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IMPACT OF DEVELOPMENT ASSISTANCE ON EGYPT

American U. IN CAIRO

CAIRO

6.7/3

SEP. 84

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Introduction

The Impact of Development Assistance on Egypt

by Earl L. Sullivan

I

The pace of change in contemporary Egypt has accelerated to the point where it has become increasingly difficult to assess the direction of change. Over the last few decades, urbanization, industrialization, and population growth have all increased, as has the gross domestic product, the rate of economic growth, and the levels of foreign aid. With all this change, is the country better off than it was? Is the government better able to set and achieve objectives? How are the various groups which combine to make up Egyptian society faring these days? Are women better off than they were a decade or two ago? How has economic and social change affected life in rural Egypt? What impact has Egypt's foreign policy had on the life of the country's citizens? What has been the impact on Egypt of the large number of development assistance programs which have operated in that country in recent years?

These questions and the topic areas they imply, are related because of the linkage between Egypt's foreign policy and domestic affairs. For quite some time, Egypt's leaders have perceived the need for their country to gain more than it loses from its contacts with the outside world, and her history is full of examples of foreign activity in Egypt viewed by patriots as contrary to the national interest. On the other hand, Egypt has been eager to learn from other countries, particularly those perceived to be the most scientifically or industrially advanced. Thus, a dualist attitude toward foreign things and ideas has prevailed. One illustration of this is the case of President Gamal Abdel Nasser. A fervent nationalist, he expelled the British and moved to Egyptianize all aspects of society, including education, art and industry. At the same time, his government also sent many young Egyptians to leading universities in industrialized countries, both East and West, to earn advanced degrees, return home, and put their new foreign learning to use. Nasser also sought and received foreign aid from many sources, including the United States, the World Bank, and the Soviet Union. His successors, Anwar Al-Sadat and Husni Mubarak, have continued along much the same path. Consequently, one of the most conspicuous things about contemporary Egypt is foreign involvement for good or for ill, in the country's political, economic and social life. Particularly notable is the financial and administrative role of foreigners in the large number of development programs which have proliferated since the early years of the Sadat presidency.

Egypt has been and continues to be one of the major recipients of development assistance in the third world, yet very little effort has been made to assess the overall impact of this aid on Egypt. In an attempt to deal with some of the issues related to this question, a symposium was held on December 10th and 11th, 1983 in Oriental Hall at the American University in Cairo. The symposium was organized by CAIRO PAPERS IN SOCIAL SCIENCE, with financial support from the Cairo office of the Ford Foundation. Egyptian government ministers, officials from representative donors, and scholars experienced in development were invited to make formal presentations to the symposium. Other

Egyptian government officials, personnel from various donor agencies, and several Egyptian and foreign scholars made up the bulk of the audience. Peak attendance was about one hundred and twenty-five. Those who addressed the symposium assumed, with reason, that they were speaking to a well-informed audience, many of whom were armed with critical questions. Following each presentation, the floor was opened for questions and comments and the discussion was usually quite lively.

Except for this introductory note and the concluding chapter, the essays presented in this issue of CAIRO PAPERS were all presented at the December symposium. Four, those of Dr. Said, Dr. Shindy, Dr. Cappelletti, and Mr. Stone, are based on taped transcriptions of oral presentations. Readers should make allowance for the fact that these four gentlemen did not read a prepared text, but spoke from notes. Unfortunately, the recording system used to transcribe the proceedings was not able to reproduce all of the discussion, but careful notes were taken and some sense of the issues raised will be reflected in this introductory essay and in the conclusion. Four general themes, which reflected what thoughtful development-oriented people in Cairo have been thinking about in recent years, dominated the discussions at the symposium:

- 1) conflict between donor and recipient priorities;
- 2) dependency;
- 3) the nature of the aid relationship;
- 4) explicit or tacit "strings" or conditions which come with aid.

It is difficult to rank these themes in any intrinsic order of importance. However, the general issue of conflict between donor and recipient priorities absorbed more discussion time than anything else, and in one way or another every essay in this collection touches upon this question. Another set of issues which concerned most of those present in Oriental Hall for those two days in December was that of dependency and its relationship to sovereignty. Egypt's reliance on foreign aid, and on American aid in particular, was discussed at length. Rather than examining the overall impact of foreign aid on Egypt, most discussants zeroed in on one or another aspect of the American program. This was not surprising, as it was obvious to those present that in Egypt the American connection has become the center of a sizable controversy. Charges of corruption, mismanagement and American involvement in internal Egyptian affairs were all aired, and both Egyptian and American officials defended their respective governments and attempted to correct misperceptions. However, due to the press of business, senior American and Egyptian authorities were not able to attend the entire symposium. Consequently, some chances for debate and rejoinder were missed and some charges went unanswered.

Two additional controversial questions took up most of the remainder of the symposium. Some were bold enough to ask whether aid was good or bad for Egypt. Opinions varied, and considerable time was devoted to the philosophical, political and interpersonal dimensions of the relationship created and obligations incurred by the act of giving. It was pointed out that with gifts come gift givers, and with them often come "suggestions" regarding the use of the gifts. Even in the best of all possible worlds, not all gifts will be welcomed because not all of their attendant strings and wrappings will be perceived as good by the recipient. Attempts to deal with these issues usually led to an additional set of questions. What can donors offer other than, or in addition to, funds or new machines? For those who suggest that new ideas about how to solve problems may be an important component of aid, at least one related question remains: what valid place, if any, do foreign ideas have in

Egyptian life? Directed or engineered change is sufficiently controversial when the source of change emanates from within the society to be altered. When the ideas come from foreigners, no matter how friendly, that in itself is often a source of controversy, adding to the tension.

Some of the following papers touch on all four of these themes, while others focus on one or two. The symposium was not a political meeting, no votes were taken, and there was no attempt to develop an official position. Each essay is policy oriented and, in addition to factual information, contains suggestions for action. Authors include two who were Egyptian Government Ministers at the time of the symposium, three representatives of donor agencies, and six independent scholars.

II

In his oral remarks to the symposium, the Egyptian Minister of Investment and International Economic Cooperation, Dr. Wagih Shindy, stressed the financial and administrative concerns of the Egyptian government in dealing with foreign aid. According to the Minister, by the end of 1983, Egypt received aid from forty-one different donors. Not all of this has been in the form of grants or concessionary loans, and sometimes Egypt has had to borrow at commercial rates to finance some of its public programs. In the course of borrowing, the country has accumulated approximately fourteen billion dollars of foreign debt, according to Minister Shindy. Although the United States is the largest donor, other sources are important and Egypt seeks benefaction from numerous sources. Not all development funds go to the public sector. As made clear by the Minister, investment in the private sector increased considerably since 1970, and in the current (1982-1986) five-year plan, it is scheduled to receive roughly twenty-four percent of planned investment funds. He also stated that, under his administration, the Ministry of Investment had become much more efficient, and by the Fall of 1983 was able to act on investment proposals much more rapidly than had been the case as recently as 1982.

Minister Shindy stated that Egypt's development priorities call for foreign aid to help finance large infrastructure projects (water, sewerage, telephones, etc.) as well as projects designed to improve industrial or agricultural productivity. All such projects must be in Egypt's five-year plan. Similar issues were raised by the Minister of the Economy, Dr. Mostafa Al-Said. He listed the priorities of Egyptian economic policy in 1983 as: 1) improving agricultural and industrial productivity; 2) reducing the balance of payments deficit; and 3) reducing the deficit in the budget. He questioned whether American aid to finance imports, especially wheat, was in Egypt's interest, as such aid reduced incentives for Egyptian producers. As far as development projects were concerned, Mostafa Al-Said felt that, if they were designed to help export-oriented sectors of the economy, they would be in Egypt's interest because they would increase productivity as well as help reduce the balance of payments deficit. In his remarks, he implied that American aid was not designed to help such industries, due to American reluctance to support public sector enterprises.

Acknowledging tension between Egypt and the United States regarding development assistance, Minister Said suggested that the best way to improve U.S./Egyptian relations would be for the U.S. to grant a significant portion of its aid to Egypt in cash rather than for specific projects. As he stated, "This is done for Israel. Why shouldn't it be done for Egypt?" In absence of this, he

felt that increased dialogue between responsible authorities in the two countries should lead to agreement by the United States to fund only those projects defined by Egyptian authorities as top priorities. As the country's five-year plan contains many proposals, there would be more than enough ideas to enable the entire AID budget to be spent.

As a complement to presentations by Ministers Shindy and Said, the symposium was addressed by three representatives of donor agencies, each of whom explained how their organization worked and described the specific nature of its operations in Egypt. Each came from a different type of organization. Thus, three categories of development assistance were subjected to scrutiny: multilateral; private voluntary; and bilateral.

Public multilateral programs were represented by the United Nations Development Program (UNDP). In describing how the UNDP works, Dr. Luciano Cappelletti, its head in Egypt, pointed out that his organization deals only in grants for technical assistance. Furthermore, he emphasized that all program assistance is granted according to priorities established by the government which receives the grant. UNDP funds come from voluntary contributions of member states, and like many multilateral agencies in recent years the UNDP has experienced increasing difficulty in raising money. As the UNDP is a multilateral agency, its grants may be spent anywhere, unlike bilateral aid, which typically is "tied", i.e. it must be spent in the country granting the aid. As Dr. Cappelletti acknowledged, UNDP activity in Egypt is of fairly modest dimensions (Total UNDP aid to Egypt over the last three decades has been approximately \$94.6 million). Others have pointed out that the UNDP's focus on many small projects in a variety of substantive fields scatters and perhaps diminishes the impact of UNDP's assistance to Egypt.

Whereas priorities for making UNDP grants are set by recipient governments, the Ford Foundation, a private voluntary organization, has the flexibility to set its own priorities and to work only in topic areas which it selects. Program priorities, in a broad sense, are set on a global basis. For example, an early Ford program was designed to "...improve the level and quality of administrative services", as Dr. Ann Lesch explains in her paper. Dr. Lesch, in charge of Ford's Social Science work in the Middle East, stated that the foundation operates on a small budget (\$1.3 million for Egypt in 1983) only and employs a small staff of professionals, forcing it "to operate as efficiently as possible, and with a major emphasis on the leveraging and demonstration effects of grants".

Typically, grants from the Ford Foundation are made to institutions in Egypt, not to the Egyptian government itself. The UNDP and USAID on the other hand, provide funds directly to the government of Egypt, usually to enable it accomplish a specific task or project. The Ford Foundation sets its own program priorities and has on occasion been involved in potentially controversial and sensitive areas. For example, it has funded work in family planning, subsidizes a legal aid program for residents of a poor area of Cairo, and has funded research on international relations and foreign policy. Nevertheless, Ford has not been as controversial in Egypt as has the United States Agency for International Development (USAID), even though both have tried to exert leverage on Egypt to cause it to do something which donors suspected would not otherwise be done.

Some reasons for this are easy to understand. Small and private, the Ford

Foundation could hardly be viewed by rational people as a serious threat to Egypt. USAID, on the other hand, is huge, with a Cairo office of one hundred nineteen professionals and an annual budget for grants and loans of one billion U.S. dollars. Furthermore, it is a branch of the government of a superpower with which Egypt has been on good terms for little more than ten years. Aware of the sensitivities involved, Mr. Michael Stone, the Director of USAID in Egypt, addressed the symposium at length. Only a few of his most important remarks will be mentioned here. In addition to answering questions and clarifying issues, he spent most of his time dealing with what he regarded as USAID's most important successes and failures. Mr. Stone pointed out that USAID provides Egypt with substantial grants and also makes loans on a concessional basis. All grants and loans from USAID are the result of a specific request from the Egyptian government. In addition to enabling Egypt to purchase American commodities, especially grain, the USAID program in Egypt provides the government with some technical assistance. The most widely discussed aspect of the AID program, however, has been the large number of sizable capital projects financed wholly or partly by the Agency for International Development. Particularly notable in Mr. Stone's opinion was a recently completed edible oil storage system which will save Egypt many millions of dollars annually. He also pointed out that USAID program in electrification will soon be responsible for producing more electric power for Egypt than the Russian financed High Dam at Aswan. Furthermore, the U.S. has contributed major amounts of money to augment cement production, to modernize the textile industry, and to improve Egypt's outmoded, worn out, or inadequate sewerage and water treatment facilities. Disagreeing with the position taken by Minister Said, the Director of USAID felt that project aid rather than cash transfers would do more good for Egypt because it would ensure that the funds would be spent on development projects rather than to finance imports for immediate consumption.

Mr. Stone acknowledged that the aid program in Egypt has not always achieved its objectives and that some projects have failed to one degree or another. For example, he cited a project to provide pump stations to improve water usage. This project has not worked, so far, because the government of Egypt has not completed its part of the bargain: the American pumps are ready, the Egyptian pump stations are not. In general, he implied that not all of AID's problems were of AID's making and that, eventually, even long-stalled projects, like the Suez Cement Company or the pump station project mentioned above, would work out to the benefit of Egypt.

American aid to Egypt, as Mr. Stone pointed out, is politically motivated. The United States wants above all to help stabilize and strengthen Egypt so that it can continue to pursue a peace oriented foreign policy and be a strong and reliable friend to its allies. In this sense, development, which is by definition a long term activity, may be less important than a short term perspective which concentrates on solving immediate problems. Yet, as Mr. Stone also made clear, USAID is concerned with long term economic development and with efforts to help the poorest of the poor. It may be that one major source of USAID's problems lies in the fact that it must follow both a geopolitical agenda and a development agenda. These two agendas sometimes push the organization in different directions. Many participants in the symposium felt that AID would be more effective if it concentrated on development and left short term geopolitical considerations to others. As will be seen, some of the papers presented by academics tended to support similar conclusions.

In addition to two Egyptian government officials and representatives of

three donor agencies, the CAIRO PAPERS symposium on the Impact of Development Assistance on Egypt was addressed by several academic specialists. Papers presented by six of them are included in this volume. Three concentrate on the role of research, especially social science research, in the development process, while the others are devoted to evaluations by economists of the impact of American aid on Egypt. (At the symposium Gouda Abdel Khalek presented a paper on the economic implications of American aid and Adullah Schliefer made a presentation on the contribution of "development reporting" to the development process. Neither of these papers are included here because they were not available at the time of publication.)

Nicholas Hopkins, an anthropologist from the American University in Cairo (AUC), with academic field experience in Africa and the Middle East, discusses the cultural dimension of the process of giving and receiving foreign aid. One of his most interesting conclusions is that "The principals, or most of them, are fairly unself-conscious about their role in the process...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". What the decision-makers and administrators are aware of is the bureaucratic, nationalistic and politicized nature of giving and receiving aid. Hopkins discusses aspects of the Egyptian experience with this process, focusing first on French and British impact on the irrigation system in Egypt in the 19th century, and then on the Egyptian-American Rural Improvement Service (EARIS) Project in the 1950s. In each case, he emphasizes the cultural issues related to the conceptualization and implementation of programs. Hopkins argues that social science research is a necessary component of project design and completion. As he points out, however, even the conduct of research can be part of the highly politicized, bureaucratic and nationalistic process of development assistance programs. Questions pertaining to this issue are also taken up by two authors, Dr. Mohammad Selim, from Cairo University, and Dr. Cynthia Nelson, an anthropologist from AUC.

Cynthia Nelson's paper is based on research and reflection on the Resaisa Project, best known for three things: the successful introduction of solar energy into the Egyptian village of Resaisa; the involvement of the residents of Resaisa in decision-making; and for its commitment to equitable development. The Resaisa Project, of which she is co-Principal Investigator, is an example of participatory action research in which the researchers are part of the social scene, not merely observers. In her view, theory cannot be divorced from practice. In the paper by Hopkins, it was noted that most decision-makers in the aid process are not aware of the cultural dimensions of that process. In the Resaisa Project, that awareness is central to the undertaking, an organic part of the whole.

Hopkins is concerned mainly with the macro-level conceptualization and implementation of aid projects, and with what he regards as the necessary role of social science research in the aid system. Nelson's focus is more at the micro-level. She feels that projects must begin with the awareness that research divorced from action is likely to be sterile, and that action not guided by thought is very likely to be counterproductive.

Development implies progressive change in the society being aided. Knowledge of how the society works, its social, political, and economic history, are essential prerequisites to and an essential part of the process of

making wise decisions about efforts to achieve such change. Nicholas Hopkins says that good social science research, no matter who does it, will help make better development programs if the results of the research are utilized. Cynthia Nelson argues that researchers themselves must become involved in the daily life of the people. Dr. Mohammad Selim, a Political Scientist at Cairo University, approaches the problem of research from a different perspective. His paper discusses the record of joint Egyptian/American research, and suggests that if any real progress is to be made, Americans must learn to work with and learn from Egyptian co-researchers and co-workers.

Knowledge and action are linked, bound in a continuous loop, in which knowledge based upon experience must be revised in order to accommodate new knowledge from additional experience. The papers by Hopkins, Nelson, and Selim all imply that if foreigners must learn to learn from Egyptians, the political and economic relationship between them must be transformed to routinize such a role. Professor Selim's paper adds an important point: one of the biggest problems associated with joint research has been a tendency to reinforce the power of existing Egyptian academic elite, thus limiting the possibility that new perspectives on development could be articulated or put into practice. Mohammad Selim's observations are based on his assessment of the record of the joint research efforts of Cairo University and the Massachusetts Institute of Technology between 1977 and 1982. He discusses the activities of the CU/MIT program as well as the political debate stimulated in Egypt by it and other foreign funded research. Concluding that the record of such research is mixed as far as its impact on Egypt is concerned, Selim feels that the CU/MIT program enabled important research to be done, and helped create useful links between the Egyptian academic community and several Egyptian ministries. Some structural change was achieved but not enough. Although most of the funds have come from USAID, some emanated from other sources, including the Government of Egypt and some multilateral agencies. This had the effect, perhaps, of reducing the potential of American dominance. Also, as Selim points out: "Research has been conducted within an institutional framework and Egyptian scholars have the upper hand in the choice of research projects." A strong implication of Selim's paper is that the success of the CU/MIT program has been greatest in areas where American money has been spent implementing decisions made by Egyptian academics and officials. Similar issues are raised by Cynthia Nelson, who points out that a new and more egalitarian system is beginning to emerge in Resaisa because the project did not simply deal with the existing elite. Selim's paper shows that the CU/MIT project reinforced the existing academic elite and made no attempt to create a new structure. He concedes, however, that the project managers may have had no real alternative to working through that elite. If they wished a joint research center to be established, they had to secure the cooperation of the leading figures at Cairo University. Paradoxically, in this case, change could be achieved only by reinforcing an existing hierarchy whose cooperation was necessary if anything was to be achieved. Experience with development projects suggests this is often the case and that the example of Resaisa is not the norm.

A high toleration for paradox may be one of many essential requirements for understanding or contributing to the development process. One paradox central to development assistance pertains to efforts designed to help the poorest of the poor. How can this be achieved if, as the papers cited above imply, the aid giving process tends to reinforce conservative attitudes by strengthening existing elites in the recipient country? It is possible that foreign aid which attempts to develop a society may end up ossifying it

instead. Aware that foreign aid has the potential of doing more harm than good, the economists who addressed the symposium viewed the aid process with a somewhat jaundiced eye.

In his essay, "Egypt and the Helping Hand", Dr. Adel Reshai presents an overview of the Egyptian American aid relationship, particularly as it pertains to the agricultural sector. He discusses the issue of tied aid, i.e. loans or grants which must be spent in the donor country, focusing on the liabilities of such aid from the point of view of the recipient. Tied aid is a common feature of most bilateral assistance programs, but Reshai, an economist at AUC, also points out that "...in practice, multilateralism is not a guarantee of freedom from political pressures." As there is no escape from political pressures, developing countries must learn to achieve their development and other objectives in spite of the politics involved, often utilizing their own resources as much as possible. Beshai's paper is critical of both Egypt and the U.S.A. for what he regards as their joint failure to achieve anything substantial in the agricultural sector of Egypt since 1975, when U.S. aid was resumed. Beshai cites the EARIS project as an example of Egyptian/American agricultural cooperation in the 1950s which worked, in his view, better than what the U.S. and Egypt are doing in the 1980s. In the FARIS project, the U.S. helped Egypt with a program of land reclamation, which had a long term impact on Egypt. In the period since 1975, however, the U.S. has not committed major funds to land reclamation, arguing that Egypt needs vertical expansion on old lands more than horizontal expansion into new lands.

Foreign aid should, in Beshai's opinion, be "...used to relax some of the constraints on development" rather than be "...dissipated in higher consumption". USAID programs in the agricultural sector do not seem to him to follow this principle often enough. To move aid in this direction, Professor Beshai feels USAID should engage in a broad based dialogue with Egyptian society. He concludes his paper, therefore, by calling for an overall evaluation of U.S. aid to Egypt which would bring U.S. and Egyptian officials together with "...people from various sections of the community..." to discuss what has been done and suggest alternatives where they are needed.

Dennis Miller, a visiting instructor of Economics at AUC, poses a provocative question: would Egypt be better off without American aid? He concludes that the answer is yes, if Egypt would restructure its price system in accord with market forces, and concentrate economic investment on export-oriented industries in sectors where Egypt has a comparative economic advantage. Without American aid, Egypt's claim to be non-aligned would be more credible and the government of Egypt would be under more economic pressure to reform the economy along the lines suggested by Miller, e.g. reform the price structure and invest to maximize exports. The most controversial aspect of his paper, however, is his argument that unless it comes in the form of "pure" aid, e.g. a direct transfer of wealth with no strings attached, foreign aid, by definition, does more harm than good to the recipient country. Furthermore, aid is likely to harm the relationship between the two countries. For example, because Egypt and the United States are so different in terms of economic, cultural, and political traditions, disagreements between them regarding America's aid program are inevitable. As Miller puts it, "Egypt will most assuredly view USAID as overbearing and meddlesome, while the U.S. will view Egypt's use of aid as inefficient and miscredited. This does not contribute to a healthy relationship."

Like Beshai and Nelson, Miller calls for structural changes. He feels that, unless the reforms he calls for are made, Egypt's future will be grim. Acknowledging that change will be difficult, he feels that the longer Egypt waits, the more difficult it will be, and that "Perhaps USAID's role could be that of a buffer against unexpected or temporary adjustment problems during this period of transition from import substitution to export orientation".

Most of the essays in this issue of CAIRO PAPERS contain hold and interesting ideas. This is certainly true of the contribution of Heba Handoussa, whose paper discusses three basic and interrelated propositions. First, she argues that as far as development goals are concerned, "the objectives of U.S. aid do not closely coincide with those of Egypt". Second, the actual amount of U.S. aid to Egypt "is much smaller than what is authorized annually" due to the method of payment employed by the United States. Third, she discusses how, from an Egyptian perspective, U.S. aid could be more effective. Unlike Miller, Handoussa feels that more U.S. aid is needed rather than less. Like Ministers Shindy and Said, she stated that USAID should concentrate on investments identified by Egypt as priority areas. Dr. Handoussa, who teaches Economics at AUC and serves as a consultant in the Egyptian Ministry of Industry, points out that very little American aid, roughly 8% of the total, has gone into projects to improve Egypt's productive capacity in agriculture or industry, precisely the areas where she believes aid should be concentrated. This contrasts sharply, she says, with Soviet economic aid which was devoted mainly to developing or improving Egyptian industrial capacity.

Tension between Egypt and the United States has increased sharply in recent years. Some of the reasons for this, from the Egyptian point of view, are explained by Professor Handoussa:

"When it remembered that Egypt renounced all of its bilateral trade agreements with the Eastern bloc in order to conform to the new rules governing the era of economic cooperation with the West, when it is also remembered that Egypt lost most of its export markets in the Arab countries on account of its signing the Camp David Accord, it becomes painfully clear that little effort has been exerted by its new major ally -- the U.S. -- to support the development in Egypt of productive, export-oriented activities which might help it redress the structure of its imports and exports. Another disturbing feature of this lopsided trade relationship is that Egyptian exporters are under continuous pressure exerted through official U.S. channels not to increase their sales in the U.S. of such traditional competitive manufactures as cotton yarn."

What the United States has done to improve the productivity of Egyptian industry was begun shortly after the USAID program was resumed in 1975. Nothing has been done since 1980 to help Egypt in these areas, except to complete already funded projects. In general, Professor Handoussa believes the United States is more concerned with visibility and public relations than with development. To her, the U.S. has a short term view rather than being

interested in the long term welfare of Egypt. As she puts it:

"If the United States has considered the substantial aid it delivers to Egypt as a means to feed the population and provide it with basic services and thus maintain domestic stability as an end in itself, then the basic issue of overcoming Egypt's poverty and backwardness will not be addressed and the recipient's economy will sink into the morass at a compounding rate of dependence."

One of the most sensitive issues in Egyptian-American relations is that posed by the role of the public sector in Egypt. Professor Handoussa states that: "...the existence of public enterprises to the Egyptian economy...is much a vital Egyptian interest as American multinationals are to the U.S.A.". This is, therefore, not an issue upon which Egypt is likely to compromise, yet the United States refuses to provide anything more than "trivial" aid to improve the productive capacity of the public sector in Egypt.

Professor Handoussa, unlike Mr. Miller, does not oppose aid in principle. Her objection is to the way the USAID program has been handled in Egypt, and she supports her case with numerous examples drawn from the actual experience of the Egyptian-American relationship. Hers, and the essays which preceded it in this volume, contain interesting and provocative ideas. Hopefully, readers will be both stimulated and informed by them.

The CAIRO PAPERS symposium on the Impact of Development Assistance on Egypt could not have been held, and this volume could not have been published without the cooperation and support of many people. The Cairo Office of the Ford Foundation provided necessary financial support. Maha Najani saw to it that people and things were in the right place at the right time. Iman Hamdy, Amany El Khateeb and Taroub Abdel Hadi took notes, transcribed tapes and, in general, were useful and helpful in a number of ways. The AUC food services, under the direction of Mrs. Soliman, did a splendid job of providing participants in the symposium with sumptuous lunches as well as tasty snacks. Mohammad Draz and his staff provided me with excellent technical support and cooperation. The Editorial Board of CAIRO PAPERS, as well as the Executive Committee, approved the project and gave me whatever support I requested. Dr. Richard Pedersen, the President of AUC, and Dr. Moyer Hunsberger, the Dean of Faculties, were generous with their time and encouragement. Also, many people who attended the symposium but did not deliver papers or make presentations, contributed to it by their comments and questions. My thanks go to all of them, and to those individuals and institutions mentioned above. Special gratitude must be expressed, however, to the scholars and officials whose remarks are recorded in this issue of CAIRO PAPERS. It is not often that policy-makers and academics are able to meet and discuss issues such as this, especially if that discussion is open, candid and intended for publication. Optimistically, the results of this symposium will encourage others to hold similar and even more productive meetings in the near future. Even if this does not happen, the work that went into producing this volume will be justified by the fact that it is the only politically independent effort of its kind.

The Perspective of the Egyptian Ministry of
Investment on Development Assistance Programs

by Wagih Shindy*

The Ministry of Investment and International Cooperation was established on January the 3rd, 1982. It is a very recent Ministry, but as is clear from its name, it has important responsibilities. The raison d'etre of establishing a specific Ministry was to give prominence to both factors: investment and international cooperation.

In international economic cooperation, we are dealing with forty-one different international regional, and bi-lateral sources. We are not dealing with all these sources to get the maximum amount of money, because we are very sensitive concerning our foreign debts. Our total economic debts are 14 billion Egyptian pounds. Therefore, there is no comparison whatsoever with the debts of other developing countries in the world: 95 billion U.S. dollars of debt for Brazil, 90 billion for Mexico, 50 billion for Venezuela, 40 billion for Argentina, and even for some of the East European countries, the figures range from 15 to 40 billion.

Our requirements are planned well ahead. The five year plan for 1982-1987 requires a total amount of investment of 34 billion Egyptian pounds, both in Egyptian pounds and foreign exchange. Out of the 34 billion, 8.3 billion is for the private sector, the largest amount given to the private sector since the beginning of the 1950s. In other words, it is about 24% of total investment, while it was only 6% in the 1960s, 10% in the 1970s and 17% in 1980, a few years back. We, the Ministry of Investment, are responsible for the 8.3 billion. If you take the 8.3 billion aside, then the rest is about 25 billion, about 35% or 40% of which must be in foreign exchange. Of the foreign exchange component, part will be financed out of the foreign exchange budget, but a substantial part will be financed through international economic cooperation. Therefore, we have the task of getting 6.3 billion Egyptian pounds in foreign exchange, which means almost 8 billion U.S. dollars, for five years, from the 41 sources. There is no doubt that the United States aid program to Egypt is the largest. It represents somewhere between 35% to 40% of the total aid received by Egypt.

Our policy is clear. Since the economic conference earlier this year, the President and the Prime Minister have spoken about the productive Open Door Policy. The Productive Open Door Policy means three important areas. First is infrastructure, because without infrastructure -- electricity, water and sewage, ports -- you cannot actually take any serious efforts to develop the commodity sectors of the economy: agriculture and industry. For agriculture, we are planning for a rate of growth of about 3.4% a year for the five years. In industry, we are planning for a rate of 9.5% a year for the five years. We wish to use the investment for both sectors in order to expand the existing productive facilities and establish new ones. So the areas are very clear, infrastructure, agriculture, and industry.

* Selected from Minister Shindy's presentation at the Cairo Papers Symposium on the Impact of Development Assistance on Egypt, December 11, 1983.