive Planning for Economic and Social Development		43,605
EGY/76/001 - Suez Canal Zone Studies		<u>11,458,001</u>
	Sub-Total (A)	11,592,702
B: <u>New Projects</u>		
Free Zones and Investment Development (Phase II)		200,000
Long-Range Comprehensive Planning for Economic and Social Development (Phase II)		200,000
Banking Institute for Training		<u>200,000</u>
	Sub-Total (B)	<u>600,000</u>
C: <u>Reserve Projects:</u> NIL		
	GRAND TOTAL (A&B)	12,192,702
Sector: <u>Transport</u>		
A: <u>Ongoing/Approved Projects</u>		
EGY/72/014 - Central Training Institute for Inland Water Transport		107,981
EGY/73/034 - Civil Aviation Training Centre	709,935	277,872
EGY/73/038 - Vocational Training for the Egyptian Railways	<u>3,712,824</u>	<u>329,608</u>
	Sub-Total (A)	715,461
B: <u>New Projects</u>		
Middle Delta Bus Transport	1,351,645	350,000
Central Workshop for Ship Building		390,000
Asswan Berenice Highway		875,000
Misr Flying School		<u>728,000</u>
	Sub-Total (B)	<u>2,343,000</u>
	Grand Total (A&B)	3,058,461



	ESTIMATED GOVERNMENT INPUT (L.E.)	ESTIMATED TOTAL UNDP INPUT (US\$)
<b>C: <u>Reserve Projects</u></b>		
Nile Company for Car Repair		200,000
Road Transport Centre		72,250
Cairo Bus Authority		<u>250,000</u>
Sub-Total (C)		522,250
<b>Sector: <u>Communication</u></b>		
<b>A: <u>Ongoing/Approved Projects</u></b>		
EGY/69/577 - Technical Training Institute for Telecommunications		62,000
EGY/71/580 - Meteorological Institute		<u>23,792</u>
Sub-Total (A)		85,792
<b>B: <u>New Projects</u></b>		
Cairo Cable Network		156,000
Postal Research and Training		100,000
Television and Broadcasting Laboratories		<u>450,000</u>
Sub-Total (B)		<u>706,000</u>
Grand-Total (A&B)		791,792
<b>C: <u>Reserve Projects</u></b>		
Micro-Electronic Switching Unit		400,000
Applied Research in Meteorology		<u>268,000</u>
Sub-Total (C)		668,000
<b>Sector: <u>Human Resources</u></b>		
<b>B. <u>New Projects</u></b>		
National Centre for Labour Studies		140,000
Centre Agency for Administration		<u>66,000</u>
Sub-Total (B)		<u>206,000</u>



Sector:	(a)	ESTIMATED GOVERNMENT INPUT <u>(L. E.)</u>	ESTIMATED TOTAL UNDP INPUT <u>(US\$)</u>
<u>Education and Scientific Services (continued)</u>			
Sector: <u>Health</u>			
A: <u>Ongoing/Approved Projects</u>			
EGY/71/586 - Virus Research Training and Production Centre			105,430
EGY/73/053 - Central Blood Bank			3,580
EGY/73/059 - Nursing Education			<u>20,900</u>
	Sub-Total		129,910
	(A)		
B: <u>New Projects</u>			
Production of Bacterial Vaccine and National Control			508,522
Allergic Diseases			230,150
Laboratories Services			450,000
Health Education			<u>100,000</u>
	Sub-Total		<u>1,288,672</u>
	(B)		
	Grand Total		1,418,582
	(A&B)		
Sector: <u>Natural Resources</u>			
A: <u>Ongoing/Approved Projects</u>			
EGY/75/004 - Power Sector Survey		<u>195,000</u>	<u>599,000</u>
	Sub-Total	195,000	599,000
	(A)		
B: <u>New Projects</u>			
Assistance to the Geological Survey			<u>335,000</u>
	Sub-Total		<u>335,000</u>
	(B)		
	Grand-Total		934,000
	(A&B)		



	<u>ESTIMATED GOVERNMENT INPUT (L.E.)</u>	<u>ESTIMATED TOTAL UNDP INPUT (US\$)</u>
Sector: <u>Urbanization</u>		
B: <u>New Projects</u>		
Regional Planning Asswan		<u>517,000</u>
	Grand-Total (B)	517,000
Sector: <u>Education and Scientific Services</u>		
A: <u>Ongoing/Approved Projects</u>		
EGY/69/017 - Marine Sciences		132,300
EGY/71/032 - Radioactive Dosimetry After Accidents		11,100
EGY/71/592 - Technical Teacher Training Institute	152,240	477,656
EGY/73/037 - National Centre for Radiation Technology	163,698	382,484
EGY/73/041 - Advancement of Post-Graduate Studies in Engineering Sciences, Cairo University	33,225	248,497
EGY/73/063 - Coastal Protection Studies	51,389	284,750
EGY/74/008 - Science Centre for Advancement of Post- Graduate Studies, Alexandria University	460,800	787,020
EGY/74/024 - Statistical Training	*	23,481
EGY/74/028 - Institute of Petroleum and Mining Engineering	<u>180</u>	<u>7,200</u>
	Sub-Total (A)	2,354,488
B: <u>New Projects</u>		
- Technical Teachers Training Institute		477,000
EGY/73/037 - National Centre for Radiation Technology		600,000
EGY/73/056 - National Science Education Centre, Ein Shams University		293,300
- Medical Centre for Nuclear Radiation, Cairo University		612,000
EGY/73/058 - Pilot Project for Aquatic Pollution, Alexandria University		<u>272,600</u>
	Sub-Total (B)	<u>2,254,900</u>
	Grand-Total (A&B)	4,609,388

\*EGY/74/024 - Government Contribution amount has not been specified. It concerns settlement of the salaries of trainees study leave.









UNITED NATIONS  
DEVELOPMENT  
PROGRAMME



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DP/GC/EGY/R.2/RECOMMENDATION  
15 November 1977

ORIGINAL: ENGLISH

GOVERNING COUNCIL  
January 1978 meetings

Country and intercountry programming and projects

COUNTRY PROGRAMME OF THE GOVERNMENT OF

EGYPT

Note by the Administrator

Programme period

IPF for 1977-1981

1977-1981

\$31.5 million

I. Nature of the programming exercise

1. The country programme was prepared by the Ministry of Foreign Affairs in conjunction with the Ministry of Planning. Advice, assistance and support was provided by the UNDP Resident Representative at all stages. UNDP headquarters was consulted by the Resident Representative and the Regional Bureau provided him with on-the-spot help and guidance.

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BY THE GOVERNING COUNCIL



2. The determination of the content of the country programme was preceded by extensive discussions within the Government in respect to development objectives and priorities. An inter-ministerial seminar, convened in June 1976 under the sponsorship of the Ministries of Foreign Affairs and Planning, helped to draw up an over-all picture of needs and constraints and established principles on which the country programming exercise was based. The seminar brought together all the major substantive Ministries and organizations of the Government. The Resident Representative was closely associated with the preparations and proceedings. Officials of the World Food Programme and selected Agencies took part in the discussions.

3. The seminar was followed by detailed sectoral discussions both at the level of development objectives and at the project level. These ultimately led to Government decisions as to the scope and substance of the country programme. Those taking part in the discussions were the concerned substantive Ministries and organizations, the Ministry of Foreign Affairs, the Ministry of Planning and the office of the UNDP Resident Representative.

4. A joint UNDP/FAO livestock sectoral review mission was organized in late 1975 at the Government's request. The depth and extensiveness of the discussions mentioned above obviated the need for additional sectoral reviews of this type.

5. Copies of the country programme were sent in draft to UNDP headquarters, Participating and Executing Agencies and other organizations of the United Nations system. In preparing the programme as now presented, the Government has taken into account the observations and comments received. Further attention will be given to them at the implementation stage.

## II. Relation of the country programme to national development objectives

6. The National Development Plan for 1978-1982 was still under discussion at the time of country programme preparation. The principal goals and priorities likely to form the framework of the Plan were broadly known, however, and were taken as a basis for identifying the development objectives for which UNDP assistance is being sought.

7. The Five-Year Plan is being prepared within the context of the 1974 "October Working Paper" of the President of the Republic. The Paper provides a long-term perspective for national development up to the year 2000. Other important considerations are the open door policy under which foreign investments are being encouraged and the application of a new policy for administering the economy. While retaining the basic features of a planning system, the latter policy will seek to improve the efficiency of both the public and private sectors by introducing flexible arrangements based on the concept of management by objective as well as the requirements of the open door policy. Taking into account these factors as well as Egypt's two primary resource problems, namely, the acute paucity of land suitable for economic development and the high rate of population growth, which together call for increased industrial

/...



development and the recovery of desert areas for productive activity, the National Development Plan for 1978-1982 is likely to focus on:

- Maximum utilization of untapped resources and reserves;
- Improvement of public utility networks and infrastructure;
- Reconstruction and development of war-damaged areas, especially the Suez Canal Zone;
- Provision of adequate local finance for programmes and projects with high foreign exchange components, and the strengthening of local contracting capability;
- Industrial development, with emphasis on export-orientation;
- Increased investment in agriculture, particularly with reference to irrigation and drainage;
- Expansion and improvement of education and training at all levels;
- Provision of improved health and other social services; and
- Achievement of a sound spatial spread of investments and services so as to expand productive activities outside the Nile Valley.

8. The country programme will help to achieve most of these broad development objectives. Essentially, it will assist in expanding productive capacity, which, apart from meeting immediate growth requirements, will serve as a base for improved social welfare and equity. By focussing on export expansion, manpower training and human resources development, and the strengthening of research and development capacity, it will also contribute to the achievement of national self-reliance.

/...



III. Content and phasing of the country programme

9. The country programme is divided among sectors as follows:

Table 1

Sectoral breakdown of programmed resources<sup>a/</sup>

Sector	On-going projects		Identified new projects		Total	
	Value (\$'000)	Per cent	Value (\$'000)	Per cent	Value (\$'000)	Per cent
Agriculture	3 980	17.3	4 428	26.2	8 408	19.7
Industry	3 592	15.6	3 999	23.6	7 591	17.8
Planning and trade	11 593	50.2	600	3.5	12 193	28.6
Transport and communications	801	3.5	3 049	18.0	3 850	9.0
Human resources	-	-	206	1.2	206	0.5
Health	130	0.6	1 289	7.6	1 419	3.3
Natural resources	599	2.6	335	2.0	934	2.2
Urbanization	-	-	517	3.1	517	1.2
Education	2 354	10.2	2 255	13.3	4 609	10.8
Others	-	-	252	1.5	252	0.6
Reserve					2 710	6.3
<b>Total programmed</b>	<b>23 049</b>	<b>100.0</b>	<b>16 930</b>	<b>100.0</b>	<b>42 689</b>	<b>100.0</b>

a/ This sectoral classification is the same as that used by the Government in Annex I (Table III) of the country programme document (DP/GC/EGY/R.2). "Planning and trade" includes master planning and design studies for the Suez Canal Zone.

10. The main areas of emphasis are planning and trade (28.6 per cent), agriculture (19.7 per cent), industry (17.8 per cent), education (10.8 per cent), and transport and communications (9 per cent). Of the remaining sectors, health is the most important - with a 3.3 per cent share.

11. The preparation of feasibility and design studies for the Suez Canal Zone with a target earmarking of approximately \$11.5 million<sup>1/</sup> (completely funded through third party cost sharing arrangements) overwhelmingly accounts for the bulk (94.3 per cent) of the total allocation for planning and trade. This is in accord with the Government's policy of developing growth poles and infrastructure and productive facilities outside the over-populated Nile Valley.

<sup>1/</sup> This excludes expenditures incurred prior to 1 January 1977. If these are included, the total target is \$15 million.

/...



12. The same spatial and regional development policy is reflected in the country programme's agricultural sector. This is a continuation of an emphasis which was a marked feature of the first country programme. The new programme introduces a shift of balance, however, in that it provides for greater allocations in support of intensive agricultural development in the Nile Valley. More attention is to be given to the small farm sector, which is concentrated in the old lands.
13. A substantial portion (37.5 per cent) of the total country programme allocation for new industrial projects will be directed to improve utilization of existing capacity - an important national development objective. Quality improvement geared to export promotion will be another important theme. Research and development, on which there was considerable stress in the previous country programme, will continue to receive priority. Projects in other sectors will reinforce the emphasis on export promotion as well as the development of industry in areas outside the Nile Valley.
14. Important new activities in the transport and communication sector concern the Asswan-Berenice highway, which will accelerate the development of the southern region, and the aviation school of the national airline. Also noteworthy is the attention to be given to the improvement of training capacity for the sound broadcasting and television network.
15. In the education sector, the training of middle-level technicians will continue to receive emphasis through expansion and diversification. The development of scientific education and services will retain priority in the context of the need to attain national self-reliance in this crucial area.
16. This second country programme, in contrast to the first, contains a stronger degree of concentration. Seven projects, each costing more than \$1 million in terms of expenditure on international inputs, account for a \$20.1 million share of the \$42.7 million taken into account for programming purposes.
17. The inter-ministerial seminar discussed earlier in this note stressed, among other things, the need to maximize the use of national resources and expertise in the design and implementation of UNDP-supported technical co-operation activities in Egypt. The importance of the "new dimensions" (and the flexibility which they facilitated) was also underlined. Efforts will be made to encourage innovations, bearing in mind the Governing Council's directives and guidelines with respect to "new dimensions" and TCDC.



18. The phasing of UNDP inputs over the programming period is shown below:

Table 2

Phasing of the country programme

<u>A. Amounts programmed</u>	<u>(\$'000)</u>
<u>Year</u>	
1977	7 084
1978	11 583
1979	9 381
1980	5 778
1981	6 153
Reserve	<u>2 710</u>
Total	42 689
<u>B. Resources taken into account for programming</u>	
<u>Resources available</u>	
(a) IPF resources available for programming	30 381
(b) Other resources	
(cost sharing contributions)	<u>12 308<sup>a/</sup></u>
Total resources taken into account for programming	42 689

<sup>a/</sup> This includes \$5,395,000 (excluding UNDP/OPE overhead) projected, but not yet pledged by potential third party donors in respect to EGY/76/001 (Suez Canal Zone Feasibility and Design Studies). Not included are cost sharing contributions planned for EGY/73/028 (Planned Maintenance in Metallurgical Industries and EGY/75/004 (Power Sector Survey); preliminary estimates for these are not yet available.

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19. The programming of resources excluding the cost sharing contributions is in reasonable conformity with the annual ceilings currently established by UNDP. The ceilings will be adjusted in the light of actual resource availability as well as country needs.

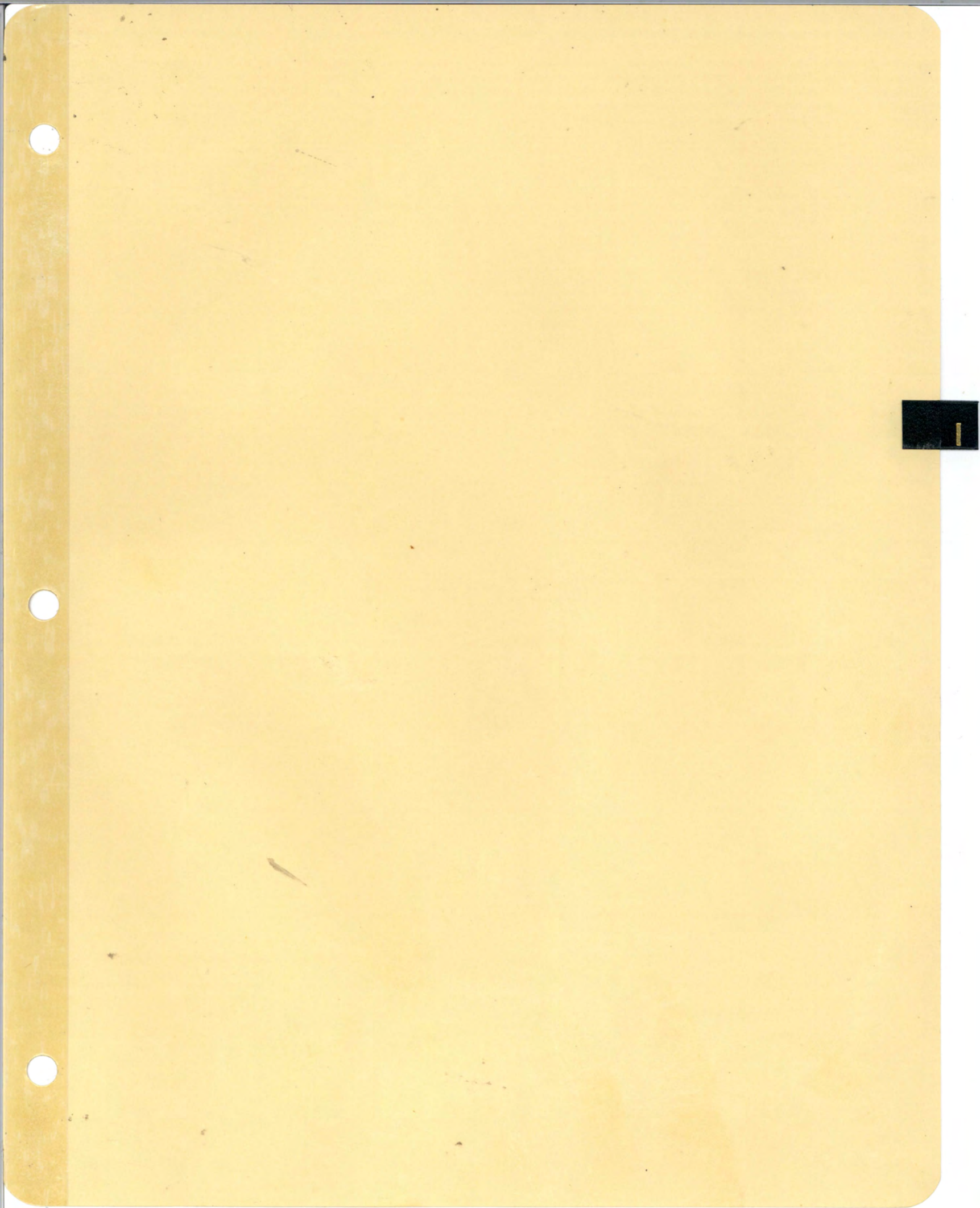
20. Annex II of the country programme lists a number of projects excluded from the programme for want of resources. Some of the reserve projects might be entertained for inclusion if resources are freed by changes in priorities or otherwise become available. It is also the Government's desire to bring them to the attention of other potential donors.

#### IV. Recommendation of the Administrator

21. In the light of the views expressed above, the Administrator recommends that the Governing Council:

- (a) Approve the proposed UNDP country programme for Egypt for the duration of its programme period within the limits of its Indicative Planning Figure for 1977-1981, taking into account the balance of over-expenditure of its 1972-1976 Indicative Planning Figure and the cost-sharing payments to projects; and
- (b) Authorize the Administrator to proceed with appraisal and approval action on requests for assistance falling within the outlines of the country programme while ensuring, in accordance with the decision of the Governing Council at its eighteenth session (E/5543/Rev.1, paragraph 31), that expenditures are kept in reasonable conformity with the relevant Indicative Planning Figures and are contained within the financial resources available at any given time.







# EGYPT

a Special report

## Peace is primary aim—but not at any price

by Denis Taylor

So fast and furious have been the twists and turns in Egyptian foreign policy in the past few weeks that one could be forgiven for thinking that it had gone completely into reverse, particularly now that Cairo has broken off diplomatic relations with Syria, Libya, Algeria and South Yemen after the anti-Sadat measures adopted in Tripoli this week. But the overall aims of President Sadat's strategy remain much more consistent than might be imagined by those who have not got their breath back since his visit to Jerusalem.

First—and this was the point of his dramatic break with precedent in going to the capital of the state with which Cairo has been in a state of war for almost 30 years—he wants peace in the region. Egypt, as Mr Sadat has not hesitated to point out, has borne more of the burden of the conflict than any other Arab nation.

Apart from the loss of blood, there has been a constant drain on one of the most hard-pressed economies in the world. It has long been clear that Egypt's desire for a peaceful settlement of the Middle East struggle transcended that of the other confrontation states, notably Syria, and that of the Palestine Liberation Organisation (PLO)—but not peace at any price.

What could not have been

foreseen were the tactics the Egyptian leader would employ in order to try to give an impetus to this aim, including his implicit recognition of the state of Israel, which the other Arabs regard as throwing away a crucial card before negotiations have even begun.

The reactions to his challenge to the Arab world have been for the most part predictable, from the violent outbursts of Iraq to Syria's more measured disapproval and Jordan's agonizing efforts to keep the middle ground. Inviting the Israelis to Cairo was bound to produce an anti-Egyptian summit like that just held in Tripoli.

As his speech to the Knesset showed, President Sadat's mission was not an attempt to negotiate a peace treaty between Egypt and Israel but to call for a regional settlement embracing the fundamental Arab demands for an Israeli withdrawal from the territories occupied in 1967 and the right of the Palestinians to have their own state. Any dilution of those conditions would have immediately and entirely destroyed his credibility among the Arabs.

Time will show whether Egyptian perceptions about the Israeli Government were on the right lines. One view in official Cairo circles, before the possibility of a Sadat visit to Jerusalem was publicly aired, was that Mr Begin was modifying his apparent fundamentalism under force of circumstances. Those were said to include the implications of the unprecedented joint Soviet-American statement early in October, which called for a

settlement ensuring "the legitimate rights of the Palestinian people". At the same time, the Egyptians seemed to be under no illusions about the willingness of Israel to negotiate with the PLO, so that Mr Begin's subsequent reactions on the Palestinian issue can hardly have come as a surprise.

There was a feeling in Cairo, however, that in spite of his evident reservations on the question President Carter was gradually moving towards acceptance of the idea of an independent Palestinian state. Even if that is the case, it must then be asked whether the Egyptians, like other Arabs, are not taking far too simple a view of Washington's ability or desire to put pressure on Israel.

Egypt's attitude towards the super powers remains consistent. The pattern was set when President Sadat expelled his Soviet military advisers in 1972 and subsequently committed himself to a rapprochement with the United States. If there is any change there it is the tactical one of being ready to talk directly to the Israelis rather than depending on American or other intermediaries.

His distrust of Russian intentions in Africa stays strong, hence Egyptian concern about the Horn of Africa and, earlier this year, Zaire. When announcing that Egyptian pilots and technicians were being sent to help President Mobutu to contain the invasion of Shaba province, Mr Sadat said this incursion was "a direct threat to Sudan and the source of the Nile, which for us is life and death. We shall fight against whoever attacks Sudan".

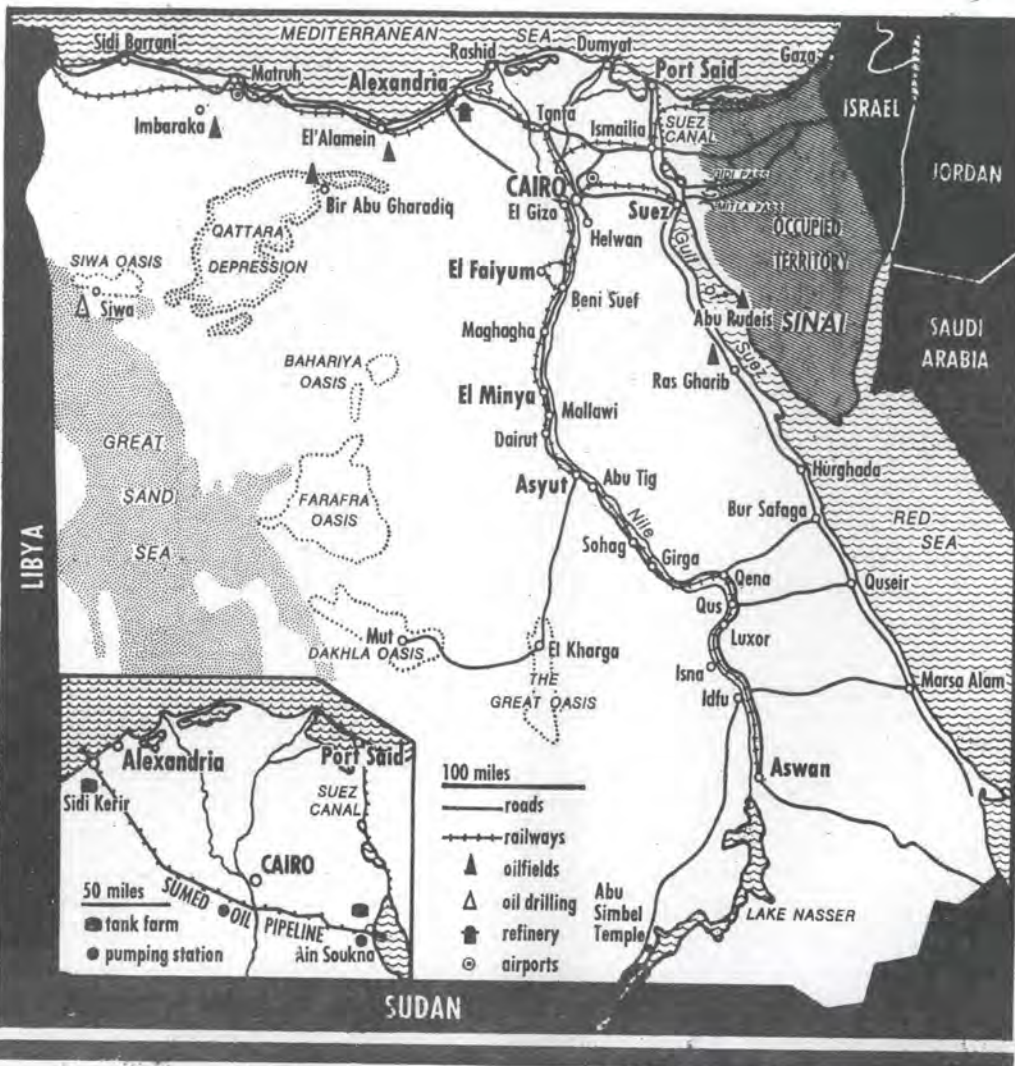
The Horn of Africa is seen in Cairo as an area of vital interest, where it wants to see stability and freedom from foreign domination. Egyptian concern about the Horn reflects their preoccupation with the Nile, a tributary of which rises in Ethiopia, as well as with the Red Sea.

There is obvious satisfaction that the Russians have not achieved any net gains from their backing of both sides in the conflict between Ethiopia and Somalia.

The practical fruits of Egypt's 1974 agreement to coordinate political and economic policies with Sudan are so far slight. A mutual defence pact was signed after an abortive coup against President Nimeiry last year. Six weeks ago in Cairo the parliaments of both countries met together for the first time. The idea is gradually to improve political, economic, cultural and educational cooperation rather than try to force the pace. The recent history of the Arabs is littered with failed schemes for unity.

President Nimeiry was the only Arab leader to endorse the Sadat initiative in person by flying to Cairo on the Egyptian leader's return home.

Earlier this autumn Egyptian officials were talking of an improvement in relations with Libya since their brief desert war last summer. Such claims already seem like ancient history. The world is now waiting to see whether Mr Sadat's revolutionary tactics have destroyed all hopes of realising his objectives and brought the Middle East once more to the brink, or whether in a way as unforeseen as his flight into Israel his gamble is vindicated.



# Investing in Egypt A new open door policy

As part of Egypt's forward-looking programme to re-vitalise her economy, the People's Assembly has approved a number of amendments to the country's investment laws.

These amendments, covering exchange rates, taxation, customs duties and the repatriation of profits, make Egypt's current investment climate one in which overseas

investors will see their projects come to fruition more smoothly than ever before.

During the next four years, projected schemes will be undertaken to build up the country's involvement in agriculture, textiles, housing, transportation, engineering, mining, finance and food stuffs to the benefit of both Egyptian and foreign investors alike.

### Industry

In the past the Egyptian economy has been heavily orientated towards agriculture. Today the emphasis has shifted to include industrial development. With a substantial industrial export trade already under way, over one million of the country's workforce are employed in industrial activities.

Thus investment from overseas is encouraged in metallurgical concerns, the engineering and electronic industries, textiles, chemicals, building materials, foodstuffs, mining and petrochemical industries.

### Tourism

Egypt was a great civilisation with a centralised government over 3,000 years before the birth of Christ.

Nowadays the fertile banks of the Nile stepped in the ancient history of the Pharaohs' land, attract thousands of tourists each year. For those who look for the sun in winter, and who have an interest in history and archaeology, Egypt is an ideal place.

Foreign investment is invited to improve facilities for tourists through the construction of hotels, tourist cities and villages, camping centres, floating hotels, ferries and other amenities.

### Financial institutions

Beyond the investment potential of agriculture, industry and tourism, Egypt's new policy opens the door for the establishment of a variety of institutions to provide adequate financing for any accepted investment project.

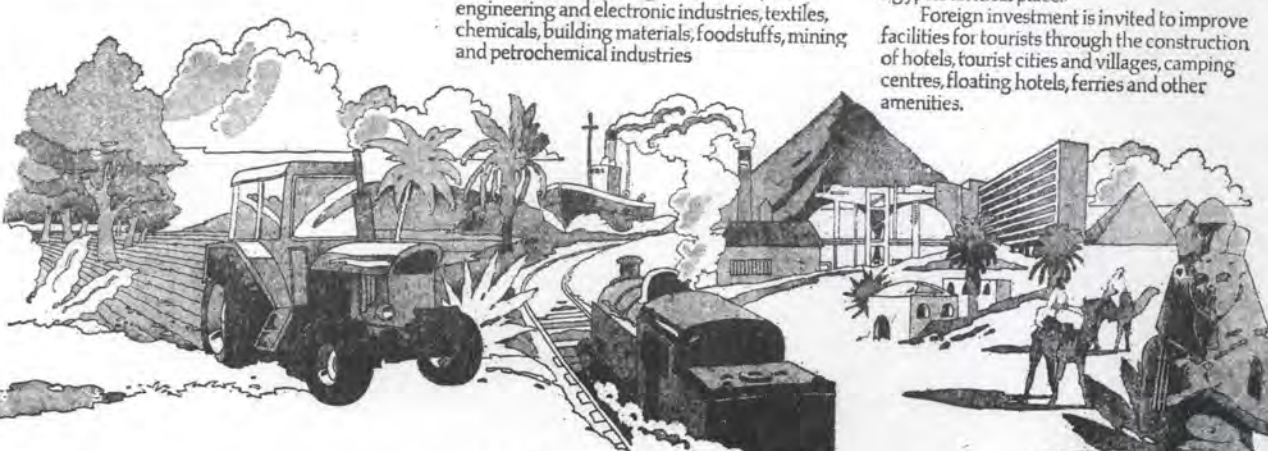
Opportunities now exist for investment companies, investment banks, merchant banks, and reinsurance companies to open branch offices in Egypt or to establish institutions constituted in Egypt.

### The progress so far

Already Egypt's investment programme is far-advanced.

This table shows the scope and involvement of foreign investors whose projects are currently under way. It is an indication of the way in which, in partnership with overseas industrialists, Egypt is committed to a comprehensive programme of economic growth.

Activity	Number of Investment Projects	Total Investment (figures in million £)	Egyptian Investment	Foreign Investment	Employed Nationals at 30.11.77
Textile Industry	28	31.7	17.7	14.0	5,151
Food Stuffs	18	20.1	6.8	13.3	3,083
Metallurgical	23	16.9	7.3	9.6	954
Engineering	15	12.5	7.8	4.7	1,102
Mining	4	2.3	0.5	1.8	423
Ceramics	15	35.0	27.7	7.3	1,358
Chemicals	63	65.1	19.7	45.4	9,431
Pharmaceuticals & Medical Equipment	3	1.1	0.1	1.0	121
Aircraft Production	14	25.2	13.3	11.9	2,065
Housing	14	91.9	39.7	52.2	-
Contracting	10	6.7	3.7	3.0	14,448
Transportation	6	22.8	1.4	21.4	704
Investment Companies	15	130.0	22.0	108.0	-
Banking	24	69.6	14.2	55.4	-
Tourism	62	182.1	72.0	110.1	15,743
Health & Hospitals	0	17.2	1.9	15.3	2,008
<b>Total</b>	<b>343</b>	<b>735.3</b>	<b>242.7</b>	<b>492.6</b>	<b>60,041</b>



For further information contact:  
**General Authority for Arab and Foreign Investment and Free Zones.**  
8, Adly Street, Cairo, Egypt.



### A performer on the world stage

"I don't know about the Nobel Prize, but I think they both ought to get Oscars." This was Mrs Golda Meir's characteristic comment on the performance of President Sadat and Prime Minister Begin during Mr Sadat's recent visit to Israel, which not without reason has been generally labelled "historic".

As far as Mr Sadat is concerned, one can only endorse her verdict. He is a man who visibly enjoys "performing" on the political stage, and the visit to Israel was probably his most accomplished performance to date.

It was, moreover, intended as such. Mr Sadat did not go to Israel, as many supposed, to negotiate a deal with the Israeli Government. That will come later. He went, as he himself said, to deliver a message: to convince his audience that he was genuinely a man of peace, and that Israel really can have peace if it is prepared to give up the territories conquered in 1967 and to recognize some kind of Palestinian state.

The audience was not just the 120 members of the Knesset, even the three million Israelis. Mr Sadat knew well that such an "historic" event would be televised in most countries of the world, and particularly in the United States; and to make quite sure the message got across he took the star interviewers of all three main American television networks with him in his aircraft.

He wanted to make sure that in the negotiations to come, when President Carter again tells the Israeli Government there is a real chance of peace worth making big concessions for, he will be believed and supported by most Americans and a good many Israelis as well.

Determination to win American support has been the dominant theme of Mr Sadat's policies at least since 1972, when he expelled the Soviet military advisers invited into Egypt by Nasser. Already at that time he was criticised by, among others, Mr Ismail Fahmy for acting precipitately and unilaterally, and giving away what should have been a valuable bargaining counter.

#### Psychological barrier to be broken

But Mr Sadat has consistently ignored such criticisms. He seems to believe, or to sense, that Egypt and the Arabs are too weak to drive a hard bargain with a superpower like the United States. Instead of trying to bargain, therefore, he has sought to convince—to overcome, as he now puts it, the "psychological barrier" of mistrust; and to inspire trust one has to act spontaneously and wholeheartedly, holding nothing back, keeping no options in reserve, not hedging one's bets.

Gambling metaphors inevitably creep into any portrait of Mr Sadat. To call him a political gambler is a cliché, not an insult. It means that, unlike most political leaders, he is willing to take risks.

But what sort of a gambler is he? If in one respect he

### Immigration seen as answer to unemployment

by Atef Sulthan

Improving employment opportunities for Egyptians was one of the important issues that topped a long list of steps proposed by Professor Alex Moeller, former West German Finance Minister, in a report on Egypt's economic prospects submitted to President Sadat last June. Herr Moeller, who, since 1976 has been President Sadat's personal economic adviser, said that Egypt's economic progress can be achieved only if there is a division of labour and cooperation with the rest of the world, particularly with other Arab states.

These findings cannot be over-emphasised. Egypt's population is by far the largest in the Arab world and makes the country one of the world's most densely populated. But what is more worrying, is that Egypt's population is young, thus there is a continuous rapid increase in the workforce.

Despite the country's fast economic growth in the past 25 years, Egypt's economy cannot absorb all the labour it has. Egyptian universities and training institutes turn out hundreds of thousands of graduates, in almost every skill, every year. Most of them can only expect a monthly wage of no more than \$50 while the cheapest "economy flat" is offered at more than \$8,000 with a down payment of \$2,000.

Only a few graduates who are lucky enough to get jobs with foreign banks, business consultants, oil industry and diplomatic missions in Egypt can keep up with the annual 40 per cent inflation.

The future does not look good either. Short of an economic miracle, such as Egypt becoming a major oil producer for example, the unemployment problem at home looks even darker. Herr Moeller says that even if the toughest population control schemes are to be carried out successfully, Egypt will still have to find jobs for five million more people by 1990 and for another 10 million by the turn of the century.

Some comfort is found, however, in other Arab countries which since the 1973 sharp increase in oil prices have launched massive development programmes requiring large numbers of imported skilled and unskilled staff. In 1972 the number of Egyptian expatriates totalled 200,000. In the past three years, however, one million Egyptians, about 10 per cent of the workforce, left to work abroad, mostly in Libya and the Gulf States.

Unlike other surplus labour nations like Turkey or the Republic of Korea, Egypt has no well-defined policy on migrant workers. But at least since President Sadat's much-publicised open-door policy was introduced the Government began to see immigration as a palliative for the problem of unemployment and as a valuable source of foreign exchange. Earlier this year Mr Mamour Salem, the Prime Minister, said that remittances by Egyptian expatriates amounted to \$400m a year. According to more recent estimates, this figure has now tripled as the result of a further relaxation in Egypt's foreign exchange control.

Such an inflow of foreign exchange will not solve Egypt's economic problem overnight. With a great national product of only about \$11,000m Egypt faces

an estimated trade deficit of about \$2,500m this year and an outstanding foreign debt of about \$16,000m while debt servicing alone takes nearly 40 per cent of export earnings. However, remittances for the first time have exceeded any other single source of foreign exchange earnings, which traditionally consisted mostly of cotton exports, dues from the Suez Canal and tourism earnings.

In most of the thirty-populated Gulf states, foreigners make up more than half of the workforce. In some of the smaller states, they even account for up to 80 per cent of their inhabitants. With acute domestic labour supply in these countries, the workforce is imported from distant places like Taiwan, the Republic of Korea and from India, Pakistan and Turkey. But for cultural and economic reasons, many rich Arab oil states prefer to fill most vacancies from other Arab countries.

Egypt, which has the largest manpower pool, both in quantity and quality, takes the biggest share. Egyptians now number more than 250,000 in both Libya and Saudi Arabia, 50,000 in both Kuwait and the United Arab Emirates and 10,000 in the tiny state of Qatar.

But Egyptian migration to other Arab states has not always been a blessing. With emigrants' expectations raised by life abroad, few of them would be willing to return to their own hard-pressed country. Several Egyptian industries, particularly construction, have suffered seriously from the exodus of certain technical and managerial skills.

A serious shortage in

### Sadat raises hopes for future

by Edward Mortimer

President Sadat's spectacular decision to visit Israel last month was taken against a background of political and social malaise, closely connected with Egypt's acute economic difficulties. Until last month the dominant event of 1977 in Egypt was without question the serious riots which occurred in Cairo and Alexandria in January in protest against the Government's sudden decision to raise the prices of the heavily subsidised basic commodities that make up the diet of the Egyptian poor.

The rioting was the most serious political disturbance in Egypt since the revolution of 1952, and when President Sadat has repeatedly blamed communists and Soviet agents for instigating it, there is little doubt that it was in fact largely spontaneous. Indeed, the Government implicitly admitted the genuineness of the grievance by rescinding the price increases at the same moment when it was obliged to call in the army to restore order in the streets.

The riots were a severe blow to the Government's prestige. They forced the country's ruling élite to focus its attention for the first time on the dangerously wide and growing gap between the prosperity of the few and the grinding poverty of the many. On the one side were the new and rich, the old families who had managed to preserve or recover at least a part of their wealth from before the revolution and those who had risen through the army or the bureaucracy to positions of influence during the Nasser regime.

Both have profited from the liberalization of the economic system since 1973. The Gulf and the availability of imported consumer goods. Money can be made by taking agencies for importing companies, by speculating in real estate, by owning or managing nightclubs and hotels, or by helping companies or individuals to get around the many regulations, administrative obstacles and the bottlenecks which characterize Egyptian society. It can be spent on a whole range of imported luxury goods and with very little difficulty can now be taken out of the country.

On the other side is the great mass of Egyptians, whose incomes are simply keeping pace with the rate of inflation generally reckoned at about 20 per cent. Probably the greatest misery is no longer to be found in the countryside but among the urban slum-dwellers—workers, unemployed or semi-employed.

Small wonder that 300,000 skilled workers and qualified people have emigrated to better-paid jobs, mostly in richer Arab countries. But while this has caused a scarcity of skilled labour and thus pushed up the prices which self-employed artisans can charge, it has only further demoralized those whose salaries are fixed by the state.

Governing a society in this condition is clearly an anxious task. President Sadat seems haunted by the fear that his people's discontent



President Anwar Sadat, seated next to Mr Menachem Begin at a press conference before his departure from Jerusalem, repeats his call for an end to war.



Cairo women in the bargain basement of a department store. Impoverished though the country is, newly imported articles such as this cloth from France are eagerly sought.

### After the Russian wedding, West offers its arms

by Henry Stanhope

The Egyptian Armed Forces, which stood at something of a crossroads after the October War, have started to advance towards one of the available options. Recently reported American estimates that Israel could defeat or even annihilate a combined Syrian-Egyptian attack within a fortnight—and would be in a position to do so for the next five years—illuminates the Arab dilemma. This will remain, even if President Sadat's dream of an end to war comes true.

Dissatisfaction in Cairo with their Russian arms suppliers was long-standing. It stemmed partly from the Soviet refusal to furnish the

advanced, offensive weapons which Egypt craved, and partly from the privileged presence which Moscow's military advisers enjoyed in Cairo and elsewhere. It was always a marriage of convenience anyway, which finally broke down when both partners grew disenchanted over the benefits. But the break, when it came, left Egypt's Armed Forces with Russian equipment for which no spares have been readily available. Moreover they have had to stand by while Israel has been resupplied, not only with the weapons which had been depleted in 1973 but with new, advanced systems from the United States.

President Sadat has therefore turned to the Western powers which, given Egypt's

increasingly capitalist economy, will be more natural allies. With the United States bound irrevocably to Israel, it is the Western European powers like Britain, France and to some extent Italy, which are competing for Egypt's limited supplies of foreign exchange.

Vospner Thornycroft has already agreed to overhaul and update the Egyptian Navy's Russian-built missile boats, and the Hawker Siddeley side of British Aerospace together with Rolls Royce are helping to refurbish the air force's MiG 21s. About 120m worth of Swingfire anti-aircraft missiles have also been bought for the Egyptian Army. Meanwhile the French have recently sold Crotale anti-

aircraft missiles and two submarines while more than 40 Mirage F1 fighters are on order.

These deals have been financed by the Saudi Arabians on a bilateral basis. But more ambitious is the scheme launched by the Arab Organization for Industrialization (AOI), United Arab Emirates) to lay the foundations of an indigenous Arab arms industry, through a combination of Egyptian labour and petrodollars from the Gulf States.

A deal to this effect involving the Westland Lynx helicopter, which would be made under licence in Egypt, could be signed soon as a result of a recent revival of Egyptian interest

in the project. Discussions on a similar arrangement over Swingfire are still continuing, while a third possibility embraces the production of a light strike/trainer aircraft—with the British Hawk and the Franco-German Alpha Jet competing for favours in Cairo.

It is in the interests of the Western powers to allow these deals to go through, for several reasons. One is purely economic and another is the promotion of good relations with the Arab world. But there is a third argument, too, which is that they should help to ensure that President Sadat and his moderate policies remain in power.

The break with the Soviet Union was generally popular among the Egyptian population who disliked Russian interference and who are more interested, anyway in the perquisites of peace than the chance of grabbing back a few more acres of the Sinai desert or losing their lives and their livelihood on behalf of the Palestinians.

But there has also been some doubt among the Armed Forces. A number of officers, surveying the rusting, depleted weapons they are left with, have begun to wonder if their Government was not precipitate in severing the links with Moscow.

It is in Western interests to allay these fears, and the Americans, too, have been content to let this happen. It would be in nobody's interests for President Sadat, with his moderate approach

to a Middle East solution, to be succeeded by someone more extreme who might lead the Egyptians back towards Moscow.

But neither Britain nor France is in a position to provide Egypt with a military option. The most they can do is to put Egypt's existing equipment back on the road and help towards the establishment of a home-based arms industry—for the manufacture of fairly simple, defensive systems. Not only is Britain unwilling to provide new front-line systems which might weaken Egypt's military ambitions, but its industrial capacity is probably not large enough to enable it to do so anyway.

According to the Military Balance, published by the International Institute for

### Help from other Arab states staves off bankruptcy

by Andrew Lycett

It is somewhat invidious to speak of paucity of Arab aid to Egypt, but it may well be true. Subventions from Saudi Arabia, Kuwait, the United Arab Emirates, and Qatar, founder members of the Gulf Organisation for the Development of Egypt (GODE), have been keeping Egypt from bankruptcy. With the help of GODE's \$2,000m capital subscribed in April, 1976, Egypt has been able to lighten its 1977 debt burden of \$12,200m. Egypt's balance of payments deficit has been temporarily reduced.

However, with medium-term loans now maturing Egypt has to raise about \$5,000m in foreign loans before 1978 is through. Although it is already re-scheduling some of those debts (notably those with communist countries), there is little possibility of Egypt coping with its repayments without further large-scale Arab financial assistance.

The feeling in Cairo is that Arab states may have to forgo the luxury of calling their subventions loans. Although GODE's money is available at highly concessional rates (on average 5 per cent interest, repayable over five to seven and a

half years with five years' grace), it is doubtful if Egypt will be able to make its first repayments in 1980 as is due.

GODE's remittances to Egypt have covered a wide range of financial transactions. The organization opened with a loan of \$250m, starting from January 1977, to assist with balance of payments. It underwrote a loan of \$250m to pay together by Chase Manhattan Bank in March 1977 to pay for commodity imports. It provided a further \$1,475m in two parts—\$825m used to pay off short-term loans and \$650m earmarked for a mixture of balance of payments support

and project aid. Of this latter tranche, \$550m is supposed to be used to finance projects in industry, agriculture, housing, transport and communications, but it is unlikely to be spent that way. It will probably be absorbed by the need for further short-term loan repayments.

Remarkably little Arab aid has been directed towards development projects. Economists have tried to convince Arab governments that expenditure on communications and services is required if Arabs are to benefit from commercial investment opportunities in Egypt.

Although Egyptians regard their \$16,000m in the Arab cause against Israel,

undemanding financial transactions. There was little commitment to development projects which need searching out and working through. In spite of widely reported grants by Arab states to reconstruction and development in Egypt, the General Authority for Arab and Foreign Investments and Free Zones (GAAPIFZ) disclosed in November that only \$705.3m had come through in development assistance from Arab countries. The Kuwait Fund for Arab Economic Development had contributed \$192m, the Arab Fund for Economic and Social Development \$188m, the Abu Dhabi Fund

Some Arab private investment has been put to imaginative projects such as that of Mr Abdel Mohsen Korafly, the Kuwaiti investor who has a 45 per cent share with Taber Metals Engineering of the United States in the Arab Aluminium Company which has commenced its first commercial extrusions in October.

The United Arab Emirates-backed Ismailia Transport Company is contributing to the revitalisation of the famous bus business in Egypt. But on the whole, private Arab investment in Egypt has been restricted to projects in the property and hotels business, symbolized by the mammoth plans of the Saudi-financed Egyptian Tourist Development Company for a huge complex near the Giza pyramids.

While the larger of these projects await additional finance, the most frequent Arab investor in Egypt is the snail who buys a villa for his business and pleasure trips to Cairo. It is not easy to convince him to invest in the rest of the country.

Arab governments must now take the responsibility of initiating development projects, and they must be careful not to demand too much of Egypt by way of financial reciprocity or moves to Islamic orthodoxy.



# BNP in the Middle East

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## Increased opportunities in wake of strife

by Robert Mabro

The October War of 1973 marked the beginning of a distinct phase in the development of the Egyptian economy. New and challenging opportunities emerged because of the oil price revolution, the strengthening of political and economic links with rich Arab countries, the liberalization of the economic system, and the reversal of Egypt's international alliances in favour of the United States and the West.

This new phase produced significant increases in foreign-exchange receipts. Egypt gained access to considerable sources of financial aid—Arab, Western and multilateral. The capacity to earn foreign exchange was also enhanced in a variety of ways.

The reopening of the Suez Canal after the signing of disengagement agreements with Israel is bringing much needed revenue. The expansion of tourism, a spill-over of Arab wealth and a direct benefit of the opening-up policy, is making significant contribution to earnings from invisible exports.

The remittances of Egyptians working abroad are also growing at a high rate, not only because the number of emigrants has increased but because of enhanced confidence in the liberal intentions of the regime. Finally, the higher oil price revolution has suddenly led to a significant appreciation of Egypt's hydrocarbon resources. The country, now emerging as a major exporter of crude petroleum, is in a position to benefit from high oil prices.

Since 1973 there have been

interesting opportunities for investment and increased production. There was growth of domestic demand for goods and services, potential growth of foreign demand for exports as well as opportunities arising from Egypt's location and wealth in human resources in the booming Middle East. The liberalization of the economic system was a conscious policy, whose twin objectives were to encourage the domestic private sector and to mobilize Arab funds and Western technology for the development of the country.

Nevertheless, the achievements of the Egyptian economy after 1973 were far from extremely disappointing. It is now just as conventional to speak of the difficulties and insuperable economic hurdles faced by Egypt as it was in late 1973 and 1974 to speak of impending miracles and imminent economic take-off into sustained growth. The truth is that the existing opportunities which elicited the new optimism emerged at a time when the development of the economy was faced with formidable obstacles, some old and some new, which had accumulated since the past, some new and unexpected problems transpired by the world economy.

The Egyptian economy since 1973 was already burdened by a foreign debt accumulated over the years since the early 1960s. Economic performance was leaving much to be desired since 1964. The rate of economic growth, and more alarmingly, the rates of investment and of productivity growth, were very low; the balance of payments was consistently in

deficit; and a significant proportion of the industrial capacity was under-used. There was trouble with agriculture, too, as much of the investment effort was devoted to high costs and for low return to the reclamation of new land while the fertile old land was neglected. Low investment rates led to the deterioration of communications and services which were neither properly maintained nor expanded at a rate commensurate with demand.

Egypt entered the era after 1973 impoverished, burdened by debts and heavy defence commitments and ill-equipped to take full advantage for its own development of the economic boom in the Middle East. Things were made worse by a sharp deterioration in the external terms of trade. The price index of raw agricultural imports rose from 100 in 1969-70 to 318 in 1974, and the country is a big importer of food grain, the basic staple of the urban population. The price index of cotton, the main export, rose to only 231 in the same period. Factors other than the terms of trade combined to produce huge deficits in the balance of payments on current account. Imports volume rather than domestic production increased in response to the growth in demand.

The Government, in order to remedy some of the more blatant inadequacies of the present structure, had to import larger quantities of intermediate and capital goods. The replenishment of stocks of food and intermediate goods, dangerously depleted in 1973, also called for increased imports. In 1975 the balance of payments

deficit on goods and services reached the unprecedented level of \$2,500m, equivalent to some 25 per cent of gnp. In many respects 1975 was perhaps the worst year of recent Egyptian economic history. The balance of payments, still very serious, showed signs of improvement in 1976 and 1977. The foreign debt also improved in the second half of 1977 as Egypt was then able to meet the large arrears that had accumulated in respect of short-term loans.

But this is no miracle. After the meeting held in Paris last May of the Consultative Group for Egypt, which brought together under the chairmanship of the World Bank all the main aid donors, the country received in hard cash, in roll-over of central bank credit bank deposits and in new credit lines something of the order of \$4,000m to \$5,000m.

These improvements are far from constituting a complete cure. The imbalances of the external account are likely to remain significant for many years and the burden of the foreign debt will continue to be felt and to constrain the economy until the end of the 1980s.

Egypt's economic difficulties are to a large extent structural, and do not mean that the management of economic policy had no role to play. The new economic structure is something of a hybrid which has retained some features of bureaucratic socialism and acquired the defects of capitalism rather than its expected merits. Egypt will need much foreign aid for some years in

order to remove the structural imbalances that mar the economy. Ideally aid could provide a long breathing space during which far-reaching policy reforms would be implemented. The main policy issues are not the removal of government subsidies to consumer goods and some tinkering with exchange rates and import lists.

Policy reforms should begin with investment. Investment policy and public sector procedures for the selection of projects leave much to be desired. Funds have been allocated in the past to uneconomic projects which litter the industrial landscape. The same mistakes are being made in the new plans.

The Government should take a hard look at agriculture and promote a revolution in methods of cultivation and in the crop mix. Egyptian agriculture still operates on a pattern introduced in the late nineteenth century; it served the country well but is now obsolete. The time has come for defining a population policy and for evaluating the educational system for much-needed changes and reform.

Egypt has to face the long-term questions of its economic development. Peace in the Middle East is perhaps an essential precondition and the recent initiatives of President Sadat may be partly explained by this context. But peace, however necessary, is not sufficient alone for economic development. Much effort will have to be spent on the internal front.

The author is director, Middle East Centre, St. Antony's College, Oxford.

## Open-door policy shows up inequalities

by Edward Mortimer

No aspect of President Sadat's policies is more hotly debated in Egypt, or the "infitah" or "opening-up" of Egypt's economy to foreign capitalist investment, as more the export policy, the infitah can be seen as the guiding philosophy of the regime and of the new Egypt that Mr Sadat would like to build.

Much of his criticism of the way Egypt was run under his predecessor lies down to the simple observation that Nasser's Egypt was a closed system which left little or no room for individual initiative in either the political or the economic spheres.

Egypt, he said in a speech to the People's Assembly on November 9, would never return to the Marxist socialism of the distribution of wealth the country would remain "a breeding-ground of envy and hatred".

"We can't keep on using our hard currency to import food", Dr Abdul-Azim says. "We must always make announcements about new loans, but never anything about production". In fact, Dr Karamany does make announcements about foreign investment. For instance, he recently gave a figure of \$2,000m for the total capital of projects approved by the Egyptian Investment Authority as of June 30, 1977, and it was set up in April 1975.

Probably the quickest way to get rich in Egypt today is to have the agency for a major foreign producer of cars, spending on transactions, whisky, or even soft drinks, then invest the profits in property speculation and construction. The influx of "tourists" and summer residents from the Gulf has driven rents and prices sky high. Investment in manufacturing industry offers a puny return by comparison.

Perhaps the most trenchant critic of the present economic policies is Dr Luifi Abdul-Azim, editor of the economic weekly *Ahram Iktisadi*. He has been involved in a public polemic with the group of economic experts in the Government, led by Dr Abdul-Monem Karamany, deputy Prime Minister. In his view, the group has allowed its policies to be dominated by the short-term need for foreign exchange liquidity, instead of seeking solutions to the basic structural problems of the economy.

Another point about Dr Karamany's figures is that roughly half of them are accounted for by banks rather than directly productive investments, and so far foreign banks have been

much more active in financing the import boom than in industrial projects. But the bankers themselves argue that they have provided valuable competition for the public sector banks, and have also been instrumental in persuading their parents to bring organisations to set higher limits on loans for Egyptian projects.

It is certainly true that many projects are subject to delays, but it is also true that many of these delays are of a type to discourage the investor. Most observers agree that the open door policy has not yet produced the results that the regime hoped for, and cite two main reasons why. The first is the lack of basic services, not only physical but psychological. On the physical side, after 30 years of war and 20 years of mismanagement, the infrastructure is completely run down. The state of the telecommunications network is a scandalous joke that residents of Cairo have long ceased to find funny. Transport is no better, power cuts are an everyday occurrence and industrial investment usually turns out to be beyond the reach of essential services.

Psychologically, the trouble comes partly from an over-stuffed bureaucracy trained in the idea that the design investment is a bad thing and unable to adjust to the new philosophy. But this bureaucracy is also a major cause of irrational delays in getting

things done can often be overcome by the time-honoured and highly rational method of *bakheesh*.

The second factor that deters foreign investors is political uncertainty—the fear of either another war with Israel or a political upheaval in Egypt itself leading to a reversal of the open door policy and a freezing of foreign assets. President Sadat is well aware of this, and his visit to Israel may have been intended to demonstrate not only his determination to reach a peaceful settlement with Israel but also his regime's ability to survive one.

On the more technical level, the regime has moved this year to remedy some of the defects which investors had discovered in the original Law 43 on foreign investment passed in 1974. An amending Law 32 of 1977 allows Egyptian currency to be bought for investment at the "parallel" rate of \$1.45 to the £E instead of the official rate of \$2.56, and removes the requirement that "inland projects (as well as those in the free zones) should cover all their foreign exchange needs through exports."

This is important because many foreign observers believe that the Government's main mistake so far has been its obsession with exports and foreign currency earnings, whereas the unique attraction of Egypt for foreign investors is its domestic market of 40 million people.

## Living with the worst phone service

by Alan Mackie

There is a story told that when the West German Bundespost was called in to look at Cairo's telephone system, they found the whole network dependent on two year-old switches that could go at any instant. This fitting story illustrates the parlous state of Cairo's telephone system, which has earned the Egyptian capital the dubious description of being probably the worst city in which to operate in the world.

The resident who has seen the telephone service deteriorate gradually has a different perspective. He copes somehow. Many offices in Cairo have their own "telephone"—an errand boy. But in a city with such a widely scattered business community, this is not always practicable. Those living in the outskirts of Heliopolis, a two-hour journey from the centre of the city in the rush hour, use the telex to communicate within the city, if they are fortunate enough to have one. And sometimes that breaks down.

The worst period was probably during the summer when all but eight of the airport's 58 lines were put out of action and whole sectors of the town were without a telephone at all.

New telephone works in some areas and should improve in others as a new cable system being laid by the West German company, AEG Telefunken, begins to make an impact. Raytheon

of the United States is installing a \$10m digital microwave system, which will increase capacity when it becomes operational next year. By the end of December, two new earth satellite stations will be opened, supplementing existing international telecommunication links: a direct link between Alexandria and Beirut was opened earlier this year.

The effects of the \$90m Egypt will be spending on telecommunications this year—French, Japanese and British companies are involved in telephone renovation as well as the companies already mentioned—will not be felt until the second half of next year. Then, central Cairo will have a usable telephone system.

But this will only be the start. As other exchanges in outer Cairo are renovated, tenders for \$140m worth of contracts will be invited which will not only modernize Egypt's telephone system but will triple the existing 350,000 telephone lines in the next 10 years.

The contracts in question will include telephone cables, PABXs, telephone cables, manual switchboards, 1,500 teleprinters, earth satellite stations for an Arab satellite system, an computer controlled message retransmission telegraph centres.

Breaking the telephone log-jam in central Cairo will have an immediate effect on the whole communications system. Being able to use the telephone will remove the necessity to make many

journeys, thus relieving some of the pressure on the roads, which in Cairo are often overloaded. Attempts are being made to improve traffic flows, but improvements are offset by the steadily increasing number of vehicles on the roads. In turn, more buses and taxis on the streets are not sufficient to meet the increasing demand.

It is becoming increasingly clear that it is impossible to tackle Cairo's communications problem without some form of demographic policy which will relieve and eventually halt the flow of people to the capital.

Plans drawn up for Metro system

This human pressure on Cairo's limited resources must make the French Metro scheme more attractive. Plans for a two-line Métro have been drawn up by the Société Française d'Etudes et de Réalisations de Transports Urbains (Sofretu). However, 180 million francs needed for the first phase development of the first line has yet to be found.

The national railway system is to have a large cash injection—\$87m has been allocated to renovating rolling stock, installing new signalling and doubling railway

track. New railway lines are envisaged for the Delta, as well as a link eventually between Assuan and Wadi Halfa in Sudan. A further \$29m is being spent on improving the Mersa Matruh-Alexandria line. This could eventually become the Egyptian leg of a trans North Africa railway line.

Transmark, the consultancy wing of British Rail, has recently won a contract to advise on reorganizing the railways. British Rail engineers will take an inventory of traction and rolling stock. Transmark is also reported to be considering a deal whereby it would run Egyptian Railways' dining and sleeping car service.

Egypt's road network is in reasonably good condition. Major developments planned include paving the 210 km road to the Western Desert oases of al-Farafara and al-Bahariya where underground water has recently been found. Plans are also in hand to build a \$170m road linking Egypt and Sudan for completion in six years.

There is also a project to develop port capacity. The most important and immediate one is to develop the port of Alexandria where congestion is such that there are about 80 ships waiting outside the harbour to unload. The World Bank is participating in a \$150m scheme to raise the port's capacity to 15 million tons of goods and seven million tons of oil a year by 1980.

There is also an ambitious plan to build a new port complex at Port Said which

will raise its capacity to three million tons by 1980 and 10 million tons a year by the year 2000. Another port is planned at Damietta to serve the fruit and vegetable-growing hinterland of the Delta. Egypt hopes to take advantage of easy shipping credits to build a fleet of 65 vessels by 1981.

Air transport is going through a major transformation. A great deal has been done (as it has in the ports) to reduce customs and immigration formalities at Cairo airport. In progress is a \$25m building improvement scheme for the airport which includes building strengthened runways to take wide-bodied aircraft.

When the new passenger terminal building is completed in 1985, the airport's handling capacity will have doubled to 10 million passengers a year. Tenders for a new computerized radio control system for the airport are being invited.

Included in air development plans is a new \$36m airport to be built 30 km west of Alexandria, and enlarging Assuan and Luxor airports to take international traffic.

The author is on the staff of the Middle East Economic Digest.

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Young fellahin from overcrowded rural areas working on an olive-growing project in a desert region.

by Andrew Lycett

Egypt is not feeding itself. In 1975 it was only 73 per cent self-sufficient in food, and that figure is falling. In 1977 its agricultural exports were estimated at \$1,200m (80 per cent from cotton) while its agricultural imports will top \$1,800m, leaving a considerable deficit which will not be covered by textiles, leather or other secondary products.

Last year Egypt needed to import four million tons of wheat to supplement its own production of two million tons. Yet the Government is not particularly worried. It appears to have convinced itself that a certain amount of reliance on cheap foreign staples is not a bad policy, particularly if these are financed on concessionary terms as in American PL 480 wheat.

What if it accepted that

it is not going to reclaim much more land? What if it stopped trying to plant more unsuitable cereals? What if it used the advantages of its magnificent natural conditions and sought to grow more cash crops, particularly fruit and vegetables? It could then generate profit and foreign exchange to pay for the requisite staple foods.

This is the unspoken rationale at the heart of President Sadat's plea for a 30-month food security programme. The President used the occasion of the twenty-fifth anniversary of agrarian reform to call for self-sufficiency in fruit, vegetables, meat and dairy products.

As an earnest of his intentions he appointed a relative by marriage, Oustan Ahmed Osman, to investigate the possibilities of developing the

## Agriculture in need of radical reform

Suez Canal hinterland as a vegetable and fruit producing area. The President also spoke of similar possibilities in Fayoum, Sinaï, the New Valley, and along the north western coast. To cap it all, he indicated that eight joint venture agro-industrial projects worth \$287m were to start, ranging from a 50,000 acre Franco-Egyptian sugar project at Kafr el Sheikh to a Saudi-Egyptian fruit and vegetable export business.

How feasible is such a food security plan, with its attendant agro-industrial projects? The story of the cotton industry, which covers 80 per cent of Egypt's foreign exchange, would indicate a positive reply.

So would the combination of Egypt's fertile soil and year-round sunshine and water. The elements have been so kind to Egyptian farmers that output from the country's six million acres has been increased consider-

ably through double cropping. But this is as far as a rosy assessment of the situation can go. Egyptian agriculture is really in decline, with static land areas and falling crop yields. Production of fruit or export may be a useful source of revenue in addition to existing production of staples, but it is no substitute for radical reform of agriculture.

Agriculture has suffered recently partly because it has been the one section of the economy with enough fat to be squeezed in times of financial scarcity. Consequently its share of national investment budget dropped progressively to a mere 8 per cent in 1975 (and this for an activity which employs half the nation's workforce).

In Nasser's days massive funds were invested in heavy industry. Not surprisingly Egyptian peasants flocked to

cities where jobs were supposedly being generated. The towns exerted a valuable agricultural land was taken up, often by state industries. About 25,000 acres are lost each year to urban sprawl.

If an equivalent amount of land is reclaimed each year, as independent experts believe, then Egypt is simply marking time, trying to feed one million extra mouths each year on a static acreage. Government officials claim, however, that close to a million acres has been reclaimed in the past two decades. They say this reclaimed acreage will allow expansion of both population and agriculture in the future. Their estimates are high; a more realistic figure for reclaimed land is 300,000 acres. Further reclamation is reliably reported to be prohibitively expensive.

Whereas 300,000 acres have been claimed back from the desert and Nile Delta at a

cost of \$700 an acre, financial outlay on extra territory is estimated at \$2,000 an acre.

No private company is likely to invest in agriculture if it needs to find investment money. The United States Agribusiness Council has already balked at the cost of establishing joint ventures in Egypt. Massive amounts of government aid are necessary if reclamation is to be viable.

Meanwhile established farming is languishing under the various constraints of poor basic services, inefficient bureaucracy and, surprisingly, too much water. Egyptian agriculture has recently been highly centralized, with the Government first defining the ratios of crops to be planted by peasants, and then buying up these crops at artificially low prices.

to step in rapidly and finance massive drainage schemes in the Delta.

Now the Government proposes to modernize agriculture, bringing in private and foreign capital to assist in the kind of projects proposed by President Sadat. The Ministry of Agriculture believes Egypt has been held back by its inefficient animal sector which, according to its estimates, consumes the produce from one third of the country's planted acreage. The solution, the Ministry says, is mechanized farming and efficient ranching.

However, it is questionable if large-scale capital intensive agriculture is the answer for Egypt at this stage. Basic service and marketing facilities must be improved first. It is no use producing expensive avocado pears, for instance, if they rot before they reach Cairo.

Similarly, increased livestock production is not particularly viable for a peasant population, the majority of whom eat meat only twice a year. Anyway, some experts now believe the fellahin's diet of beans is as nutritious as meat.

Happily, with its ambitious agricultural projects, the Government is now pointing the way to some sort of decentralization in decision making. The Egyptian peasant has historically been a phenomenal farmer. There is no reason why a given non-interference and a modicum of rural services he could not be so again.

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## Births of a nation defy easy answers

Professor Alex Moeller, President Sadat's special economic adviser, is the latest person to draw attention to Egypt's need for a positive family planning policy.

In his recent report on the Egyptian economy, the professor states that even if Egypt's current family planning measures are successful, the country will still have to find employment for five million additional people by 1990 and about 10 million by the year 2000. An "effective employment policy" and educational reform oriented towards the need of the productive sector are therefore called for.

Indeed, without the will to cope with a wide range of problems caused by explosive population growth, it is difficult to see how any of Egypt's careful plans for economic development can be successful.

First returns from the November, 1976, census paint a bleak picture of an Egyptian population of 38,200,000 growing at a rate of 2.4 per cent, or more than a million a year. At this rate of increase, the number of Egyptians will have doubled by the year 2000.

Even if the Population and Family Planning Board (PFPB) were to keep to its official policy of reducing population growth rate to 1.1 per cent by 1982 (and it has been remarkably unsuccessful so far), there would still be 56 million Egyptians in 2000, all of them crammed into 4 per cent of Egypt's total land area.

In his recent report on the Egyptian economy, the professor states that even if Egypt's current family planning measures are successful, the country will still have to find employment for five million additional people by 1990 and about 10 million by the year 2000. An "effective employment policy" and educational reform oriented towards the need of the productive sector are therefore called for.

How is Egypt to provide food, schooling, social services and work for all these people? The solution will be difficult because of substantial inability to determine whether Egypt is a developing country demanding radical solutions to its problems or merely a large market, with a skilled population, on the edges of Europe wanting little to achieve economic development.

These divergences mean that Egypt's family planning strategists have been unable to decide whether population "consciousness" results from industrialization and education, as in Western countries, or whether economic development comes only in the wake of far-reaching population programmes.

The dilemma becomes a political and economic one. Should economic planners go for capital or labour intensive policies? After the October war of 1973, Egypt chose capitalistic development and population experts then believed that a declining birth rate would surely follow economic development.

Today opinion is different. The Minister of Health, Dr Ibrahim Badran, obviously feels it is time to put a stop to Egypt's previous vacillating policy on family planning. This year for the first time the ministry's family planning service is to be a one-man operation. The service has been upgraded enough to warrant a director-general and a seven supervisory staff to give follow-up advice to their patients.

Inevitably there were consultations with the doctors were unable to deal with. Peasants, previously in favour of trying out family planning, turned against it, and were encouraged to do so by religious leaders.

All problems were exacerbated by the usual Egyptian departmental difficulties. The result was that international agencies such as Unicef decided it was wasteful to spend money on a service which the doctors were unable to deal with. Peasants, previously in favour of trying out family planning, turned against it, and were encouraged to do so by religious leaders.

growth to 1.1 per cent. In the next two years, however, it became clear that the plan was not working. Rate of population growth was double that projected.

The causes for this were not hard to find. Poor training and one hour's advice of service ensured that doctors at the Ministry of Health's 3,000 medical centres and units had little commitment to their job. As late as this year medical students in one Cairo university were being trained to one hour's advice on family planning in seven years' professional training.

Doctors were paid E£1 to insert an inter-uterine device. But financial incentives meant that they were concerned only to supply the maximum number of contraceptives without reference to give follow-up advice to their patients.

Inevitably there were consultations with the doctors were unable to deal with. Peasants, previously in favour of trying out family planning, turned against it, and were encouraged to do so by religious leaders.

## Tourism a casualty of war

by Atef Sultan

Despite Egypt's unrivalled opportunities, its tourist resources are still largely untapped. In recent years, the country has taken a meagre 0.25 per cent of the world's tourist traffic and less than 0.5 per cent of world tourist spending.

Last year the number of Egypt's visitors was up by nearly 25 per cent but totalled only slightly less than one million. Visitors spent 6,796,080 nights and brought in an income of E£176m (£145m at the tourist exchange rate). Income from tourism rose by 60 per cent in 1976, it still represents only a small fraction of the \$2,000m earned by Britain and is dwarfed by the \$4,000m spent by tourists in Spain.

Egypt's inability to attract mass tourism is not only due to the serious lack of adequate facilities but also to three decades of Middle East political instability which has had a devastating prospect for what should have been a flourishing industry.

The 1967 Arab-Israeli war, for example, had reduced the number of tourists visiting Egypt by 40 per cent to only 345,000 in that year and by another 7 per cent in the following year. It was only eight years after the war that even the 1966 figure was recovered and by 1976 it had risen to 650,000. Even then you may arrive there to be told that your reservation has been lost.

By 1990 Egypt hopes to have increased the number of hotel rooms from 21,000

to about 65,000 and to boost tourist revenue to E£500m a year. Cairo's hotel developments include an 842-room Intercontinental Hotel on the site of the famous Semia Hotel on the Nile, a 2,200-bed hotel, Marriage Palace, on the fashionable Zamalek island and a 300-room El-Salam Hotel, described as "the most luxurious hotel and comprehensive leisure facility in the Middle East".

Cairo's oldest chain hotel, the Nile Hilton, is putting up a 400-bed extension and a second Hilton is planned. But Egypt's most ambitious tourist development is the Pyramids Plateau complex in Giza, by the great Pyramids and another complex at the coastal resort of Ras al-Hikma, west of Alexandria.

The 10,000-acre Pyramid Plateau, to be developed by a Hongkong firm, Southern Pacific Properties and the Egyptian General Company for Tourism, will have 10,000 beds, 5,800 villas, 5,100 blocks of flats, parks, artificial lakes, golf courses and even a giant glass pyramid for a museum and archaeological centre.

But Egyptian tourist experts, who now estimate that the country is not likely to attract more than 1,700,000 visitors by 1980, are questioning the economic viability of such vast and expensive projects. They are worried there may not be enough visitors who would be prepared for the high rates to be charged by such luxury developments.

By 1990 Egypt hopes to have increased the number of hotel rooms from 21,000

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## Significant change in cargoes along the canal

by Denis Taylor

A Japanese dredger is working in the Suez Canal yards from the relics of the Bar Lev Line, the reputedly impregnable Israeli defence system through which the Egyptian army broke during the Yom Kippur war in October 1973.

President Sadat's Ismailia residence is on the opposite bank. It was from this canal town that he began his journey to Jerusalem last month. The greenery of Ismailia is in sharp contrast to the bleak, treeless wastes of Sinai, a giant's hop, skip and jump across the 173km waterway.

For eight years from the six-day war until June, 1975, the canal was out of action. Now work is going ahead to widen and deepen it so that it can hope to attract more of the potential trade between east of Suez and the Western world, and the Japanese are heavily engaged in the undertaking.

Not only has the Japanese company, Penta Ocean, contracted to dredge large sections of the southern and middle sections of the Suez Canal, but the Tokyo Government has provided a loan of \$140m. A loan of £83m is expected to be signed this month with the Japanese Authority for Cooperation and Development.

The cost of the first stage of development, due to be completed in 1980, is estimated at \$1,200m, of which more than \$600m would be in foreign currency.

The World Bank, the second biggest participant, has agreed to loan \$100m. Other sources of finance include the Saudi, Abu Dhabi and Kuwait development funds, the Arab Fund for Economic Development and the Islamic Bank.

The American Government has offered \$50m worth of equipment and spare parts. Contracts for dredgers, tugs, barges, floating cranes and part of an electronic traffic control system have been won by Japanese, West German, French and Dutch firms.

French and Italian crews are also dredging. An Egyptian official smiled as he pointed out that foreign companies were working on the rocky bottom at the southern section while his own workers were working on the softer stretch towards Port Said and also onshore.

Both the number of vessels and the total tonnage is still below the average for 1967. "We have about 90 per cent of the pre-1967 tonnage", Mr Mashhour Ahmed Mashhour, chairman of the Suez Canal Authority, said. "The reason is that more than 70 per cent of the tonnage used to be tankers."

The significant change had been in cargoes other than oil. Out of a daily traffic of about 600,000 net tons, 400,000 were now in non-oil cargoes. The international waterway had been reopened when the outlook for the world demand for oil, after the quadrupling of prices by the Opec countries and the spread of recession, was hardly at its most buoyant.

Furthermore, the canal was inadequate for the new generation of tankers. Those of up to 250,000 tons are allowed transit in ballast or those up to 100,000 tons when partially loaded, but fully loaded tankers are restricted to those between 60,000 and 70,000 tons.

Mr Mashhour hopes for improved tanker traffic, as a result of improvements in the canal's capacity. But he still sees shipments of other cargoes, including containers,

growing at a much greater rate. He defined the strategy as "to achieve the maximum tonnage, keeping down at a moderate level the help to do so. The daily income from dues is now running at about \$12m.

As well as deepening, widening and straightening sections of the Suez Canal, the first stage of development will see the addition of about 26km of by-passes, at the Mediterranean end allowing larger vessels to avoid the harbour at Port Said, and across Lake Timsah and the Great Bitter Lake (the Devosour by-pass).

The volume of dredging to be done in the first stage is put at 500 million cu metres, a quarter of which will be carried out by the canal authority. When that stage is finished, tankers of 150,000 tons will be able to transit fully loaded, those up to 250,000 tons partially loaded and up to 400,000 tons in ballast.

The second stage is expected to take about three years and to cost \$800m. Dredging will allow the authority to handle 260,000-ton tankers transiting fully loaded, 300,000 tons partially loaded and 500,000 tons or over in ballast. The aim is finally to double the capacity of the Suez Canal by having a two-way system in operation by the end of the century.

This conforms with recommendations by a consortium headed by Messier's Consultants, which was in favour of a phased development culminating in a dual waterway with northbound and southbound convoys using different channels.

The Suez Canal Authority is probably the most efficient organisation in Egypt. Its neatly landscaped headquarters in Ismailia, overlooking Lake Timsah, and its research laboratories where

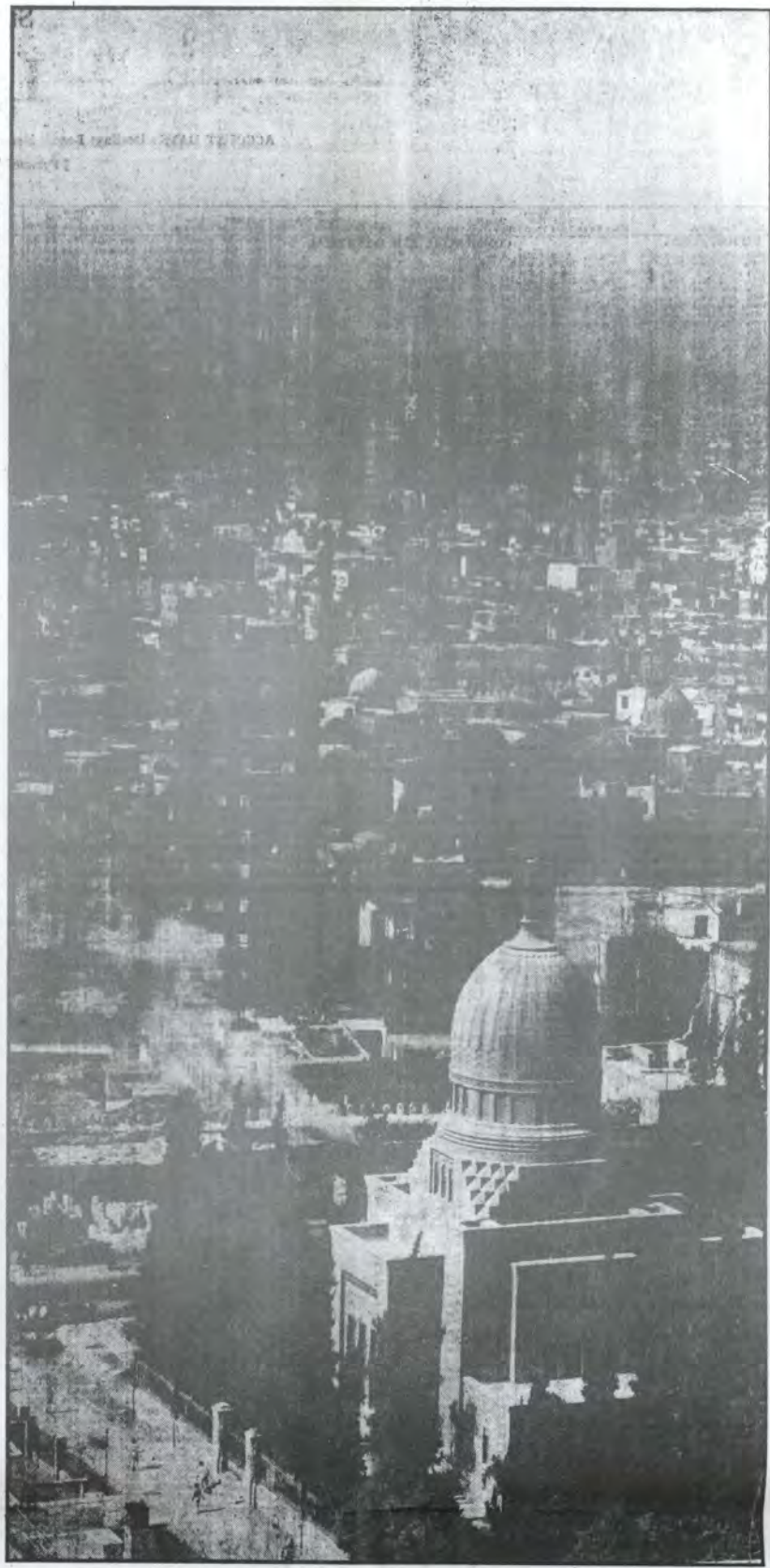
investigations are carried out into such questions as permissible speeds for transits of larger ships through the enlarged waterway, seem far removed from the bureaucratic maze of Cairo.

Marking the second anniversary of its reopening last June, President Sadat described the canal as "one of the major pillars of our economy". He said: "It must be publicly known that, with the help of God, we shall never close the canal again whatever might happen".

That is a sweeping assurance, even for a man as committed to peace as Mr Sadat. But assuming that peace can be secured in the region and that predictions of a continued annual increase of 8 to 10 per cent in seaborne trade between east of Suez and the West are reasonably accurate, the future of the canal looks much brighter than that of any other Egyptian economic activity.



Fishermen in Suez. Right: panorama of Cairo, whose population is now greater than that of London. Below: a Japanese dredger deepening the Suez Canal.



Harry Korf

## Slow start to industrial development

by Alan Mackie

Canal Zone development has been hampered by lack of cash while lack of confidence has meant a slow start to industrial development. But where the cash has been made available, there have been remarkable achievements.

Saudi and Kuwaiti money enabled two new townships with 6,000 new homes to be built on the outskirts of Suez in little more than two years. The two townships known as Faisal and Sabah cities, after the late king of Saudi Arabia and the ruler of Kuwait, will eventually provide nearly 10,000 dwellings. A similar gift by the Emir of Qatar has funded a big housing development in Port Said. But these have in the main been prestige projects for middle income groups and the main problem of providing low cost housing has barely been touched.

The Egyptian Ministry of Housing and Reconstruction has commissioned more reports from the main British consultants who provide the three masterplans for Port Said, Suez and Ismailia. In essence these consist of demonstration projects which provide pilot schemes to upgrade existing property, new housing and industrial development. These are being financed by the Ministry of Overseas Development. The Egyptian Ministry of Housing and Reconstruction has also asked for geotechnical studies which are broader in scope; ODM is financing two of these, but the study for Port Said—potentially the

most lucrative in terms of business opportunities—is being financed by the United States Agency for International Development (USAID).

In Port Said, where Shankland Cox Partnership is preparing the demonstration project for next spring, the level of local housing development has not been had—thanks largely to the Qatar donation, and about 5,000 new housing units have been put up in the past two years. But the light industry that was to have come in the wake of Port Said being made a free city has not materialized—warehouse development has.

Yet it has become a thriving entrepôt, "providing a field day for the wheeler-dealers" as one observer put it, and acting as a lucrative centre for smuggling to mainland Egypt. The high mark on Port Said goods has certainly dulled the ardour of day trippers from Alexandria and Cairo, many of whom feel the long and irksome wait at customs posts, not to mention the expense of getting there, is often not worth the effort.

More important for Port Said is the interest USAID has taken in developing its port, sewerage and water facilities. The plans are massive. They include building a new port with a capacity of 13 million tons a year and increasing repair yard facilities. This alone would take a large slice of the \$750m USAID is reported to be considering pumping into basic services in the Canal Zone over the next two decades.

Culpin and Partners is preparing the demonstration project, has had more success than either Port Said or Suez in attracting industry. Like Port Said it hopes to attract light industry but is principally geared to developing agricultural and industrial projects on the same lines as the Coca-Cola joint venture to create a \$50m citrus fruit farm. This project is planned for a site near Ismailia and is awaiting Coca-Cola's removal from the Arab boycott list.

Other industrial projects are a pre-cast concrete factory, a soft drinks factory and perhaps the most successful "open door" joint venture yet—the Arab Aluminium Company which is already producing aluminium window and door-frames.

Suez is perhaps the greater challenge in the whole reconstruction programme because more than half the city's buildings were damaged either in the fighting of October, 1973, or by neglect. One of the first things the Ministry of Housing and Reconstruction did when Suez was reinstated was to inspect the remaining 16,000 buildings and allocate funds to their owners for repairs, or where the buildings had to be torn down, cash grants to build elsewhere.

In many cases neither the materials nor the land have been made available for these people to build new homes. Apart from the development of Sabah and Faisal cities there has been little house building. But Robert Marshall and Johnson-McCarthy, the consultants

preparing the demonstration project for Suez, note that local contractors in building these two cities and other projects "are working quite carefully" to the master plan.

Although there has been some industrial development in Suez there has not been enough to constitute an economic revival. There is, admittedly, the Samed pipeline terminal close by at Ain al-Sukhna, for which housing has been commissioned. Housing is also being sought for a new textile mill being built with Iranian finance. This scheme, after many years' gestation, is beginning at last and the foundations laid.

Canal Zone development has raised problems and issues of its own. There have been technical problems—as at Suez where the clay soil (although ideal for the \$30m Al-Shatt tunnel being built under the canal north of the city) is not suited to local techniques.

Some of the first buildings raised in Suez in the reconstruction drive developed large cracks. Local construction companies like to dig deeper foundations, thus greatly increasing the cost, when the experience of British construction companies working in similar conditions in London city is to build shallow foundations with a heavy concrete base.

If there is a criticism of local construction companies, it is that they tend to go for new building techniques without using the technology they have. The city area

learning fast and the presence of joint venture companies should produce a more flexible, pragmatic approach.

Now that piecemeal development is taking place, the administrative problems of carrying out the plans are also having to be faced. Questions are being asked whether the present approach to house building is the right one.

Many now favour a more modest government presence. They say the authorities should provide the basic social services and utilities and leave it to the individual to build his home; at the most, they say, the authorities should provide the shell of a home and leave it to the individual to fit it out.

Then, limited government funds will be stretched further. The Government is also encouraging home ownership; recently President Sadat assigned \$6m for home loans for those living in the Canal Zone. But the main policy decisions have yet to be taken.

Some argue that the thrust for development of the zone has lost momentum since the new cities to be built around Cairo have become the vogue. But the Canal Zone, like the rest of Egypt, is waiting for a real peace so that economic confidence can be built again. One consultant said: "It is an area that has had more planning in the past three years than probably any other part of the world. There is a lot of good will. Hopefully things will change economically so allow that good will to be expressed."

## Target set to triple oil production

by Roger Vielvoye

The Egyptian Government has set a target of tripling oil production by 1980. Previous objectives for increasing the country's precious oil revenues have nearly always been over-ambitious, but oilmen judge this an attainable target, given a measure of luck with the present exploration programme.

Since this successful licensing, exploration activity has increased significantly. In 1976, operators drilled 15 offshore exploration wells and another 16 on land. By the end of this year the number of wells drilled should exceed 40.

Egypt's oil industry has made great advances over the past 18 months. The return of the Sinai oilfields provided a welcome increase to national output and gave the industry a great psychological lift. Confidence has also been raised by the encouraging response from the international oil companies to the Government's offers of new exploration contracts.

As a result of the latest round of production-sharing contracts, 35 foreign companies are now associated with the Egyptian General Petroleum Company (EGPC) in the search for new reserves. Between them they have acquired 200,000 square miles of territory for exploration both onshore and offshore.

encourage the companies to exercise options that would require the spending of nearly \$1,000m over 10 or 12 years.

The production-sharing contracts permit the operators to recover costs from any commercial discovery. EGPC will take 75 to 82.5 per cent of the remaining oil, leaving the operators with a 17.5 to 25 per cent share.

Close to El Morgan is the Ramadan field which is now producing about 26,000 bpd. In the same vicinity but closer to the western bank of the gulf is the July field, now producing 54,000 bpd from eight wells.

Of the five offshore discoveries made during 1976, all were in the Gulf of Suez and three came from Amoco. Development work had already started on the first two. Demines, the West German state-backed exploration consortium, found oil in a wildcat well drilled about eight miles north of Ras Shukheir and confirmed the find with an even more productive second well. In the Ras Shukheir area the Transworld group who has also made a find that is predominantly gas but with some oil.

The return of the Sinai oilfields from Israeli occupation has added almost 100,000 barrels a day to the country's output. Most of this comes from the Abu Raduis area—onshore and offshore—on a contract operated by Agip from Italy and EGPC. Together they produce about 65,000 barrels a day. EGPC also controls about 33,000 bpd from a further north. Exploration

is moving ahead in Sinai. Seven new exploration contracts have been signed covering an area in north-western Sinai.

Find made at desert battlefield

Oil is coming too from the Western Desert. Phillips Petroleum has found and developed a field under the El Alamein battlefield. It is yielding 8,000 barrels a day. Phillips is also getting 2,000 bpd from the Yidma field near by.

There has been some success in the search for oil outside the Gulf of Suez and the Sinai peninsula. A consortium of Agip, Conoco and Marathon found condensate and oil only four miles west of the canal and the Brazilian drilling team has also found gas in central Egypt.

New drilling teams have moved back into the Western Desert to work for Shell, Atlantic Richfield and the Standard Oil Company of California. Egypt also has hopes of finding oil in the Red Sea. Phillips and Hispanol of Spain have exploration rights on 4,632 sq miles in depths of between 1,500 ft and something over 3,000 ft. Any deposits would have to be substantial to justify commercial development in these depths.

The author is Energy Correspondent, The Times.

### Sharp rise needed in output

The best prospects appear to be offshore. Of the 16 wells drilled last year, five were successful while none of the onshore holes produced results. Earlier in the year there were eight rigs operating in the Gulf of Suez, and, undeterred by the predominance of dry holes in 1976, the onshore explorers had 20 drilling teams at work.



AUG 23 1977

## Egypt Uneasy as Sadat Founders On His Promise to Achieve Peace



By MARVINE HOWE  
Special to The New York Times

CAIRO, Aug. 22—On these warm nights of Ramadan, the month of daytime fasting, Egyptians crowd the cafes and complain bitterly over rising prices and the failure of peace.

The Government of President Anwar el-Sadat has promised to achieve peace as an answer to economic woes and is clearly aware of the growing public impatience. Key Government officials and their political supporters say with quiet urgency that there must be visible progress toward peace by the end of the year, or else.

The alternatives to a real peace move vary. Mr. Sadat's aides indicate that the country may be drawn into another war. Some political experts predict social upheaval instigated by the left or the right or both. Others foresee a Latin-American type of military intervention.

Another school of thought, however, puts confidence in the Egyptians' patience and spirit of legality and believes that the country will continue its slow, painful conversion from a socialist to a market economy and be ready for real progress in four or five years.

### January Food Riots Recalled

On everyone's mind are the January food riots, which cost at least 80 lives. The riots occurred when the Government moved to cut subsidies on a number of popular items such as tea, sugar, bread, cooking oil, butane gas and cigarettes. This measure was taken under pressure from the International Monetary Fund, which held that subsidies were the main cause for the huge deficit in current accounts.

After the violent public reaction, the authorities hastily restored the subsidies, and the I.M.F. and Arab oil states provided the necessary financial assistance to bail out the Egyptian economy this year.

But the pressures remained to reconstruct the economy on a more rational basis. Last week the Government cautiously announced that it was again preparing to cut food price subsidies. But this time it stressed that the price rises would be compensated by increases of up to 60 percent for low-income groups and a crackdown on shopkeepers who tried to take advantage of the situation.

Many Egyptians were skeptical about the Government's promise of price enforcement.

### Complaints of a Homemaker

"They've cut some subsidies already and are trying to cover up by blaming the shopkeepers," a Cairo homemaker complained. She pointed out that under this system of "creeping price rises," the price of bottled gas had not gone up but the bottle was only two-thirds full and that even cigarette packages were partly empty.

Public resentment over price rises is sharpened by an accumulated frustration over President Sadat's overall domestic policies. Initially welcomed, these policies have dramatically failed to improve the quality of life of the average Egyptian. In fact, to all appearances, the social disparities have increased.

The "open door" policy, initiated three years ago to encourage the private sector and foreign investment, has created a small new elite of brokers, lawyers, real estate speculators and a variety of intermediaries. This new class flaunts its wealth in the nightclubs and casinos near the Pyramids, in the string of new boutiques for luxury imports and in shiny Mercedes cars on the shabby pock-marked streets of Cairo.

They are largely an outgrowth of Arab oil money, which has gone into tourism, arms purchases and property deals, but rarely into productive enterprises.

### Many Cases Not Prosecuted

Talk of corruption is commonplace. Of great concern is the fact that documented cases that have been brought to public attention have not been prosecuted.

"Sadat is a patriot and convinced that his open door is the best thing for Egypt, but he is imprisoned by parasites and has lost touch with the people," an Egyptian editor remarked the other day.

The majority of Egypt's 40 million inhabitants live bleakly, struggling with faulty public transportation, inadequate health and school systems and salaries on which they can barely subsist. A primary school teacher earns the equivalent

of \$30 to \$40 a month. Many people find it necessary to hold two jobs.

Even then, life is not easy. For example, there's a young man who works mornings at the telephone exchange and later as a mechanic. He earns a total of \$100 a month. He can't get married because he would have to pay the equivalent of three years' salary as "key money" to get an apartment. Key money is illegal, but if he denounces the landlord, he wouldn't get the apartment anyway.

### Migration an Escape Valve

An important escape valve for discontent is the migration of Egyptian labor at all levels. About 1.2 million Egyptians are said to be working in the United States, Canada and the such oil countries as Libya, Saudi Arabia and Kuwait.

Ali Gamal el-Nazer, head of the government's Foreign Investment Authority, admits that there have been problems in reconstructing the economy, essentially because of the general lack of understanding, even among officials, of how a free enterprise system works. The Government's five-year development plan, which should have gotten under way last year, has been delayed until next year.

About 100 new projects have come here under the "open door": banks and investment funds, oil companies, tourist programs and textile plants, for example, according to Mr. Nazer. He admits they are small and have not provided many jobs, but he says that negotiations are at an advanced stage with Ford, Goodyear and Michelin for large projects.

Fouad Sultan, managing director of the Misr Iran Development Bank, says that the authorities committed a major tactical error in establishing the "open door." They kept an artificially low rate of exchange on capital inflow, a serious deterrent to foreign investment, and corrected it only in June, he said.

Both the political left and right have denounced the open door as a failure, and their attacks have met with increasing receptivity among the people, who have seen no concrete results of liberalism.

President Sadat tried to establish a controlled democracy here with the creation last year of three political parties: center, right and left. They did not represent the principal political currents but were beginning to take on a life of their own until the January riots.

The Government alleged that the riots were "a leftist conspiracy" and sharply curbed their activities. Severe controls were also imposed on the press.

It is generally believed that any real threat to Mr. Sadat's government would have to come from the military. Although the military is affected by the same frustrations as the rest of the population, there is no evidence of any serious disaffection.

The army in general is said to have disliked being called in January in effect "to clean up the streets." Nevertheless, the key officers are known as "Sadat men," and officers are a relatively privileged class.

Saudi Arabia's recent pledge to finance Egyptian arms purchases and the United States agreement to sell \$200 million in military aircraft and other equipment were said to have boosted military morale considerably.



to Haunt Sadat

# A Host of Unfulfilled Promises Come Home

The following dispatch is by a correspondent who recently completed a five-year assignment in Cairo.

By HENRY TANNER  
Special to The New York Times

CAIRO—President Anwar el-Sadat is on the spot, more so perhaps than at any time since he came to power, the victim at home and in foreign policy of unfulfilled promises.

Of all the spectacular policies that are the hallmarks of his regime, none has been fully successful and some are outright failures. He pioneered a policy of negotiation for an Arab-Israeli settlement, but

the peace process has slowed and may falter altogether. He broke Egypt's alliance with the Soviet Union and threw himself headlong into an "American Connection" that brought him diplomatic support and \$1 billion in annual assistance. But the United States has delivered neither peace nor prosperity, contrary to the expectations raised by Egyptians and Americans when President Richard M. Nixon visited in 1974.

He changed the country's economic system by ending 20 years of state control, expanding the private sector and inviting foreign investments. But his "open-door" policy has benefited only a small group of entrepreneurs and middlemen while the overwhelming mass of the 40 million Egyptians are poorer now than they were before in terms of real income.

He removed the police repression of the Nasser era and introduced a beginning of political democracy. But the bread riots of January frightened the regime. Since then, political freedoms have not expanded as they were supposed to, and there are signs that the power of the secret police is growing again.

## Failing in the Impossible

His critics concede that he may simply have failed to do the impossible. The Arab-Israeli conflict may be insoluble. And the economy may be incurable. Nevertheless, in the view of Western and Arab observers, his popularity has dropped sharply in recent months.

He was a hero at the time of the 1973 war with Israel, when the army crossed the Suez Canal. He was popular when he proclaimed that the Arabs had no reason to fear peace negotiations, and when he brought in the Americans, and with them the promise of the good life that Egyptians know from Hollywood movies.

For more than two years after the October war the life-sustaining common sentiment was hope for the future—"things are bad now, but soon everything will be all right."

Now this hope has all but vanished.



Associated Press

President Anwar el-Sadat of Egypt being visited by Senator Jacob K. Javits of New York in Alexandria last week. Expectations raised in 1974 that the United States might bring peace and prosperity to Egypt have dimmed.

## Grimness About Future

Most Egyptians probably would agree with the government clerk who during a recent conversation about other topics suddenly said in quiet despair: "You know, my children will be as poor as I."

Three of his children have chronic lung ailments that are aggravated by the dust and sand that filter into their sweltering little apartment in one of Cairo's crowded old quarters. To cite only one of his grievances: He had visions of moving to a healthier neighborhood but could not raise the money for a decent apartment. Now he thinks he never will.

Against such a background Government promises sound hollow.

Mr. Sadat has chosen 1980 as the target date when all will be well. By then, he has said, Egypt will earn \$1 billion a year from oil, \$1 billion from the Suez Canal, \$1 billion from tourism and \$1 billion in remittances from Egyptians working abroad. Four billion dollars would just about equal the amount of financial aid the country now receives from the United States, Saudi Arabia, other oil-producing Arab countries and additional donors with a commercial and industrial stake like Japan and West Germany.

## Figures Termed Unrealistic

But foreign specialists term the figures unrealistic, except for the Suez Canal. Mr. Sadat himself is thinking in round figures. He recently changed his prediction for oil from \$1 billion to \$1.5 billion. Foreign oilmen say they know of no event that could have changed the estimate.

Until early this year Mr. Sadat kept himself aloof from economic issues. He concentrated on foreign policy and dealt

with the economic ministers in the Cabinet through Prime Minister Mameouh Salem. Now, according to officials, the economic ministers have access to him for the first time. He has also toured the country, visiting building sites and economic projects and seeking to create a sense of urgency. But economics is still not his field.

Politically, Mr. Sadat has three groups against him.

The Nasserites accuse him of having betrayed the heritage of his predecessor by changing the country's economic and political institutions and abandoning the Nasser pro-Soviet "nonalignment" in favor of an exclusive alliance with the United States.

## The Underground Left

There is an underground Egyptian left consisting largely of students, a few intellectual and urban workers and, to the extent that it is organized, is split into the same kind of doctrinary groups as Europe's New Left. The leftists were given a prominence out of all proportion with their real strength when the Government lumped them together as "Communists" and accused them of being the sole instigators of the January bread riots. Most foreign observers believe that the riots started as a spontaneous protest against sudden price increases and that various anti-Government groups got in on the action after it had started.

The regime's focus on the "Communists," at any rate, left out the Moslem religious opposition. It was Moslem extremists who did much of the material damage during the riots, notably to the nightclubs and casinos, which were a special target.



Religious extremists challenged the regime again last week when they kidnapped and then killed an Islamic scholar and former Cabinet minister. The sect that took responsibility for the killing and threatened further terrorism regards all nonmembers as heretics. Its spokesmen said the sect wanted to bring the regime down because it was "godless."

**Groups Are Not in Assembly**

This sect is insignificant politically. Many of its members have been arrested, hunted down in Cairo and in provincial towns and in the far reaches of the desert where they had retreated for prayer and preparation for violence. But the question now is whether, in this climate of frustration, the most violent fringe of religious extremists can win over supporters from the far wider community of religious extremists belonging to the Moslem Brotherhood. The brotherhood was banned and suppressed by President Nasser. Under Mr. Sadat it is still officially banned, but it has won semirespectability and publishes its own newspaper.

The Nasserites, Communists and Moslem Brotherhood are not officially represented in the National Assembly.

President Sadat, after a generation of one-party rule, has introduced a beginning of democracy. He permitted three parties—left right and center—to be formed in the assembly last year. In a remarkably free parliamentary election, the center group headed by Prime Minister Salem, which enjoys the President's blessing, won a large majority. But none of these parties represents the country's traditional political organizations.

This spring, when some of the aging leaders of the Wafd, the most influential party under the monarchy, began talking

about recreating their party, Mr. Sadat's reaction was swift and sharp—a public veto. He feared that the example of the Wafd would be followed by the Nasserites, Communists and Moslem Brothers. That would have carried pluralism too far, and out of Mr. Sadat's control.

The President wants a carefully controlled experiment in limited democracy. He has taken politics so completely out of the nation's government-controlled newspapers that they have become submissive and bland. The assembly, where there were stirrings of real debate and criticism last year, became a rubber stamp again after the January riots.

It is the courts where pluralism has been most pronounced and most lasting. They had lost their independence under Nasser. One of Mr. Sadat's first moves was to rehabilitate the judges whom his predecessor had dismissed for political reasons.

Now the courts are showing their independence. They pronounced not-guilty

verdicts for most of the men that the Government prosecuted for alleged instigation in the bread riots and thus in effect rebutted the regime's charge that the riots were a deliberate plot. Mr. Sadat, though reportedly stung, took too much pride in having freed the courts to quarrel with the verdicts.

But when it came to prosecuting the religious terrorists last week, the President issued a decree shifting jurisdiction over the case to a military court. According to informed sources he acted after the leader of the sect, Ahmed Mustapha Shoukri, complained that he had been beaten up by the police, and a civilian magistrate asked for a medical investigation.

This is the second time the army has become involved in a political event in less than six months. In January, it was called in on the second day of the riots, and the army, not the police, curbed them. Many army officers are believed not to have liked the role. Gen. Mohammed Abdel Ghani el-Gamassy, the Defense Minister, is a professional who has kept the army out of politics and in so doing has maintained it as the strongest single pillar of the regime.

**Ties to U.S. and Saudis**

Mr. Sadat today is more than ever dependent on the United States and Saudi Arabia.

He needs the Saudis financially for their direct payments to the treasury and for their role in joint Arab assistance organizations. He needs them politically to underwrite his foreign policy and support him in inter-Arab relations.

He needs the United States for economic assistance and for its efforts to steer the Arabs and Israelis toward negotiations.

For Mr. Sadat movement toward a settlement of the Middle East conflict is essential. Only if movement is seen to be continuing can the Egyptians hope to cope with their economic and social problems.

**GIVE A HAPPY TIME.  
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JULY 10 1977

# Teeming Egypt Relies on US Aid

By Henry S. Bradsher  
Washington Star Service

**Cairo, Egypt** — The slowness in movement toward an Arab-Israeli peace settlement has put overpopulated Egypt in a difficult economic position, and the United States has slipped into a new aid responsibility.

"This economically strained country badly needs a peace that will let it concentrate on its massive domestic problems.

After almost a generation of close Soviet connections, Egypt turned to the United States several years ago as the nation most able to arrange peace. At the same time, President Anwar Sadat began to try to break the Egyptian economy away from the inefficient socialism that Soviet advisers had grafted onto an inefficient older bureaucracy.

These moves, which were strongly influenced by Egypt's main financial supporter, Saudi Arabia, came at a time when Saudi influence was being used to moderate Arab attitudes toward Israel.

The US is providing \$912 million in economic aid to Egypt during the current fiscal year. Congress is being asked to supply only slightly less, \$896 million, for the year beginning next Oct. 1.

## "Security Supporting"

Most of this help is described in Washington as "security supporting assistance." The aid is intended to help avoid another Middle East war, which would not only raise again the danger of confrontation with the Soviet Union but also would threaten Arab oil supplies to the US, and therefore American prosperity.

So the money is being spent to protect US prosperity rather than with any hope of bringing prosperity to a country whose average citizen is calculated by the World Bank to receive an annual income of \$280.

The immediate problem in Egypt is not so much raising that low living standard as keeping it from falling.

old loans and keeping necessary imports coming.

The donors are now considering putting up more money for project aid.

The most obviously necessary import is food to meet overpopulation. With a population now estimated at between 38 million and 40 million, and only the narrow Nile River valley and its fan shaped delta to grow crops in (the bulk of the country is desert), Egypt has had to depend increasingly on foreign food.

There are plans now to put more farmland into domestic food needs and less into export crops such as cotton. But a government study says that from producing 38% of its wheat needs in 1975, Egyptian agriculture will drop by 1990 to meeting only 34% of much larger needs due to population expansion.

A Cairo news report quotes a US Agriculture Department foreign trade expert as saying the US will

export up to \$700 million worth of farm products to Egypt this year, and the figure may reach \$1 billion by 1980.

## Oil Income Growing

Egyptian oil production is expected to earn \$537 million from exports this year. It is hoped that oil earnings may reach \$1 billion in 1980. This could be enough to cover American food, but the economy has many other import needs.

During Egypt's Soviet oriented period, which began in 1955, nationalization of industry got going. Today more than 50% of domestic output comes from the government part of the economy. And it has been an inefficient half.

Industry has been operated as a matter of social policy. Prices were seldom related to costs, providing subsidies to the middle class that could afford Egyptian television sets and refrigerators.

As agriculture was unable to keep up with population

growth, other subsidies increased in food. Today each Egyptian benefits from an average subsidy of \$2 a month.

An attempt to reduce subsidies for the masses last January resulted in the worst riots since the old monarchy was overthrown in 1952, and the government backed off.

So if the people will not tolerate further belt tightening, the government has very few options.

Estimates of the amount needed to rehabilitate a deteriorating infrastructure and make a major breakthrough against the agricultural and industrial malaise that afflicts Egypt run into the tens of billions of dollars.

At slightly under \$1 billion a year, the aid program for Egypt is now the largest one the US has going. But so insatiable is the Egyptian need that US aid is only about half of what is being provided by oil rich Arab nations.

## Hand to Mouth Aid

Money intended to support development projects has been committed to helping Egypt out of this year's financial crisis — just paying



## In Wake of Group Parley

# Egypt's Creditors Somewhat Reassured

By LEO RYAN

Journal of Commerce Special

PARIS — Egypt's creditors appeared to have emerged somewhat reassured following the end of the first meeting here at week's end of a consultative group formed by the World Bank.

The meeting, lasting two days, brought together delegates representing 13 countries and 11 financial bodies ranging from the International Monetary Fund, the European Investment Bank, the World Bank, the Islamic Development Bank to the Gulf Organization for Development in Egypt (GODE).

### Debts Growing Sharply

According to World Bank estimates, Egypt's total debts have been growing alarmingly, with nonmilitary and medium- and long-term debt outstanding and disbursed standing at \$5.7 billion at the end of last September. This is twice the level of two years earlier. Egypt's foreign exchange requirements till 1980 are estimated at \$13.1 billion.

It took some time to get the meeting organized. One reason has been the reluctance of Saudi Arabia, Kuwait, Qatar and the United Arab Emirates, who form the GODE, with a capital of \$2 billion, to draw up their attitude towards investment in Egypt.

Donor countries and international organizations have committed some \$5.4 billion for Egypt in 1977, announced M. P. Benjenk, vice president for Europe, the Middle East and North Africa of the World Bank at a joint press conference with Abdel Moneim el-Kaisouni, Egyptian deputy premier for financial and economic affairs.

Out of this year's amount, the Gulf Organization for the Development of Egypt finally agreed to earmark some \$2 billion and the United States \$1 billion, Mr. Kaisouni said.

The meeting was described as "constructive and fruitful" by Mr. Benjenk.

The situation in Egypt has become more stable since violent demonstrations in Cairo last January. President Anwar Sadat's government is introducing a more favorable code for foreign investment. The Egyptian Parliament is currently examining the development of duty-free zones to attract foreign capital. The five year 1976-1980 development plan lays stress on infrastructures and on agricultural production to catch up with population growth.

### Development Curtailed

A World Bank communique said the Egyptian delegation "stressed that many of the current problems of the economy had been the result of several years of greatly curtailed development effort because of the prevailing situation in the Middle East." The Egyptian minister told the delegates that military spending represented one-quarter of the country's gross national product.

The meeting discussed, the communique went on, "Egypt's longer term development strategy and reasons for optimism about its long-term economic potential, particularly with regard to progress in industry, oil production, tourism and rapidly increasing use of the Suez Canal."

The participants accepted the World Bank's estimate that Egypt would have a large external financing gap this year. On the other hand, "they were encouraged to note that there would likely be a substantial increase in aid disbursement in 1977 and the gap would likely be covered by a combination of disbursements from commitments of assistance previously made and reported by certain delegates."

The communique stated that in preparing their proposals for financial and economic cooperation beyond, the participants were aware that substantial balance of payments support and project aid would be required by Egypt to overcome its difficulties and finance a growing investment program.

### Population Control

The delegates stressed the need for continued efforts to control Egypt's population growth and to adapt the country's educational system more closely to the needs of the economy.

Egypt's new development plan aims for a growth rate of between 8 and 10 per cent till the end of the present decade. Its success, a government policy paper underlines, depends to a large extent on the inflow of external capital.

In a recent analysis of the Egyptian economy, the World Bank mildly approves measures taken so far to reduce food subsidies but implies that real changes cannot take place to generate adequate domestic resources until the dominance of the public sector is reduced.



June 26 1977

CAIRO COFFERS AT LOW EBB

# Economic Truth Turns Egypt From War Talk

By KATHY YOUNG  
For The San Diego Union

While newspaper headlines in Cairo push for a Middle East settlement, editorials analyze the seasonal thaw in relations with the Soviet Union and news articles present the U.S. and the Carter administration in a favorable light. But when one reads between the lines, the underlying concern of Egypt today is as economic as it is political.

Egypt's preoccupation with improving its economy is reflected in several recent foreign policy stands. Egypt is the leading proponent in the Arab world for immediate and lasting peace in the Middle East. It neither wants nor can afford another war. The coffers in Cairo are still creaking from the monetary blow dealt by the 1967 and 1973 hostilities with Israel. Egyptian officials recognize that if the country could reduce its defense expenditures, the government could reallocate these monies towards decreasing the budget deficit, estimated at \$600 million, and towards increasing desperately needed internal investment.

The recent reversal in steadily deteriorating relations with the Soviet Union, which originated in 1972 with expulsion of Soviet advisers from the country and culminated in President Anwar Sadat abrogating the bilateral friendship treaty with Moscow last year, offers potential economic as well as political benefits. In announcing new talks with Russia, Egyptian officials were careful to label the first round held

in Moscow as not just limited to discussion of broader issues involving the Middle East but also to exploration of a full range of bilateral issues.

Still unresolved at the conclusion of the talks, however, and very much on the minds of the Egyptians, are two major economic issues: the resumption of Soviet military aid to Egypt and the rescheduling of Egypt's debts to the U.S.S.R., estimated at \$4 billion.

Egyptian officials are presently as

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*Young is a free lance reporter in Cairo.*

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pleased with current U.S. policies and prescriptions for the Middle East, sharing a commitment to work toward peace in the region, as they are with the level of U.S. economic and military aid and the increasing influx of U.S. businesses and tourists to Cairo, Alexandria and Upper Egypt.

Egypt's commitment to spurring its economic development while enhancing its world prestige was highlighted by President Sadat in remarks made in a recent tour of the Suez Canal and Port Said area. Sadat stated that the economic problems Egypt faces today are ones of development and reconstruction rather than the war-related problems of bankruptcy which faced Egypt from 1967 to 1973. He cited as an indication of the world's faith in

the Egyptian economy \$4 billion in recent loans, guarantees and credits advanced by a consortium of Arab countries, plus \$1 billion in U.S. aid. Egypt also has managed to secure commitments from the World Bank, the International Monetary Fund (IMF) and the International Finance Corporation (IFC) for development assistance.

This new foreign policy thrust is only one front in Egypt's current economic battle; the other is being waged internally. The "Administrative Revolution," launched by Sadat in his Workers' Day speech of May 1 is aimed at unravelling bureaucratic snarls, cutting red tape and instituting modern management techniques in the public sector.

The private sector, dormant during the Nasser years, is being revived. Foreign capital and expertise is being enticed with attractive investment laws, lucrative joint ventures and relaxed foreign currency restrictions. Egypt's encouragement of foreign investment is given high priority by the Sadat government.

In spite of the officially optimistic mood, there remains one nagging question — will there be enough of an improvement in the Egyptian economy to reach down to the people and upgrade their living standards. If so, there is much hope for Egypt; if not, the world's support and foreign policy maneuvers may not matter much to the internal course of Egyptian events.



6/26/77

In January of this year, Egypt was shaken by its first serious riots in 25 years. Government announcements of price increases in subsidized commodities such as bread and fuel triggered three days of rioting throughout the country. The price increases had been initiated at the urging of Egypt's major creditors, including the Arab oil states and the international banks, who were growing increasingly uncomfortable with the country's burgeoning budget deficits.

Interpreted by the world press as a serious threat to Sadat and his policies, the riots have served to accelerate the flow of aid money to Egypt, particularly from the conservative Arab oil states and the U.S. who fear an inevitable shift to the left if Sadat should fall. Sadat, aided by his able finance minister, Dr. Abdel Moneim Kaissouni, has been quick to exploit the fears of the West in securing increased economic assistance for the country.

Repeatedly, in speeches and interviews, Sadat has sounded the theme of 1980 as the year in which Egypt will emerge from its development pains and achieve economic maturity. In order to reach this ambitious goal, Sadat recognizes that continued support from the West and peace in the Middle East are essential.

And if improving relations with the Soviet Union can facilitate a Middle East settlement, or at a minimum strengthen Egypt's economic position, so much the better for Egypt and the continued stability of the Sadat regime.



McMahon

E-840/77

PRESS CUTTING FROM "PRAVDA"

CAIRO <sup>1977</sup> - DIFFICULT DAYS

CAIRO, January 21 (From PRAVDA's own correspondent).

Things are comparatively quiet today here in Cairo, after two days' civil disorders that extended to the entire country, although, to be sure, isolated brushes between the population and the police were still occurring in the Egyptian capital yesterday. The strikes at a number of large industrial undertakings, such as the Helwan metal combine, and a few factories in the suburbs of the capital, are still in progress. Workers, students and artisans take pride in the fact that they have won from the ruling classes a decision to countermand the price increases. Yesterday the Budget Committee of the National Assembly revoked entirely the Government's decision to raise the prices of consumer goods. Great sacrifices have, however, been exacted in the skirmishes with the police and Army. The newspaper 'AL AHRAM', estimates that 65 people were killed and more than 800 injured.



The security services are making arrests and, according to newspaper reports, more than 2,000 people are behind bars. Among those arrested are the prominent Egyptian journalists Husain Abdel Razeq and Muhammed Salmavi, of "AL AHRAM", and Philip Halyab and Joseph Abdo of "ROZ EL-YUSEF", while the hunt is on for other journalists. The semi-official propaganda gives conflicting versions of the nature of the arrests, there being no hesitation to indulge in anti-communist fabrications. In particular, a statement put out by the Minister of Internal Affairs asserts that the country had fallen a victim to some "conspiracy", and accuses the "underground Communist Party of Egypt" of organizing "disorders and sabotage". News is given in the same statement of the arrest of the leaders of the "underground Communist Party" and of a number of its members. Simultaneously, the legal National Progressive Party, some of whose members are in Parliament, is accused of "incitement to rebellion".

In this connection the British "Financial Times" writes: "In the Egyptian press, and in official statements, accusations are being put forward to the effect that responsibility for these events rests on Marxists and communists, but, in the opinion of observers, the riots were spontaneous and enjoyed wide support among the entire population."

Egypt is passing through difficult days. In the capital, and in many other cities, the curfew is being maintained. City streets are patrolled by detachments of



the Army and police, and armored cars remain in some districts of Cairo.

The mass disturbances and demonstrations that have taken place in Cairo, Alexandria and many other Egyptian cities have drawn the attention of international political observers to the internal political conditions prevailing in the country, but what are the social origins of the state of crisis that has developed here?

One obvious fact in the Egypt of today is the ever-growing gap between rich and poor. There are several reasons for this, but, in the main, it is the evident consequence of the so-called policy of the "open door".

It should be remembered that this policy, which has been actively pursued by the authorities during recent years, seeks to provide "guarantees for foreign capital investment in the development of the economy". With the help of such measures, according to official statements, it was hoped to attract foreign capital to Egypt and, by giving private enterprise a free rein, to achieve both a rapid improvement in the economy and a growth in the national income. It is impossible to close one's eyes to the fact that this also represented a concession to the Egyptian bourgeoisie, which had taken hold of the economic levers of power in the country.

Since June 1974 more than 150 decrees and decisions have so far been issued for the purpose of facilitating foreign investments of capital, and a start has been made with the task of reorganizing the structural arrangements that



were made in the Egyptian economy at the beginning of the 60's. A case in point is the revision of the clauses of the 1962 Charter of National Action and of other Government legal texts serving to regulate the relationship between the public and private sectors, on the one hand, and the part played by foreign capital on the other, in the economy of Egypt. At the present time, foreign capital has access to the spheres of industry, agriculture and finance. It is not subject to nationalization and is allowed to deal with local firms direct.

But what has Egypt actually achieved in making these concessions to foreign and local capital?

It should be said right away that the policy of the "open door" has certainly not, so far, succeeded in attracting to Egypt any significant quantities of foreign private investment capital. (A few loans have been obtained through Government channels). According to data furnished by the Ministry of Economic Affairs, applications for the investment of private foreign exchange resources to the value of about 400 million Egyptian pounds, and relating to 285 projects, had been approved up to September 1976, but only one-twentieth of these had been put into effect.

The signboards of the branches of foreign banks set up, as a rule, in partnership with local banks, have become a symbol of the Egyptian policy in question. These banks, however, have not made a single large-scale investment either, but are merely taking into their own hands a considerable part of the country's foreign exchange transactions.



As an example of the conditions attached to the operations of foreign capital we may take the case of the International Bank for Reconstruction and Development (IBRD), in which American capital predominates. IBRD has advanced some tens of millions of dollars, at a high rate of interest, to the Administration of the Suez Canal, the Tour cement factory and to the General Directorate of Railways. Under the agreements entered into, IBRD will not only scrutinize how the goods, equipment and services, the acquisition of which is financed by means of its loans, are being used, but also maintain a watch on all the transactions of the recipients and check their financial returns. The Government undertakes in the event of any threat to IBRD capital invested in Egyptian projects, to sign an order for the attachment of any property that may be required to satisfy the Bank's claim. The Arab oil monarchies, also, are concluding their own investment agreements on the same terms and conditions as IBRD. It is no accident that the newspaper "AL-AHRAN" compares their demands to the dictates of the British colonial authorities.

Foreign private capital is, however, not satisfied with the concessions already made to it and is demanding, for instance, that the Egyptian pound be devalued and made convertible (i.e. freely exchangeable against, let us say, US dollars), as also that there be a guarantee of a higher rate of profit and provision made for legislation in the fields of labor and taxation, and even that it be granted monopoly rights: in the matter of setting up certain



enterprises.

It is significant that some sections of the Egyptian bourgeoisie should have felt that the "open door" policy ran counter to their interests and have demanded that changes should be made in it. The fact is that, in the main, it is the merchants, speculators and parasites who have taken advantage of the liberalized conditions prevailing. The Egyptian press testifies to the fact that "about 500 million Egyptian pounds is spent every year on luxury items. An insignificant stratum of the population becomes ever richer, at a time when rates of production and capital investment are clearly inadequate, when consumption is larger than the Gross National Product".

So far as productive projects are concerned, these are being put into effect on a limited scale only. Thus, in 1975, permits were issued for the construction of 703 industrial "undertakings" to a gross value of only 69 million Egyptian pounds in all. The Minister for Industry of the Arab Republic of Egypt, Mr. Shahin, has stated that the new Egyptian bourgeoisie is simply unwilling to invest its money in the construction of factories and plants.

The conduct of the "open door" policy goes hand in hand with a concentrated attack on the public sector, in the interests of private enterprise. In spite of this attack, however, the public sector still exists and retains its dominating position, for the overwhelming bulk of industrial production, a significant share in the country's foreign trade and the main part of its capital investment fall within



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The reorganization of Egypt's external economic relations is not being carried out without a struggle, for the advantages of collaboration with the Soviet Union and the other socialist countries are familiar to too many people in the country. For Egypt, that collaboration meant progress in many spheres and served, as it still does, the national interest and, particularly, the interests of the working population. Tens of projects were, and are still being, built with the economic and technical assistance of the Soviet Union. These ventures are by now already producing output to a value of more than 200 million Egyptian pounds a year, and saving the country 100 million pounds annually in hard currency. The income received by the Egyptian economy as a whole from the building of the Aswan High Dam is hard to calculate, although, according to some data available, the water network has paid for itself many times over.

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- 4th handbook

- tape recorder

- Briefe, Papers, folders

- Kaffeebeutel

- pictures; cu's etc

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- Kaffeebeutel

- T-Shirts, Topp

- Tickets; etc.

A. WEINER



This news item appeared on page **11** of the **16 MAY 1977** issue of:

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## In Wake of Group Parley

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By LEO RYAN

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## CONSULTATIVE GROUP MEETS IN PARIS

# Egypt faces its creditors

BY ANTHONY McDERMOTT

THE first meeting of the Consultative Group for the Arab Republic of Egypt opens in Paris today. Since Egypt asked the World Bank last year to form this advisory group it has taken some time to gather these 20 or so delegates, representing eight western countries, five Middle East states, and ten financial organisations ranging from the IMF and World Bank to the Islamic Development Bank and the European Investment Bank.

Part of the reason for the delay in holding the meeting has been the reluctance of Saudi Arabia, Kuwait, Qatar and the UAE who form the Gulf Organisation for the Development of Egypt with \$2bn. capital, to formulate their attitude towards investment in Egypt. For those in Paris are linked by one common feature: they have made loans to Egypt.

By the end of September last year loans set up by governments and international organisations outside the East Bloc amounted to \$4bn., of which \$1.9bn. had been disbursed. The repayment schedule for the disbursed amounts was gentle, leaving \$1.5bn. to be repaid after 1980. But Egypt's total debts have been growing alarmingly, and, according to the World Bank, non-military and medium and long term debt outstanding and disbursed stood at \$5.7bn. at the end of last September, twice what it stood at less than two years earlier.

Officials insist that this meeting will be exploratory, and that Dr. Abdul Moneim Kalssouny, the Deputy Prime Minister for Economic and Financial Affairs, who leads the Egyptian delegation, will not be in Paris to appear before a tribunal as a recidivist in order to be given one more chance to reform himself through the rescheduling of debts. The basic aim is to identify specific projects in the 1976-80 plan for which loans could be made.

In practice it will turn out to be more than that. The Consulta-

tive Group will be working from three documents. The World Bank has produced an analysis of Egypt's "Economic Prospects and External Capital Requirements" in which it indicates how it thinks the economy should be run. For the defence, as it were, Egypt has issued a list of 59 programmes and projects for which foreign financing would be required, and a policy statement

and international prices"—goes with a gradual reform of exchange rates. On April 21, the IMF approved a stand-by arrangement of 125m. SDRs in support of this programme. Gradually, but with considerable resistance, Egypt has been broadening the range of commodities covered by the parallel (as opposed to the official) exchange rate and moving towards

public sector is cut back. The Bank is fierce on the issue of Egypt's massive debt, describing the large short-term foreign borrowings of 1974 and 1975 as "ad hoc." It forecasts that the liquidity problem "will continue to dominate Egypt's external aid requirements, for several years to come." It places the priority on Egypt reducing its short term debts.

The World Bank and the Egyptian government are agreed in almost identical words that Egypt's long term potential lies in its large domestic market with cheap labour and income from the Suez Canal, oil, tourism and remittances from expatriates. (Notably the World Bank omits the point about the benefits of a more efficient agricultural system.)

The World Bank warns however: "In the past, executing ministries have found that the best way of securing more investment for their sectors has been to initiate new projects. This has resulted in a large number of unfinished projects which are likely to pre-empt the bulk of investment expenditure proposed for the 1976-80 Plan period." It concludes that even though the domestic problems have been isolated "some of the most important external constraints are not uniquely within Egypt's control—particularly movement towards an equitable and definitive settlement in the Middle East."

It agrees with Egypt that to realise its potential large quantities of capital from abroad will be required. But it will be a long haul: "In view of the magnitude and complexity of the task, it may take at least five-10 years to achieve a significant restructuring of the economy." Egypt's main task in Paris will be to convince the Consultative Group that having sought outside advice on how to run its economy, it really has the will and determination this time to cut through its appalling bureaucracy and make the reforms to attract foreign investment.

The Egyptian Deputy Prime Minister will not appear before a tribunal as a recidivist in order to be given one more chance to reform himself through the rescheduling of debts.

on "Egypt's Development Strategy, Economic Reforms, and Growth Objectives 1976-80."

The policy statement is a prolonged justification for the more liberal "open door" strategy which President Sadat initiated for the economy in 1973. It acknowledges that Egypt has had to face acute problems in trying to reverse the centralised economic control set up under Nasser, and fight wars at the same time. It has suffered short term indebtedness difficulties resulting in repayment arrears of "up to 90 days in 1976." The government expresses its determination to reform some of the investment problems (which have annoyed Arab donors in particular).

In many ways the most crucial reform concerns prices. The riots in January were caused largely by the government's decision to remove subsidies which according to World Bank estimates totalled in 1975 LE431.3m.—mainly on wheat, flour, maize, edible oil and sugar. These are to be reduced to LE328.2m. this year. As the report acknowledges: "It is important for the success of the reform program that these effects occur gradually."

This controversial article—part of what the statement calls "the gradual equalisation of domestic

a floating exchange rate, which Dr. Kalssouny has said could come next year.

As part of moves to amend the Foreign Investment Law, the Cabinet has approved plans to allow investment to enter the country at the parallel market rate of around 70 piastres to the dollar. Previously it had been brought in at the official rate of 39 piastres, and exported at the lower rate.

The Egyptian policy document reckons that foreign exchange requirements from 1977-80 will amount to \$13.1bn., with annual requirements falling gradually to half the \$5.4bn. needed this year. In outlining the Development Plan, which aims at a growth rate of between 8 and 10 per cent.—the highest rate of 12 per cent. in industry compared with only 3 per cent. for agriculture—the paper says that to meet the planned investments of LE7.8bn., "the plan depends to a large extent on the inflow of external capital" and calls for "an early commitment, or at least understanding, on the size and composition of the assistance."

The World Bank is mildly approving of the measures taken so far to reduce food subsidies, but implies that real changes cannot come about to generate adequate domestic resources until the dominance of the



This news item appeared on page D12 of the 1 Dec 1977 issue of:

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File Egypt-

Leonard Silk

## Sadat and the Egyptian Economic Position

"How can Sadat get along in a sea of hostility?" asks a high-ranking State Department officer, explaining the United States' hesitant, anxious support of the Egyptian President's peace initiative toward Israel. The United

States is not keen about the possibility of finding itself the only other party Economic in the coming informal Scene. talks in Cairo between Egypt and Israel.

Although diplomatic concerns are uppermost, there is a subsidiary but important economic dimension to the American anxiety that President Anwar el-Sadat could be isolated in the Arab world: the possibility that his economically strained country could be cut off from the massive financial support of the oil-producing Arab states, shifting additional burdens to the United States.

Egypt is already getting \$900 million a year from the United States, its biggest economic aid to any single country. But Egypt is getting more than twice that amount—about \$2 billion—a year from Arab states, notably Saudi Arabia, Kuwait, the United Arab Emirates and Qatar.

Egyptian officials maintain that those Arab states, rich in oil and money but small in numbers and weak militarily, cannot withhold their economic support from Egypt because of their dependence on Egyptian manpower and military power.

The Egyptians say that the oil-rich Arab states, no matter how much they may criticize President Sadat's diplomatic moves, know that they would be endangered by the fall of Sadat's moderate government; they would be exposed internally and extremely to the attack of leftist radicals, backed by the Soviet Union.

No extra economic burdens need fall upon the United States, say the Egyptians, if this country would give stronger and more enthusiastic support to President Sadat's peace initiative. They contend that America's, as well as Egypt's, economic as well as political interests would be best served by strong United States backing for Sadat's policy.

Egyptian economic officials say that too little attention has been given to President Sadat's reorientation of the Egyptian economy toward private enterprise and foreign investment.

Ibrahim M. Oweiss, chief of the Egyptian Economic Mission to the United States, says that since Sadat launched his "open door" policy in 1974, his Government has approved 641

foreign investment projects, valued at \$3 billion. Of the total approved, 161 projects involving investments of \$262 million are already in production, and 158 projects worth \$625 million are under construction.

Dr. Oweiss, formerly a professor of political science at Georgetown University in Washington, says his country wants more profit-seeking American investment, not more American aid. Since Sadat's open-door policy began, he says, 112 American companies' subsidiaries and affiliates have been established in Egypt. "Profitability is high in Egypt," says Dr. Oweiss.

He concedes that there are still some negative factors facing American or other foreign investors, including the cumbersome government bureaucracy that can delay the approval of projects. However, he maintains that these have been reduced by President Sadat's appointment of a Supreme Investment Authority under the Prime Minister, with the power to approve major projects and speed them along. The Government has also established a Cairo Service Center to facilitate direct foreign investment.

But some Americans in Egypt insist that it is still difficult to deal with Egyptian bureaucrats and officials or get quick action from them. And they point to other negative factors: the lack of depth of qualified management and technical people; Egyptian emphasis on projects for foreign investment, which are dependent on expensive imported raw materials and are not particularly labor intensive; the high cost of land for many projects and competition in the marketplace with state-owned Egyptian companies.

Yet Americans operating in Egypt agree that the Sadat Government is eager to improve the investment climate and has passed new laws to clear up ambiguities in regulations, ease foreign-exchange requirements and eliminate dual exchange rates.

In Cairo, Deputy Prime Minister Abdel-Monem el-Kaissouni, a former economics professor, Finance Minister and banker, who has served on the staffs of the International Monetary Fund and World Bank, has the primary task of setting the Egyptian economy on its feet.

He has put major stress on establishing Egypt's credit-worthiness. To do this, Egypt has paid off its short-term loans, which had amounted to over \$2 billion, and eliminated arrearages on all foreign debt. It has reduced its balance-of-payments deficit—net of foreign aid—to \$400 million from \$1 billion.

Egypt is seeking to bring down its enormous budget deficit, the cause of internal inflation and the aggravant of external deficits, by reducing subsidies for consumer goods to \$370 million from \$700 million last year. However, Egypt's budget is still burdened with defense outlays of more than \$1 billion, which it feels it cannot cut, \$1 billion for domestic investment ("Our future," said Economics Minister Hamid el-Sayeh in Cairo) and nearly \$600 million for foreign debt service ("on which there can be no default," said Dr. Sayeh, "or there will be no more facilities for us.")

Egypt's leaders believe that their investments are starting to pay off. They are sinking \$640 million into the deepening and widening of the Suez Canal to let 250,000-ton supertankers through. Of that total investment \$220 million is coming from Japan; \$100 million from the World Bank (of a total World Bank loan of \$265 million), \$80 million from United States aid, \$50 million from the Saudi Fund and the balance from other Arab states and Egypt's own resources. As a result, Egypt expects revenues from the Suez Canal to climb from about \$500 million this year to \$1 billion next year.

The prosperity of Egypt's Arab neighbors is also benefiting Egypt via \$600 million in remittances from Egyptian workers drawn to jobs abroad, much as southern Europeans were drawn north during Europe's industrial boom.

Egypt wants to work its way back to stability, both internally and externally. Basic to the Sadat line is the shift from war to economic development.

In the past, one major negative factor on foreign investment in Egypt, emphasized by the Egypt-U.S. Business Council, was the possibility of armed conflict with Israel: "There is no question that some degree of risk is present," the Council stated in its appraisal of last January.

But this week in New York, an Egyptian official said: "There can be no threat of war against Israel without Egypt." And he expressed the hope that the United States, as well as Israel, would now grasp "the golden opportunity for peace" being offered by "this moderate regime led by Sadat."



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## OFFICE MEMORANDUM

TO: Mr. Harold W. Messenger, Division Chief, POP

DATE: November 29, 1977

FROM: K.V. Ranganathan, H. Diaz, H.W. Franckson, and H. Shanawany  
*K.V. H.D.F. H.W. H.S.*SUBJECT: EGYPT: Second Population Project  
Preparation Mission -- Full Report

1. As per terms of reference dated September 22, 1977, Mr. Diaz, Mr. Franckson, Mrs. Shanawany, and I visited Cairo from October 2 to October 24, 1977. Mr. Messenger joined the mission for discussions with the Government from October 7 to October 14 and Mr. Blay (Loan Officer) joined the mission from October 10 to October 24, 1977. The following is a Full Report on the progress of preparations for a proposed Second Population Project.

Present Demographic Situation.

2. According to the preliminary results of the November 1976 Census, the total population of Egypt at that time was about 38.2 million. This represents an increase of over 8 million from the 1966 Census figures, yielding an average annual growth rate of 2.3% over the decade. This rate of increase has declined slightly from the 1960-66 annual rate of 2.5%; but, in absolute terms, the annual increase is still staggering, with over another million being currently added to the population every year. Furthermore, after declining steadily from an estimated level of 43 per thousand in 1963 to 34.4 per thousand in 1972, the crude birth rate (CBR) has apparently been rising again, reaching an estimated 37.7 per thousand in 1976. (Preliminary indications for 1977 are that the CBR for this year will be similar to the 1976 one.) There does not seem to be a consensus on the reasons for this recent increase in the CBR, although a baby-boom effect from the 1973 war and a slowing down in the pace of socio-economic development are sometimes mentioned as possible causes. (This is, for instance, the position of the Egyptian Population and Family Planning Board.) Whatever the reasons for this phenomenon, it has clearly instilled a renewed sense of urgency in Government circles about the need to strengthen the current population program, and especially its family planning component.

Egypt's Population Program: Historical Overview.

3. Egypt's official population program was launched in November 1965. In that year, a Presidential decree made family planning--which had been provided under private auspices for some ten years already--an official responsibility of the Egyptian Government (GARE). A Supreme Council for Family Planning--subsequently renamed Supreme Council for Population and Family Planning--was created and made the highest authority in all matters pertaining to family planning. The voluntary Egyptian Family Planning Association (EFPA) was given official recognition, and the Ministry of Health (MOH) was instructed to provide family planning services as part of its regular functions. In the same year, an "Executive Agency" to facilitate the implementation of the decisions of the Supreme Council was formed



and given the official name of Executive Board for Family Planning, currently the Population and Family Planning Board (PFPB).

4. Official thinking on population matters, as expressed in PFPB documents, has undergone three phases since the start of the program. The first phase, until 1973, concentrated on the provision of family planning services. It was during this phase, in 1969, that the GARE first set a quantitative target for fertility reduction amounting to one point per thousand per year in the CBR. The second phase, from 1973 to 1975, was based on the premise that population policy should aim at bringing about the socio-economic conditions that would make family planning a meaningful option. Underlying this notion was the assumption that as long as it remained economically advantageous, as well as culturally desirable, for the poor to have large numbers of children, family planning programs would be unlikely to have much appeal. Although provision of family planning services remained to be considered an important element in reducing fertility, it was held that improvement of family planning services per se would not do much for fertility reduction (unless it was accompanied by progress in the pursuit of a number of other social goals, such as raising the socio-economic standards of the family, improving educational services, increasing women's employment, etc.). In its third and latest formulation, starting in 1975, population policy in Egypt has moved from a concern with fertility reduction alone to a broader concern with "population problems." These are defined as having four facets. In addition to the obvious one of growth rate and size of population, they include also spatial distribution, age structure, and what are called "characteristics" or "conditions," and which cover such features as level of education, occupation, migration, status of women, etc. As thus formulated, population policy in Egypt has become practically indistinguishable from general development policy.

5. In July 1977, the Supreme Council for Population and Family Planning was reconstituted. Along with this reorganization, a change in the nature of its role has occurred. While previously the Council could only make recommendations to the ministries concerned with the implementation of the population program, implementation of its policy decisions has now become mandatory for those ministries. The Supreme Council is thus now in a position to overhaul the entire population program and to improve its coordination. The newly-formed Council met for the first time on the fourth of August and adopted a number of decisions indicative of its desire to take a more active role towards reduction of fertility. Those included the establishment of a subcommittee with representatives from the MOH, the PFPB, and the Central Agency for Public Mobilization and Statistics (CAPMAS) to prepare "an accelerated program to raise the efficiency level of the family planning services and to distribute them to the widest extent, and to establish the means of collaboration between these services and the rest of the health, education, and culture services." This subcommittee has requested all ministries involved in activities related to family planning to submit plans for the strengthening of these activities.



Egypt's Present Population Program: Activities of the PFPB, the MOH, and Other Ministries.

Population and Family Planning Board.

6. The PFPB was created to serve as a Secretariat to the Supreme Council. The word "executive" as used in the decree establishing the Board was in the sense of implementing the decisions of the Council and not the activities of the program. (This word was later dropped from the Board's official name.) In theory, the Board's main responsibilities are overall planning and coordination of population activities, monitoring population-related programs carried out by the implementing agencies (i.e., the ministries), and evaluating the family planning program.

7. The Board has established, since 1976, a mechanism for coordination of population activities at the national level. Since 1976, in each of the concerned ministries, a senior Under-secretary is designated as responsible for coordination, and these meet together periodically with the Board. A similar coordinating body exists also at the Governorate level, but in practice this has not proved a workable reality. The Board has a regional office in each Governorate capital which presently is mainly engaged in communication and education activities. The present administrative structure of the Board does not go beyond the capital of the Governorate, but a plan is underway to extend it to the village level through the so-called Coordinators Project. Through this project, which is being supported by the United Nations Fund for Population Activities (UNFPA), a specially-created and trained staff of "coordinators" will be placed in the local village administration to constitute a bridge between considerations of "population" in all of its facets and the general development considerations that are the normal subjects of local government concern. This is in line with the Board's current philosophy on population matters (see para. 4 above). Together with the establishment of this coordinating mechanism at the village level, the Board intends to step up efforts to improve coordination at the Governorate level.

8. The Board has also some implementation responsibilities. It is presently engaged in conducting interagency training in family planning, and it undertakes activities in the fields of population education and communications (in collaboration with the ministries of Education and Information and Culture, respectively). In the field of action-research projects, the Board is in the process of launching a project--known as the Integrated Rural Development Project--whereby fertility reduction is sought as an outcome of a complete process of revitalization at the village level (this is, again, in line with the Board's present philosophy). A pilot village has been selected in the Delta region, and its Village Council will be assisted to define its own development needs, resources, aspirations, and population problems. The first step has been a comprehensive socio-economic survey. Once the needs have been defined and the community's own plans for meeting them established, government resources will be provided to help realize them. The final stage will be the evaluation. This will seek to assess the population impact of this accelerated process of social development, and to identify the most significant elements for feed-back to other areas.



Ministry of Health (MOH).

9. Since the inception of the official family planning program in 1966, the MOH has played the major role in the delivery of family planning services. MOH nurses and physicians distribute contraceptive supplies (mainly pills) from health centers. Physicians also insert IUDs, but the program is largely pill-oriented. Currently, some 80% of family planning acceptors of modern contraceptive methods in Egypt take pills, 15% have IUD insertions, and 5% use other methods (mainly condoms). Sterilization is not offered by the official family planning program, and abortion is illegal except under very exceptional circumstances. No domiciliary maternal and child health/family planning (MCH/FP) activities are carried out by MOH personnel, although a number of such activities are included in the relevant job descriptions. There is no follow-up of acceptors to reduce attrition. There is a system of reporting MCH/FP services, but the information of family planning is merely forwarded to the PFPB (which publishes service statistics from the FP program on a regular basis), and not subjected to any analysis by the MOH itself. Information, education and communication (IEC) activities conducted by the MOH are practically nil.

Ministry of Social Affairs/Egyptian Family Planning Association (MOSA/EFPA).

10. The service delivery network of the MOH is complemented by that of the EFPA, which operates 451 centers throughout the country but mostly concentrated in Cairo and Alexandria and capitals of Governorates. EFPA clinics mainly function in areas where there are no MCH services, or where it is considered that there is need for family planning services in addition to those provided by the MOH. The EFPA is financed mainly by the MOSA--on whose behalf it conducts its family planning activities--, in addition to receiving funds from international agencies, like the International Planned Parenthood Federation (IPPF). The MOSA has administrative responsibility for the clinics run by the EFPA and the Minister of Social Affairs is the chairman of the Board of Directors of the EFPA. A family planning unit within the MOSA serves as liaison between the ministry and the EFPA. Population and family planning activities in the MOSA are, however, not limited to activities conducted through EFPA. Its training department has introduced population and family planning courses in the on-going pre-service and in-service training of its staff. Almost one-third of all university graduates required to serve in public service under the MOSA spend one year working in family planning activities. The MOSA has also launched a rural female leaders program, covering about 1,000 villages, which includes home visiting to motivate the people in the community to use existing social, health and family planning services.

Ministry of Education (MOE).

11. The MOE has some population education activities which it is trying to build into a program with possible help from the Bank Group (as part of a proposed Second Education Project; a separate report has been prepared on this subject). Population concepts were introduced in 1974 in school textbooks in intermediary and secondary levels. The MOE has recently established a unit for population education with two full-time staff members under the direction of an under-secretary. It is getting involved in teacher training and production of resource materials.



Ministry of Information and Culture.

12. The Ministry of Information and Culture's Television Agency has a health and family planning unit. The radio has a special weekly program for family planning, besides its continuing attempts to integrate family planning ideas in their on-going rural, youth, farmers, women and workers' program. The Ministry has plans to involve its cultural and information centers more actively in family planning information and motivation.

13. In sum, then, there is in Egypt today a broad spectrum of activities in the population field. Although these activities do not add up to a well-coordinated national program, they do seem to provide a basis for the eventual development of such a program. While the present program remains fragmented, better coordination among the various Government agencies in the population field seems to exist now than at any time in the past.

GARE's Commitment to Strengthening the Population and Family Planning Program.

14. While addressing the National Assembly early in 1977, President Sadat made the statement that the efforts of the whole population should be geared to the achievement of a rate of population growth of 1.6% by 1985. Even with the conservative assumption that the crude death rate (CDR) will remain at its present level of about 12 per thousand (rather than to decline), achievement of this target would imply a reduction in the CBR from its present estimated level of about 37.7 per thousand to about 28 per thousand, or about 10 points in the next eight years. Although emigration could ease the task to some extent, it would still remain a formidable one. Nevertheless, substantial progress in fertility reduction over the next decade seems a real possibility as the degree of commitment in government circles to the strengthening of the population program, and in particular its family planning component, seems to be widespread and strong.

15. The mission during its stay in Cairo met with the Minister of Health, Dr. Badran, on many occasions; with Dr. Hafez Ghanem, the Deputy Prime Minister of Social Development and Services, on three occasions; and with Dr. Amal Osman, the Minister for Social Affairs. These meetings were in addition to many discussions and meetings with concerned officials of the various ministries involved in the population field. Dr. Hafez Ghanem, as well as the Ministers of Health and Social Affairs, reiterated GARE's commitment to reduction of fertility in Egypt with emphasis on effective implementation of the family planning program, while recognizing that such reduction will also be facilitated on a long-range basis through overall socio-economic development. Dr. Ghanem, while stressing the need for intensification of the national family planning program, repeatedly emphasized that family planning motivation and services should be closely linked to the MCH program of the MOH. He stated his belief that the health theme in family planning was the most acceptable to some influential religious leaders who were less concerned about the population problem, and sometimes were antagonistic to any other approaches. Based on this, he suggested that the prospective Second IDA Population Project should be developed under the leadership of the MOH as an integrated MCH/FP project with well-defined goals for fertility reduction. General Gamal Askar, President of CAPMAS, in his meeting with the mission also confirmed the GARE's commitment to reduction



of fertility through vigorous implementation of the family planning program, mainly through the MOH. Dr. Aziz Bindary, Chairman of the PFPB, in his three meetings with the mission also stressed the need for strengthening the provision of family planning services. Dr. Bindary, however, maintained that social change generated by factors such as employment and education of women, reduced child labor, reduced mortality, and improved living conditions brought about by, for example, the improvement of planning and managerial capacity at the village level, was equally important to create an interest in reduced fertility and small family size and so to stimulate demand for family planning. Finally, Dr. Badran reported that in a meeting he had with President Sadat, the President gave full support to the intensification of the family planning program through the MOH and possible financing from the Bank through the MOH to support this program.

#### Performance and Weaknesses of the Family Planning Program.

16. Service statistics from the PFPB show that the number of family planning clinics (MOH plus EFPA) increased from 2,135 in 1966 to 3,478 in 1976. In the same period, the number of couple-years of protection provided by pills distributed through FP clinics increased from 133,541 to 518,208, giving an increase in the number of couple-years of protection per clinic from 63 in 1966 to 149 in 1976. The annual number of IUDs inserted in the clinics increased from 41,138 in 1966 to 186,049 in 1976.

17. A rough estimate from service statistics of the proportion of users of contraceptive methods among married women aged 15-44, for 1976, yields a figure of about 14%. In this calculation, users include users of pills distributed through FP clinics and pharmacies, IUDs inserted in FP clinics, and condoms distributed through FP clinics and pharmacies. (Users of these three methods account for practically all users of modern contraceptive methods.) Not included are users of condoms distributed through commercial outlets other than pharmacies, and users of pills and IUDs provided by private physicians. On the other hand, some portion of the contraceptives reported in the service statistics may have been used by non-married women or by women over 44 years of age. Correction of the first error would tend to increase the above estimate of the proportion of users among married women aged 15-44, while correction of the second error would tend to reduce it.

18. In 1974 and 1975, a national fertility survey was conducted in Egypt. Preliminary analysis of the results of this survey indicates that the proportion of users of contraceptive methods among married women aged 15-49 was an estimated 23.8% in 1974 (13.6 in rural areas, 37.2% in urban areas), and 28.2% in 1975 (17.2% in rural areas, 42.8% in urban areas). The above difference in the estimated proportion of users in two consecutive years seems very large, throwing some doubts on the reliability of these results. On the other hand, a proportion of users among married women of childbearing age in the range of 24-28% does not seem inconsistent with a CBR of about 36-37 per thousand in 1974-75.



19. The estimates of proportion of users in the previous paragraph include traditional methods (extended nursing, withdrawal, safe period, etc.). For modern methods alone (which, as pointed out in para. 17, are practically limited to pills, IUDs and condoms), the proportion of users among married women aged 15-49 was estimated at 19.8% in 1974 and 24.7% in 1975. These figures are much higher than the estimate of 14% from service statistics reported in para. 17. (The latter, however, intended to measure prevalence of contraceptive use among married women 15-44 rather than 15-49, and in addition there were some known sources of error associated with that estimate, as pointed out in para. 17.)

20. Service statistics (see para. 16) indicate that the Egyptian family planning program has expanded considerably since its inception in 1966. However, a very substantial further expansion in the number of contraceptive users will have to be achieved over the next decade--especially in rural areas--if the ambitious fertility reduction target set by President Sadat (see para. 14) is to be achieved. This, in turn, would require substantial strengthening of the system for the provision of family planning services, including its educational and motivational aspects. Compared with other developing countries with similar per capita incomes, Egypt is well-endowed in terms of health facilities. According to MOH sources, the number of health facilities of all types in rural areas amounted to 2,252 in 1976, or about one health facility per 9,000 population. (There are, however, some rural areas which do not have access to any health facilities within a reasonable geographical range, so that health coverage in rural areas is still incomplete.) Coverage in urban areas is also fairly adequate, although there seems to be a need for up-grading a portion of the health facilities and to provide for better maintenance (this is also true of rural areas). Likewise, health manpower availability is not a major constraint--and, indeed, there is now some concern over the large numbers of doctors graduating from Egyptian universities. As identified in discussions between MOH officials and the mission, the critical areas that need to be strengthened in the service side in order to allow for a more effective provision of MCH/FP services are training, supervision and management. Training of health personnel (both medical and paramedical) is clearly inadequate, not only in the MCH/FP area, but also, more generally, in community medicine. Commitment to family planning in the part of service personnel is too weak in relation to the magnitude of the task ahead. This constraint could be relaxed by improving the system of supervision. (Although financial incentives can in some cases substitute to some extent for adequate supervision, the present system of financial incentives to MOH and EFPA staff for delivery of contraceptive supplies does not seem to have any significant effect in staff motivation towards recruitment of family planning acceptors.) With regard to management, there is a need to strengthen the family planning organization of the MOH at the Governorate level and below. (At the national level, a reorganization is already in progress, as is explained in para 22.) A system of management information statistics for MOH managers responsible for the provision of FP services needs to be developed. This system should provide for identification of drop-outs, as a basis for organizing a follow-up mechanism to reduce attrition rates, which are believed to be large.



21. The weaknesses existing in the service side are reflected in the receiving side (that is, the community) in the form of dissatisfaction with the existing MCH/FP delivery system; inadequate knowledge of nutrition, hygiene and MCH/FP facts; and inadequate information about MCH/FP services available. Moreover, there are internal socio-economic and cultural barriers in the community to seeking and using FP services. Two major factors deserve special mention in this context. First, the existence of a high percentage of women of reproductive age who believe that family planning practice is against the Moslem religion; in a survey undertaken in 1973 by the Center for Social and Criminological Research in Sharkia and Qena Governorates, for example, that percentage was estimated at 47%. This strongly suggests the need to emphasize health benefits from reducing number and frequency of births in the design of information and motivational messages, in order to gain the support of religious leaders for the family planning program. Secondly, mobilization for the army and rural-to-urban migration are reported to have increased the demand for child labor in rural areas, especially for activities such as cotton-picking, pest control and tending animals. This development may have increased desired rural family size, or at least it can be expected to compound the difficulties involved in effecting a reduction in that norm.

Changes in the Family Planning Organization within the MOH at the National Level.

22. Evidence of the MOH's active interest in the intensification and expansion of family planning services in close integration with the provision of MCH services is substantial. One of the highlights of the action taken by the Minister of Health is the reorganization and strengthening of the Family Planning Unit in the MOH to facilitate the implementation of the family planning program. As described in Annex I to this report, a full-time director general for family planning has been appointed and taken charge (Dr. Kamal Attia, who is also the Executive Director for the First Population Project financed by IDA). He reports directly to the first undersecretary in the MOH and has under him units for planning and training, information and motivation, finance and administration and for projects management. Staffing of these units is already underway. In addition, the Minister of Health has appointed a senior advisor on family planning (Dr. Fawzi Said) with a staff consisting of a research and evaluation specialist, a planning and programming specialist and one for procurement and construction. This group will be responsible for developing, screening and assisting special projects (including the proposed Second Population Project) for submission to the Minister of Health for approval.

MOH's Plans for Strengthening its MCH/FP Program.

23. The MOH's plans for strengthening its MCH/FP program are in accordance with the diagnosis of the main present weaknesses as discussed in paras. 20 and 21. These plans comprise activities that can be classified



into six main areas: (i) home visiting, (ii) training, (iii) information and communication activities, (iv) organization and management, (v) community incentives, and (vi) completion of coverage.

24. Home visiting. As indicated in para. 9, home visiting activities by MOH personnel responsible for the provision of MCH/FP services are presently nil. Yet, development of an effective system of home service delivery could make an important contribution to lessening negative attitudes towards using available MCH/FP services while at the same time improving information about availability of those services in the community (para. 21). The MOH intends to develop MCH/FP home visiting activities in two ways. First, nurses and midwives attached to rural health units, rural health centers and MCH centers (in urban areas) would be effectively required to provide domiciliary MCH/FP services (which presently are part of their job descriptions, but are disregarded in practice), and such services would include follow-up for contraceptive use. Secondly, a new cadre of home visitors will be created and deployed at the ratio of one home visitor per ca. 1,000 population. Home visitors would be attached to MOH health facilities in both rural and urban areas, and would be responsible for the face-to-face motivational aspects of the newly-strengthened integrated MCH/FP program.

25. Training. As indicated in para. 20, inadequate training of health personnel at all levels (physicians, nurses, etc.) in the area of MCH/FP is a major weakness of the present program. The MOH intends to redress this situation through a major training program in MCH/FP including both pre-service and in-service training activities. This program would also include short-term training for the newly-created cadre of home visitors. About five training centers in selected Governorates would be created to support this set of activities. Through improved training, the MOH hopes to achieve not only an improved quality in the provision of MCH/FP services but also to enhance motivation among its service personnel for the delivery of those services.

26. Information and Communication. Home visitors would deliver educational and motivational messages tailored to the various target groups. To develop these messages, technical assistance may be required. The face-to-face educational and motivational activities of home visitors would be supported by mobile teams of health educators who would be showing films and other audio-visual materials to villagers and in urban areas. These activities would be complemented by strengthened mass media activities in radio and TV. For the implementation of the latter set of activities, the MOH would rely on the expertise and resources of the Ministry of Information and Culture, which has been operating in this area for some time (see para. 12). To this effect, resources in the latter Ministry allocated to the MCH/FP area would have to be expanded.

27. Organization and Management. As indicated in para. 22, the MOH has already started to restructure the organization for the provision of



MCH/FP services at the national level. This is the first step of a reorganization that would eventually also reach the Governorate level and below. A key element in the improvement of the management of MCH/FP services would be the development of a management information system that would allow close monitoring of the program. Quantitative targets in terms of users of family planning services would be set (for the first time in Egypt) and broken down to the district level. Districts with consistent below-par performance would be scrutinized to find out the causes of low performance, and corrective action would be taken. Another key element in improving management of the MCH/FP program would be a revision of the supervisory system, perhaps including the appointment of full-time supervisors for MCH/FP.

28. Community Incentives. The MOH also intends to launch a community incentives scheme to support the acceptance and continued use of MCH/FP services. This scheme would be introduced at first in limited areas on an experimental basis. If successful, such a scheme could be a powerful aid in overcoming the internal barriers to acceptance of family planning mentioned in para. 21. At the time of the mission's visit, no specific ideas had been formulated.

29. Completion of Coverage. In para. 20, it was pointed out that there are some rural areas which lack access to any type of health facilities. In order to provide the population in these areas with MCH/FP services (as well as other basic health services), the MOH intends to extend its regular network of rural health facilities to cover these areas.

#### Second IDA Population Project.

30. The MOH hopes to obtain IDA assistance in the form of a Second Population Project in order to undertake the strengthening of its MCH/FP program (along the lines described in paras. 23 to 29) in seven selected Governorates out of a total of twenty-five: Qena, Minya, Kalaubia, Kafr El Sheik, Giza, New Valley, and two districts in Cairo. This effort would take place over a four-year period and it would be the first phase of a nationwide effort. However, even during the period of implementation of the strengthening of the program in these seven Governorates, subject to availability of resources the MOH hopes to expand the strengthening of the program to other Governorates. This expansion would eventually comprise a total of twenty-four Governorates. The remaining one, Menoufia, is the location of a large-scale experiment for the improvement of family planning services based on a household contraceptive distribution system. This experiment, which started in one village and is now being extended to the entire Governorate, is under the leadership of Dr. Saad Gadallah from the American University of Cairo and it has been backed financially from its inception by USAID.

31. In order to secure the IDA assistance mentioned in the previous paragraph, the MOH continues to work on the preparation of a project proposal suitable for submission to IDA. An outline for further project preparation was prepared by the mission in collaboration with MOH officials, following



detailed discussions of the preliminary version of the project proposal submitted by the MOH in July 1977. (A copy of this outline is available in Division Files.) A working committee has been appointed to carry out the preparation work agreed upon between the MOH and the mission, as laid out in the above-mentioned preparation outline. Moreover, an overseeing committee composed of MOH undersecretaries has been appointed to ensure timely completion of the preparation work and to ensure that the points of view of all concerned departments in the MOH would be taken into account in the proposal. A copy of the timetable submitted to the mission by the working committee, with a detailed specification of all items included in the preparation outline, members of the working committee responsible for the preparation of each item, institutions to which they are affiliated, and deadlines are included as Annex II to this report.

#### Participation of Other Ministries in the Second Population Project.

32. It was stated in para. 5 that following its latest reorganization, the Supreme Council for Population and Family Planning has appointed a sub-committee with representatives from the MOH, the PFPB and CAPMAS whose purpose is to prepare a program for the improvement of family planning services. It was also stated there that this subcommittee has requested all ministries involved in activities related to family planning to submit plans for the strengthening of these activities. Thus, the question arises of whether IDA should go ahead with the preparation and approval of an MCH/FP project built around MOH plans, or should instead wait for plans from other ministries to be finalized in the hope of obtaining a broader-based project. This question was posed by the mission to the Deputy Prime Minister for Social Development and Services, Dr. Hafez Ghanem. Dr. Ghanem is in charge of coordinating government activities in the areas of health, education, housing, rural development, local administration and family planning. At the same time, he is the deputy chairman of the Supreme Council for Population and Family Planning. In this double capacity, Dr. Ghanem was the best-positioned government official to advise the mission in general policy matters related to family planning. He suggested that since the MOH had started to prepare plans for the strengthening of its MCH/FP services well before the latest reorganization of the Supreme Council for Population and Family Planning, and since these plans were in a much more advanced stage than those of other ministries, IDA should go ahead immediately with the preparation and appraisal of a project based on MOH plans rather than to wait until proposals from other ministries become available for consideration. He added that if plans from other agencies were finalized and project components for IDA financing were ready by the time of appraisal, they could be considered for inclusion in the proposed Second Population Project.

33. One such component that might materialize would involve the MOSA. The mission held discussions on this matter with the Minister of Social Affairs (Dr. Amal Osman), the Executive Director of the EFPA (Dr. Badrawi Fahmi), and the President of the Cairo Family Planning Association (Mrs. Aziza Husein). Plans for expansion of population education activities in the MOE,



on the other hand, will not result in a component of the proposed Second Population Project but (as decided by the GARE) will constitute a component of the proposed Second IDA Education Project.

34. Even if no components in ministries other than MOH are generated through the mechanism described in para. 32, there would be some scope for participation of other ministries in the activities financed by the proposed Second Population Project, should the latter materialize. First, as pointed out in para. 26, the MOH would rely on the Ministry of Information and Culture for the implementation of IEC activities under the project. Secondly, the activities of MOH home visitors would be coordinated with the activities of the social workers from MOSA, whose terms of reference include education and motivation in the area of MCH/FP, and with the activities of the newly-created cadre of female rural leaders (see para. 10). Thirdly, at the village level the collaboration of staff from the Ministry of Local Governments would be sought in support of project activities. Moreover, the planned strengthening of population education activities in the MOE (para. 33) would be supportive of the activities financed under the proposed Second Population Project.

35. As the project stands now, no participation of the PFPB is contemplated in either preparation or implementation. However, since the project has to be approved by the Supreme Council for Population and Family Planning, and since PFPB functions as a Secretariat to the Supreme Council, PFPB would play a role in processing the project for government approval. There is, moreover, a possibility that Dr. Aziz Bindary, Chairman of the PFPB, might approach TDA for assistance. In conversations with the mission, he expressed an interest in discussing with the Population Projects Department and other Bank departments innovative areas of action aiming to a reduction in fertility. He did not specify such areas but stated in general that these should be closely integrated into development programs. He also stated his belief in Egypt's need to build up a "comprehensive population program" as opposed to undertaking a set of isolated projects. Responding to his suggestion, the mission requested him to send to the Bank a project outline as a basis for further discussion.

#### Possible Components for the Proposed Second Population Project.

36. Based on the MOH's plan for strengthening its MCH/FP program (see paras. 23 to 30), the mission has tentatively identified some possible project components for the proposed Second Population Project. These components are stated below.

##### A. Possible project components in MOH

###### 1. Home visiting activities

- a. Recruitment and training costs and incremental salaries for new cadre of home visitors;



- b. Vehicles for home visiting activities of nurses and midwives;
2. Training in MCH/FP
- a. About five training centers in selected Governorates (construction, equipment, vehicles, salaries for incremental staff, etc.);
  - b. Technical assistance (consultants, fellowships);
3. IEC activities (to be implemented by the Ministry of Information and Culture)
- a. Local costs for TV and radio programs;
  - b. Equipment;
  - c. Audio-visual aids for health centers;
  - d. Technical assistance (consultants, fellowships);
4. Organization and management
- a. Salaries for incremental staff (possibly including full-time supervisors);
  - b. Technical assistance and equipment for the development of a management information system;
  - c. Vehicles;
  - d. Communication equipment (telephones);
5. Community incentives
- a. Local costs for incentives (form of incentives not yet identified);
6. Maintenance of existing health facilities and Equipment
- a. Salaries for incremental staff;
  - b. Training for maintenance workers;



- c. Workshops (construction and equipment);
  - d. Vehicles;
  - 7. Extension of basic health coverage to non-covered areas (in seven project Governorates);
    - a. Rural health units (construction, equipment, salaries for incremental staff, vehicles, etc.);
    - b. Mobile service units (for New Valley only);
  - 8. Research and evaluation
    - a. Local costs for research projects;
    - b. Equipment (data processing);
    - c. Technical assistance (consultants, fellowships);
- B. Possible project components in other ministries
- 1. MOSA-EFPA (incremental staff salaries, equipment and vehicles for family planning clinics and program management);
  - 2. Other ministries (?).

Next Steps in Project Development.

37. The next critical step is the receipt of the revised project proposal from the Government (MOH), which the MOH had determined to send us by November 15, 1977. The mission, however, judged this deadline to be unrealistic; early December would appear to be a reasonable estimate for receipt of the proposal. On this basis, an appraisal mission is tentatively scheduled starting January 30, 1978. A final decision as to whether the project is ready for appraisal or not will have to await review of the proposal.

Possible Participation of Other Donor Agencies.

38. The mission learnt that in addition to IDA, one other donor agency for possible financing of the project would be the Overseas Development Ministry (ODM), United Kingdom. In their report on their recent mission to Egypt (dated June 1977), ODM indicated strong interest in joining the Bank Group in financing the proposed Second Population Project. The mission recommends that we contact the ODM after the receipt and review of the proposals from the Government for exploring possibility of their funding. There is indication that the ODM may be interested in funding all the project components for a Governorate (Minya), and also some components on a national scale. The Minister of Health, Dr. Badran, indicated to the mission that the GARE would welcome ODM assistance for the project.



Mission's Findings and Recommendations.

39. The mission's principal findings can be summarized as follows:
- a. There is presently a high degree of commitment on the part of the GARE towards activities conducive to an alleviation of Egypt's population problems, and especially towards strengthening the family planning program;
  - b. Although activities in the area of population are fragmented, and better coordination is needed, these activities today are broad-based and provide a valuable foundation for the eventual build-up of a coordinated national population program. Also better coordination seems to exist now than at any time in the past;
  - c. There is an immediate need to strengthen several critical areas of the family planning program. On the service side, these mainly include training, supervision, organization and management, and provision of domiciliary services. On the demand side, stronger IEC activities need to be developed in order to inform the community about available MCH/FP services and to increase motivation for the use of these services. (These goals should be also pursued through the provision of domiciliary services.) There is also a need to extend coverage of basic rural health services to presently unserved rural areas;
  - d. Paralleling the need for strengthening the family planning program, there continues to be a strong interest in the MOH (the main provider of family planning services) to undertake an effort in that direction, in close integration with a reinforcement of the provision of MCH services. The plans that are being drawn by the MOH in this connection are generally consonant with the major needs as identified by the mission. However, detailed plans were not ready at the time of the mission. Further preparation is needed and a time table for this was agreed between the mission and officials of the MOH;
  - e. A project developed along the lines discussed between the mission and MOH officials would be implemented mainly by the MOH, but there would also be scope for the participation of the Ministry of Information and Culture (for implementing IEC activities), and possibly the Ministry of Social Affairs. It is the mission's judgment that such a project, by attacking the major weaknesses of the present family planning program in seven selected Governorates--as the first phase of a nationwide effort--would make a substantial contribution to reduction of fertility in Egypt.



40. Consequently, the mission recommends that, subject to the satisfactory completion of the preparation work agreed upon between the mission and MOH officials, a population project to support the strengthening of the MCH/FP program of the MOH be appraised by the Bank Group. If other ministries with activities in the population field finalized plans for strengthening these activities and project components to support such plans for Bank Group financing by the time of appraisal, these components should be considered for inclusion in the population project.

cleared with & cc: Mr. Jones, POP

cleared in substance

with & cc: Mr. Blay, EMI

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Mr. Lee, OEHA

Mr. Dubey, EMNVP

Mr. Finzi, EMNVP

Mr. Paijmans, EMI

Messrs. Kayalsky/Maiss

Mr. Kwaku, EMI

Mr. Jones, EMP

Mr. Lachman, EMP

Mr. Kopp, EMI

Mr. Eschenberg, EMI

Mr. Sandstrom, URB

Messrs. Nichols/Zaidan, P&B

Dr. Kanagaratnam, POP

Mr. Baldwin, POP

Mr. Kang, POP

Mr. van Ommen, POP

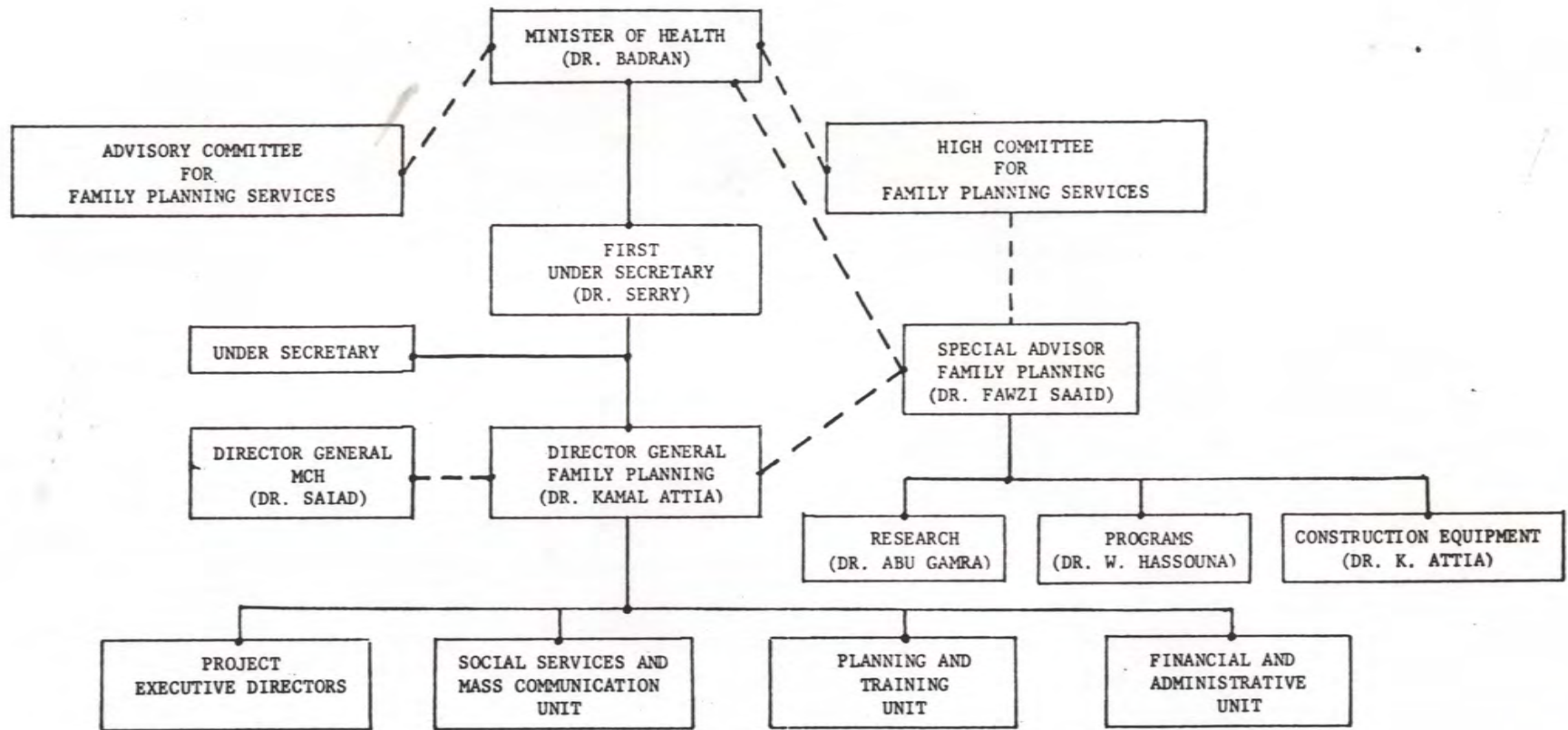
Div. and Central Files

EGYPT II/POP

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EGYPT  
 FAMILY PLANNING SERVICES -- MINISTRY OF HEALTH -- ORGANIZATION CHART





Item	Person(s) Responsible	Ready by Date
1. Nature of Egypt's population problem.	- Dr. Abu Gamra.	October 29
2. Description of Egypt's family planning program to date.	- Dr. Hassouna, Dr. Abu Gamra Dr. Helmi.	"
3. Present situation of maternal and child health program.	- Dr. Sayaad, Dr. Afaf, Dr. Fuad and Dr. M. Hammami.	"
4. Target for reduction of crude birth rate for next five years, and estimate of number and types of contraceptive users for 1978-82 required to meet crude birth rate target.	- Dr. Hassouna dn Dr. Abu Gamra.	"
5. Quantitative targets for each maternal and child health activity.	- Dr. Sayaad, Dr. Afaf, Dr. Fuad and Dr. Hammami.	"
6. Detailed description of proposed MCH/FP program.	- Dr. Sayaad, Dr. Afaf, Dr. Fuad and Dr. Hammami.	"
7. Proposed information and communication activities for MCH/FP program.	- Dr. Hassan Rostum, Dr. Afaf, Mrs. Aziza Ziad, Mrs. Fauzia El Mualid, Miss Bahira Muchtar.	"
8. Explanation of how above activities would meet MCH/FP targets.	- Dr. Sayaad, Dr. Afaf, Dr. Fuad and Dr. M. Hammami.	"
9. Detailed description of community incentive program.	- Dr. Hassouna with all members of preparation group.	"



Item	Person(s) Responsible	Ready by Date
10. Proposed research projects.	- Dr. Hammami, Dr. Afaf and Dr. Rustam.	October 29
11. Reporting system for MCH/FP program.	- Dr. Sayaad, Dr. Fuad and directors concerned in MOH.	"
12. Monitoring and evaluation systems.	- Dr. Abu Gamra, Dr. Fuad.	"
13. Needs analysis	- Dr. Afaf, Dr. Sayaad, Dr. Hammami, Dr. Hasan El Deeb.	"
14. Costing based on needs analysis.	- Dr. Afaf, Dr. Sayaad, Dr. Hammami, Dr. Hasan El Deeb.	"
15. Request for IDA financing.	- Dr. Hassouna and Dr. Attia.	"
16. Financing plan.	- Dr. Hassouna and Dr. Attia.	"
17. Detailed description of proposed project components.	- Dr. Hassouna and Dr. Attia.	"
18. Organization and administration in MOH and government level for MCH/FP program.	- Dr. Attia.	"
19. Funding from other donor agencies.	- Dr. Attia.	"



Item	Person(s) Responsible	Ready by Date
20. Systems of procurement and distribution of contraceptive supplies - present and proposed.	- Dr. Attia.	October 29
21. Availability and needs for MDs, nurses for 1978-82.	- Dr. Fuad.	"
22. Policies and levels of remuneration of health staff.	- Dr. Attia.	"
First draft of project report.	- Dr. Hassouna.	November 5
Final project report.	- Dr. Hassouna and Dr. Attia.	November 10
Report to be sent to World Bank.	- Dr. Hassouna and Dr. Attia.	November 13

Members of the Preparation Group for Project Report

Dr. W. A. Hassouna - Consultant to Minister of Health.  
 Dr. Kamal Attia - Director General, Family Planning, Ministry of Health.  
 Dr. Abu Gamra - Demographer, Ministry of Health.  
 Dr. Helmi - Family Planning Directorate, Ministry of Health.  
 Dr. Sayaad - Director General, MCH, Ministry of Health.  
 Dr. Afaf - Directorate of MCH, Ministry of Health.  
 Dr. Mustappa Hammami - Directorate of MCH, Ministry of Health.  
 Dr. M. Fuad - Director of Statistics, Ministry of Health.  
 Dr. Hasan Rostum - Health Education, Ministry of Health.  
 Mrs. Aziza Ziad - Medical Social Worker.  
 Mrs. Fauzia El Mualid - Radio and Television, Ministry of Information and Culture.  
 Miss Bahira Mukhtar Hussain - Al Ahram.  
 Dr. Hasan El Deeb - Director of Planning, Ministry of Health.