



Munich Personal RePEc Archive

# **The Role of USAID in Development in Egypt**

Attia, Sayed Moawad

Personal

August 2009

Online at <https://mpra.ub.uni-muenchen.de/16578/>  
MPRA Paper No. 16578, posted 04 Aug 2009 09:21 UTC

## The Role of USAID in Development in Egypt

Sayed Moawad Ahmed Attia  
Senior International Trade Policies Researcher  
Trade Agreements Sector  
Ministry of Trade and Industry

### Education:

Master of Economics- International Development Major (Student) - AUC.  
Master of Business Administration (MBA) –Arab Academy for Science and Technology.  
Diploma of Economics ( Capital Stock) –Faculty of Economy and Political Science-Cairo.  
Professional Certificate in accounting and Finance- AUC.

### Contact Information

Email: [s.moawad@tas.gov.eg](mailto:s.moawad@tas.gov.eg)

[Sayed\\_attia@hotmail.com](mailto:Sayed_attia@hotmail.com)

Mobile: 0102593447

## **Index**

	<b>Page</b>
<b>1. Introduction</b>	<b>3</b>
<b>2. Background on Foreign Aid</b>	<b>6</b>
<b>3. Background on USAID to Egypt</b>	<b>7</b>
<b>4. The Role of USAID in Development in Egypt</b>	<b>7</b>
<b>5. Does the Reform made on Trade and Investment has an impact that can be measured</b>	<b>17</b>
<b>6. Policy Recommendation</b>	<b>25</b>
<b>7. Conclusion</b>	<b>27</b>

## **1. Introduction**

This paper discusses the role of USAID in the development process in Egypt. It discusses the USAID role in Egypt in some sectors with more focus on USAID/Egypt economic growth, more specifically the Technical Assistance for policy Reform II (TAPRII). I will discuss the items of the program that made the environment conducive to trade and investment.

Within the framework of this introduction I have to mention that the problem that lead me to handle the issue of USAID to Egypt is that from time to time the issue of USAID assistance to Egypt is subject to debate on both sides, the American side with its capacity as a donor country and the Egyptian side with its capacity as a recipient country. In respect of the literature review, the opinions differ about the foreign aid in general, and also differ in respect of the USAID assistance to Egypt.

As for the literature respecting the foreign aid in general, there is some doubt about the effectiveness of foreign aid in raising the standard of living of citizens in the recipient countries. There is evidence that the shortcomings that made the foreign aid ineffective is mainly due to corruption, mismanagement, ill-conceived projects. Some writers went to consider the foreign aid to be bad<sup>1</sup>. Furthermore, some writers see aid as motivated by “political interests abroad and economic interest at home”<sup>2</sup>. It is rare that the allocation of foreign aid is determined by the developing countries’ needs. Most bilateral aid is based largely on political and military considerations and predictable whims and ad hoc judgments of donor’s decision-makers and unrelated to the priorities of the developing countries. Donor countries basically give aid as it serves their political, strategic, and economic self-interests to do so. However, some

development assistance may be motivated by moral and humanitarian desires to assist the less fortunate ( e.g., emergency food and relief programs) <sup>3</sup>.

If we moved to the opinions about the USAID to Egypt we shall note that there always a debate from both sides. Of course the assessment is not a one- way direction, on the contrary, it involves two opposing view points. Let us start from the American side; some writers see that the American assistance to Egypt did not achieve what the American aspires from Egypt. One of the writers mentioned large number situations in which the Egyptian's instances opposed tremendously with the American interests. Examples, **first**, Egypt openly violated the American embargo imposed on Libya after the Lockerby plane explosion, while the embargo was in existence Egypt kept the door open with the Kadhafi regime on the military, economic, and political fronts. **Second**, Egypt , during the 90s obtained ballistic missile along with associated equipment from North Korea the country was designated to be a “ terrorist state” upon section 620A of the Foreign Assistance Act of 1961. **Third**, Egypt has cast its ballot against the United States 61 percent in the United Nations<sup>4</sup>.

If we moved to another camp, I mean those who look positively to the American assistance to Egypt, the Deputy Assistance Secretary of State, Daniel C.Kurtzer stated that Egypt played a key role in lobbying the Arab states to take a firm stance toward Iraqi Aggression to Kuwait , Egypt deployed two divisions and a ranger battalion at Saudi Arabia land. Egypt played a crucial role in liberation of Kuwait. Furthermore, Egypt will continue to be a key partner in keeping the stability in the Middle East<sup>5</sup>. Another positive attitude towards came from John Altrman, the director of the Middle East Center at the American International and Strategic Studies Center as saying ' Egypt is one of the best allies of the United States in the Middle East. He continued, the Egyptian American interest are in agreement in respect of their views about

Iran, settlement of the Arab-Israeli conflict, establishing a unified legitimate Palestinian government, and combating terrorism. This opinion of Altrman was expressed on the occasion of the currently dialogue between Egypt and the Obama's Administration about the American assistance in 2010 and the possibility that an additional increase in the assistance for 2009<sup>6</sup>.

As for the Egyptian side, I will discuss some opinions about USAID to Egypt from the man of street to the top officials. Ayoub, a tax driver, said: We have to get rid of aid from America. Why do we have to have aid?. You know why? Because the state officials have to make commissions and have money to have new cars<sup>7</sup>. Some other Egyptian top officials' criticize the "flagrant conditionality" of aid particularly when aid is linked to internal affairs such as the human rights and democracy<sup>8</sup>.

Regarding the audiences I am targeting, they are the stakeholders of the foreign aid industry process. These stakeholders are the American taxpayers, the administration of USAID , the Government of Egypt (GOE) and finally the Egyptian ultimate beneficiaries. This paper may be significant to those audiences as all of them as the tax payer need to know how his money spent, and the beneficiary needs to feel the impact of such assistance.

The hypothesis of this paper are first, UAISD has positive effect, the second, USAID has no or negative effect on the Egyptian economy.

This paper is organized as follows: section **one** is the introduction, section **two**, is a background on foreign aid, section, **three**, background on USAID to Egypt, section **four** is the role of USIAD in development in Egypt, section, **five** is " does the reform made on trade and investment has an impact that can be measured" ? , section **six** is policy recommendation, and finally section **seven** is the conclusion.

### **The Purpose Statement of this Paper:**

As a matter of fact this paper intends to find an answer to this question: Is Economic and Technical Assistance provided through USAID is beneficiary to Egypt?. This paper examines this question through discussing the reforms made in trade and investment by USAID through TAPRII. Furthermore, assessment of the reforms made is visited to judge the impact of USIAD.

## **2. Background about Foreign Aid**

### **2.1 What is Foreign Aid?.**

Foreign aid is defined as financial flows, technical assistance, and commodities that are (1) designed to promote economic development and welfare as their main objective ( thus excluding aid for military or other non-development purposes); and (2) are provided as either grants or subsidized loans<sup>9</sup>.

Financing is divided into two types, concessional financing which refers to grants and subsidized loans, where the non-concessional financing refers to loans that carry market or near market terms. Furthermore, aid flows can be classified into three broad categories, first , the Official Development Assistance (ODA) which consists of aid provided by donor governments to low and middle-income countries. Second, Official Assistance (OA) is the aid provided by governments to richer countries with per capita incomes higher than approximately \$9000. Third, private voluntary assistance which includes grants from non- governmental organizations, religious groups, charities, foundations, and private companies (Radelet, 2006, 4).

## **2.2 Goals of Foreign Aid**

The foreign aid can play a major role in assisting developing countries overcome their economic gaps. In this respect, there are two main gaps featuring the developing economies, the saving-investment gap and the foreign exchange gap. Due to the fact that poverty is a major characteristic of the developing countries, therefore, income does not allow for saving then the need for foreign capital emerges to fill in the gap between saving and investment. As for the foreign exchange gap, the Foreign Development Assistance (ODA) plays an important role in relaxing the constraints of foreign exchange particularly, when the developing countries import ingredients necessary of economic Expansion<sup>10</sup>.

## **3 . Background on USAID to Egypt:**

On 16 August 1978, the government of the United States of America and the Government of Arab Republic of Egypt have agreed on the following:

- The Government of the United States of America furnishes economic, technical, and related assistance. The furnishing of such assistance should be subject to the applicable Laws and Regulations at the United States of America. These assistances would be made available based upon the arrangements agreed upon between the two governments.
- The Government of Egypt made the full contribution permitted by its manpower, resources, facilities, and general economic conditions to support the purposes for which the assistances are designated. Took the necessary measures to make sure of the effective use of such assistance. Egypt cooperates with the States in assuring that the

procurement at reasonable prices and on reasonable terms. Egypt will permit without restriction a continuing observation of programs and operations and provide the states with complete information on programs and operations<sup>11</sup>.

#### **4 . The Role of USAID in Development in Egypt <sup>12</sup>:**

The USAID has played a crucial role in spurring economic growth and accordingly development in Egypt. I will clarify how USAID played such a role through discussing one of the programs that designed to provide a comprehensive and integrated technical assistance to the reform programs that tends to spur the economic growth in Egypt.

This program is a Technical Assistance for Policy ReformII (TAPRII). It is a four year program that will end at September 2009. This program is implemented under the umbrella of USAID Strategic Objective 16 (OS 16): Environment for Trade and Investment Strengthened. TAPR II program is funded from varied sources including Financial Sector Modernization Program, Assistance for Customs and Trade Facilitation, Technical Assistance to Support Economic Reform, Competitive Environment for Investment, and Partnership for Competitiveness. TAPR II was organized to cover seven components as follows:

1. Trade Environment;
2. Financial Sector Modernization;
3. Macroeconomic Stability;
4. Enabling Policy Environment for Business;
5. Facilitating Services for the Private Sector;
6. Human Resources ;and
7. Program Support.

Each of the above components contributes in achieving the targeted goals of Strategic Object 16 (SO16) and the Program Support helps all other programs.

I will focus on component one which is “Trade Environment” through reforms made by the assistance of TAPRII and after that I will discuss how these reforms had a significant positive impact on both Trade and Investment.

Trade environment basically targeting to achieve measurable improvements in Egypt’s trade environment in order to secure a comprehensive benefits for both the economy as a whole and individuals. In order to have the maximum benefit of the program it focused upon the institutional reform, coordination and integration. Modernizing the customs services in order to be in line with international standards is crucial to have sustained revenue collection through automated system, training staff, and training as a priority.

### **Trade Environment**

The purpose of making the business environment more conducive is to achieve improvements that can be measured and these improvements can have positive benefits on both the firms and individuals. In order to achieve this goal the program intended to undertake on – the job training , institutional reform , coordination , and integration. The procedures made intended to make to the revenue collection process more effective and compliance with the international standards.

In order to achieve this goal, the program designated two main tasks as follows:

#### **Task one: Customs Reform:-**

== ===== = =====

Under this task the program was designed to cover the following areas:

1. Enforcement;
2. Automation;

3. Customs Tariff;
4. Customs Executive Regulation and New Law;
5. Organizational- Alignment;
6. Customs Procedures;

**Task two: Trade Policy and Trade Facilitation:**

=====

1. Training Activities;
2. Trade Data;
3. GOEIC IT Security Improvements;
4. Inspection Reform;
5. National Food safety;
6. Trade Agreements and Foreign Trade Sector Merger;
7. Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade Agreement (TBT)Compliance;
8. ECA Coordination on Fraud Issues;
9. Revised Foreign Trade Laws and Regulations;
10. Rules of Origin and IPR Border Measure;
11. Trade Policy Analysis.

Now I will discuss each task items in some detail

**A. Customs reform items:**

=====

### **1. Enforcement:-**

Jointly with the European Union (EU) Trade Enhancement Program C (TEP-C) TAPR II worked to develop a Custom intelligence- training curriculum. Furthermore, the project has assisted in building the capacity of the Egyptian Customs Authority (ECA) to actively participate in the initiative launched by World Custom Organization (WCO) and the Regional Information Liason Officers ( RILO) network.

Most importantly, in order to ensure that the system adequately works in a way that supports the intelligence activities, TAPR II helped the ECA to gain access to the Central Enforcement Network data base of World Customs Organization.

### **2. Automation:-**

Due to the fact that all the activities handled by the Egyptian Customs Authority (ECA) are made or must be made based upon electronic system, TAPR II in collaboration with ECA developed new and automated customs information system. Furthermore, TAPR II assisted the ECA in tendering for security improvements, hiring IT staff, and developing data warehouse.

### **3. Customs Tariff:**

TAPR II has played an important role in making Egypt better aligned with its major trade partners, mainly EU and USA. In this respect, TAPR II aided Egypt to implement a new custom tariff through reducing the tariff rates accompanied by simplification of nomenclature. As a result of these improvements the collection process became consistent with the international trade statistics.

#### **4. Customs Executive Regulations and New Law:**

TAPRII has assisted the ECA in amending the customs Law through introducing number of amendments including more transparency , electronic receipt and processing of documents , simplifying the accounting ,and release systems.

#### **5. Organizational Re-alignment:**

Since the first year of TAPRII program, a reorganization initiative was lunched through an immediate development of the human resources (HR) through job profiles and job description. The implementation strategy has led to more efficiency in undertaking Egyptian Customs Authority (ECA).

#### **6. Customs Procedures:**

As a matter of fact the customs procedures are crucial process of the entire task of the customs of any country. For Egypt, there was a continuing complaint from those dealing with customs on a regular basis, these complaints were mainly centered on the time consuming process of clearance of transactions whether for imported or exported goods. Therefore, it was imperative to make the procedures more flexible and fast.

In order to make the customs procedures more efficient, the delivering of –site manifest data through ECA website and the specialized providers, these improvements led to reducing both paper burden and administrative costs. In order to facilitate the whole process , a Valuation Standard Operational Procedures (VSOP) manual was designed specifically for ECA and it was printed and distributed to all those dealing with the customs.

**B. Trade policy and Trade facilitation items:**

== == == == == == == == == == == == == == == ==

**1. Training Activities:**

TAPRII played a crucial role in capacity building for the staff of Trade Agreements Sector (TAS). In this respect, funding was provided for the staff qualified to study MBA, masters in Economics, Master in Laws, and PHD in management. TAPR II has invested a lot of money in capacity building that made the Trade Agreements Sector highly qualified to implement and monitor Egypt's trade policies. Furthermore, in order to gain more experience number of workshops were organized jointly with the USA and Argentina officials in the field of trade remedies and customs valuation

**2. Trade Data:**

This activity was one of greatest accomplishments of TAPR II. Egypt encounters a critical problem in statistics and data, therefore, the project secured a systematic review of data collection and analysis capabilities for the Ministry of Trade and Industry and its affiliated bodies. In this respect, TAPR II , assisted in establishing a reliable indicators that helped in monitoring both basic and strategic commodities.

**3. GOEIC IT Security Improvements:**

The General Organization for Export and Import Control (GOEIC) is the body responsible for monitoring the exports and imports from inspection perspective while the Egyptian Customs Authority is responsible for imports and exports from money collection perspective. The information systems of both bodies are interconnected, therefore, in order to make both systems secure fro any attack and to minimize the impact of malicious activity.

#### **4. Inspection Reform**

In order to make the inspection process more efficient, whether on borders or within factories, TAPRII, provided technical assistance based on the international best practice in respect of the increasing professionalism , reduce corruption through inspection process , and increased compliance with the regulatory requirements.

#### **5. National Food Safety:**

Jointly with the number of bodies including Ministry of Trade and Industry, Ministry of Health, Ministry of Agriculture, and Chamber of Food Industries, TAPRII is undertaking the task of establishing the Food Safety Agency Egypt (FASE) and setting an outline of the Egyptian unified food Law.

TAPRII , in collaboration with the referred bodies formulated the mission, budget objectives , structure, timeline, selecting staff, examining the best international practices to follow the footsteps and select the best option for Egypt.

#### **6. Trade Agreements and Foreign Trade Sector Merger**

In order to improve the mechanism of Egypt's trade policy making and in order to ensure the trade policy review as well as formulation function is more systematic and broad –based in nature, TAPR II jointly with the top management and the key individuals of both Trade Agreements Sector (TAS) and Foreign Trade Sector (FTS) held a workshop to discuss the proposal for merging the two sectors. A final proposal was adopted to merge the two sectors together under the name Trade Agreements and Foreign Trade Sector.

After merging the two sectors TAPR II continued in providing technical assistance to restructure and capacity building for the staff of different departments. Training was provided in

all areas of concern of the departments, for instance trade remedies, negotiations on rules of origin, customs valuation etc.

#### **7. Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade Agreement (TBT) Compliance;**

In order to secure the SPS Compliance TAPRII has introduced technical assistance to Egypt's SPS Enquiry Point (EP) at the Ministry of Agriculture. In this respect the functions of the Enquiry Point were reviewed and tasks were distributed to reach a streamlined structure. Furthermore, discussions were held to involve the ministry of Health in the discussions of SPS along with the Ministry of Trade and Industry and the General Organization of Veterinary Services in order to have a detailed action plan for SPS compliance.

#### **8. ECA Coordination on Fraud Issues**

TAPRII provided technical assistance to promote coordination between the Trade Agreements Sector and Custom Authority respecting fraud issues. In this respect, three units were formed to handle fraud issues as follows:

1. Rules of Origin and anti-fraud ;
2. IPR border measures;
3. Data access and information technology.

#### **9. Revised Foreign Trade Laws and Regulations**

TAPRII has introduced technical assistance to Trade Agreements and Foreign Trade sector to revise the existing executive regulation on exports and imports and develop a new foreign trade law. TAPRII prepared a report outlining the major recommendations for reform the executive regulations.

## **10. Rules of Origin and IPR Border Measures**

In order to improve the formulation and administration of preferential and non-preferential rules of origin, TAPR II jointly with the Trade Agreements Sector (TAS) organized workshops that lead to a detailed action plan aiming at raising the level of implementing rule of origin. In addition to the customs and the Trade Agreements Sector , officials from General Organization for Export and Import Control (GOEIC) , were invited to attend such workshop as GOEIC is one of the parties responsible for implementing the rules of origin agreements. In addition to the rules of origin, a detailed action plan was concluded to enhance the administration of Intellectual Prosperity Rights (IPR) and amend its regulation.

## **11. Trade Policy Analysis**

TAPRII provided technical assistance in establishing a Trade Policy Analysis Unit(TPAU) which is entitled to assess the trade agreements Egypt enters with other countries such as Turkey. Furthermore , this unit is responsible for assessing Egypt's trade under Qualified Industrial Zones (QIZ).

## **5. Does the Reform Made on Trade and Investment has an Impact that can be measured?.**

As a matter of fact, in assessing any reform we should not restrict ourselves to measures implemented on the paper and go beyond that to see the results on the ground. This is what I am going to discuss in this section. The technical assistance provided by Technical Assistance for Trade Policy ( TAPRII) and the commitments of the Egyptian side. The reforms made in investment and trade policy had significant positive impact that has been assessed from varied sources. I will handle two assessments made as follows:

As for the first report assessment, it was produced by Nathan Associates Inc. as a result of reforms made, we will see the impact of reform of trade and investment environment in Egypt.

### **First Trade,**

Egypt's trade rose from 46.1 to 65.1 as percentage of GDP through the period 2003/2003 to 2006/2007. In Percentage terms Egyptian exports increased by 19.6 percent yearly during the referred period. The analysis of the increase of the exports is important, I mean if the exports cover varied manufacturing industries this of course will be laudable, but regretfully, the exports increase is mainly is due to the increase in liquefied gas from \$ 17 million in 2003 to \$ 3 billion in 2006, in addition the hydrocarbons accounted for percent of exports in 2006/2007. Other product's exports also increased, including pharmaceuticals, textiles, iron and steel constitutes 30 percent of the export increase. As for imports, imports has grown faster than exports. Imports increased by 24.7 percent in 2002/2003-2006/2007. Both the intermediate goods ( such as chemicals, plastics, iron and steel inputs materials) and investments goods ( such as computers and motors) accounts for than half of the imports<sup>13</sup>.

The structure of both exports and imports draws our attention to an important fact which is , for exports, in order to avoid any negative consequences of the sharp decline in fuel prices, where the liquefied gas constitutes a major portion of exports, , the Egyptian exports should be diversified and cover a wide range of products. As for imports, we note that the increase in imports is reflected in investment in goods that can spur the economic growth such as intermediary goods that used in manufacturing other goods that later on are directed to export or used in the home market as a substitute of imported finished goods.

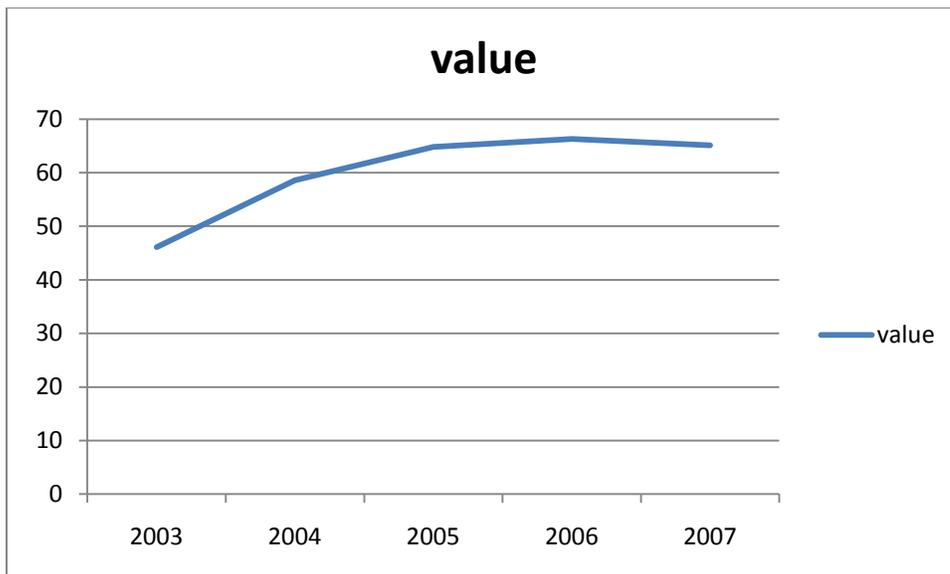
The following table and graph clarifies the outcomes of Nathan Associates Inc. assessments:

Volume of Egypt's Trade 2002/2003-2006/2007:

Year	Value
2002/2003	46.1
2003/2004	58.6
2004/2005	64.8
2005/2006	66.3
2006/2007	65.1

Source:IMF Article IV, 2007

The graph:



### Second for foreign direct investment (FDI):

Through the period from 2002/2003 to 2006/2007 the foreign private capital inflows to Egypt has increased approximately fourfold, it increased from 3.4 percent of GDP in 2002/2003 to 8.2 percent of GDP -2006/2007. The rise in investment is very encouraging due to

the fact it has a positive potential respecting technology transfer and skills the issue that will lead to increasing productivity and creating jobs <sup>14</sup>.

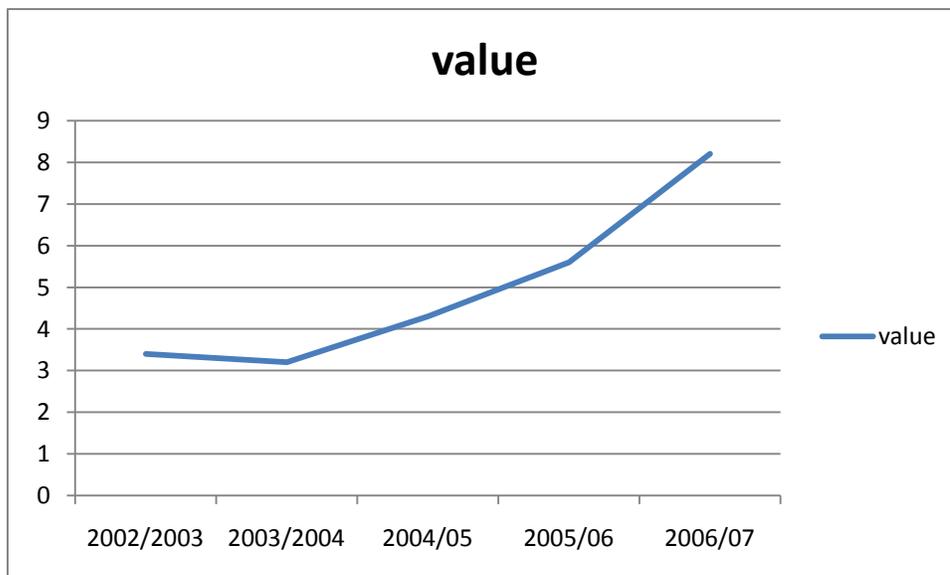
The following table and graph reflect the trend of FDI through 2002/03-2006/07:

**FDI in Egypt through 2002/03-2006/07:**

Year	Value
2002/2003	3.4
2003/2004	3.2
2004/2005	4.3
2005/2006	5.6
2006/2007	8.2

Source:IMF Article IV, 2007

The graph:



Now I move to the doing business reports about Egypt produced by the World Bank in 2008 and 2009 respectively and see how they describe the doing business using trading across border as an example that that reflects who the reforms made to the Egyptian Customs Authority (ECA) has led to significant progress in facilitating the trade movement of Egypt with the international markets. I will focus on Trading Across Borders as significant a achievement of reforms made in ECA.

In business activities, the doing business process involve procedural requirements respecting the exportation and importation of goods. The doing business activities starts with the agreement reached between the two contracting parties regarding the delivery of goods subject to contract. The process of contract involves, in addition to the contract itself, the time consumed to deliver the goods and the cost that the contracting parties incur until the delivery of goods becomes complete. In case of exporting goods, the procedures start with packing of goods until their arrival at the port of the importing country. In case of importing goods, the procedures start from the arrival of the goods at the entry port until they delivered at the importer warehouses. The way of payment is normally specified in the contract between parties , in other words, the contracting parties may agree that payment be at credit, at sight and so on. The local freight forwards in the country of export, shipping lines, customs brokers and ports officials introduce information regarding the required documents, the cost of such documents, as well as the time consumed until the release of goods from the customs.

Before moving to the impact of reforms in trade and investment environment implemented jointly by TAPRII and the Egyptian officials, I will give a glimpse about the items that can be measured through trading across borders <sup>15</sup>.

Trading Across Borders measures:

**1. Documents necessary to export or import:**

1.1 Bank Documents.

1.2 Customs clearance documents.

1.3 Port and terminal handling documents.

1.4 Transport documents.

**2. Time consumed through export or import:**

2.1 Time to obtain the required documents.

2.2 Time of inland freight.

2.3 Time of customs clearance and inspections.

2.4 Time at pPort and terminal handling.

**3. Cost charged through import and export:**

3.1 Cost of obtaining the required documents.

3.2 Cost inland freight.

3.3 Cost of customs clearance and inspections.

3.4 Cost of port and terminal handling.

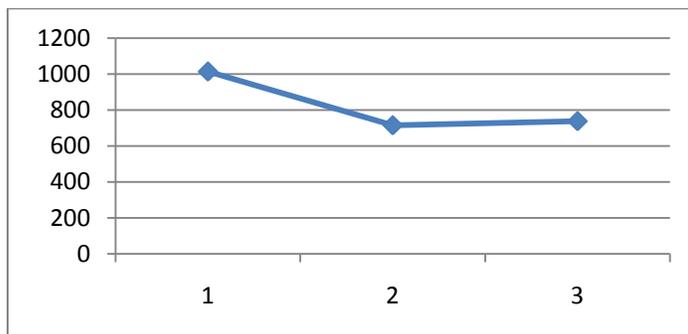
3.5 Official costs needed to be paid.

We shift now to see how the reform made was reflected on the ground through the assessment of performance of trading across borders in Egypt through last three years<sup>16</sup>:-

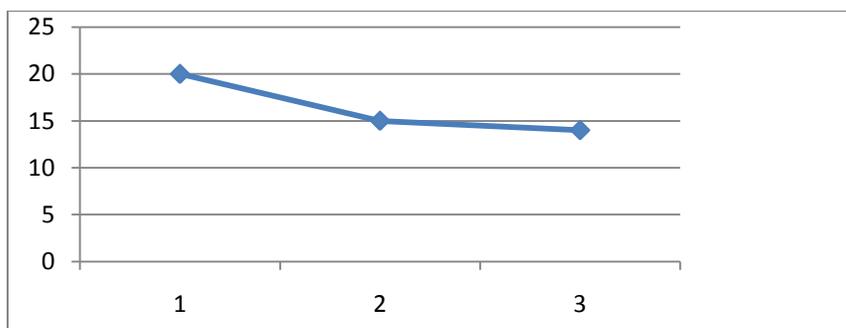
## Trading Across Borders in Egypt

Trading across border item	2007	2008	2009
Rank		21	24
Document for Export (number)	8	6	6
Time for export(days)	20	15	14
Cost to export (US\$ per container)	1014	714	737
Document for import	7	6	6
Time for import (US\$ per container)	25	18	15
Cost to import	1049	729	823

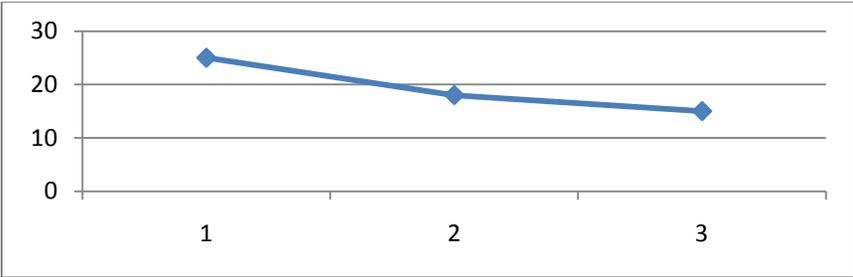
Graph showing trend of cost of export:



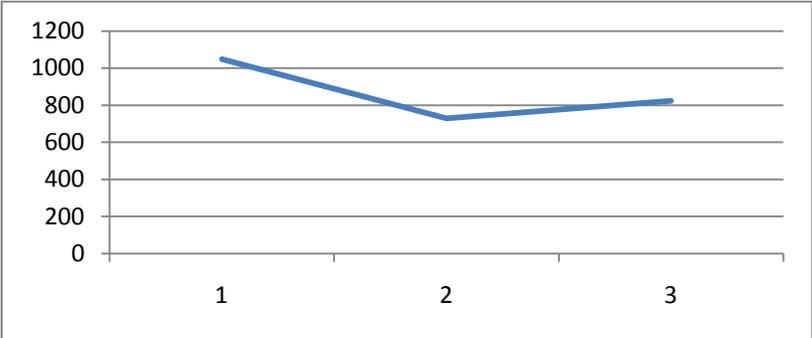
Graph showing trend of time consumed for export:



Graph shows the time for import



Graph shows cost of import



The above graphs shows that as a result of reform made the cost of both export and import reduced and also the time consumed for finalizing the import and export procedures is reduced.

## **6. Policy Recommendation**

The above discussion presented an example funded and implemented by USAID jointly with Egyptian officials in different governmental agencies through the Technical Assistance for Policy Reform (TAPR II) project in respect of Customs Reform and Trade Policy and Trade Facilitation. In spite of the fact that there were a gamut of significant accomplishments that were crystal clear in discussing trading across borders. My own recommendations will be focused upon other policies needed from Egypt's Government to get the maximum benefit from the reforms discussed above.

Let me start with the first recommendation, which is of course modernizing Egyptian industry to be in line with the global specifications in order to be able to compete in the international markets. I would like to confirm the fact that reforms made in customs and trade facilitation items discussed above will be of limited benefit unless there are a highly qualified industries. By qualified industries i mean industries that can compete with the imported industries inside the Egyptian market and in foreign markets. Furthermore, it is very imperative to diversify the manufacturing sectors to have more industries with a high value added to the Egyptian economy. Future USAID programs must give due attention to modernizing production base in Egypt. I am fully aware that USAID alone will have the enough resources to this task, but the private sector and the government must participate in securing the resources needed to modernize the Egyptian industries.

In spite of the fact that there are other donor countries such European Union (EU) provides some assistance to modernize Egyptian industry but the collaboration and coordination between USAID, EU , Government of Egypt (GOE) and the private sector is a must.

Regarding my second recommendation, since the first declared aim of any foreign aid is to reduce or participate in eliminating poverty in the recipient country; therefore, I recommend that USAID give more attention to the vulnerable segments of the Egyptian society. In this respect , I recommend that USAID give more attention to the informal economy in Egypt. Informal economy in Egypt absorb a large number of poor people who have limited resources and skills, therefore, it will be more feasible to invest in those people instead of focusing on the ministries. As I mentioned earlier in the introduction to the opinion of Ayoub , the taxi driver , who does not feel the impact of USAID and therefore, he wishes it to be basically abolished. USAID may focus on the likes of Ayoub who working in the informal sector of the economy.

As for the third recommendation, I propose that both Egypt and USA discuss the programs to be funded by the USAID before these projects are put into force. Since the declared goal of any aid is assist the recipient country in reducing poverty, therefore, I strongly recommend USIAD effectively participate in designing programs targeting mainly the poor and vulnerable segments of the Egyptian society.

## **7. Conclusion**

This paper concludes that the Technical Assistance for Policy Reform (TAPRII) achieved a significant positive impact on reforms made in trade policy, trade facilitation, and investment. This positive impact was crystal clear in the assessment made Nathan Associates Inc. of USAID to Egypt which concluded positive achievements. Another assessment was made by World Bank through two successive reports on “Doing Business on Egypt” in 2008 and 2009. Both two assessments concluded that reforms had significant positive impact on business environment in Egypt.

Finally, this paper showed that USAID through the Technical Assistance for Trade Policy Reform (TAPRII) had a positive impact through the reforms made in Trade Policy, Trade Facilitation, and Investment. This positive impact was crystal clear through the increase of trading across borders which happened as a result of reducing the time and cost of export and import procedures. However, I have a cautionary note which is “the sustainability of the outcomes of these reforms”. I have to say that the responsibility of sustaining these positives is solely and entirely the responsibility of the Egyptian officials within the framework of the Agreement on Economic and technical Assistance signed between Egypt and USA on 16 August 1978 that assigned Egypt to take the necessary measures to make sure of the effective use of such assistance.

## **Bibliography**

Opeskin, Brinar R.1996. The Moral Obligation of Foreign Aid. World Development, vol.24, no.1,p23.

Taher, Nadia. 2001. In The Shadow of Politics: US AID-Government of Egypt Relations and Urban Housing Intervention. Environment & Urbanization Vol.13No1 April2001.p 65.

Todaro, Michael P.1997. Economic Development. six edition. Longam.pp549-550.

Levin, Yuval . American Aid to the Middle East: A Tragedy of Good Intentions.  
[www.iasps.org/strat11/strategic11..](http://www.iasps.org/strat11/strategic11..)

Kurtzer, Daniel C.1991. Foreign Assistance Request: Egypt, Israel, the Occupied Territories. [www.disam.dsca.mil](http://www.disam.dsca.mil)

Wafaai, Saly, “ The Success of Egyptian-American Consultation on the American Aid in 2010”Al Ahram Newspaper, May8, 2009, First page ,issue No 44713.

Ezzat, Dina, “ For what it is worth” Al Ahram Weekly, June 28-July4, 2007, economy page , issue no851.2007.

See reference no 7.

Radelet, Steven. 2006. A Primer on Foreign Aid. Center Global Development. Working Paper Number 92, p4.

Burnell, Peter.1995. Foreign Aid in a Changing World, Chapter 5, 86.

United States of America and Egypt, Economic, Technical and Related Assistance Agreement.United Nations –Treaty Series, No.18607, April 1980.

Http:// [www.usaideconomic.org.eg/activity](http://www.usaideconomic.org.eg/activity).

Egypt: Economic Performance Assessment: Nathan Associates Inc.April 2008.P 24.

See reference 13.P 26

Doing Business in Egypt, 2008, P 30. A co- publication of the World Bank and the International Finance Corporation.

Doing Business in Egypt. 2008, P 38. A co- publication of the World Bank and the International Finance Corporation.