

## Supporting Reform

An agreement between USAID and the Egyptian government aims to overhaul the financial sector

The US Agency for International Development (USAID) is providing substantial assistance to the government of Egypt under an agreement that calls for sweeping reforms in the financial sector. USAID awarded \$100 million to Egypt in late March after officials signed a memorandum of understanding that supports Egypt's efforts to introduce a number of changes in the financial sector, including strengthening the independence of the Central Bank and preparing the banking sector for a wave of privatizations.

An additional \$800 million will be made available by USAID as the reforms unfold over the next three to four years, helping the Egyptian government offset the cost of the economic reforms.

The commitment to reforming the financial sector follows a two-year review by USAID, the State Department, and the

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Disclaimer: The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Omar Mohsen



An AGERI inspector monitors the progress of virus-free, transgenic sweet potato plants

## Helping Biotech Bloom

**Egypt is becoming an important player in the biotech industry, developing an array of new products that promise to benefit farmers and the environment**

Crops of corn and tomatoes that manufacture vaccines against Hepatitis B and C. A breed of wheat that harnesses the traits of barley to help tolerate drought. Flowers that bloom in new colors using molecular breeding techniques.

The development of these groundbreaking products and others is moving forward under a \$1 million biotechnology grant program sponsored by USAID's Agricultural Exports and Rural Incomes project (AERI). More than pushing Egypt deeper into the frontiers of science, the emerging technology could potentially have the greatest impact on farmers in the field.

Lingering debates about genetically modified crops have overshadowed the potential for biotechnology to transform agriculture in Egypt, and the lives of

farmers along with it. Insect-fighting or drought-resistant characteristics of new plant varieties have the potential to lead to higher yielding crops, allowing farmers to reap greater incomes from bountiful harvests. No less important is the prospect of pest-repellant plants that curtail farmers' exposure to pesticides and significantly reduce the amount of harmful substances released into the environment. Apart from the health benefits, farmers would also see their expenses for pesticides go down.

"We are trying to help the small-scale Egyptian farmer deal with some of the major problems here," says Mohamed Samy, the project coordinator of AERI's Institutional Linkage, explaining a central goal of the activity's efforts to advance biotechnology through its grant program. "The main concept is to build linkages between public research institutions and the private sector," says Samy.

Five projects have been in operation for more than half a year and another five have been funded in the last few months. A team from the University of Florida and

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Treasury Department in Washington, which concluded that the bulk of the \$1 billion set aside for assistance through USAID’s Development Support Program (DSP) should be devoted to the financial sector. The review was wrapped up in January and followed quickly by the direct transfer of funds in March.

Also at the March 25<sup>th</sup> signing ceremony, USAID gave the Egyptian government \$100 million following the government’s decision last fall to lower tariff rates and simplify customs procedures. The average weighted tariff for all goods was reduced from 13.4 percent to 8.9 percent and the maximum tariff rate has been capped at 40 percent for all goods except tobacco, alcohol and luxury cars. The measures are sure to enhance Egypt’s regional competitiveness as only Lebanon and Turkey now have lower average weighted tariff rates, respectively at 8 percent and 5.4 percent.

USAID’s DSP Team Leader Ali Kamel called the changes the “most comprehensive” customs reforms since 1991. Notably, the number of tariff bands — or categories for goods that pass through the borders — has been reduced from 27 to 6, which has helped eliminate the distortion that sometimes resulted from arbitrary aspects of the categorization process, Kamel says. Also, customs fees and administrative services ranging from 1-4 percent have been eliminated along with all export taxes.

The financial sector reforms focus on five areas:

- Developing a strong and independent management of the Central Bank
- Taking the necessary steps to create and implement functioning government securities markets
- Implementing a comprehensive reform program in the banking system
- Strengthening the legal and regulatory framework of the overall financial system, including developing a mortgage market and credit bureaus
- Introducing the concept of corporate governance

Privatization represents the key effort in reforming the banking sector, says Kamel, and one of the most important goals overall. A number of joint-venture banks will be privatized and Central Bank officials have been steady in calling for the privatization of some, if not all, of the ‘Big Four’ public banks. According to financial daily *Al-Ahram Al-Youm*, Central Bank Governor Farouk al-Okda made a surprise announcement recently by stating for the first time that all

## Teaming Up On Registration

The World Bank and Egypt Financial Services are working together to prepare the market for mortgages

One of the most pressing challenges facing mortgage financing in Egypt has brought USAID’s Egypt Financial Services project (EFS) and the World Bank together to help find a fund a solution. Property registration has been considered an intractable problem, but the EFS is drawing up solutions that could help simplify the system to allow owners to register their property and use it as collateral for loans.

“We think we’re laying down concrete steps to solve the problem,” says EFS Chief of Party Allen Decker.

The project is currently reviewing the complex procedures that now govern the registration process and is working to develop a couple of pilot projects to streamline the process on a smaller scale in collaboration with the Ministry of Justice and the Egyptian Survey Authority.

EFS is also in regular talks with officials from the World Bank in anticipation that the World Bank will take a leading role in financing efforts by the government to roll out a simplified registration process on a national scale based on the findings of the pilots.

“Our project, by design, interlocks with the mission of the World Bank,” says Decker.

The pilot projects under development would significantly reduce the number of steps and time it takes to register a property, says Decker. The current process is so cumbersome and time consuming that many property owners choose to forgo the process despite their desire to have legal proof of ownership of their property.

Collectively, a successful registration system would dramatically help open up the country’s assets. “The capital is frozen underneath their feet,” says Decker.

of the nation’s large public-sector banks — the National Bank of Egypt, Bank of Alexandria, Banque Misr and Banque Du Caire — would be privatized starting with the Bank of Alexandria. ■



The new EFS logo

Registration is not the only area where the World Bank and EFS are cooperating to help ease efforts by consumers to borrow money for a home. EFS wants to draw on the World Bank’s expertise in establishing a capital liquidity facility that would free banks up to make additional loans. Banks prefer lending in the short-term, says Decker, but often it can be hard to find long-term investors, such as insurance companies and pension funds, at the right time to unload their loan packages. In setting up a capital liquidity facility, the World Bank could act as an intermediary in allowing banks to sell their loan packages before investors come and buy them up. “Banks will jump in when the market is right for loans,” he says.

Freeing the banks up to lend would have the additional advantage of pushing down interest rates, predicts Decker, because an influx of capital would force banks to be more competitive in lending.

“It’s a model proven all over the world,” says Decker. “It works.”

Decker also sees broader implications for the overall economy of Egypt once a fluid mortgage system is in place. “It will help transform the economy of Egypt,” he says. “We have no doubt about that.” ■

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## Keeping Watch for Pirates

Cracking down on pirated goods will require more stringent border measures at the nation's ports

The Intellectual Property Rights Assistance (IPRA) and Assistance for Trade Reform (ATR) activities have teamed up to assist Egyptian officials in developing a better system to tighten borders against counterfeit and pirated goods. One probable solution is to map out a process that allows companies to submit complaints to authorities if they suspect a shipment of illegal goods is coming into port.

Consultants at IPRA and ATR want to be sensitive in their recommendations to avoid developing a process that adds another hoop for importers to jump through in seeking to filter out illegal goods at the border.

"You don't want them to search every shipment," says IPRA Chief of Party Jaleen Moroney. Still, the most effective place to snuff out such activity is at the borders, she says. "Once they're in the market and spread out it's hard to get them."

The examination of border procedures comes on the heel of a request to USAID for training from the office created to act as Egypt's liaison for Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the World Trade Organization. The request was forwarded to the intellectual property rights project, which is now assessing areas where employees at the TRIPS Contact Point are in need of training. It was also determined that taking a closer look at border measures should be part of the assistance provided by USAID via IPRA and ATR.

Companies are increasingly airing complaints about the proliferation of pirated (movies, software, music) and counterfeit (clothes, pharmaceuticals, and a broad category of other consumer products) goods in Egypt. At a seminar organized in May by the Ibrachy & Demarkar law firm, it was reported that the distribution of illegal pharmaceuticals is a growing problem.

Siemens also addressed concerns about the large number of inferior electric products being sold under the German company's brand name. In these kinds of cases, the safety of consumers is being put at risk, says Moroney.

"It's not just a problem for the companies involved," she says. "It's a problem of safety and consumer protection."

Companies today have no formal way of voicing suspicions about the entry of illegal goods. Even when shipments of pirated and counterfeit goods are discovered, they



Say "Ahh": Mohamed Fathi of the Consumer Protection Exhibition holds up a dispenser for tooth fillings that was confiscated for violating trademark laws and expiration dates.

may be allowed to leave Egyptian ports. International best practices suggest that the illegal goods should be confiscated and destroyed, says Moroney, preventing them from being delivered elsewhere or smuggled into the same country on a shipment to another port.

At the very least, the authorities should warn other ports with details about rejected shipments, she says.

Improved border measures should work both ways, adds Moroney. So, Egyptian companies who suspect that counterfeit and pirated versions of their products are being shipped to other countries have a clear channel to communicate their concerns. **D**



Something smells funny: Counterfeit perfume at the Consumer Protection Exhibition.

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## Update the **EG**link

The **EG**link values the importance of good information. We want to know if the contact information on your copy of the **EG**link is correct. If not, please send an e-mail to **EG**link Editor Jeson Ingraham at [jingraham@da-rrsa.org](mailto:jingraham@da-rrsa.org) with your updated information.

Also, feel free to send us your feedback: what do you think about the newsletter; how could we make it better; are there any sections that are particularly helpful? We look forward to hearing from you.

## Taking Credit

Turkey visit addresses a 'chicken-and-egg' problem

What comes first, the credit history or the credit? Short of LE 30,000, there's no way to effectively answer that question in Egypt. Central Bank of Egypt (CBE) regulations require banks to collect information on consumers who have taken out loans of LE 30,000 or more, and the information is made available on the public registry by the CBE.

But USAID's Egypt Financial Service's project (EFS) is helping introduce changes that would make it easier for Egyptian consumers to obtain credit on smaller transactions as they seek to take out mortgages for homes.

One main task is to set up a private credit bureau to support the project's broader goal of creating a fluid mortgage system. Lower-income consumers currently have few opportunities to establish a sufficient credit history, while the lack of information about consumers can lead banks to charge higher interest rates, inaccurately assess credit risk or not lend at all.

EFS arranged a study tour to Turkey in March for an extensive visit at the Kredi Kayit Bursou (KKB), or the private Credit Bureau of Turkey, to learn more about setting up an effective credit bureau. "Turkey is perceived as being a very successful example of setting up a private credit bureau in the region," says Marian Mishriki, who oversees the credit information systems component of the EFS project.

The group spent two days at the KKB learning about the relevant regulations and operations that guide the credit bureau. Among the participants were Central Bank of Egypt officials, banking executives, and representatives from USAID, the Egyptian Banking Institute and the Social Fund for Development.

The Central Bank of Egypt has asked parliament to change the banking law to allow it to establish regulations for a private credit bureau. Mishriki has "strong expectations" that such a law will pass soon. EFS will help strengthen the Central Bank's capacity to oversee a private credit bureau and will eventually help the bureau become operational and develop a system to protect consumers' rights, she says. ■

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## Unpacking China's Garlic and Onion Industry

Egypt takes a closer look at China's thriving export business

On stops at places such as the "Hometown of Garlic" and the "Hometown of Chinese Onion," a team from Egypt visited China in mid-April to get a firsthand look at the nation's booming export business. USAID's Agricultural Exports and Rural Incomes project (AERI) sponsored the study tour to help participants from the Horticultural Exports Improvement Association (HEIA) take part in various workshops and travel the countryside to observe packaging schemes the Chinese are using to build up productivity and exports.

Having a thorough understanding of production and marketing technologies will help the trade association overcome the challenges of applying similar technologies in Egypt, according to a report by AERI's Support to Agricultural Trade Associations and Smallholder Groups activity. AERI/Chemonics, which manages the support activity, wanted the team to come back with knowledge of how to identify and apply modern techniques for cultivating onion and garlic, in general, and processing dried onion, in particular. Participants were impressed with the knowledge of their Chinese hosts in areas such as understanding the quality and quantity that consumers are seeking globally, becoming acquainted with the main logistics and export processes of international trade associations and cooperatives, and addressing problems in the production, processing, packaging, distribution, sale, and service of foods.

Six field trips were made to farms in the

Huaiyin district of Jinan city. Participants received an orientation on cultivation techniques, post harvesting, water management, seed varieties and fertilizers application to improve onion and garlic production. Five exporting companies were also visited, allowing participants to view the whole cycle of manufacturing and production.

At the "Hometown of Garlic" in Jining, the team visited Jinxang Dongyun Freezing Storage Co. LT, which cultivates more than 100,000 square meters for garlic and owns 22 fresh cold storage units with more than 12,000 tons of storage capacity. They also viewed garden onion wholesale markets and freezing warehouses at the "Hometown of Chinese Onion."

The hometowns are located on 700 hectares of state-owned land with concessions for individuals to cultivate garlic and onion. HEIA's Mohamed Korani called the visits to the hometowns "a challenging experience."

"I was able to learn recent technological techniques of cultivating and processing onion and garlic in the Chinese factories that can be adopted in Egypt," he said. The visit to these areas has prompted AERI to recommend that Egypt's Ministry of Agriculture and Land Reclamation (MALR) draw a map, for investors, locating areas with optimal climates, soil and water accessibility as China's hometowns of garlic and onion. ■

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## MCIT Chases Celtic Tiger

A delegation from the Ministry of Communications and Information Technology Telecommunications Policy Unit (MCIT-TPU) traveled to Ireland in April to hold policy consultations. The trip, sponsored by USAID's Information and Communication Technology Program (ICT), allowed three participants from the ministry to attend the Euro-Med Ministerial Conference in Dundalk on April 10-11. The conference was immediately followed by a four-day study tour in Dublin.

A number of meetings took place between the MCIT-TPU staff and members of the Irish government and the private sector. Discussions focused on how Egypt could apply lessons learned in Ireland about the importance of information

and communication technology, including a detailed look at some of following issues:

- Government and the private sector roles in deploying broadband networks with a special focus on reaching rural areas and providing access to schools
- Ireland's experience of using ICT policy to move from being one of the least developed countries in the EU into one of the most prosperous
- Privatization and the role of incumbent telecom operator Eircom. ■

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the University of Illinois has just completed a six-month review of the five projects already underway, and everything is progressing according to plan, Samy says. “They were quite pleased with the results.”

More than half of the grants have gone to the Agricultural Genetic Engineering Research Institute (AGERI), which has teamed up with leading private sector companies in biotechnology to become one of Egypt’s premier research institutions — AGERI is collaborating with the Monsanto Company to produce insect-resistant cotton.

AGERI’s research efforts cover everything from mapping the genome of date palms to developing fungi-resistant corn products. On the sprawling grounds of the Agricultural Research Center near Cairo University in Giza, AGERI is leading efforts to keep Egypt on the competitive edge of biotechnology. Close to 300 employees are fine-tuning the latest products in 18 laboratories, 20 Conviron growth chambers supplied by USAID and eight contained greenhouses.

Despite the progress, the biotech industry in Egypt remains in its nascent phase. The launch of products has been held up by some uncertainty surrounding the certification process for genetically modified organisms (GMOs) and concerns about the safety of GMOs among some consumers in the European Union — Egypt’s largest trading partner — despite a lack of scientifically damaging evidence.

“We have what you call a bottleneck,” says Hanaiya El-Itriby, AGERI’s director. “We don’t have the regulatory system in place.”

So far, the only product AGERI has launched commercially is a bacterium-based biopesticide called AGERIN. The product was launched in 1997 as a safer, more potent alternative for killing a broad range of insect varieties such as moths, beetles and mosquitoes that feast on Egypt’s staple crops. AGERIN is based on a bacterium that is toxic to the targeted insects but not harmful to humans, says El-Itriby. Use of the product also helps farmers reduce their dependence on children, who are often used to pick egg masses off cotton plants that are low to the ground.

AGERI is now working with the Monsanto Company to launch a modified cotton variety that incorporates the toxin used in AGERIN into the genetic makeup of the plant, eliminating the need for spraying. Commercialization of the new product is expected in 2007 once additional field testing has been done and the product is certified.



AGERI Director Hanaiya El-Itriby

AGERI is also leading efforts to bolster wheat production by unveiling a new wheat crop that is more tolerant to drought. Egypt is one of the world’s largest consumers of wheat per capita, according to the U.S. Embassy’s Foreign Agricultural Service, and the government has become more dependent on imports in recent years as demand has risen. By transferring genetic traits from barley into wheat, AGERI researchers are developing a version of wheat that is more resistant to drought and could greatly expand domestic production by opening up arable lands in newly reclaimed areas for cultivation.

The readiness of such products points to the importance of resolving the challenges facing certification of GMOs. A draft law for certification has yet to be submitted to the People’s Assembly. Until the process is approved and tested, the full potential of the industry through commercialization will remain on hold.

After receiving substantial assistance from USAID to get on its feet — USAID has supported Egypt’s biotechnology sector since 1992 through infrastructure and technology transfer, sending more than a dozen researchers to the United States for academic training — AGERI primarily relies on funding from the Egyptian government.

Avoiding some of the problems facing GMOs, AGERI is working on several grant projects that do not entail genetic modification but still have commercial applications. The institute has teamed up with PICO, one of Egypt’s largest exporters of strawberries and bananas, to improve diagnostic kits that can be used to supply farmers with plantlets for virus-free strawberries. AGERI is also investigating ways to manufacture vaccines for Hepatitis B and C using maize and tomatoes as the manufacturing agent.

El-Itriby warns against thinking of the process as simple as creating a miracle fruit or vegetable that can be consumed to protect against a disease. Rather, technicians

freeze-dry the produce to extract specific doses of the vaccine to produce pills, which can then be distributed as a cheaper alternative to traditionally produced vaccines. The ability to transport the vaccine, essentially in a seed form that does not require refrigeration, also translates into lower transportation costs.

While many of the other projects funded by the grants from Institutional Linkage are focused on helping farmers and improving products available only on the domestic market — evading some of the concerns about exporting genetically modified crops — efforts to improve export products through genetic modification are still in the works.

For instance, AGERI is developing a potato that is resistant to virus Y, which ruins an estimated 30 percent of Egypt’s potatoes every year even after the use of chemical insecticides. A genetically modified version would allow farmers to grow a virus-free potato that naturally repels the aphids that transfer the virus from infected plants, saving farmers money and keeping them away from pesticides. The new potato would double yields according to AGERI estimates.

AGERI has teamed up with the Agro Food Company to introduce a virus-free, biotechnology-based sweet potato for export. Exports have been hampered by viruses, not to mention the naturally low quality of the product that is exacerbated by poor post-harvesting techniques. In the most recent round of grant projects, AGERI has also initiated work with the Egyptian Holland Company to engineer different shades of blue and red for gerbera flowers.

AGERI’s El-Itriby sees the current line of products under development as only the beginning. The first generation of GMOs is primarily aimed at improving the production process, she says. The next generation of products will improve the products themselves, leading to healthier oils, decaffeinated coffee plants, biodegradable plastics, and nutritionally enhanced products. The list, and its potential, grows by the day. ■

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## Showing Off Upper Egypt

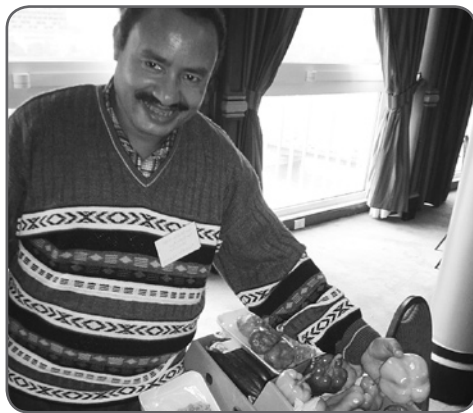
Farmers in galabayas mingled freely with men and women in business suits. More than 40 leaders representing 66 Farmer Associations in Upper Egypt had come to put their best produce on display for more than 200 participants who gathered at the Helnan Shepherd Hotel's Nefertiti Ballroom on April 19 for the first ever EL SHAMS Farmer Association Agro Exhibition.

The exhibition allowed farmers working in high-value horticultural produce, including medicinal and aromatic plants, to display their produce for exporters, buyers, and chefs and food and beverage managers from many of the five star hotels and restaurants within greater Cairo. Representatives from the Horticultural Export Improvement Association (HEIA) and USAID were in attendance, along with members from the Agricultural Exports and Rural Incomes project (AERI).

The AERI-sponsored event helped generate interest and awareness in the growing export potential cropping up on the Upper Egyptian countryside. "It's really an opportunity to let buyers know what's available beyond Fayoum and Giza," said Tom Herlehy, chief of party of AERI's Enhanced Livelihood from Small Holder Horticultural Activities Managed Sustainability activity (EL SHAMS), who managed the event.

Farmer Associations were grouped into booths according to which governorate their representatives came from, with a total of nine booths displaying the best fresh produce from Giza, Fayoum, Beni Suef, Minya, Assuit, Sohag, Qena, Luxor and Aswan. Members stacked tables full of neatly wrapped packages of peppers, onions, tomatoes, garlic, and zucchini and displayed an eclectic collection of spices and herbs. Each association was responsible for the packaging and presentation of its goods. "Some of this stuff looks ready to go into Metro or Carrefour the way it's packaged," said Herlehy.

Field staff at CARE, which manages the EL SHAMS activity, had spent the previous days working closely with the members of the farmer associations to ensure that they brought with them only their best produce in the most attractive packaging. CARE also developed and had on display during the entire event a CD which demonstrated the wide range of services that are being delivered to farmers in Upper Egypt and the full array of produce being grown. Interspersed with stands of farm products were tables decked out in glasses of water alongside ashtrays, providing a convenient



A Qena farmer shows pride in his produce

place to sit down and do business. Among the many buyers in attendance were representatives from the Egyptian Chef's Association and an importer from the United Kingdom.

One of the potential buyers had only recently learned of the potential to export crops from Upper Egypt. "What I saw today was really impressive," said Nour Abdelbary, vice chairman of the Shiati Group, who mainly deals in the export of potatoes, onions and garlic.

An informal survey at the conclusion of the event indicates that several farmer associations have made agreements to supply buyers and exporters with fresh produce immediately and several others have entered into negotiations for next winter's cropping season.

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## Two New Newsletters

The Agricultural Exports and Rural Incomes project (AERI) and Egypt Financial Services project (EFS) have just launched quarterly newsletters covering their respective activities.

The aim of *AERI-Update* is to assist AERI Partners in disseminating best practices on livestock and horticultural production and marketing, while *EFS' Market Pulse* will keep readers informed of the project's efforts to establish a dynamic private lending sector.

Each issue of *AERI-Update* will focus on a theme that highlights new opportunities for strengthening market and institutional linkages between Upper Egypt livestock and horticultural smallholder farmer associations and members of national trade associations. AERI activities will serve as examples of best practices to expand production and marketing of livestock and horticultural products that have the greatest potential for improved competitiveness.

*Market Pulse* will bring readers the latest news and events relevant to the nation's fledgling mortgage system, covering pressing issues such as registration, secured lending, and new regulations. "This newsletter will help everyone, from institutional partners to industry professionals, stay on top of the rapid developments in the mechanisms of the real estate industry that will be spurred by EFS," writes EFS Chief of Party Allen Decker in the opening article of this month's newsletter.

Anyone interested in AERI's newsletter can contact Communications and Public Awareness Specialist Maie Shawky at [mshawky@aeriexports.net](mailto:mshawky@aeriexports.net), while *Market Pulse* will soon be available at the EFS website, [www.egyptfs.com](http://www.egyptfs.com).

## Smallholder Groups Grantee Workshops in Upper Egypt

Sixteen smallholder groups in Upper Egypt have been awarded grants, worth up to \$1.2 million, by the Agricultural Exports and Rural Income (AERI) project. Consequently, AERI's Support to Trade Associations and Smallholder Groups activity held a two-day orientation and financial training workshop in late May in Luxor for the grant recipients in Upper Egypt.

The orientation and training sessions covered the following topics: procurement, cost sharing, reporting, and means of maintaining financial records in accordance with the Egyptian law on Non-Governmental Organizations. The aim of these training sessions was to instruct the smallholder groups who received grants on grants management details, including transfer

of funds, basic accounting requirements, bank account requirements, budget monitoring, implementation schedules and their relationship to grant disbursement schedules, and monitoring the impact of grant activity.

Two or three members from each smallholder group attended the sessions in addition to representatives from USAID and AERI contractors Chemonics, ACDI/VOCA, and CARE. Smallholder representatives included board members, treasurers, and accountants.

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## Port Tours

A delegation from USAID toured a GOEIC facility in Dakahlia and a new Modern Customs Center (MCC) in Alexandria to review changes the two organizations have made to strengthen and streamline clearance procedures.

The first stop on the April 14<sup>th</sup> visit was the General Organization for Export and Import Control's (GOEIC) Dakahlia laboratory training center, where the Assistance for Trade Reform project (ATR) has offered more than 100 courses in the last two years. The training center was equipped by ATR and consists of a classroom with translation facilities, a computer lab, a language lab, a library and a calibration lab. Fifteen GOEIC staff members have recently completed IT training and are now offering IT courses on their own.

The group was then taken on a tour of the rest of the laboratory's facilities. This included the USDA-implemented, USAID-funded Meat and Poultry Lab, which provides microbiology and residual pesticides testing services. The group met with and observed the staff of the lab, which is currently seeking international accreditation in microbiological testing with help from ATR.

Heading next to the Port of Alexandria, the group visited Alexandria's new Modern Customs Center, launched with assistance from USAID's Initial Implementation Task

for Customs. Though still in its soft opening phase, the center has already been effective in reducing the time it takes to clear goods through Customs to a matter of hours — previous clearance times were measured in days. Traders using the new center submit their declaration and documents to a single window where it is reviewed for compliance with customs and trade law and regulations. If the document is complete and in order, traders are notified on a plasma screen that their declaration is ready to be cleared so that they can pay the assessed duties.

USAID Policy and Private Sector officials Mark Gellerson, Ali Kamel, Rasha Hakim, Manal El-Samadony and Magda Azwai took part in the trip along with Magda Hanein of the program office. The group was also accompanied by Tim Buehrer, ATR's chief of party, and Manuel Henriques, chief of party of the customs project.



USAID's Mark Gellerson and Magda Azwai learn from GOEIC's Yousef Labib about how analysts use high-pressure liquid chromatography to examine the chemical composition of samples at an inspections lab in the Port of Dakahlia.

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## CIP Sweetens the Deal

The Commodity Import Program (CIP) has extended grace periods for loan repayments and expanded limits on borrowing to make the terms of the program more attractive. The changes were made last month, bringing the program in line with the terms that existed before USAID officials were forced to adopt new restrictions in 2002 to curb demand for the program.

A lack of foreign exchange in the banks had previously placed excessive demands on the CIP's resources. "Now that the hyper-demand for CIP funds has diminished, we have changed the terms and the limits back to the way they were pre-2002," says CIP Team Leader Robert Van Horn.

Grace periods for traders of raw materials have been increased from two months to six months. The grace period for end-users bringing in raw materials has increased from four months to nine months. The annual limit for individual traders has also been increased from \$3 million to \$5 million, and

the limit for end-users of non-capital goods increased from \$2 million to \$4 million. The changes became effective in mid-March.

"As a result of these changes, and because of other factors in the marketplace, CIP activity has increased considerably," says Van Horn.

To stir up greater interest in the program, CIP officials have also recently organized promotional activities in Minya and Beni Suef. "The basic purpose of the meeting is to inform business people about the CIP," says Van Horn. "It turns out that many are not aware of it, so these meetings are important to spread the word."

In 2004, the CIP financed more than 800 investments by the Egyptian private sector at a value of \$175 million. Loans are given out in dollars and repaid in pounds to the Egyptian government. The program generated LE 1.2 billion for the Egyptian government last year.

Participants at the promotional activities are invited to the meetings by local businessmen's

associations. USAID officials describe how the CIP works, give some relevant historical background information, and finish off with a question and answer session. Representatives from the embassy's Foreign Commercial Service are usually on hand.

A typical problem for participants is coming up with the necessary credit from their banks. So, representatives from the Credit Guarantee Corporation are invited to the sessions to explain their services. Bankers also participate and often take a very active role during the question and answer sessions, since many importers have issues with the banking system.

Another promotional activity is scheduled to be held in May in the New Valley Governorate followed by another in Sharm El-Sheikh in June.

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## Easing Access

**A redesigned website offers improved access to USAID's economic growth activities as RRSA launches a new sub-domain that explores the Egypt Financial Services project**

Results Reporting Support Activity (RRSA) has unveiled a newly designed website ([www.usaideconomic.org.eg](http://www.usaideconomic.org.eg)) that seeks to improve access to information about USAID's Economic Growth Program. The new site provides centralized access to the wealth of information RRSA has published highlighting USAID's efforts to strengthen the environment for trade and investment in Egypt.

As part of its effort to bring added exposure to the numerous economic growth projects underway in Egypt, RRSA is also launching a sub-domain featuring information on the Egypt Financial Services project ([www.egyptfs.com](http://www.egyptfs.com)), which was

established by USAID last year to assist the Egyptian government in developing a stable market for mortgages in Egypt. The launch of the EFS sub-domain will follow the recent launch of sub-domains that highlight the Commodity Import Program (CIP) and the Agricultural Exports and Rural Incomes project (AERI).

RRSA's new website provides a comprehensive set of links from its home page, including the sub-domains, maps that allow users to search USAID's economic growth activities by region and sector, the latest press clippings covering USAID projects, new initiatives and success stories, and links to the *ELink*. **D**

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## MUST READS

### Back to the Basics

Anyone wanting to know the ins and outs of how USAID works should take a look at the "USAID Primer: What We Do and How We Do It." Serving as a helpful reminder of the work the agency has done and where it's headed in the future, the publication is designed for new USAID employees, employees of other federal agencies or anyone who is curious about the agency and its mission.

The report, released in March, is particularly timely as it addresses efforts the agency has made to turn economic development into a more potent counter-response to the rise of global terrorism.

"New international challenges that now face the United States have prompted the most thorough reassessment of the country's development mission since the end of World War II," explains USAID Administrator Andrew S. Natsios, in the introduction of the publication.

Natsios sums up the five core goals the agency has embraced as a result:

- Support transnational development
- Strengthen fragile states
- Address transnational problems
- Support America's geo-strategic interests
- Provide humanitarian relief

Among other pieces of information, the publication reviews the agency's accomplishments, articulates its principles,

lays out its organizational structure, breaks down how funds are used by region, and describes its relationships with partner institutions. The publication also reviews analytical reports it has produced, including several reports on development in predominately Islamic countries. One report examines the question, "Economic Growth in the Muslim World: How Can USAID Help?" (The report can be downloaded at [www.dec.org/pdf\\_docs/PNACY101.pdf](http://www.dec.org/pdf_docs/PNACY101.pdf)).

Specific reference to Egypt is made in profiling efforts by USAID to protect the Red Sea. Under the leadership of Holly Ferrette, a natural resources officer, the agency helped convince the authorities to take on more sustainable environmental policies, the report states. A large area in the southern Red Sea was also declared a national park and ecotourism development zone.

For further details, the USAID Primer can be downloaded in its entirety at [www.dec.org/pdf\\_docs/PDACD100.pdf](http://www.dec.org/pdf_docs/PDACD100.pdf). **D**

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## Comings

**Laura Sheehan** has been hired as a part-time Policy and Private Sector program coordinator, helping replace impact and assessment officer John Morgan who left the program in January. Sheehan, an attorney, worked for a private law firm in the Washington D.C. area before moving to Tunisia last year, where she studied Arabic. She has also worked for Chemonics, gaining experience writing proposals for USAID and training on budgeting for USAID contracts.



Laura Sheehan

## Goings

**Sherif Shawky** left the Information and Communication Technology Program (ICT) in April to pursue a position in Kuwait with the NCR Corporation. Shawky served nearly two years on the project as a marketing and business development specialist, and was largely responsible for the success of the ICT4SME Program Pilot Phase.

Also leaving the ICT Program in April, **Ahmed Fathy** has taken a position with BP as a Supply Chain Specialist. He served as the project's financial manager for two years.

**Akmal El-Hak** left the ICT Program in May to complete his Certified Managerial Accountant (CMA) accreditation. He served for seven months as the monitoring and evaluation specialist, and was primarily responsible for monitoring the financial and procurement aspects of all awarded grants.

## CREDITS...

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### Staying the Course

Recent trade and fiscal reforms have set the stage for strong growth in the next fiscal year, according to the Ministry of Finance's most recent Egyptian Economic Monitor. Results Reporting Support Activity (RRSA) and the Ministry of Finance have collaborated for second time this year to publish the quarterly report, which provides a comprehensive overview of the economy and highlights emerging trends.

Pointing to 15 years of relative macroeconomic stability, the Monitor predicts that a turnaround in economic growth that began in the previous fiscal year will surpass 5 percent in the 2004/2005 fiscal year. With a recent slump in world trade, domestic demand is predicted to pick up the slack for Egypt's recent dependence on the external sector for renewed growth — led by export revenues, tourism, and Suez Canal receipts. "While external demand is important," the report explains, "it is the strength of growth in domestic demand that essentially determines the resilience of economic growth and reduces concerns about external vulnerability."

The private sector is also playing an increasingly important role in spurring economic growth. As the public sector growth rate of GDP has remained stable at 2.9 percent since 2002, private sector GDP growth increased from 3 percent in the 2002/2003 fiscal year to 4.3 percent in 2003/2004 and is expected to reach 5.4 percent by June of this year. The private sector's share of GDP has risen from 63.7 percent to 71.7 percent over the same period.

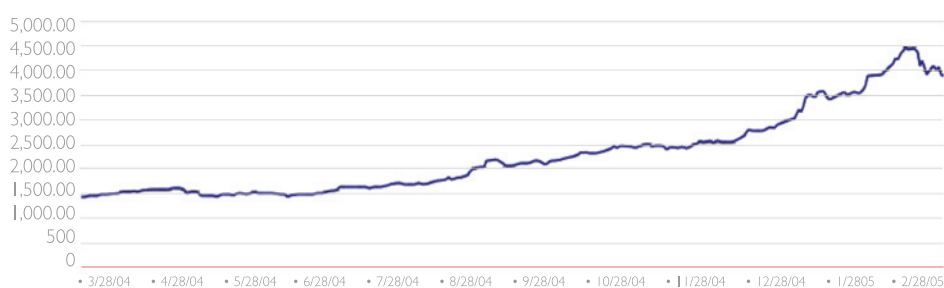
Confidence in monetary policy has been evident on the currency markets, where the Egyptian pound's official and black market exchange rates have finally merged. The bulls have also been in control over the stock market for most of the last year, with the CASE30 index growing almost 80 percent since last July.

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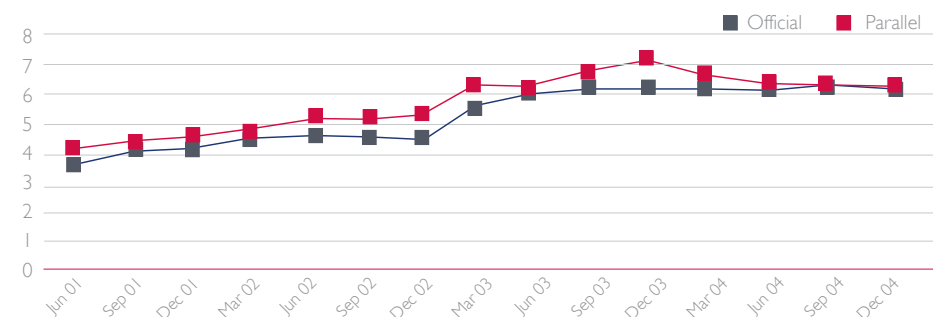
### Public vs. Private Consumption



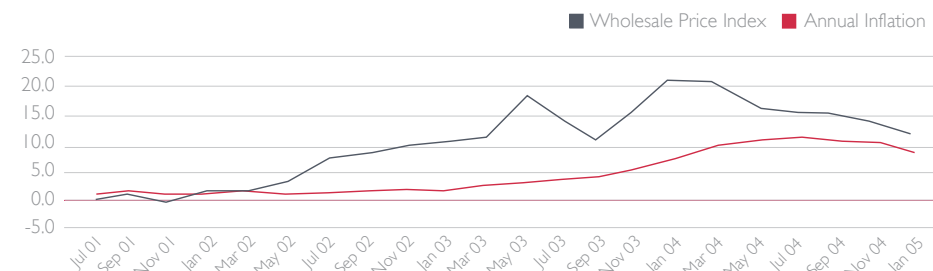
### Performance of CASE 30 (2004-2005)



### Official vs. Parallel Market Exchange Rates



### Changes in Consumer and Wholesale Price Indices (%)



### Tax Revenues and Main Components (July 1999 - Dec 2004)

