The U.S. Agency for International Development in Egypt

by Michael Stone*

There are three things I would like to do this morning. One is to put t program in perspective. I need to give you the outline of what the progra consists of, and I will do that as succinctly as I can, talking about some the issues affecting AID. Number two, I thought I'd tell you a few succce stories and also about a couple of failures, to give you a perspective of t good part about AID and the bad part about AID. It seems to me that the issue the criticisms, are what this symposium is about, and I ought to address tho issues and give you my views, in order to set the stage for what may be yo questions, either in this session or in other sessions.

Currently, and for the past several years, the AID program to Egypt ha consisted of a billion U.S. dollars a year of economic assistance. The billio dollars is destined to continue, so far as we know today, at a billion dollar It may be modified, but if it is modified I suspect it will be upward rathe than downward. The program consists of three principal elements:

1) The first element is Food for Peace. The Food for Peace program is runnin at a level of 250 million dollars a year. It's used entirely to import whea and wheat-flour. It supplies about twenty-five percent of Egypt's imports o that commodity, Egypt today being the highest consumer of feed-grains in th world, 184 kilos per capita. It's an extraordinary figure, based on a whol range of issues, in addition to selling a loaf of bread that weighs 169 gram for one piaster. I'll come back to that in another point later on.

2) The second element is what is called a Commodity Import Program. I'l abbreviate it and call it CIP. The CIP is, in effect, a quasi-cash transfe program, with a budget of $300 million a year. It disburses funds very rapidl and it provides a range of commodities, both of raw materials and of capita goods. The range of raw materials is extensive, sulfur for the chemical industry, wood pulp for the paper industry, corn for animal feed, coking coal for the steel industry, a range of intermediate products and raw materials for industry, essentially serving a balance of payment purpose. This accounts for about 50% of the $300 million. The other half of the $300 million goes for capital goods: ambulances, micro-wave repeater systems for the telecommunications industry, and a large number of other capital goods items. Probably one of the largest that most people are not familiar with are the barges on the Nile river. Also, the Egyptian National railway system is just completing a contract with the United States, under the CIP program, to procure another 20 General Motors locomotives for the system.

3) Third, and most obvious, is the one that is most normally and conventionally recognized as the AID assistance program, the project element of the total one billion. We've talked about $250 million Food for Peace, we've talked about $300 million of the Commodity Import Program, so, obviously we're left with 450 million. Forty-five percent of the total project assistance, assistance that

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comes in a project form, and I'll illustrate the project assistance in a minute. It covers a wide range of activities, in the health area, education area, infrastructure area, across the whole range of the country.

Let me now move into the second phase of my comments, which is to tell you something about the accomplishments of the program and some of the criticisms of the program.

Accomplishments: It's a happy occasion for me to talk about them, because there are a lot of success stories and the success stories rarely get in the newspapers. We get a lot of announcements of signings. That symbolizes something of importance, but that's something we see on the television almost every night in Egypt, and people get bored with it. People want to see results. Where are the results of a billion dollars worth of material coming to this country a year? Let me give you an example of a very interesting facility that I visited in Alexandria ten days ago.

We just finished building up there a sixty thousand ton storage facility for edible oils, for example soya bean oil, safflower oil which comes in for cooking purposes, and also, tallow for the soap industry. I was with the admiral who is in charge of the port, Admiral Higazi, and he confirmed to me that the average waiting time for ships coming into Alexandria harbour in the past two years, has been about thirty-five days waiting to discharge oil and tallow because there has been no proper facility to receive that commodity. Normally, it has depended on trucks to take it away. There just haven't been enough trucks, so the ships sit there waiting to discharge. And if any of you know anything about the freight business in the maritime area, you know that ships are expensive. If they sit there idle at anchor, they charge what's called demurrage, and demurrage on a twenty-five or thirty thousand ton vessel can easily run 5 to 6 thousand dollars per day while they're sitting out there. And the consignee pays the charge. Not the United States, but Egypt, pays it out of its own funds. The facility opened: it was a thirty million dollar facility. It opened and was handed over to the Egyptian government on September 30th. It was built in 14 months, starting in the summer of 1982. Finishing it in fourteen months was an accomplishment on its own. It was finished on schedule, on budget, finally handed to the Egyptian government, no Americans left in the place. There isn't one American there who is doing a last minute touch up on painting, adjustments and so on, but the operation of the plant is entirely in the hands of Egyptians. The facility is performing perfectly, and I mean perfectly. There have been twelve ships that have come in and left since the facility was opened. One of the ships got in and out in nine hours! in, berthed, discharged and out in nine hours. The Minister of Supply, Dr. Nagi Shatla, who is a university professor and an agriculturalist by training, was ecstatic over this facility. He says it's going to save the Egyptian government twenty million pounds a year. The twenty million comes from lower demurrage expenses on the part of the government and lower freight rates being charged on future cargoes as a result of ship owners knowing that their ships will not have to wait thirty days in order to get a berth because not only does the demurrage charge reflect that waiting time, but also the high freight rate itself. So, there's an excellent project. Thirty million dollars. It's making a contribution to the distribution network of the country: it's saving foreign exchange for the country: and it is making a major impact immediately upon completion. And it was built very quickly too.

Let's switch and go from the industrial area into education. I guess it

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was almost three years ago, the Ministry of Education came to AID. Notice the direction. He came to AID, not AID going and subjecting the Ministry of Education to our concept of what was right for Egypt. The Ministry came to us and said, "We have a problem. We have a lot of areas in this country where primary schools are located 5,8,10 kilometers away from villages and a lot of the younger children do not walk to school." Some of us walked to school, but that is getting less and less true in many countries of the world. Eight kilometers is a good distance to walk for a six year old child anyway, and not many children in the States walk that distance any more. So, the Ministry came to us and said we'd like to fill in some of these gaps. We did something rather interesting. We pin-pointed every primary school in five governorates on a map and drew a radius of five kilometers around each. It was amazing the number of gaps we found. We concentrated on, as I say, five governorates. Two of them are in Upper Egypt, Oena and Sohag, and in many of these areas the registration of school-age females is very low, as low as two percent in some localities, and we decided to concentrate on those areas where we could make a major impact on female enrollment in primary schools. We agreed with the government of Egypt to spend thirty-three million dollars to do this. The government of Egypt matched us, and we are now in the process of building 400 schools. The first of those schools are coming into service. They are designed to Egyptian architectural plans, the final drawings are done by Egyptian engineers, and the schools are being built by Egyptian contactors. There are no American consultants in the project at all. It's been extremely successful. And we have already this fiscal year increased the funding for that program so that we can go into additional governorates.

I'm going to switch back now to the industrial sector and give you another success story which is very close to Cairo. It's the Shubra el-Khaima power plant, the single largest power plant being built in Africa today. It will be the largest thermal power plant in Africa when it is completed at the end of next year. It's one year ahead of schedule. It's the largest single AID investment that is currently being built. AID is the lead investor with a 190 million dollars committed to this thousand megawatt plant. It is the largest single industrial project being built in Egypt today. (The Dekheila steel mill will exceed it when that project starts. It's almost starting right now. But they're still in a class by themselves, both up in the 600, 700 million dollar area.) When Shubra comes on stream at the end of next year, the United States will have participated in the building in Egypt, an amount of electric generating capacity equal to that which exists in the High Dam at Aswan. It's 1800 megawatts of generating capacity in the High Dam, and when we finish Shubra at the end of next year, the United States will have contributed an amount of generating capacity equal to that. The new facilities have a generating efficiency which is far higher and far better than some of the older plants that are still in operation. And the savings of these new plants is enormous. The plant at Ismailia, for examle, is the first one in Egypt today, other than a few standby facilities, which is burning natural gas piped up from the Red Sea fields. This is the first time this fuel has been extensively used in a generating plant. This is just an excellent project, and no problems with it. And we're talking about major sums of money here. These are not small one million, two million facilities. We just agreed to finance, at the end of the last fiscal year, the fourth unit of that plant, which is a 103 million dollar addition. Major parts of the AID program are going to this area.

Going to a different type of project, let's talk about agricultural research. The United States over the past four or five years has been spending

a very significant amount of money on agricultural research in order to try to improve the productivity of the six million existing feddans of land in this country. I will quickly add that the United States gets criticized a great deal for not going more in new lands, and people think that we have a bias against new land. That is simply not correct. We are supporting Salhiya, for example, fifty-five thousand feddans of land, and we have supported other new land development in a number of ways. Our position has been that a pound invested in the old lands has a quicker pay off, a quicker pay off for Egypt, than a pound invested in new land. We do not in any sense say that old land is the only way to develop agriculture in this country, but we think the pay off is faster. And if you look at what's happening to consumption in this country, if you see consumption with a graph going straight up, and if you see Egypt's self-sufficiency in food production going down, that's what is referred to as the food gap. If Egypt is going to be able to reduce that gap and correct it at all, we're going to have to make an impact on the productivity of those six million existing feddans. And that is what the United States, in conjuction with the Ministry of Agriculture has tried to do. I don't have the time to give you all of the work that is being done, so I'll just single out one example. It's in a controversial project. But anyway, let's talk about the up side of the project, because it does represent a success story. And the success story is that there is clear evidence that tomato production in this country can be increased from the six tons national average per feddan at the present time, to the ability of being able to produce thirty to thirty-five, conceivably even forty tons to the feddan. If this happens, agricultural income in Egypt, annually, will increase very substantially. And the availability of tomatoes to supply the growing population of the country, to supply export needs, will be substantial. Even if Egypt does not eat all those tomatoes or export them all, it will reduce the requirement of land that is necessary to grow the tomato crop, so that that land can be used to grow cotton or other high value crops. I submit that the agricultural research work that we've done with the Ministry of Agriculture here has been very effective, and has produced very substantial results in rice, sorghum, tomatoes, a whole range of crops. The United States is working now to take the results of that research out into the field, so that we can use what is called in the United States an "extension" service to get the results of the research carried out and extended geographically in the country.

The water and the sewage program that the United States is involved in extensively in Egypt is finally having an impact here. You can't build something as complicated as water and sewerage facilities without doing proper planning. Planning is controversial. People's streets get torn up. The traffic gets disrupted, every street in the area that you are doing your work in is affected. Every house is affected if you have to make a hook-up, and it's a difficult system to install. There was a ceremony last night and it was shown on television later in the evening. The ceremony was quite simple. It involved the signing of a contract to build five large new pumping stations in this city. It was attended by the Governor of Cairo, the Governor of Giza and Minister Kefrawi. I remarked at that meeting that the contract signing symbolized the completion of 200 million dollars of actual contracts that had been signed with American contractors, usually working in joint venture with Egyptian contractors, since August of 1982. I draw the distinction here between allocating funds, which is usually an agreement with the Government of Egypt that the United States will make available certain sums of money to fund some activity, and actually signing the contract to do the work. There's a major distinction, not just a chronological distinction. The real distinction is,

that one just commits you to something, but the other really provides that it going to get carried out. That is a major change in the program. The chan we're talking about here is an evolutionary change. It's a change which h been going on in AID projects from the designing, the planning, the consultin to one where you are actually talking about projects that are coming into bei and are getting finished. We now have, within a little over a year, signe contracts worth 200 million dollars just in one activity, water and sewage, the three major urban areas of this country, the Canal cities, Alexandria a predominantly in Cairo, where American contractors are now at work, not ju planning, but at work, digging up holes in the street and installing ne facilities. I am really very pleased to see the program finally evolving int this state. I'll just give you one more example of a success story and the we'll get into other issues.

About a month ago, when the U.S. Secretary of Health, Margaret Heckler was here, I went out with her and Egyptian Health Minister, Sabri Zaki, t dedicate what I thought was a very interesting facility. It was a smal maternal-child health center in a poor area just east of the Roda bridge between the Roda bridge and the aqueduct going east towards the city of th dead. It was in an area which serves about 250 thousand people in one of th highest population density areas of the city. It was a facility that had bee very run down over the years. No money had been put into it. The plumbing doe not work, there was no sterilization equipment whatsoever, the facilities wer very primitive. An interesting thing happened. People did not use the facility You think of poor people not knowing the difference. You think of poor peopl taking advantage of whatever facility is available to them. But it doesn't work that way. Poor people have just as good an appreciation as more advantage people do of what is good service and what is bad service. They may not hav any chance to express their rejection. If they have to ride crowded buses there's probably no other way to get to work, but if they don't have to go to a lousy clinic, they can usually avoid doing that. This clinic, for a expenditure of only 200 thousand dollars, a relatively small amount of money had been completely refurbished. It was done under the direction of an Egyptia woman doctor. I just couldn't say enough about her. She has personally taken the leadership in conducting this program. There are forty-two of these clinics in the city of Cairo, eighteen of them are now being refurbished with AID funds. The dedication I went to the other day was the second one that's been completed. We'll have about five completed by the end of next year. They are completely refurbished inside, they have been repainted. There are sterilization facilities that have been included, new cooking equipment, new plumbing equipment. There has been a dental clinic added to each of the facilities that I've seen. In all cases, the four dentists on duty, two in each one, were female graduates of the University of Cairo. The interesting part of these clinics, is that the patient load in both the Helwan clinic and the Cairo one that I've seen has just gone up automatically since these clinics have been re-opened, in one case three months ago, in the other case two months ago, and they are seeing so many patients now that they have to close the doors. They just can't take care of the load that's coming, and they are out-patient clinics just taking care of children up to the age of six, and women before birth and after birth. It was, I think, a very successful project, on a very small scale, and that's the point that I'm making. It does not have to be 190 million dollars to make an impact on Egypt, like the Shubra el- Khaima power plant. It can be two hundred thousand dollars making an impact on five, ten, twenty, or thirty thousand people in a one hundred and fifty to two hundred thousand population.

Two Bad Stories: I don't want to tell you all the good. Whatever criticisms and charges and issues you bring up, I am absolutely confident as a businessman coming in from the outside and now having been in Egypt almost sixteen months that most of the projects that AID has conducted here have been successful. You may criticize the timing of projects. I will criticize the timing of projects. For example, the cement plant that is just being built near the city of Suez, is a million a ton a year cement plant. It's taken five years to build. I think that's a disgrace. I'm ashamed of it. There have been three fires out there. We've had to fire a couple of contractors, and I use that as an intentional pun. It was not involved in the conflagration. But there was no reason why the plant should have taken five years to be built, and I'm ashamed of that, but the plant is now starting up. Next year, if it runs at full capacity, which I hope it will, it will produce a million tons of cement a year in this country when Egypt is importing six million tons of cement. The world price of cement is 60 dollars a ton. Egypt is importing a million dollars a day of cement, and if we can reduce that by saving Egypt 60 million dollars a year of foreign exchange, I think that project will be considered a success, even if it's taken 5 years to build.

A Couple of Failures: The United States undertook to supply Egypt, three years ago, with thirty-nine bakery lines, mostly baladi loaf lines, but also some European lines. We had an internal audit, which produced a lurid headline, which said "Will they ever bake bread?" This was in a Jack Anderson column in the United States, which came out over the AP wire, was not picked up in Egypt, but was picked up in Abu Dhabi, in Senegal, was picked up from one end of Africa to the other. I got copies of this article sent to me from all over the world. It wasn't a happy circumstance. The project is years behind schedule. When I say years, I don't mean five years behind schedule, but it is well over a year behind schedule. It started in 1979, and there was a real concern that those facilities would never bake bread, which was the cause for the title of the headline. Well, fortunately the audit was wrong. I was in Alexandria, on the same trip that I mentioned, and I went to Dekheila, and there are four lines being installed there. Two of them were operating when I was there. The bakery lines produced seventy thousand loaves of saleable bread while I was there. They were literally flying off the line. I tasted them. I thought they were good, and my Egyptians associates said they were good. The taste was proper and the shape was proper. There are two lines out in al-Salam City in Cairo which are also starting up. We'll have five lines by the end of the year in commercial production, and we hope to have all thirty of the lines in production by the end of next year. So, fortunately the audit was wrong, and I don't express shame over the project. Egypt is going to get thirty-nine bakery lines to increase the production of bread, and when all thirty-nine lines are in production, I think that project will be considered a success, not a failure. And there is no justification in my opinion for snide remarks coming out in the newspapers about that project. I say this just as much about the Jack Anderson column as I do about any other reference to the project.

Let me give you another example of the failure of a project, which is a really difficult one to talk about because it gets me into the use of a phrase that I have coined, and some of you who are English purists may object to my use of it, because I am not sure it is in the dictionary. I talk about what I call the discordance, and that word is, of course, in the dictionary. But also the discongruity of the supply of commodities in this country and the building of the physical facilities to receive them. Dissynchrony is another word that I use. The dissynchrony of two functions which should be going on together. We

agreed to supply thirty-seven new major pumping facilities along the Nile, an all of the pumps have now been in Egypt for over a year, well over a year. Som of them are getting on to over a year and a half. They're scattered along th river Nile from Minya to Damietta. Not one pump station has been built. Not on pump has been installed. The United States is not responsible for tha construction. The Ministry of Irrigation is, and their contractors have no built the pump stations. We had a contractor sitting around twiddling hi thumbs, getting paid a salary, which must drive the Egyptian counterparts u the wall, because there is an American sitting at his desk, smoking a cigar an doing nothing. Whose fault is that? AID's? No, it's not AID's fault. It's th Ministry of Irrigation's fault. They are over one year behind in th construction of these installations and until the installation is complete, w can't install the pumps. But the project is a failure. The project is one tha we can't get out of. We have got the pumps sitting there. We have a responsibility to install them. So we just sit here waiting for the pump station to be finished so that we can check the pumps out. I can give you a dozen examples of that sort of dissynchrony. I'm not going to do jobs like that in the future. If we supply a pump over here, we're going to be responsible for building the pump station and installing it, all in one package. We're not going to have this double path coming along so that we can be affected as adversely as we have in this project. We've got ten million dollars worth of medical equipment sitting on the ground outside the Assiut University. Ten million dollars worth of medical instruments, delicate things, sitting out in the sun, in the dust. I do not know when they're going to get installed. The facilities are not ready for them and they're just sitting there. I'm not going to allow any AID commodity to be procured and imported into this country, until the facilities to receive it are ready, whether it is a building, a pumping station, a factory, or whatever. But the project is a failure and I admit it. Now, whether it is AID's fault or somebody else's fault, I've already made some comment on that.

Let me talk finally about some other problems that we all encounter when we discuss AID.

What have I got to say, Mr. Stone, about the great pipeline issue? Everybody talks about the pipeline. The pipeline is the difference between what the United States has obligated in aid to Egypt, what we've said we'll make available and what has been spent. The pipeline in Egypt today consists of over two billion dollars worth of unexpended funds. That represents, must represent, bad administration, poor project planning, stuck projects, failed projects, all sorts of things. What does it mean? It's very curious to me, coming from the outside. I've always thought, in the construction industry, that having a big backlog was a sign of financial health, and the way some people talk to me here in Egypt about the pipeline, they think that AID is a basket case, ready for the hospital, I repeat. In the United States, most backlogs are considered signs of industrial or corporate health, not sickness or weakness.

The United States does what is called project financing. It does not fund projects incrementally. If you have a one hundred million dollar project you don't do twenty million dollars one year, twenty million dollars the next year, twenty million dollars the third year and so on. You obligate the whole hundred million dollars up front. That is the prudent way to do it. If you don't do it that way, you may have a Congressman who comes out to Egypt and goes out into the field and says, that's a lousy project, I don't like it, cut off the funds.

And that can happen. To forestall that, we go to Congress and say, "Mr. Congressman, we would like in conjunction with Egypt, to spend fifty million dollars on a project in Minya and it's going to take us five years to do it. Here's the justification for the project, and Egypt wants the project done. Will you, Congress, authorize us to spend this money?" We have to do this with every project. Never, since I've been here, has the Congress turned one down. But we have to get that approval. If we didn't do it that way, we would have to go back to them with a different line of characters one year from the next, and we might run a greater risk of somebody saying, with that project two years behind schedule, "I don't like it, I'm going to stop it," and they might not be able to make that decision on what we think be the most sensible grounds. So, we fund the things up front. We have many projects in Egypt, I remind you, and every one of these projects was done with the design participation and the financial concurrence of the Egyptian government. We have projects that have two year lives, four year lives. There's one that has a nine year life, the Aswan Dam turbine rehabilitation project. All of the turbine runners that were installed by the Russians are falling. The United States is replacing them all. It's costing one hundred million dollars. There are twelve turbines there, ten are required annually to generate power. You can only take two out of service at any one time. It takes about a year to pull them out, do all the work, put them in. It takes about a year to pull them out, do all the work, put them in. So, it is going to take us six years to do that alone, and that's why the project has a 108 month contract period. It's on schedule, on budget. And, I don't see anything wrong with a pipeline that consists of two billion, two hundred million dollars. Does that mean, Mr. Stone, that every dollar that's in the pipeline represents a project that's on schedule and on budget and going well? The answer is, No. It does not. But, the preception of the pipeline as being inherently and intrinsically a criticism of the United States is simply not true. Nor is it a criticism of Egypt. It's a natural characteristic of the type of production, of the project development and implementation that we have. And I think the people who criticize it on the grounds that it represents mal-administration simply don't know what they are talking about.

Let us talk about flexibility. Why doesn't the United States give Egypt a billion dollars, close down AID and send Mike Stone and his one hundred and nineteen other Americans home? We'll just administer the program ourselves. That is a very interesting suggestion. It wouldn't cause me any anguish if the United States did that. The question is whether it is a good thing for Egypt. Now, you may think I am being hypocritical talking about it in those senses. But let me talk about it that way. Is it a good thing for Egypt? Would it be a good thing if the United States just wrote a billion dollar check every year and sent it to this country and said, have an Israeli type program? The first comment I'd make was in a February issue of Newsweek. It published an interview with an Israeli economist saying that the cash transfer program that the United States had for Israel, which in the fiscal year 1983 was seven hundred eighty-five million dollars as opposed to the Egyptian one billion dollars, is a lousy deal for Israel. It has no development resources and our government is to be criticised for using resources this way. The right way to use the resources is to put them into productive facilities that will have an impact on this country twenty, thirty, or forty years down the road, and I think we'd be much better off having an Egyptian type program. It was a marvellous opposite view from what you hear frequently in this country.

There are two comments that I would make. First of all, publicly it makes a great debating point to say, and I concede it, why doesn't the United States

give the money to Egypt? It makes a great debating point because if the Unit States is treating both Egypt and Israel as partners in the peace process the political sense, they ought to treat them in the same sense economical So it's a good debating point and I concede it. The question is, is it real in Egypt's advantage to do this. I submit to you that most of the ministe that I've talked to --- and I won't identify them, but I assure you that wh I'm saying is correct --- Most ministers that I deal with would prefer to de with me on a project basis than they would on a cash transfer basis. Why? Th think they will get more out of AID to support electricity: to support t Ministry of Health: to support research: Dr. Badran trying to get funds for t Academy of Scientific Research and Technology which he heads: Cairo Universi trying to get money to support the MIT project. I don't think the Cairo/M project would exist today without AID project support. Dr. Hamdi, the Preside of Cairo University, would prefer to get seven million out of the Central Ba for that project. I see a few people around this table nodding and I know wh I am saying is correct. I submit to you that there are plenty of people i Egypt who don't want cash transfers. That is the last thing they want becau they are going to close up shop if they have cash transfers. I mean it jus that bluntly because, given the economic situation in Egypt today, I a convinced there is going to be significant pressure on the foreign exchan position of this country. There is a considerable pressure to lower the budge deficit, and I am convinced that if the AID program came in here in a cash for it would be used for balance of payments support purposes and would not be use for long-term development purposes. I think what Egypt needs is long-ter development and not short-term balance of payments support.

Consultants: Why does AID produce so many reports that sit on people' desks and that don't do anything? Why do we have so many consultants runnin around over here, and why do we do so much planning? Is it all necessary? I a bothered by that issue and I'd like to address it openly. You have got to b careful about how you talk about it in several different senses and I urge yo to be careful and define your case. If you are designing a six hundred millio dollar power plant at Shubra el-Khaima, I submit that you've got to do som pretty darn good engineering, and with due respect to the Egyptian engineerin profession, I don't think this country has ever designed on its own a thousan megawatt power plant. If you are doing slip form construction work, here i technology that can be tranferred, and I am sure that the Egyptian constructio companies can adapt to that type of construction, but let us do the first fe plants with very careful design and make sure that it is done as well as it ca possibly be done. There is a need, I submit, for construction and engineerin design to be done very carefully. What most people mean, I think, when the talk about consultants and reports is management type consulting, and all I ca say on that is that most of the management consulting that we have done here i done in conjunction with Egyptian consultants. It's increasingly being done with Egyptian consultants. And keep it in mind, if you say that the United States has agreed to provide eight and one half billion dollars worth of assistance to Egypt since 1975, when the current phase of this program started, how much of it do you really think has gone into consultants? One percent? That is eighty-five million dollars. A huge amount of money, and I don't deny it. If we have spent eighty-five million dollars on consultants and planning and designs and project reports, it would represent a lot of money, but it is only 1% of the program.

There are a couple of additional issues that we have to face within AID. First, we try to be responsive to what Egypt wants AID to do. Egypt came to us

and said, this is a major export earner for Egypt, you have to give it some help. It's a public sector company, but it needs modernization, and this is where we want you, the United States, to spend a hundred million dollars. So, we did it. It's hard for us to take ten private sector companies that might be smaller, more struggling companies, without the advantages of that government support and split that money among them because that's not what the Egyptian government wanted us to do. I think, in many ways, it would have been better to provide aid to ten smaller companies, but this is where we got involved in our relationship with the government.

The second point is related to small scale industries. It is one I have to wrestle with all the time. So far, nobody in this room, but I'm sure it will come up at some point, has said, "Stone, AID has not succeeded in building a project here which has captured the imagination of the Egyptian people. What about the visibility of the program? You've talked about a lot of good projects, but the Egyptian people don't know about it, don't connect the United States with those projects, and your visibility is suffering." You have a real impasse between the desireability for small scale projects which have no impact. They have a great impact on a small number of usually deserving people, but they don't have any national impact. On the other hand, if you build a High Dam, it may have all sorts of disadvantages, but basically it is a very imaginative symbol of the assistance between Russia and Egypt. So, AID is conscious of that distinction. From my viewpoint, as the manager, I'd rather do big projects. They're easier to do. They can be done more effectively. But they don't touch human beings quite so much. We have to find some other way of participating in other parts of the economy. Which leads me to the third point.

We are doing something on small business. We have a decentralization project. It isn't a sector program, and we've got 500 million dollars committed to it. I been involved in working with the government. The financial irregularity relates to the inadequacy of the book-keeping system, and I am not minimizing it. There were some extensive irregularities and the people in Davis have flown over act is very rapidly disbursing. It works with ORDEV, the Orgainzation for Rural Development of the Egyptian Village. We have one component of that program which makes loans available to village sponsored projects. The United States has nothing to do with reviewing the project or authorizing it. The local village council approves of it and they decide to do it. One interesting example, I believe, is in Sohag, in one of the Markaz in the governorate. The people decided to build a plastic bag factory to supply plastic bags to the Kima fertilizer factory, and this has been done, with funds provided by the United States, but disbursed through ORDEV to the governorate. The governorate in turn has allocated its funds to the village. Now, that's a small scale enterprise entirely owned by the village. I hope it's successful. And we have just under five hundred of those projects which have been authorized. They range from cattle fattening to small textile operations, to taxi-drivers, to poultry plants: a whole range of entrepreneurial activities. So, we don't neglect the small scale sector. It does provide a problem for us, but I assure you we're not going to forget it.

The purpose of the United States assistance program in Egypt is clear. We believe that a stronger Egypt is better able to do two things. One, to provide effective leadership in the peace process in the Middle East, and two, is better able to be a strong friend of its allies, whether it's the United States or other Arab nations, or other European nations, or other Eastern nations. I think that the major underlying theme of our development here is the economic

strengthening of this country, with the objectives that I've just stated. A
you can define strengthening not just in economic terms, meaning productio
but you can define it in human terms as well, because better educated peopl
are going to be able to make a better contribution to the country and peopl
who have better health services are able to make a better contribution to t
country.

The Development of Cooperation

by Nicholas S. Hopkins

There are difficulties in any process of "aid" across national boundaries. It is the purpose of this brief note to explore some of the cultural ramifications of these difficulties. I will try to clarify the nature of the social process involved in aid, and will suggest that a higher degree of self-consciousness about the nature of the social and cultural process, derived from looking at the exchange relationship, will make that exchange more rewarding and less stressful for both parties. We are concerned here, of course, with the "aid" relationship between Egypt and the United States.

Of course we know from Mauss's analysis of gifts (1967) that a gift establishes a social distance between the two parties: that there is an obligation to give and an obligation to receive as well as an obligation to reciprocate. Furthermore we can add that within this general pattern of gift exchange there are specific cultural differences in understanding. On the one hand this suggests the need to define the relationship as a reciprocal one: on the other hand it suggests that some attention be given to cultural differences in the interpretation of gift-giving.

As anthropologists, we can see this is a very particular form of cultural contact, which can lead us to wonder about the impact of the process on the two cultures involved. Are we dealing here with selective borrowing, with diffusion of certain cultural traits and perhaps their reinterpretation, or with "acculturation" in the sense that one culture is becoming more like the other by incorporating certain elements from it? Phrasing the question this way leads us to ask which are the traits that are passing from one culture to another, and what is the process of human social relations that makes this passage work.

One thing seems fairly clear. The principals, or most of them, are fairly unselfconscious about their role in the process. They are convinced that they are doing the right thing, and that their way of doing things is right. If asked, they would presumably argue that they are acting in their own self-interest or in the interest of their country, without any recognition that they are involved in a particularly intense version of cultural borrowing.

The particular instance of cultural contact that we are concerned with has certain features:

1. the transmission process passes through a bureaucracy on both sides:
2. the process involves two sovereign states each one of which has well-defined goals that do not always coincide:
3. consequently the situation is heavily politicized in a number of senses, including the sense that the "aid" itself is seen to some extent as part of a political relationship reached by agreement.

My argument here is that the success of this relationship can be enhanced if people on both sides are more self-consciously aware of the nature of the process and of the human problems involved. With that in mind let us look at some of the kinds of problems in the relationship.

1. The suspicion by both sides that the other has hidden interests or