FINAL

IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

Submitted to:

U.S. Agency for International Development/Egypt

Prepared by:

Dr. Robert J. Maushammer
Economist Evaluator/Team Leader

Dr. Paul O' Farrell
Trade and Investment/Commercial Banking Economist

Nadra Garas
Research Methodologist

With subcontractor support from Allied Corporation

Submitted by:

Results Reporting Support Activity
Development Associates, Inc.
20 Aisha El-Taimoreya St., 1st Floor, Apt.2,
Garden City, Cairo,
Egypt

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LIST OF ACRONYMS

and definitions of statistical terms

ADS	Automated Directives System (USAID's rules and procedures)
CBE	Central Bank of Egypt
CFR	U.S. Code of Federal Regulations
CIP	Commodity Import Program
CMD	USAID's Commodity Management Division, a part of the Economic Growth Office
CY	Calendar Year
EU	European Union
FY	Fiscal Year
FX	Foreign Exchange
GDP	Gross Domestic Product
GOE	Government of Egypt
GSM 102,103	USDA agricultural export sales programs
IR	Intermediate Result (in USAID Program Strategy)
KfW	Kreditanstalt für Wiederaufbau
L/C	Letter of Credit
L/Com	Letter of Commitment
LE	Egyptian Pound
LIBOR	London Interbank Offer Rate
Mean	In statistics, the average
Median	In statistics, the value of the midpoint of a set of values, with half the observations being greater and half being smaller
MFA	Egyptian Ministry of Foreign Affairs
Mode	In statistics, the most frequently encountered value of a set of values
Mission	The USAID organization in Egypt
MOF	Egyptian Ministry of Finance
MOU	Memorandum of Understanding
PAAD	Program Assistance Approval Document
PRCIP	Private Sector Commodity Import Program
Program	the Private Sector Commodity Import Program
Rag 1	USAID's Regulation 1, governing CIPs
SMEs	Small and medium-size enterprises
SO	Strategic Objective (in USAID Program Strategy)
USAID	United States Agency for International Development
USAID/Egypt	The USAID Mission in Egypt
USAID/W	The USAID headquarters in Washington, D.C.
USDA	United States Department of Agriculture
USG	United States Government
WB	World Bank

EXECUTIVE SUMMARY

A. Findings and Conclusions

A. PRCIP as a Development Tool at the Macroeconomic Level: PRCIP is and has been an important demonstration of USAID and USG support for GOE policies to foster private sector development. The annual resource transfer that PRCIP embodies is small in comparison with Egypt's total foreign exchange uses in a given year, which means that the existence of PRCIP is not an obvious prop for poor exchange rate management. However, PRCIP finances an important part of the GOE budget deficit. This fact endows it with the ability to be very useful in the context of policy dialogues with the GOE. PRCIP is also building a stronger group of entrepreneurs who have clamored for, and will continue to clamor for, improved economic and financial policies.

B. PRCIP as a Development Tool at the Firm Level: According to the firms we surveyed, CIP clearly has helped firms become more competitive and their operations more cost-efficient. Overall, they said that CIP accounted for 15-20 percent of their firm's growth. The Program also helped them to reduce prices in the price-sensitive local market. Over half said that the availability of CIP was a factor in their decisions to expand productive capacity, on occasion helping to found entirely new product lines and industries. A third of our interviewees saw the CIP as very important in expanding employment in their firms or among customers and suppliers of local inputs. That view only partially recognizes CIP's contribution, for some companies, to maintaining employment through economic difficulties and the fact that CIP participating firms, especially manufacturers, have expanded employment significantly since entering the Program. In addition, newer and smaller companies tend to benefit substantially through the extra security that a USAID-backed Letter of Credit provides to them as new customers of the exporting firms.

C. PRCIP as an Export Development Tool: PRCIP is an important export sales tool for the United States. Currently, PRCIP accounts for 12 percent of all U.S. exports to Egypt and 23 percent of all non-grain, non-military U.S. exports to Egypt. The availability of the CIP is one of the most critical factors in Egyptian firms' decisions to import from the United States. Export sales to Program participants occur while they are active in the Program and follow-on export sales result because CIP importers continue to buy from the United States when no longer participating in the Program. The inclusion of new participants has been an important factor in introducing U.S. products to private Egyptian importers, thereby expanding U.S. export sales. The research carried out for this evaluation suggests that as much as one-third of PRCIP imports could be U.S. export sales that otherwise would not have occurred.

D. PRCIP as a Subsidy: The incentives offered to Program participants are not major for most participating firms. They seem to be set at a point that would attract enough participants to keep implementation moving. They thus parallel the marketing tools used by businesses everywhere. The incentives built into the financial package act mainly to offset the extra costs of importing through the Program. Whether they are a subsidy to an individual firm depends on the specifics of the proposed transaction and the alternatives available to that importer. Nonetheless, it seems clear that traders typically derive more benefits than end users because traders can obtain foreign exchange through PRCIP at a price that most often would not be available to them otherwise. (The inability to obtain foreign exchange at the lower bank rate except through the Program may affect some end users as well.)

E. PRCIP's Incentive Programs: USAID/Egypt can point to some positive results from these programs, which currently involve about 10 percent of PRCIP resources made available annually. It is not clear from the importers and private sector business leaders interviewed for this study how often the Upper Egypt and environmental incentives induced changes in investment objectives. Rather, the Team believes that it enabled entrepreneurs to do what they wanted to do by making a specific decision possible, and to that extent these incentives allowed changes in their economic behavior. Logic indicates that the export incentive rewards past behavior and might induce some export sales that may not have occurred otherwise. All in all, these incentives seem to have been worthwhile efforts to increase the development impact of the Program while occasioning little additional management burden.

F. PRCIP's Operational Pluses and Minuses: Exporters appreciate the increased sales made possible by CIP and find the security of the USAID-backed Letter of Credit most appealing. Those Letters of Credit are also the source of frustration by being very exacting but also sometimes vague. U.S. shipping requirements are a source of some frustration as well. Exporters said that CIP paperwork involves a heavy burden of time and manpower, which raises their cost of doing business. Importers said they like to use the CIP because it eliminates exchange risks, provides a good interest-free grace period, allows payment in Egyptian pounds and, for some, provides foreign exchange at a lower cost than might otherwise be available to them. The most frequently mentioned burdensome aspect for importers is the requirement regarding U.S.-flag shipping, followed by problems with banks (including delays in approvals) and general paperwork requirements. Some 80 percent of U.S. exporters and 90 percent of Egyptian importers would recommend the Program to others. Making PRCIP resources available in two trenches gives the Mission the ability to allocate resources to the banks that make most ready use of them, but also makes resources available only at certain times of the year.

G. Program Management: The PRCIP is a mature program that builds on over a quarter-century of experience in Egypt. The Program has maintained a good rate of implementation through the vastly differing economic and financial conditions that characterized this period. The Team concludes that this maintenance of implementation is due to the on-point changes made by the Mission to the financial terms of the Program over time, especially changes in the length of the interest-free grace period and, to a lesser extent, the length of the term credits facilitated through the Program. USAID/Egypt has managed PRCIP operations very well, but its data system does not facilitate analyses very well.

B. Recommendations

Recommendation # 1: The Mission should broadly publicize the rules on how the 50/50 shipping requirement is implemented, including specifically the flexibilities that are permitted by law or regulation. This would help reduce the major source of user complaints.

Recommendation # 2: The Mission should smooth out funds availability through the year and, in any case, should not penalize banks that space out transactions by giving them smaller or no allocations in subsequent periods. This would facilitate steadier use by smaller importers and those who need to make frequent imports of raw materials and intermediate goods.

Recommendation # 3: The Mission should look for ways to simplify the paperwork burden faced by participants, especially applications and L/Cs. This would help reduce a significant burden on all Program participants—exporters, importers and banks.

Recommendation # 4: The Mission should maintain its attention to the financial attractiveness of the Program in the near-term future in particular, given the strengthening of the Euro and the new Egyptian Partnership Agreement with Europe. This will help maintain the pace of implementation while controlling potential spikes in demand.

Recommendation # 5: The Mission should re-publicize the Program and its operations, especially the rules for qualifying for the three incentive programs (environment, Upper Egypt and exports). This will assist in attracting new participants.

Recommendation # 6: The Mission should develop computer software for all banks to use in generating required reports, so as to maximize the amount of data entered at a single time. This would reduce recordkeeping errors and reduce costs for all parties.

Recommendation # 7: The Mission should increase the transparency of bank fees in the Program and emphasize that banks alone set these fees. This will help competitiveness, affecting especially the smaller/newer firms that suffer from imperfect knowledge.

I. INTRODUCTION

This evaluation assesses the effect of the Private Sector Commodity Import Program (PRCIP) of the United States Agency for International Development (USAID) on participating Egyptian private sector firms, the commercial banking sector and U.S.-Egyptian trade linkages. In addition, it reviews PRCIP's influences on Egypt's foreign exchange regime and the Program's indirect effects. The ultimate objective of the evaluation is to assess PRCIP's own goals and its contribution to achieving USAID's strategic objective in the economic growth area. This evaluation covers the ten-year period from 1994 through 2003. USAID's total commitments for PRCIP during this period came to $2.1 billion. (The Scope of Work is given as Annex A; the Work Plan appears as Annex B.)

The evaluation was carried out through an analysis of survey and other data gathered especially for the purpose, supplemented by information obtained through numerous interviews with leading Egyptian bankers and private sector leaders and with officials in the U.S. and Egyptian governments. The survey data were obtained through face-to-face surveys of 200 participating Egyptian private sector businesses and telephone surveys of 206 participating U.S. exporters.[1] The information these surveys provided was analyzed by the three-person team of evaluators who also conducted interviews in Washington, D.C. and in Cairo, Alexandria and Borg el Arab. This evaluation builds on an earlier evaluation of predecessor programs.[2] (See Annex C for a detailed methodology statement.)

While the PRCIP had received at least $200 million annually since its inception, USAID notified Congress in its FY 2004 Congressional Budget Justification that it proposes to reduce that amount to $160 million for FY 2004. However, a Congressional earmark will apparently keep PRCIP's funding level at the current $200 million figure for an undetermined length of time.

Notable changes have occurred since the last evaluation in the economic and financial environment in Egypt in which the Program has operated.

A. Growth of the Economy

Egypt's economy passed through two distinct phases during the period covered by this PRCIP evaluation. The first, from about 1995 to 2000[3], exhibited strong economic growth and substantial structural change as a result of significant economic reforms implemented in the

[1] The survey of Egyptian importers was performed by Allied, Inc. and the survey of U.S. suppliers was carried out by Development Associates staff, supervised by Todd Stephenson for this effort. The assistance of all involved is gratefully acknowledged.

[2] Development Associates, Inc., *Report on the 1994 Evaluation of the Egypt Commodity Import Program*, prepared by Donald Dembowski, Stanley Siegel, Robert Laport, Lawrence Pope and Neil MacMillan, December 30, 1994 (covers the period from 1985 through 1993).

[3] Dates refer to the start of the Egyptian fiscal year beginning July 1.

late 1980's and early 1990's. From 2000 onwards, however, growth and structural change slowed, largely from the effects of global recession and regional political uncertainties.

Data from 1996[4] to 2000 show the average annual rate of real economic growth was 5.2 percent, unprecedented when compared with the prior three decades of Egypt's economic performance and quite respectable compared to other countries in similar circumstances. Industrial production and mining, electricity, finance and insurance grew by more than 8 percent annually while tourism and real estate ownership followed closely at over 7 percent. More importantly, from a structural perspective, there was a dramatic shift away from state provision of goods and services to private sector production.[5] The real value of public sector production in industry and mining, transportation and communication, trade and tourism declined during the period while the private sector's provision of these goods and services grew substantially. During this period, the private sector became an important player in the provision of telecommunication services and initiated its first involvement in the production of electricity. Overall, the private sector increased its recorded share of GDP by 6.5 percentage points, to 74.5 percent of GDP.[6]

From July 2001 through June 2003, the average annual rate of growth slowed to 3.2 percent. With no significant reversals in the domestic economic reform program, Egypt's expansion was constrained by world recession and political insecurity in the Middle East. In the commodity sectors, the public sector showed no overall growth while private sector growth dropped from an annual rate of 7.7 percent to only 2.5 percent. Structural change continued with noticeable expansion of private sector activity in electricity and insurance, but the value of this expansion was a small component of GDP. Despite short-term setbacks after September 11, 2001 and during the Iraq conflict, the growth in tourism, now primarily in the private sector, remained high. However, overall, the government share of GDP remained essentially unchanged due to expanded government services and increased revenue from the Suez Canal.

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[4] Data from 1995 were not used because they are based on constant prices for 1990/91, which would have introduced data discontinuities.

[5] Egyptian data report production as "public sector" or "private sector" according to the law under which the production is organized. Governmental entities and production organized under public sector company law is reported as "public sector." Production organized under a private sector company law is reported as "private sector." However, there are a number of government owned entities (some rather large) that are organized under private sector law and are thus included in the data under the "private sector" heading. There is no firm estimate of the size of the government's ownership of the private sector. In banking and tourism, the government's share of "private sector" production has clearly shrunk. In industry, it has shifted from active management toward portfolio investment. Government owned companies in the "private sector" no longer seem to have special benefits or privileges as a result of the government's equity interest.

[6] Data used to calculate sector shares and growth rates within each of the two periods are based on constant prices for each period. The first period uses 1996/97 prices for the Egyptian fiscal years from 1996 through 2000. Data for 2001and 2002 are stated in 2001 prices. Consequently, real growth rates between the two periods cannot be calculated. In addition, the updating of the constant price base produces a slight shift in the relative importance of sectors and the shares that are public and private. Thus the private sector's contribution to GDP may not have actually declined between 2000 and 2001. Rather, the 2001 data based on a more current constant price may more accurately reflect the relative worth of GDP components in 2001 than does the 1996/97 base captured for the year 2000.

B. Balance of Payments

Egypt's balance of payments account is characteristic of emerging market economies, in that imports significantly exceed exports for some period after changes in policy and law shifted the economic paradigm from a closed, import substitution system to an open market economy. This reflects not only pent-up demand, but also the lag between importing capital goods and raw materials and the export of their products. It also reflects the time required to implement a number of structural changes in the economy, such as shifting from domestic market standards to those required for international trade. Between 1994 and 1998[7], the balance of trade worsened. Petroleum revenues declined but were not compensated for by the continuous rise in non-petroleum exports. In addition, important tourist revenues in 1997 and 1998 were far below their growth trend line, reflecting perceived security threats in the region. However, with exports rising and imports shrinking, the balance of trade improved for the remainder of the period and the current account balance became positive in 2000. It has remained positive despite the sharp, temporary decline in tourism revenues after the events of September 11, 2001. Since the year 2000, non-petroleum exports have become the single most important source of current account revenues, surpassing tourism and worker remittances, although tourism should rebound to the lead position as the perceived security situation in the region improves.

On the capital account, the structural change in the economy occurring between 1995 and 1999 is reflected in the significant rise in new foreign direct investment inflows, which peaked at $1,656 million in 1999. World recessionary conditions reduced this source of capital by more than 60 percent for the next several years, but some slight recovery occurred in 2002. Similarly, but lagged by one year, Egypt's earnings from investments abroad declined by a total of almost 60 percent.

See Tables 1 and 2 in Annex F: Selected Egyptian Economic Trends Data for recent balance of payments data.

C. The Budget

Since well before the economic reform program was initiated, the GOE has struggled to rein in expenditures and increase revenues. Budget imbalances became acute in the 1980's and, along with chronic foreign exchange shortages and very low levels of investment, were a fundamental part of the incentive to undertake reform. Since the early 1990's, the consolidated budget deficit has declined and is now (barely) in the manageable range. On the revenue side, the sales tax has become a principal source of revenue and the importance of customs revenue has been reduced, consistent with the GOE's policy favoring export-led growth. On the expenditure side, there has been a sharp curtailment in public sector capital expenditures. Also, some categories of budget expenditures are now partly undertaken by the private sector, such as in electricity (the Build, Own, Operate and Transfer program—BOOT) and in telecommunications.

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[7] Dates refer to the start of the Egyptian fiscal year beginning July 1.

Nevertheless, the budget remains in deficit and the GOE continues to search for new sources of revenue, believing that significant expenditure cuts would be socially and politically unwise. The problem has been exacerbated since 2001 as the recession negatively impacted sales tax receipts while government-provided services and debt amortization rose.

See Table 3 in Annex F: Selected Egyptian Economic Trends Data for recent budget data.

D. Foreign Trade

During the 1990's, foreign exchange became readily available to finance imports compared to the previous decade. By the end of the decade, Egypt's foreign currency reserves were sufficient to finance well over a year's worth of imports. However, with the recession and the decline in tourist revenues, foreign exchange is seen to have become scarcer, and the CBE has taken measures to prioritize imports.

GOE authorities feel that luxury imports have become excessive and contribute to the tight foreign exchange situation. For example, there has been a 600+ percent rise since 1995 in the import category of footwear, headgear, umbrellas and artificial flowers, and imported luxury cars are very visible. While these items still constitute a relative small percent of imports, the CBE imposed an import priority list with the aim of focusing scarce foreign exchange on essential food commodities and inputs to manufactured goods. Traders, who are seen as the source of the luxury goods problem, were essentially excluded in 2003 from purchasing foreign exchange from the banks and are forced to use the higher priced parallel market that has emerged in the past several years. In March 2003, the CBE also required exporters and the tourist companies to sell 75 percent of their foreign exchange earnings to the banks. This was a significant reversal of a 1994 reform that allowed companies to retain all their foreign exchange if they so desired. To overcome resistance to this measure, the CBE is now guaranteeing these companies the foreign exchange for their needed imports even if it is not available at their banks.

While inputs for manufacturing and commercial agriculture are growing, essential food commodities for domestic consumption are still a significant component of imports.

Commodity exports have grown, and the growth in a number of non-traditional exports, such as fresh vegetables and fruits, is frequently pointed to as a sign of success in economic restructuring. However, overall, commodity export earnings still largely arise from traditional exports and much of this, such as extracted minerals and metals, remains in the public sector.

In January 2003, the GOE floated the Egyptian pound (LE) to let the market realign its price. However, given the tight foreign exchange market and the GOE's aversion to price increases in the local market, the LE is still a managed currency, requiring restrictions and interventions to maintain some semblance of stability.

E. The Private Sector

The GDP data, discussed above, clearly evidence the increasing importance of the private sector. By Egyptian standards, many medium-sized firms have become large, and domestic producers are looking for export markets. Nevertheless, the private sector is still in its early stages of development, particularly *vis-à-vis* competing in the global economy. However, today, one is as likely to hear company management complain about the recession or other market conditions as about continued government interference or policy obstructions. Previously, the private sector was only preoccupied with eliminating the stifling effects of government rules, regulations and policies.

See Tables 5-7 in Annex F: Selected Egyptian Economic Trends Data for recent data on Gross Domestic Product, by economic sector and by public sector/private sector origin.

F. Distribution of Income

The transformation of Eastern Europe and the former Soviet Union resulted in a significant increase in the disparity of incomes and wealth. Before the transformation, private wealth was suppressed and the lower income majority was provided with a relatively uniform level of low quality goods and services. That the same process should occur in Egypt as policy changes shifted the economy from command to market should come as no surprise to GOE officials, the donor community and other knowledgeable observers of the economy. Egypt's economy was largely patterned after Eastern Europe, albeit without the depth and fervor of Eastern Europe's Marxist ideology. A core component of the economic reform program was the reduction of subsidies, raising the prices of many wage goods and basic services relative to the prices of goods typically consumed by the wealthy. In addition, the opening of the economy initially provided more opportunities to those who had capital or higher skill levels. In a World Bank study[8] by El-laithy, Lokshin and Banerji in 2003, the rapid growth of Egypt's economy during the second half of the 1990's tended to reduce poverty but slightly increase the disparity in the distribution of income.

[8] World Bank, Development Research Group, Poverty Team, Policy Research Working Paper 3068, Poverty and Economic Growth in Egypt 1995-2000, prepared by Heba El-laithy, Michael Lokshin and Arup Banerji, June, 2003.

II. PRCIP'S ROLE IN THE USAID STRATEGY

At the beginning of the period covered by this evaluation, PRCIP formed part of the set of activities designed to achieve USAID's Strategic Objective One (SO1), stated as "Accelerated Private Sector-led Export Oriented Economic Growth." With the redesign of USAID's overall program strategy, PRCIP forms part of SO16, "Environment for Trade and Investment Strengthened," for the period from FY 2000 through FY 2009. SO16 is directed to the larger program sub-goal of creating private sector jobs and the goal of a globally competitive economy benefiting Egyptians equitably. Within SO16, the third Intermediate Result, "Opportunities for Business Growth Enhanced," is defined in part by sub-IR 16.3.3, "Business Access to Finance Increased."

Sub-IR 16.3.3, "Business Access to Finance Increased" is the area in which PRCIP is posited to have its most direct effects on the development of the Egyptian private sector. This has been measured simply by the dollar volume of PRCIP disbursements in each Fiscal Year. While that measure reflects a part of the impact story, it does not capture all of the ways that PRCIP is thought to contribute to increasing private sector access to financing. Further, the measure does not capture, and is not intended to capture, all of the ways PRCIP is thought to contribute to achieving the higher-order goals in the USAID program strategy chain, particularly with regard to enhancing opportunities for business growth and strengthening the environment for trade and investment.

In explaining the PRCIP's expected impacts on the Egyptian economy and society, USAID posited that the foreign exchange made available to the private sector under the Program would allow more imports than otherwise would have been the case, that these imports would help increase local production for both domestic consumption and export, that experience with a private sector-led system would demonstrate the advantages of, and inevitably lead to, an improved climate for trade and investment, and that the participating firms would have higher employment than otherwise, or at least job rates would be more resilient to downturns. In addition, there would be job creation among local suppliers and users of the participating companies' products and services through backward and forward linkages. It was thought that the experience participating firms could gain while in the Program would enable them to qualify for expanded commercial credit. Meanwhile, the technologies embodied in U.S. imports would allow more efficient production and lead to greater commercial and investment ties between the two countries.

The validity of many of these expectations and hypotheses is being explored through this impact evaluation, which is intended to ascertain the existence of corroborating evidence and the strength thereof. The evaluation compares (a) expectations and hypotheses regarding how PRCIP impacts the economy with (b) what an analysis of survey and interview data show.

III. PROGRAM DESIGN AND IMPLEMENTATION

A. Program Design

A Commodity Import Program can be described simply as a facility extended by the United States Government (USG) to another country for financing the commercial export of U.S.-made goods and related services to the recipient country. CIPs are undertaken for a variety of reasons, can take several forms, and can operate in several ways. In Egypt, USAID and the Ministry of Foreign Affairs (MFA) agree on rules, formalized in the MFA's General Circular No. 1, amended from time to time as conditions warrant. USAID acts as the financier and enforces USAID regulations and Program rules, including commodity eligibility, shipping requirements, competitive procedures and price reasonableness, among others. In the Egypt PRCIP, only private sector concerns organized under private law, not located in a free zone, and with no more than 40 percent ownership by public sector organizations can participate. The annual implementation process starts with USAID issuance of a Letter of Commitment (L/Com) to the U.S. correspondent bank of each of the 31 Egyptian commercial banks participating in the Program.[9] The L/Com provides a correspondent bank with the authority, when Program requirements are met, to have Program resources made available to U.S. exporters on behalf of their clients, the local Egyptian banks and through them, the importers. Initial allocations to banks are augmented during the year in response to demand evidenced by each bank and its clients. After getting price quotations from a reasonable number of U.S. suppliers and making an application to his or her bank, the importer then gets approval from the bank for the transaction (USAID also has to approve each import transaction and each commercial bank credit under the Program). Once the application is approved, the importer either gets credit from his or her bank for the LE equivalent of the foreign exchange that USAID has made available or puts up his or her own LE resources. The Program involves an interest-free grace period, currently from 2 to 36 months, depending on the importer (trader or end user) and the goods imported. The importer's bank asks its U.S. correspondent bank (of which there are nine at present) to open an irrevocable letter of credit (L/C) in favor of the approved U.S. supplier. When the goods are shipped and the required documentation is provided, the correspondent bank makes payment to the U.S. supplier and requests reimbursement from USAID according to the terms of the L/Com. USAID pays the correspondent banking fees, but importers pay the fees charged by their local banks. When the local bank receives repayment, the net LE proceeds are deposited in a special account at the Central Bank of Egypt (CBE) in favor of the Ministry of Finance, which uses those resources to support developmentally-related budgetary expenditures agreed to by the GOE and USAID. A USAID contractor located in the United States does a post-transaction check of the reasonableness of prices for each transaction.

With the initiation of the PRCIP, USAID broke from its earlier program of supporting Egyptian public sector imports, a move that, in concert with other USAID projects and policy-based programs, assisted the GOE implement its policy of supporting the development of the

[9] Ten Egyptian commercial banks had dropped out of the Program during the period covered by this evaluation and others were added.

private sector. Experience under the previous CIP, which had a growing private sector component in its later years, gave the GOE and USAID confidence that such a program was feasible and could be an effective source of support to the private sector's role in Egypt's development.

B. Program Operations

From FY 1994 through FY 2003, USAID has provided $2.1 billion in PRCIP resources and financed 6,214 trade transactions involving some $1.89 billion of foreign exchange resources, 1,326 different importers employing over 386,000 workers, and 1,303 different U.S. exporters. Additional amounts (about $8 million) were used to finance U.S. bank fees, interest payments and post-transaction price checking.[10] The sectoral breakdown of the total financing provided by the Program during this period reveals that almost two-thirds of CIP resources were dedicated to imports for industry.

Table 1
Sectoral Distribution of Total Transactions
FY 1994-2003

			Transactions		
Sector	**Importers**	**Workers**	**Value**	**Number**	**% of Value**
Agriculture	163	54,147	$199,385,131.24	835	10.5
Construction	98	33,652	146,029,850.58	423	7.7
Environment	54	10,708	55,660,038.88	92	2.9
Health	101	13,131	70,087,902.99	271	3.7
Industry	680	238,966	1,223,059,830.86	3,847	64.7
Services	134	19,530	109,556,777.83	408	5.8
Tourism	85	15,430	62,140,866.70	311	3.3
Transport	11	790	25,586,820.17	27	1.4
Total	1,326	386,354	$1,891,507,219.25	6,214	100.0

Between 1994 and 2003, CIP financed a large number of transactions for capital goods across all sectors where the private sector is most engaged, as shown in the following table. The heavy preponderance of capital goods imports is evident in all sectors except agriculture and industry. In agriculture, capital and non-capital goods imports were of equal value. In industry, non-capital goods (that is, raw materials and intermediate goods) imports were more than double the value of capital goods, constituting 83 percent of all raw materials and intermediate goods imports. Nevertheless, capital goods imports for industry were almost triple those for any other sector, constituting 43 percent of total capital goods imports. The emphasis within the Program on support to industry is clear. It is also clear that the demand for industrial imports is very high.

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[10] An additional amount, upwards of $200 million, had been made available through FY 2003, but the corresponding transactions had not been completed by the end of that period.

Table 2
Sectoral Distribution of Capital and Non-capital Goods
FY 1994-2003

Sector	Capital Goods: Value of Transactions	Capital Goods: Number of Transactions	Non-capital Goods: Value of Transactions	Non-capital Goods: Number of Transactions
Agriculture	$99,592,098.86	293	$99,793,032.38	542
Construction	129,622,841.05	338	16,407,009.53	85
Environment	53,329,533.84	83	2,330,505.04	9
Health	51,843,031.58	191	18,244,871.41	80
Industry	375,529,530.04	837	847,530,300.82	3,010
Services	79,609,998.55	223	29,946,779.28	185
Tourism	57,303,297.88	269	4,837,568.82	42
Transport	24,966,074.91	21	620,745.26	6
Total	$871,796,406.71	2,255	$1,019,710,812.54	3,959

C. Changes in Design and Operation

The PRCIP has changed in response to the opportunities and challenges that arose, to enable the PRCIP to better contribute to USAID's program strategy.

Specifically, in 1999, USAID added a new incentive for environmentally friendly equipment. An end user importing specified capital equipment would enjoy an interest-free grace period of a maximum of 36 months rather than the normal 18 month interest-free grace period for capital equipment. USAID also changed the eligibility criterion for PRCIP's pre-existing special terms for exporters. Earlier, a firm was required to show that it had exported 50 percent or more of its sales in its last completed accounting period to qualify for a maximum interest-free grace period of 12 or 24 months (non-capital good and capital goods, respectively), rather than the standard 9 or 18 months. Starting in 1999, the firm had to show it had increased the export of its production by at least 10 percent in the last completed accounting period over the previous period. Finally, USAID also reduced the maximum annual amount of PRCIP financing available to end users from $5 million to $4 million for non-capital goods and from $15 million to $8 million for capital goods.

The next change was in 2000. Starting on June 8 of that year, both traders and end users importing specified environmentally friendly equipment could get an interest-free grace period of a maximum of 12 months rather than the normal 9 months.

In 2002, USAID stiffened the terms offered in the Program for importers of non-capital goods. The maximum interest-free grace period for traders was reduced from 6 months to 2 months; normal end users (not those importing environmentally friendly equipment) had the period reduced from 9 months to 4 months, whereas the maximum interest-free grace period for end users increasing their exports by more than 10 percent was reduced from 12 months to 6 months. At the same time, USAID reduced the maximum annual amount of PRCIP financing available to traders from $5 million to $3 million and for end users importing non-capital goods from $4 million to $2 million.

Table 3

Grace Periods, Repayment Periods, and Maximum Annual Use

USAID PRCIP Program: 1995-2003

Starting October 5, 1995	**Trader**		**End User**		**End User Exporting >50% of Sales**	**End User Located in Upper Egypt**
Max. Interest-free Grace Period						
--For non-capital goods	6 months		9 months		12 months	12 months
--For capital equipment	9 months		18 months		24 months	24 months
Max. Repayment Period						
--For non-capital goods	6 months		18 months		18 months	18 months
--For capital equipment	6 months		8 years		8 years	8 years
Max. Use per Importer per Year						
--Trader	$5 million					
--End User--non-capital goods	$5 million					
--End User--capital equipment	$15 million					

Starting June 15, 1999	**Trader**	**Trader Importing Environmentally Friendly Equipment**	**End User**	**End User Importing Environmentally Friendly Equipment**	**End User Increasing Exports >10%**	**End User Located in Upper Egypt**
Max. Interest-free Grace Period						
--For non-capital goods	6 months	6 months	9 months	9 months	12 months	12 months
--For capital equipment	9 months	9 months	18 months	36 months	24 months	24 months
Max. Repayment Period						
--For non-capital goods	6 months	6 months	18 months	18 months	18 months	18 months
--For capital equipment	6 months	6 months	8 years	8 years	8 years	8 years
Max. Use per Importer per Year						
--Trader	$5 million					
--End User--non-capital goods	$4 million					
--End User--capital equipment	$8 million					

Starting June 8, 2000	**Trader**	**Trader Importing Environmentally Friendly Equipment**	**End User**	**End User Importing Environmentally Friendly Equipment**	**End User Increasing Exports >10%**	**End User Located in Upper Egypt**
Max. Interest-free Grace Period						
--For non-capital goods	6 months	6 months	9 months	12 months	12 months	12 months
--For capital equipment	9 months	12 months	18 months	36 months	24 months	24 months
Max. Repayment Period						
--For non-capital goods	6 months	6 months	18 months	18 months	18 months	18 months
--For capital equipment	6 months	6 months	8 years	8 years	8 years	8 years
Max. Use per Importer per Year						
--Trader	$5 million					
--End User--non-capital goods	$4 million					
--End User--capital equipment	$8 million					

Starting August 8, 2002	**Trader**	**Trader Importing Environmentally Friendly Equipment**	**End User**	**End User Importing Environmentally Friendly Equipment**	**End User Increasing Exports >10%**	**End User Located in Upper Egypt**
Max. Interest-free Grace Period						
--For non-capital goods	2 months	6 months	4 months	12 months	6 months	12 months
--For capital equipment	9 months	12 months	18 months	36 months	24 months	24 months
Max. Repayment Period						
--For non-capital goods	6 months	6 months	18 months	18 months	18 months	18 months
--For capital equipment	6 months	6 months	8 years	8 years	8 years	8 years
Max. Use per Importer per Year						
--Trader	$3 million					
--End User--non-capital goods	$2 million					
--End User--capital equipment	$8 million					

Each of these changes was designed to meet a specific programmatic or operational objective. The incentive for imports to be used in Upper Egypt was a clear effort to use the Program to help alleviate the concentration of poverty and extreme poverty in that region (some 60 percent of that region's people are poor).[11] The change in definition of qualifying exporter was done to encourage more exports; the pre-1999 definition favored established exporters, whereas the new definition directly encouraged more exports. The addition of the incentive for environmentally friendly imports was introduced to complement and support the Mission's environmental efforts. The Program should support change in that area. Finally, the successive reductions in the maximum annual amount of Program resources available to an importer attempted first to spread the benefits of the Program more broadly within the private sector and then (starting in 2002) to reduce demand in the face of growing foreign exchange tightness and the reappearance of large differentials between the bank and parallel foreign exchange markets.

During the course of implementing PRCIP, USAID has also taken decisions to exclude various commodity groups from eligibility, in addition to those proscribed by regulation.[12] For example, PRCIP no longer finances bulk grains or animal feed, at least in part because such transactions could utilize the full annual CIP amount and still not satisfy demand from private sector users; U.S. suppliers seem to be quite competitive without the support of PRCIP. In addition, the poultry industry exists behind the protection of a prohibition on the importation of whole chickens and chicken parts, which the United States once supplied. Airplanes were also declared ineligible.

D. Local Currency Generations and Uses

When the importer's commercial bank receives LE payment from the importer, it remits those funds into the Special Account in favor of the Ministry of Finance at the Central Bank of Egypt, less a fee of either 2 percent (non-capital goods) or 4 percent (capital equipment). Similar Special Account resources are deposited in the Central Bank as the result of USAID's policy-conditioned cash transfer disbursements. USAID and the Ministry agree on the uses of Special Account funds. Those uses include the local currency operating expenses of USAID/Egypt and various development-related GOE budgetary expenditures, as agreed by the two parties.

Special Account resources associated with the CIP from 1994 through 2003 totaled some LE 8.6 billion, according to data supplied by the USAID program office. Of this total, about LE 5.8 billion (67%) was used for general GOE budget support, about LE 1.6 billion (19%) was used for sectoral support of GOE ministry and other development activities of programmatic interest to USAID, and the remainder of almost LE 1.2 billion (14%) was for USG activities, including USAID operations and Trust Fund activities.

[11] European Union, EURO-MED partnership, *Egypt Strategy Paper 2002-2006 and National Indicative Programme 2002-2004*, p.10.
[12] This includes all consumer goods. See 22 CFR 201 (AID Reg 1), reproduced in ADS 312 section on commodity eligibility.

IV. FINANCIAL SECTOR INVOLVEMENT IN THE PROGRAM

Material for this section was obtained through in-depth, structured interviews with the responsible senior officers in nine of the twenty-nine banks that currently participate in the PRCIP.

A. Incentive for Banks to Join the Program

Without exception, the bankers stated that the PRCIP is important to their banks although, for most, the dollar level of the Program is relatively small when compared to their total finance of imports (i.e., less than 5 percent of L/Cs opened in a given year). From their perspective, PRCIP's importance is largely based on their banks' desire to accommodate customer demand. The PRCIP is widely known in the business community, and the banks feared that they might lose clients to other banks if they were not participating. Should USAID stop the Program, it is mainly the customers that would be disappointed, as the banks' business would go on relatively unchanged. At least half said that the PRCIP gave them an additional product to offer their customers and several noted that the Program is profitable for the banks. Fees and commissions were market priced, and the fee they get is considered adequate compensation for the unfunded (or contingent) liability they have to the CBE under the credit component, i.e., the two to four points which the bank retains from the interest payments, and for complying with the Program's long-term record-keeping requirements.

B. Most Desirable Features

The bankers were asked to rank, in order of importance, what they felt were the most attractive features of the program. Highest on the list was the fixing of the local currency costs at the time the L/C is opened. It had been common practice in non-PRCIP transactions for the banks to set the local currency costs at the time the L/C was disbursed, rather than at the time the L/C was opened. This resulted in an exchange rate risk for the customer. However, several bankers pointed out that, on the advice of the CBE, Egyptian banks now fully cover single disbursement L/C's (sight L/C's) and fix the local currency costs at the time the L/C is opened. In addition, <u>except under the PRCIP</u>, traders (as opposed to end users) must fully cover their L/C in foreign currency at the time the L/C is opened. This eliminates the exchange risk for these transactions too. For L/C's requiring deferred (progress and final) payments, the customer still faces an exchange risk for the deferred payments. However, not all bankers clearly stated that they are strictly following CBE advice for all non-PRCIP transactions.

If eliminating the exchange risk was not named first, then the availability of foreign exchange was mentioned as first. All bankers stated that foreign exchange has been extremely tight in the market during the past two years, as evidenced by the relatively large difference that now exists between the bank rate and the parallel market rate. While in the second half of the 1990's, foreign exchange was readily available in the market, finding sources of foreign exchange during the past two years has been difficult for the banks and their customers. The availability of PRCIP through the banks is particularly advantageous since the transaction occurs at the lower bank exchange rate.

Next in importance was the grace period provided under the program. All importers took advantage of this. While a few banks said they offered a limited grace period to some clients when using the bank's resources, the only benefit the customer received in those cases was a deferral of principal payments. Interest accrued during the grace period. Only one bank mentioned the repayment period as attractive but admitted that few clients took advantage of this feature. The banker also pointed out that the eight-year credit period for capital goods is more than the bank felt was appropriate in this market. Consequently, since the PRCIP is structured to adhere to the bank's policies on sound commercial practices, their clients were not offered the full eight years. The longest they were prepared to offer is five years.

Several bankers said that including the PRCIP as part of a larger financial product offered to a customer was important in closing deals and solidifying customer loyalty.

Finally, several of the bankers offered their view that it is important to the prestige of the importing firm to be known as having met the criteria under the U.S. assistance program. The U.S. assistance program is held in high regard in Egypt, having a reputation for requiring strict adherence to the rules. By using the PRCIP, an Egyptian importer is seen to have met sound business-based criteria as opposed to wielding political influence or corporate muscle, which could be the case in non-PRCIP transactions.

C. Less Desirable Features

When asked which features of the Program they did not like or would like to see changed, six of the nine initially said that they couldn't think of anything at the moment. When pressed to think of something, two said that their customers sometimes had difficulty obtaining the required three pro forma invoices. In addition, one felt that the justification requirements for not selecting the lowest responsive quotation had made some customers choose a supplier that they didn't really want. These were not seen as significant problems from the bankers' point of view.

Among those who initially mentioned a shortcoming, the most important is the disruption to the Program between quota allocations. They said that to get a good second quota a bank had to quickly use its first quota. In today's market, with a queue of PRCIP applications, the first quota is committed shortly after it is received and is then followed by a long period of no transactions until the second allocation is made. The only suggestion for improvement was to not penalize banks that space out their transactions by giving them a smaller or no second quota.

Several of the bankers said the reporting requirements were an additional cost to the bank and they would welcome any streamlining of the procedures. One banker suggested that USAID provide funds for the development of computer software for all banks to use to generate the required reports from a single entry of data. He pointed out that the process now requires substantial human intervention at his bank for entry and verification.

One of the bankers felt strongly that the transaction limits should be less rigid. His particular example was a proposed transaction above the limits that would shift the source of imports of a large Egyptian exporter from Europe to the United States.

Whether bankers mentioned a shortcoming or not, all of them were quite complimentary about the Program.

Finally, while admittedly reluctant to raise the issue, three of the bankers noted that other donor programs, notably KfW's, had no source/origin restrictions. With knowledge of this in the business community, bank customers wanted the PRCIP to adopt the same approach. One of the bankers was sympathetic to origin restrictions for bilateral assistance programs, but felt the source requirements could be eased so that offshore U.S. firms could become eligible suppliers.

D. Choosing PRCIP Customers

The bankers unanimously stated that applications for PRCIP finance were strongly demand driven. All of the bankers were aware of most of the PRCIP's areas of emphasis. With these as guidelines, selection criteria varied from first come-first served to selecting from the excess demand those transactions that best fit the PRCIP's priorities. The banks generally stuck to their own customer base and, in several cases, it was implied that customers who are substantial users of the bank's other services were more likely to be selected than "walk-ins." One bank that services primarily customers who source their supplies in Europe shared its quota with other banks that had excess demand. They did this in order to remain in the Program.

E. Comparing PRCIP Terms with Transactions Using the Banks' Own Resources

Generally, all of the bankers gave similar replies to questions concerning the terms of PRCIP transactions compared to transactions using the bank's own resources. All of the banks said that the commissions and other charges for opening an L/C under the PRCIP are the same as they charge for any other customer using the bank's pool or the importer's own foreign exchange. We were told that the commission for opening a three-month sight L/C varied from 1.5 percent to 3 percent, although data provided to USAID by the banks indicate a range from 0.875 percent to 2.5 percent, with an average of just under 1.5 percent. Banks charged no additional fees for providing the grace period, although one banker thought some other banks did. He said he didn't know which ones or how many. All L/Cs, whether PRCIP or not, must be disbursed within three months, as that is the standard length. Otherwise, the customer must pay an additional fee to extend it for another three months. A few bankers said that their extension fee is less than the initial opening fee. Others said it was the same. One said his bank did it for free. In Annex L "Participating Banks' Fee Schedule," a list is shown of the various bank fees for the 31 participating banks.

The credit analysis is the same and any down payment or cash collateral requirement is the same. However, three banks said that the interest rate they charge on PRCIP credit transaction is slightly lower than they would normally charge for the same customer for the same transaction. One said that this follows from an informal understanding among all of the participating banks, but no other banker had any knowledge of the understanding. The second offered no explanation as why his bank used a slightly lower interest rate. The third said it was his bank's policy for PRCIP transactions to use the rate applicable to a customer for overdraft facilities rather than the customer's assigned higher medium-term rate. This was done because the PRCIP's credit component was an unfunded liability of the bank and represented a lower cost of funds. This saving was partly passed on to the customer to make the total product more attractive.

Most bankers said that the average rate of interest is around 13 percent for PRCIP users, but some banks would go as high as 18 percent, depending on the creditworthiness of the customer. As mentioned above, one bank specifically said that eight years is too long for credit in this market. While none of the others said it this explicitly, several did say that their customers did not need more than five years.

One of the bankers stated quite emphatically that the CBE had to pre-approve the interest rate under each of his PRCIP credit transactions. He said that this is not a problem, as the CBE has accepted the bank's proposed interest rate on each transaction. No other bank had heard of this requirement and several said they would object if it were applied to them. Another banker said that he reviewed each transaction with the CBE before closing the deal.

The bankers all said that their customers had a strong preference for clearing their obligations to the bank at the end of the grace period. They said they therefore had very few credit transactions. The explanations for this behavior included the idea that, culturally, Egyptian businessmen like cash over credit. Others said that it resulted from businesses being long in local currency. However, some bankers said that businessmen worried that they would not get a second PRCIP transaction if they had not paid off the previous transaction. One banker pointed out that, if the bank is long on local currency, it would pay off its CBE obligation at the end of the grace period but continue the credit agreement with the customer.

All of the bankers interviewed explicitly stated that, notwithstanding their description of their bank's policies and the terms offered to the average transaction, all aspects of a transaction (fees, commissions, interest rate, etc.) were open to negotiation with the customer and that terms can differ between customers and between transactions with a single customer.

F. Is PRCIP a Subsidy to the Private Sector?

Each banker was asked if he or she viewed the features of the PRCIP as a subsidy to the importers or as a necessity in order to make U.S. source/origin procurement competitive with products from Europe. Most replied initially that they considered the Program to be a subsidy. However, several pointed out that it depended on the commodity and the alternative source. If the importer's alternative source is Germany, the PRCIP is a subsidy because of the relatively high price of goods from Germany. However, if the alternative source is Italy or Spain, the special features of the PRCIP are necessary to make U.S. goods competitive. The bankers felt that customers calculate the costs of alternative procurement before deciding to use the PRCIP, although these days, with the scarcity of foreign exchange, all bank-provided foreign exchange is a bargain compared with the parallel market.

G. Promotional Efforts

In response to the previous evaluation,[13] USAID undertook an educational program with bankers to promote banker and client knowledge of PRCIP rules and procedures. Currently, the majority of the promotional activity is carried out in-house to be sure the branch personnel are familiar with the Program and all of its features. One banker plans to do a presentation to senior bank

[13] Development Associates, Inc., *op. cit*.

management because she feels they may not be giving sufficient attention to the Program. Several banks said they alerted customers when the allocations were available from USAID. This was done either by mail or over the phone. Generally, they did not feel it was necessary to beat the bushes for new customers because the business community seemed to be well aware of the program, although they might not know all of the details. This may not always be the case, however, given the information some of our interviewees gave us, as discussed later in this paper.

H. PRCIP as a Learning Experience for Banks

None of the bankers said that his or her bank had learned anything new in import finance from the Program. Similarly, they could not point to any procedure which the PRCIP introduced that was expanded to non-PRCIP transactions. Rather, they were pleased with the Program because it uses the specific skills and facilities that the banks' foreign transactions departments were set up to provide. In one case, however, the banker stated that he felt his staff had benefited from the exposure to transactions that combined multiple features to meet individual customer's needs.

I. Alternative Funding Lines/Competition

The FY 1995 Program Assistance Approval Document (PAAD)[14] that originally authorized the current Program compared the PRCIP with 17 other international programs that were potential competitors in providing foreign exchange financing for private sector imports in Egypt. In total, these programs were slated to provide over $800 million in life-of-project financing, plus eventual rollover funds in some cases. None duplicated the main features of PRCIP, although each directed at least a part of its resources to the private sector. Nine of these other programs, accounting for over $530 million in financing, required importers to repay their loans in U.S. dollars, Euros or yen. Thus, they did not contribute to a net increase in foreign exchange (FX) available to the country—a major component of USAID's rationale for PRCIP. Programs requiring repayment in foreign currency can be expected to flow to businesses that have access to foreign exchange. This might provide differential help to exporters and those in the tourism business when FX availability is constrained in Egypt. Of the remaining eight programs, only two relatively small programs (involving less than $30 million in external funding) provided that their LE repayments were to be made into a Ministry of Finance special account, a major design feature of PRCIP. One was designed to serve both private and public sector end users of all sizes, and the other was limited to small and medium-size private enterprises (SMEs). In terms of the above factors at least, then, there was no significant overlap between PRCIP and other international programs providing increased FX financing for the Egyptian private sector.

Because of many countries' desire to boost their exports, it should come as no surprise that many import financing credit lines exist for this large, politically prominent country with relatively large import requirements. While only six of the above programs attended public sector enterprise needs, these six programs accounted for over $400 million (i.e., over half of the non-USAID import financing programs). The priority accorded export promotion explains, in part, the relatively large size of the PRCIP and the Congressional interest that led to an earmark for

[14] USAID/Egypt, Program Assistance Approval Document (PAAD), Private Sector CIP II (PRCIP II), Program No. (263-K-639)

the Program. On the other hand, the fact that exporters advantaged under the PRCIP include some of the largest U.S. firms does not harm the foreign policy convenience of having domestic support for foreign assistance. The Program's developmental aspects engender additional interest and support as well.

A formal updating of information on other donor credit programs supporting private sector imports is beyond the scope of this effort. However, several bankers and users mentioned the following official programs that currently are alternatives to PRCIP:

--Kreditanstalt für Wiederaufbau (KfW) Environmental Fund Program ($15.5 million)
--World Bank Private Sector and Agricultural Development project ($300 million)
--European Union Industrial Modernization Programme (Euro 250 million) [15]
--European Union Multisector Support Program ($53.5million)
--Korea Export-Import Bank ($50 million)
--Italy Investment Promotion Credit ($42 million, some for SMEs and some split between private and public sector firms.)

In addition, of course, suppliers' credits are also used by Egyptian importers well known to suppliers. These credits often offer payment periods of from 90 to 180 days. Further, some importers reported having open accounts with overseas suppliers.

[15] Respondents did not specify which EU program they were referring to. The Multisector Support Program is an earlier activity, while the alternative is the newer Industrial Modernisation Programme.

V. IMPORTER AND EXPORTER PARTICIPATION IN THE PROGRAM

This chapter reports the most salient findings to be gleaned from the supplier and importer surveys undertaken as part of this evaluation. See the annexes to this report for the complete record of the survey data and the questionnaires used to obtain them.

A. The U.S. Exporters

Description of PRCIP Suppliers and Their PRCIP Activities

The 206 U.S. exporters to Egypt surveyed for this evaluation provided the material for this section. They accounted for about 16 percent of the 1303 firms that have supplied goods and services to the Egypt private sector through PRCIP during the period covered by this evaluation.

Over half of the U.S. suppliers surveyed during October 2003 had used CIP to export to Egypt before 1994.[16] Between 1994 and 2002, 85 U.S. companies started to participate in this Program.

Table 4
Participation of U.S. Suppliers

First year participated in CIP	Number	Percent
Before 1994	110	56.5
1994-2002	85	43.5
Total	195	100.0

The median value of transactions per supplier was \$0.54 million, while the median number of transactions was 4. The mean value of the transactions was \$2.84 million, and the mean number of transactions was 10.55. The median value for the percentage of suppliers' total exports to Egypt passing through the Program is 31.5 percent.

Although half made their first sale to Egypt in the last decade, only a quarter have export experience with Egypt stretching back more than 20 years. This newer half accounted for approximately 50 percent of the value of PRCIP transactions during the period covered by the study, with an average total transaction value of \$2.44 million per supplier, almost the same as the average for all PRCIP suppliers of \$2.43 million. By these measures then, the newer PRCIP users are typical of all PRCIP importers. While not all respondents knew if their firms' first sales to Egypt were transacted through PRCIP, 56 percent who had that information credited PRCIP for assisting their first sale. In total, survey group members able to respond to the

[16] From this point forward, tables representing the entire sample that do not add to 206 exporters or 200 importers correspond the total number of valid answers received. Some respondents did not or could not supply answers to some questions.

question said 1,657 of their transactions were made under the Program, an average of 9.2 sales.[17] The median number of sales was 5 (equal numbers reported fewer or more sales than 5). These 1,657 sales represented 30 percent of all PRCIP transactions during the period and 50 percent of the total value transacted. Just over half (52%) reported that their last sale to Egypt was under PRCIP, with one-half saying that, in the last year in which they made sales to Egypt, PRCIP accounted for 25 percent or more of their exports to Egypt. One-third (33%) said PRCIP sales were 75 percent or more of their total sales to Egypt that year. For respondents indicating that PRCIP accounted for 75 percent or more of their exports to Egypt, the average number of transactions was 15, and their median number of transactions was 6, indicating that they have essentially the same number of PRCIP sales as the average PRCIP exporter. The total transaction value for this group was $3.56 million, somewhat more than the average for all surveyed firms ($2.43 million).

It is interesting to note that 43 percent of respondents indicated that PRCIP accounted for five percent or less of their exports to Egypt in the year they last exported to Egypt, with 22 percent of all respondents saying that PRCIP did not figure in their exports to Egypt that year. Either PRCIP was no longer needed in those cases, or PRCIP financing was not available. An equal proportion (22%) reported that PRCIP accounted for all of their sales to Egypt that year.

Importance of PRCIP to Increasing Sales in Egypt

Over half (54%) of U.S. suppliers reported that the availability of PRCIP has enabled their firms to increase exports to Egypt. These firms tended to have a considerable proportion of their sales to Egypt accounted for by PRCIP. Of these new suppliers, approximately 51 percent exported over 60 percent of their products to Egypt through CIP. The average value of their transactions is comparable to the average value of all PRCIP users. They also tended to be the newer PRCIP participants (55% started to export through PRCIP in 1997 or more recently). About one-third of these firms (34%) had between 6 and 20 transactions during that period. This pattern of PRCIP usage and exports to Egypt is associated with several characteristics of these firms; almost half of these firms have developed stable relations with their Egyptian clients. Additionally, over half (52%) of these firms have a representative in Egypt. About 11 percent of these firms developed long-term supplier-importer relations <u>due to their participation in the CIP program</u>, compared to only 8 percent for all suppliers included in the survey.

U.S. suppliers report that the availability of CIP financing was one of the factors that contributed to their ability to conduct business with Egypt. About 48 percent of U.S. suppliers recognized that their increased sales to Egypt are partially due to the orders they received from Egyptian firms participating in the program. "The Program has increased the amount of our business by millions of dollars," said the representative of one U.S. firm that exports over 90 percent of its sales to Egypt through the PRCIP.

Almost half of U.S. suppliers indicated that, since they began participating in the CIP, they have development long term supplier-importer relations with their Egyptian clients.

[17] Likewise, from this point forward, percentages given in this chapter of the evaluation correspond to the proportion of people who answered the question posed to them, excluding those who either did not or could not provide an answer.

Would You Have Exported to Egypt Without PRCIP?

Over a quarter (27%) could not say that their companies would have exported to Egypt without the availability of the Program. That means, of course, that 73 percent thought they would have, even the 44 percent who reported that the Program was involved in their first export sale to Egypt. Over 62 percent of those respondents reported that their first export to Egypt was through the Program, compared with 38 percent for those who reported that they began exporting without CIP. Of course, some respondents began exporting to Egypt before the establishment of PRCIP (28%) or any earlier CIP (10%).

Most Favorable Aspect of CIP for Exporters

Overall, 71 percent of exporter respondents stated that the fact that USAID-issued L/Cs were involved increased their confidence in doing business in Egypt, and over two-thirds of these firms—68 percent—cited the existence of the USAID L/C as the most favorable aspect of PRCIP. Firms gaining confidence from the USAID L/C tended to be newer to exporting to Egypt and doing less business (lower total value of transactions) than the typical firm involved in PRCIP. These answers could well be explained by the other firms' having more experience in Egypt than those who said USAID L/Cs increased their confidence. Not unexpectedly, a larger proportion of these other firms have developed long-term relationships with their Egyptian trading partners than other suppliers in the study.

The second most often favorable aspect of PRCIP, cited by 11 percent of respondents, was that PRCIP enabled their firms to increase exports to Egypt. This is <u>not</u> the number of firms that experienced increased sales; of course, since over half said PRCIP enabled their firms to expand exports to Egypt. Rather, it is just the number who gave sales increases as the most important favorable aspect of PRCIP for them. Those 11 percent are clearly the newer exporters to Egypt, a large majority of which started to participate in the Program in 1999 or later (74%) and many of which are firms for which PRCIP accounts for more than half of their exports to Egypt (43%).

The remaining 21 percent of the newer exporters to Egypt cited primarily two other factors as the most favorable aspect of PRCIP. In their judgment, they associated the CIP with advantages to their importer customers being most often mentioned, recognizing that the stabilization of the exchange rate, the availability of foreign exchange, the financing terms and the other incentives offered by the Program are attractive to their clients. Some suppliers recognize that PRCIP is, as was said one U.S. supplier, "the best tool in giving the opportunity to the Egyptians to buy U.S. products at a very fair rate for them, unlike the other programs. This is channeled to our businesses, and I find it to be most favorable to me." The second factor was the recognition that the CIP enabled their companies to have more business than otherwise.

Most Burdensome Aspect for Exporters

Not unexpectedly, given that USAID is charged with the faithful enforcement of voluminous laws and regulations, the amount of paperwork involved for the exporter was most frequently cited as the most burdensome aspect of PRCIP, mentioned by 61 percent of those surveyed. While participants were not asked to specify which part of USAID's documentation requirements they found most burdensome, USAID's general experience with CIPs indicates that a common problem has been the requirement for certifications as part of every transaction.

However, we understand from an experienced Washington-based USAID officer that the requirement to use these certifications is not restricted to CIP; all USAID procurements follow the same rules and regulations. Another common problem has been rejection of the exporter's request for payment when shipment has been made. This can be annoying for any firm receiving payment under any L/C. An exporter's request for payment by the correspondent bank has to be exactly correct in all of its material aspects before the bank will accept the request, as the bank is liable to USAID if an incorrect payment is made. Attending these problems requires manpower and increases the cost of doing business with CIP.

Those suppliers citing paperwork as the most burdensome factor in the PRCIP tend to be the newer exporters to Egypt. Over 75 percent of the suppliers who started using the Program in 1999 or more recently found the paperwork most burdensome. As companies use the Program more frequently, they tend to become better equipped to deal with the paper and thus tend to spend less time and fewer resources on the process. However, a U.S. supplier whose company has had over 20 commercial transactions with Egyptian importers through CIP said "The paper work is voluminous." Respondents who had a limited number of transactions with the Program report more difficulty in dealing with the paperwork. The bottom line is that simpler paperwork would attract more suppliers. "I would use the Program more if it were simpler to use," explains a supplier who used the Program once and shied away from further use due to the time-consuming procedures to complete required paperwork.

Perhaps the higher prices some Egyptian importers said marked CIP versus non-CIP transactions reflect the higher cost of the CIP process to exporters. All respondents, regardless of the number of their transactions with CIP, report having difficulty with the paperwork. About two-thirds of suppliers who had up to 20 CIP transactions reported that the burden of dealing with the paperwork was considerable. Even those suppliers who used the Program extensively reported experiencing as much difficulty. Over half of these suppliers (57%) indicated that having to deal with too much paperwork posed a significant cost in terms of time and effort for their companies. "Paperwork is very extensive and complicated. It requires an experienced firm to handle it. I would recommend the Program to other firms only if they can manage all the paperwork," said the representative of a U.S. supplier using the Program since 1994. Almost two-thirds (64%) of the suppliers that use the CIP for more than 50 percent of their exports to Egypt report that paperwork is the most burdensome aspect of the Program.

Long-term Supplier-importer Relationships

Essentially half (49%) of those surveyed said that their participation in PRCIP led to the development of a long-term commercial relationship with the Egyptian importer. This is a significant proportion, one that demonstrates the value of the Program to U.S. exporters.

Most firms (54%) surveyed said they had a representative in Egypt (type was not specified—agent, sales representative or distributor). Of those with a representative in Egypt, 15 percent reported that PRCIP was the reason for this. As could be expected, those with the longest experience in Egypt were the most likely to have a resident representative, in addition to having developed a long-term relationship—about 61 percent of suppliers who exported to Egypt prior to 1994, compared with only 36 percent of suppliers who started in 1995 or later. The value of a firm's total PRCIP transactions and the average size of their transactions were positively linked with resident representation. The average dollar value of all CIP transactions of firms with local representatives was $4.03 million, while that of firms without representation in Egypt was $3.19 million. It is worth mentioning, however, that even having a resident representative did not necessarily mean that a long-term relationship had been formed: 13 percent more companies had representatives in Egypt than reported having formed that kind of link. Clearly, their representatives have successfully developing new clients in addition to just servicing long-standing customers.

Would Clients Find Alternative Funding if PRCIP Were Not Available?

A strong majority (69%) of respondents under PRCIP stated that they thought their clients would find alternative sources of financing, while 12 percent thought they would not (and 19 percent did not know). To a certain degree, a positive answer could depend on knowing the client well, but many more interviewees expressed confidence in this regard than reported that their firms had developed long-term commercial relationships. It could also be that their overall experience in Egypt, or perhaps their knowledge of current Egyptian economic conditions, pointed them to this response. In any case, as one might expect, the duration of their relationship with Egypt was positively linked to this response. About 75 percent of those who participated in CIP prior to 1994 thought their clients would find other financing sources, compared to 66 percent of those who started participating in the Program in 1995 or later.

Is PRCIP Worthy of Recommendation to Other Exporters?

The answer was a resounding yes, as 86 percent said they would encourage other exporters to use PRCIP. This positive response was fairly uniform across all PRCIP suppliers surveyed, although frequent and older users tended to be slightly more positive than others. This speaks volumes about their regard for the advantages of the Program and of their experiences with the Program.

B. Egyptian Importers

The findings of the survey[18] show the predominance of manufacturing firms among CIP users, reflecting the emphasis within the Program on supporting the capacity of the private sector to increase its contribution to Egypt's economic output. The majority (65%) of the 200 Egyptian firms surveyed for this study are manufacturing firms. In addition, 24 firms (12%) report that they are both trading and manufacturing firms.

Table 5
Types of CIP Importers

	Number	Percent
Commercial trading firm	46	23.2
End-user manufacturing firm	128	64.7
Trading and manufacturing firm	24	12.1
Total	198	100.0

Of the firms included in the survey, 22 were new customers in any given year, on average.[19] While only 18 firms (9%) used CIP for the first time in 2002, half of the firms surveyed reported that they used CIP in 2002. This pattern is evident over the last nine years. Thus, the growth in

[18] The survey, undertaken in late CY 2003, does not include data pertaining to FY 2003 operations.
[19] CMD data indicate that, overall, the CIP has included about 95 new customers per year, on average.

CIP is reflected not only in the increase in the number of transactions but also in its inclusion of more private sector firms in Egypt.

Table 6
Years of CIP Participation

Year	Year of First CIP Transaction Number	Percent	Year of Last CIP Transaction Number	Percent
1994	22	11.1	1	0.5
1995	28	14.1	2	1.0
1996	29	14.6	7	3.5
1997	23	11.6	11	5.5
1998	11	5.5	8	4.0
1999	25	12.6	23	11.6
2000	21	10.6	25	12.6
2001	22	11.1	25	12.6
2002	18	9.0	97	48.7
Total	199	100.0	199	100.0

Egyptian firms surveyed for the study were asked to state what percentage of their imports came from the United States in their last financial year. Not surprisingly, the percentage rose according to the total number of PRCIP transactions, as shown in the table below, with almost 48 percent of the firms with the most transactions since entering the Program getting over half of their imports from the United States last year.

Table 7
Percentage of Imports from United States

Number of CIP Transactions		Zero percent	1-10 percent	11-25 percent	26-50 percent	51+ percent	Total
Only 1 transaction	#	16	15	4	8	11	54
	%	29.6	27.8	7.4	14.8	20.4	100.0
2-5 transactions	#	7	15	11	5	11	49
	%	14.3	30.6	22.4	10.2	22.4	100.0
5-20 transactions	#	4	8	18	9	14	53
	%	7.5	15.1	34.0	17.0	26.4	100.0
21+ transactions	#	5	7	6	5	21	44
	%	11.4	15.9	13.6	11.4	47.7	100.0
Total	#	32	45	39	27	57	200
	%	16.0	22.5	19.5	13.5	28.5	100.0

CIP Transactions

The median CIP transaction for all Egyptian importers under the Program during this period was $151,620, although the average was about double that at $304,413. Slightly over one third (37 %) were under $100,000, and only 5 percent of the transactions were over $1 million. The latter statistic means that most companies do not reach the Program's annual limits per importer.

Table 8
Distribution of Transactions by Size
1994-2003

Transaction Size	Number	Percent
Under $50,000	1,064	17.1
$50,001-100,000	1,233	19.8
$100,001-250,000	1,861	30.0
$250,001-500,000	1,132	18.2
$500,001-1,000,000	615	9.9
Over $1 million	309	5.0
Total	6,214	100.0

Transactions for industrial equipment involve cement manufacturing equipment, dairy processing equipment and canal construction machinery, to name a few. About 63 percent of transactions over one million dollars are for capital goods. Almost 55 percent of these transactions are with firms headquartered in the Greater Cairo area, followed by 14 percent in Alexandria. This distribution demonstrates the concentration of CIP activities in the large urban/industrial centers, which also have a large concentration of company main offices. Firms located in Giza, Alexandria and Sharkia are often located in those Governorates because of the corresponding industrial cities of 6^{th} of October (Giza), Borg El Arab (Alexandria) and 10^{th} of Ramadan (Sharkia). In contrast, only 5 percent of transactions are located in Upper Egypt (mainly Aswan and Beni Suef), reflecting both the relatively few firms headquartered there and the limited extent of investments made in the south of the country.

Incentives for Egyptian Importers to Use the CIP

The availability of CIP is one of the critical factors in Egyptian firms' decisions to import from the United States. About 54 percent of the firms indicated that the availability of CIP was one of the factors taken into consideration when making the decision to import through CIP. "We consider CIP when we make all our calculations on the total cost of a given transaction and select the CIP option when it is the most cost effective," explains a private sector entrepreneur. All private sector firms interviewed by the Team in Egypt explained that they took several factors into consideration before participating in the program, including particularly the availability of comparable products from other countries, their prices, the higher cost of shipping on U.S. flag vessels, the time needed to complete the transaction and the cost savings from CIP participation.

Some 72 percent of the firms that had used PRCIP for the first time in 2002 reported in the survey that the availability of CIP-provided foreign exchange was critical to their decisions to import from the United States. This is an increase over the previous two years (41% in 2001 and 48% in 2000), reflecting the impact of the growing difficulties for importers to get foreign exchange since 2000. About 39 percent of those respondents who used CIP for the first time in 2002 reported that fixing the exchange rate was their primary reason for participating in the Program. About 33 percent of that same group of respondents indicated that the length of the grace period was one of the most favorable aspects of the Program. Slightly less than two-thirds of these new users (61%) were manufacturing firms.

In interviews conducted by the Team, private entrepreneurs explained that the grace period, the availability of foreign exchange and the setting of the exchange rate when L/Cs are opened were their principal incentives to use the Program. These factors are also strongly evident in the survey data. The vast majority of survey respondents (86%) reported that the most important reasons they use CIP were all related to foreign exchange: fixing the exchange rate at the time of opening the letter of credit; the ability to repay in Egyptian pounds; and the availability of foreign exchange in the first place. "The most critical aspect of the CIP at this point in time is the availability of foreign exchange. Often the banks inform us that they do not have any foreign currency for the letters of credit that we need, and we have to wait for a long time. In my case, this is very serious as I rely on importing materials for my factory and I cannot risk any slow down in my operation. So when I use CIP, I am sure that the bank will have the currency available," said an owner of a large manufacturing firm.

The CIP's Most Favorable Aspect

The supply of foreign exchange has been increasingly limited over the last few years. While the GOE floated the currency in January 2003, they shortly followed this action by efforts to restrict access to foreign exchange so that a significant devaluation could be avoided. Among these actions were the establishment of priorities in the use of foreign exchange and the requirement that exporters and tourism companies sell 75 percent of their foreign exchange earnings to the banks. The private sector continues to rely on the foreign exchange made available through the Program, and is making greater calls on the

Program now because U.S. exports are growing cheaper relative to European goods. "During 2001 and 2002, we had not been using all our CIP allocation as we could get cheaper goods in Europe, and the Euro was better for us at the time compared to the dollar. Now that the Euro is much stronger and, since early this year, it has become very difficult to find foreign exchange, we are planning on using all the CIP money that we can," said one private sector entrepreneur. The foreign currency regime is and has been a central and crucial issue for the private sector. Another private sector leader explained, "Even though we use CIP, we still have to deal with the foreign currency situation because the floating of the pound has been mismanaged. The government must address this issue very soon."

Table 9 depicts those most favorable aspects of using the CIP based on the responses of two importers:

Table 9
Most Favorable Aspect of CIP

	Number	Percent
Fixing Exchange Rate	111	55.5
Repayment in LE	36	18.0
Availability of FX	25	12.5
Financing Terms	15	7.5
L/C Security	12	6.0
Other	1	.5
Total	200	100.0

Foreign Exchange Factors in CIP Decisions

The other survey results that also highlight the foreign currency issue came from the question regarding major reasons for using the CIP mechanism. Respondents indicated that three of the top four most important reasons for using the CIP at this time relate to foreign exchange: repayment in Egyptian pounds was first; fixing of the exchange rate was a close second; and the availability of a good exchange rate was fourth. "We cannot afford to take any foreign currency risk. If we had, we would have been totally wiped out," said a CIP user who imported capital equipment at the maximum value allowed under the Program. (The attractiveness of the grace period was the third most often important reason cited overall.)

Other Sources of Import Financing

However, CIP meets only a portion of the importers' import financing needs. Over three-quarters of the firms surveyed (77.5%) reported that they had used other sources of import finance during the previous financial year. The following table shows the pattern of usage of non-CIP sources of import financing among those surveyed.

Table 10
Non-CIP Sources of Import Financing

	Number	Percent
Open account with US supplier	13	8.2
Supplier credit	34	21.4
Self-financing	69	43.4
Bank loans	36	22.6
Other	7	4.4
Total	159	100.0

Use of CIP to Fund Expansion

A large majority of the importers we surveyed (84 percent) indicated that they were considering an expansion of their business. Of these firms, the vast majority (89 percent) indicated that they would consider using CIP to finance their expansion. These percentages do not vary much according to experience with PRCIP, as shown in the table below, nor is there much variation between traders and end users.

Table 11

Expansion and the Use of CIP

Number of CIP Transactions		Firms Considering Expansion			Would Use CIP in That Expansion		
		Yes	No	Total	Yes	No	Total
One transaction		48	6	54	43	5	48
	%	88.9	11.1	100.0	89.8	10.2	100.0
2-5 transactions		39	10	49	35	4	39
	%	79.6	20.4	100.0	89.7	10.3	100.0
5-20 transactions		46	7	53	41	5	46
	%	86.8	13.2	100.0	89.1	10.9	100.0
21 transactions and over		35	9	44	31	4	35
	%	79.5	20.5	100.0	88.6	11.4	100.0
Total		168	32	200	151	18	169
	%	84.0	16.0	100.0	89.3	10.7	100.0

Program participants were asked about the importance, in their experience, of CIP for improving their businesses. The majority (65%) said CIP was extremely important or very important (on a scale from 1 to 5) to their becoming more competitive, while CIP was credited by roughly half of respondents as allowing their firms to become more cost effective, reduce their prices, produce better quality goods, increase their productive capacity and become more efficient. On the other hand, only a third of firms said that, in their opinion, the CIP had a significant impact on their ability to enter new markets or increase the number of employees. As could be expected, more end user manufacturing firms (42%) said CIP was important in this regard than did traders (29%). Overall, as can be seen in the table below, the importance of CIP for these firms has been described by them as very high.

Table 12

Importers' Perception of the Impact of CIP on Firms (Percentages)

	Important*	Unimportant*
Become more competitive	65.0	14.8
Produce better quality goods	47.8	40.9
Reduce price of goods	61.6	23.2
Become more efficient	53.7	26.6
Become more cost effective	56.7	25.1
Enter new markets	34.5	48.8
Increase in employees	32.5	56.7
Increase productive capacity	48.8	36.0

* These columns reflect responses for the top two and bottom two points on a 5-point scale.

At the same time, many participants thought that the expansion of their businesses has been of no or little importance for the variables listed in the following table. The most interesting contrasts for the purposes of this evaluation are the opinions regarding expanding the businesses of clients and consumers, increasing downstream employment and increasing company profits. Such impacts have often been assumed to be important, and logically exist, but importers—end users and traders alike—do not see it that way.

Table 13
Importance of Business Expansion for Positive Changes
(Percentages)

	Impact to a great extent	No impact
Easier to import from the USA	15	36
Develop long-term relations with suppliers	15	26
Expand business of suppliers & customers	9	24
Increase company profits	8	26
Expand sales networks in the country	4	28
Increase downstream employment	3	36
Expand distribution networks	3	36

Note: These are the top and bottom rankings on a 10-point scale.

Private Sector's Perspective on Banks

Respondents identified the three main problems they face when they work with the banks as they apply for credit and open an L/C through CIP. About 17 percent of respondents indicated that the banks took considerable amounts of time to process the paperwork, a delay that costs them money. Most interviewees did not report having experienced more delays with a CIP L/C than with a non-CIP L/C, but about 15 percent of the respondents said that, in their experience, CIP loans were given lower priority by bank staff. (This could also be associated with the reported delay in processing the applications and loans, or it could simply reflect one way banks keep some customers waiting while attending more important customers.) Another 15 percent reported that the rules for applying for CIP loan were too strict. Whereas the Program defines the eligible importers and some finance terms such as maximum time periods, importers associate the enforcement of this Program with stricter bank regulations. "These days, in this climate over the last couple of years, it is very hard to do anything with the banks. All the banks are very cautious and no one wants to do anything—so it slows us down," explains an Egyptian importer.

Not all importers have a difficult time with banks. Only 23 percent of all the firms reported that. "When we approach our bank for CIP funds for our company, the bank will usually decide to open the letter of credit because they know us. We deal with them a lot, and they know that we are good, reliable customers," says a frequent user of CIP, who imports raw materials for his manufacturing plant on a regular basis. Of the firms that indicated that dealing with the banks was the most difficult part of the CIP process, 29 percent were traders (traders were 23 percent of the firms surveyed).

Firms normally will approach other banks only if their bank has committed all of its CIP allocation. Importers cited the "insufficient quota for the banks," which includes the irregularity of its availability through the year, as the most difficult aspect of working with the banks for CIP financing. They explain that it is difficult to locate a bank that still has funds and is willing to "do business with us," as one private sector importer said. He continues, "We have to find a bank that still has some USAID money and then work with them, and sometimes our bank, to get the financing." Another entrepreneur explains that, to ensure his firm can get access to these funds, he needs to be "among the first people who apply for these dollars, before the bank uses up all of its money." Importers familiar with the process attempt to apply as soon as possible so that they can get their L/Cs open in a timely manner.

Firms that normally deal with more than one bank will evaluate their different options, comparing the credit terms offered by each bank. Importers negotiate arrangements for each transaction. With respect to CIP transactions, apart from the terms set by the Program, "everything else is negotiable" reports an importer who regularly works with several banks. Fees on the letter of credit are agreed upon between both parties. Additional bank fees also are discussed and settled during negotiations.

Traders and firms that import raw materials tend to settle the full amount after the grace period. "We look at the savings from the interest rate and exchange rate and then make that decision," said one typical participant.

Overall, we got a remarkably clear set of views from importers as to how they think the banks really operate under PRCIP. These views, which might seem overly harsh and cynical to some, can be synopsized as follows:

Egyptian banks are very conservative. They know which customers are the most stable sources of the most profits for the bank, and these are regarded as a bank's best customers. These best customers regularly are the first to be offered CIP financing when it is available. The banks go down their list from the top until available funds are committed. Only when there is low demand do lower-ranked customers get informed of CIP funds being available. Rarely do "walk-ins" get their applications approved promptly; most often, they have to await decisions on better customers. (This is no surprise—queues are a normal, universal mechanism for allocating scarce resources.) Under these conditions, it would be unusual for a new CIP participant to be approved immediately. However, just as banks offer CIP's relatively attractive terms as a sweetener to their best customers, which bankers acknowledge doing, they offer new customers to USAID in the knowledge that USAID is interested in spreading the effects of PRCIP among more participants. At the same time, newer clients are welcomed by banks because they usually do not know how far they can negotiate for lower fees and charges from the banks or because they are not in a strong bargaining position. Occasionally, a bank will use the lure of CIP financing to attract a new customer if they think follow-on business will be lucrative enough. In general, the more sophisticated customers are able to negotiate better terms and lower costs for both PRCIP and other business with the bank. However, a fair number of participants believe the banks charge more for handling PRCIP transactions than non-PRCIP transactions.[20] It should be noted that public sector banks are not the only banks regarded by importers (and U.S. exporters, by the way) as inefficient, unresponsive and very costly.

Reasons for Discontinuing CIP Use

[20] The survey of importers did not anticipate this comment and did not explore it further. The interviews were of private sector leaders and bankers; the topic did not arise often enough in the interviews to merit further probing. Nonetheless, the Team believes that a good portion of the participants, but still a clear minority, regard this as a fact. One way to clarify the situation is suggested in this report's recommendations.

Approximately 42 percent of the importers contacted in the survey reported that they were not currently using any PRCIP funding to finance their imports from the United States. Of those firms, 64 percent were manufacturing enterprises, 13 percent were end users and traders, and 23 percent were traders (mirroring the group as a whole). While 60 percent of the firms that no longer use CIP had used the Program when they first imported from the United States, about 55 percent continue to import from the USA. For approximately 74 percent of these firms, their imports from the U.S. account for about 25 percent to their total imports. Sixty-five percent of these firms reported that they had not hired any new employees since they had started participating in the Program. About 46 percent of these firms had less than 100 employees and 40 percent had between 100 and 500 employees. The significance of these data is that the decision to stop using CIP does not seem to be strongly concentrated in any one particular segment of the sample, but spread rather evenly throughout. Thus, it is not clear that the sample provides any leads as to which groups should be contacted first if the Mission's goal ever becomes one of re-stimulating interest in the Program.

The reduction of the grace period has made the Program less competitive for some importers of raw materials and intermediate goods. That reduction, made as of August 2002, applies only to non-capital goods. As shown in Table 3, above, the grace period for capital equipment has never been reduced; its only change, in June 2000, was to increase the grace period from 9 to 12 months for environmentally friendly equipment. Nevertheless, some importers apparently believe that the reduction applies to capital goods. Here are three comments the Team received. "When they reduced the grace period on capital goods, we decided to reconsider using CIP," explains the owner of a manufacturing firm. A private sector entrepreneur planning to import both capital and intermediate goods through CIP says that "some of the equipment we need is very costly. We will not be able to starting operating that soon and, now that the grace period has been reduced, it has become more difficult for us." He added that, by the time his firm clears goods through customs, starts production and sells its merchandise, the four-month grace period will be over and they would not have been able to start making payments. While the effect on him could be through the reduction's negative impact on overall cash flow, it is also possible that he is misinformed. Another importer, who had imported capital and intermediate goods and has now stopped using CIP, says "CIP is going downhill and becoming useless since the grace period was reduced and the repayment period was shrunk to one year." These erroneous remarks serve to underline how sensitive demand is to changes in terms. They also indicate the importance of continuing education, perhaps among both bankers and importers, since we cannot judge where the misinformation crept into some people's understanding.

The terms and USAID's changes thereto have been effective in shaping demand and in scaling it to resource availabilities. The grace period is the most sensitive change that USAID can make in managing demand, judging from the responses reflected in the table below.

Table 14
Main Reason for Not Using CIP

	Number	Percent
Grace period not advantageous	23	27.8
Other sources of foreign exchange	1	1.2
Cheaper spare parts from others	4	4.8
Cheaper raw material from others	3	3.6
Local rep not cooperative	3	3.6
Slow delivery	5	6.0
Better source of good	5	6.0
Do not need this at present	19	22.9
Other	20	24.1
Total	83	100.0

Responses to this question in the "Other" category included that the economy is bad and that the bureaucratic process is too cumbersome. Others cited the changes in product eligibility that precluded their continued participation in the Program.

Some respondents who stopped using CIP cited their ability to find alternative sources for their import needs (97 percent of those surveyed said the products they import from the United States are available from other countries). The second reason they mentioned was that they had been able to locate other suppliers for the same goods that offered more competitive prices or better financing terms. "Countries that we had not been dealing with before and countries that were generally not in our business are now starting to be even better than the United States. We now can find some of the goods and parts we need from China. They have the same quality as what you can get in the United States, but for about 30-40 percent less." The vast majority of firms surveyed (98%) reported that they import from other countries as well.[21] About 63 percent of these respondents indicated that other countries offer products that are more competitive in terms of price than the United States. It would seem that PRCIP is a major reason why some firms continue to import from the United States.

Most Burdensome Aspects of CIP

Firms importing through PRCIP over the last ten years reported a number of difficulties. The most burdensome aspect of using the Program they cited was the requirement for U.S. shipping. About 33 percent of the respondents indicated that shipping requirements make importing from the United States a more costly and lengthy process. "There is only one carrier and sometimes they do not have direct lines, so the merchandise and equipment have to be transferred to a different ship somewhere in Europe. Often they do not have any capacity for our equipment, so we have to wait," reports an importer whose shipment of capital goods was delayed due to scheduling difficulties with the shipping firm. "Shipping on U.S. flag vessels is much more expensive, sometimes two or three times more expensive than the rates we get from other companies," said one respondent. Another importer stated that the shipping firm often quoted higher prices for CIP shipments (a position seconded by some exporters). Many private sector firms interviewed by the Team referred to the freight differential as a key decision-making

[21] Although not asked explicitly, it was understood that the companies import the same products from other countries, not dissimilar products.

factor. In addition, approximately 24 percent of the importers including in the survey reported that the most burdensome aspect of CIP transactions was the delay in processing

Table 15
Most Burdensome Aspect of CIP
Mentioned First by Egyptian Importers

	Frequency	**Percent**
U.S. shipping requirements	52	33.1
Delay in bank processing	38	24.2
Delay in USAID processing	14	9.0
Too much paperwork	9	5.7
Complicated GOE regulations	8	5.1
Difficulty at bank	17	10.8
Record keeping requirements	2	1.3
Post-transaction audits	1	.6
Other	16	10.2
Sub-total	157	100.0
No problems	42	
Total	199	

at the bank, with (unspecified) difficulties with banks and delays in USAID processing[22] being the next most frequently mentioned factors. In contrast to the U.S. suppliers, only 5.7 percent of the importers cited paperwork as the most burdensome aspect of the CIP. "There is a lot of paperwork, but we have learned how to do it, so we just do it," states a frequent user of the Program. However, those citing a second and third most burdensome aspect of the Program gave increasing prominence to excessive paperwork (13% and 19%, respectively).

[22] The most common delay in USAID processing seems to be approval of the proposed transaction as meeting competitiveness requirements.

VI. PROGRAM IMPACT

A. Microeconomic Impacts

The surveys of importing and exporting firms dealt with the respondents' perceptions of the Program and its role in the firms' operations over time. The importer surveys were designed to explore a wide range of possible impacts at the firm level, including stimulating or facilitating investment within the importer's firm, creating jobs there and among the importer's suppliers and clients, and increasing the productivity and efficiency of the importer's firm. Importers and exporters were also asked about broader topics, such as whether the Program fostered sustained commercial linkages between the exporter and his customers and enable new or follow-on U.S. exports that would not have occurred in the absence of PRCIP, and the effectiveness of USAID's special incentives.

Employment

Data from the firms surveyed in October 2003 demonstrate that most CIP participant firms do not have many employees: 39 percent have less than 100 employees and only 12 percent have 1000 employees or more. Of the larger firms surveyed, 84 percent are end user manufacturing firms and only 3 percent are commercial trading firms. Over two-thirds of the firms (68%) have over five CIP transactions. Multiple CIP transactions tend to occur among larger firms, which have demonstrated capacity for expansion and increase in their labor force. <u>In total, the surveyed firms currently employ 89, 668 employees across all firm sizes.</u>

Table 16
Current Number of Employees in CIP Importer Firms

	Number of Firms	%	Total Employment
100 employees and under	76	39.2	3,330
Between 101-500 employees	75	38.7	20,066
Between 501-999 employees	20	10.3	15,042
1000 and more employees	<u>23</u>	<u>11.9</u>	<u>51,230</u>
Total	194	100.0	89,668

Slightly over 50 percent of the surveyed firms reported an increase in the number of their employees since they started to participate in the Program. The mean number of new hires since firms started participating in CIP is 107 persons. <u>In total, the surveyed firms added 21,349 employees since they started participating in the CIP.</u> Unfortunately, the data gathered in the evaluation do not allow a computation of annual growth, since they did not report a firm's employment in the year of its original CIP application.

Table 17
Number of New Hires since Staring to Use CIP

	Number	%	Total New Hires
None	99	49.5	-0-
Between 1-99 employees	64	32.0	1,654
100 employees and over	37	18.5	19,695
Total	200	100.0	21,349

Egyptian firms that have participated in CIP have demonstrated their capacity to expand their labor force over the years. Almost 30 percent of firms with over 20 CIP transactions reported increases of over 100 employees across time, compared to only 13 percent of firms that had only one CIP transaction.

This pattern of labor force growth among the firms surveyed implies that firms that are larger, in the manufacturing sector and more active in CIP tend to have larger increases in the number of employees. The increase in labor force and presumed increase in productive capacity can be expected to contribute to a growing role for the private sector in the Egyptian economy.

Table 18
New Hires and Number of CIP Transactions

Number of Transactions		No. of New Hires since CIP None	1-99	100+	Total
One	#	30	17	7	54
	%	55.6%	31.5%	13.0%	100.0%
2-5	#	26	18	5	49
	%	53.1%	36.7%	10.2%	100.0%
5-20	#	26	15	12	53
	%	49.1%	28.3%	22.6%	100.0%
Over 20	#	17	14	13	44
	%	38.6%	31.8%	29.5%	100.0%
Totals	#	99	64	37	200
	%	49.5%	32.0%	18.5%	100.0%

Current and new employment by sector is presented in the following table. The question of whether this growth can be attributed to PRCIP is not germane at this point. These are the results of surveys. It is well known that many other factors also impacted on the ability of these firms to expand production, sales and employment. Indeed, some 57 percent of interviewees expressed their perception that PRCIP had a relatively insignificant impact on expanding their firm's employment growth.[23] As expected, more traders (71%) expressed that view than did end users (58%). However, another 33 percent of surveyed firms believed that CIP was extremely or very important in increasing employment in their firms. Of course, it is logical to expect that, if so many entrepreneurs believe the Program helped increase employment, then the Program also enabled these firms to maintain their employment and their firms' operations through lean times.

[23] See Table 12.

Table 19
Current and Additional Employment in CIP-assisted Firms

Sector	Current Number	New Hires	Percent Growth
Agriculture	10,160	3,245	31.94
Construction	5,367	937	17.46
Health	3,452	88	2.55
Industry	55,419	10,752	19.40
Services	3,334	1,197	35.90
Tourism	11,534	5,115	44.35
Transportation	402	15	3.73
Total	89,668	21,349	23.81

B. Special Emphasis Programs

The special incentive programs introduced during the Program were designed by USAID to encourage the private sector to become more active in certain areas by making it more attractive for them to use CIP funds to produce for export, invest in Upper Egypt and use environmentally friendly equipment. Approximately one-tenth of total Program resources have been dedicated to these concerns. The following table, derived from CMD-provided data, reflects the course of implementation of these incentives.

Table 20
Special Incentives from FY 1996 Through FY 2003

Fiscal Year	Upper Egypt No.	Upper Egypt Value	Environment No.	Environment Value	Exporters No.	Exporters Value
1996	4	$8,962,795	0	$0	3	$388,604
1997	12	17,877,423	0	0	8	6,292,250
1998	15	33,255,883	0	0	7	4,181,060
1999	15	22,979,022	2	1,675,750	5	3,639,486
2000	11	13,199,474	11	17,140,404	10	5,604,610
2001	7	3,776,443	7	8,897,083	6	2,833,084
2002	6	2,429,501	10	4,321,268	13	14,752,520
2003	3	786,913	10	7,007,926	16	15,644,536
Totals	73	$103,267,454	40	$39,042,430	68	$53,336,150

It is interesting to note that the rapid increase in the export incentive did not occur right after the June 1999 change in definition of eligibility for the incentive, from exports needing to be 50 percent of a firm's total sales to exports having to have increased 10 percent over the prior year. Rather, the 2002 jump came after the economic downturn. The big downturn in transactions under the Upper Egypt incentive came at roughly the same time. Both changes probably reflect the downturn, each in its own way.

Many importers had limited knowledge of the sectoral incentive programs. For example, over one-third of survey respondents (36%) reported they were not aware of the incentives provided better terms for the importation of environmentally friendly equipment. Others said that they had attempted to qualify for one or another of these incentives but were not approved. Others knew of the existence of an incentive, but misunderstood the requirements for qualifying for it. For example, a private sector manufacturer explained that although his exports had been increasing over the last two years, his firm still was not eligible for the export incentives. His understanding (which was shared by all of the other private sector entrepreneurs interviewed) was that a firm had to export at least 50 percent of its production, rather than increase its exports by 10 percent. As stated above, the 10 percent rule went into effect in 1999.

The Program offers a longer grace period to firms that would use the imported goods in Upper Egypt. This incentive is aimed to promote investment in a depressed, poor region of the country and supports the effort of the GOE to allocate more resources to Upper Egypt. Few importers were aware of the incentives for locating their businesses in Upper Egypt. In addition, few are located solely in Upper Egypt. Most of the CIP transactions were with firms headquartered in the Greater Cairo Metropolitan Area, Alexandria and the larger urban/industrial centers in the governorates of Lower Egypt (see Table 21, below).

Table 21
Distribution of CIP Importers Across Governorates
1994-2003

	Number	Percent
Alexandria	148	12.0
Aswan*	3	0.2
Assiut*	4	0.3
Beheira	18	1.5
Beni-Suef*	2	0.2
Cairo	504	40.7
Dakahlia	5	0.4
Damietta	9	0.7
Fayoum	3	0.2
Gharbia	16	1.3
Giza	307	24.8
Ismailia	5	0.4
Kafr El Sheikh	1	0.1
Marsa Matrouh	1	0.1
Menufia	18	1.5
New Valley	5	0.4
Port Said	6	0.5
Qualyub	19	1.5
Red Sea	13	1.1
Sharkia	133	10.8
Sohag*	4	0.3
South Sinai	7	0.6
Suez	6	0.5
Total	1,237	100.0

* Governorates located in Upper Egypt

Many private sector firms are reluctant to operate in Upper Egypt due to lack of transportation, financial services and limited capacity of local banks to deal with international transactions. Several importers explained that investing there at this point is still impeded by the lack of the physical and human infrastructure needed for profitable investment. "We have considered locating some of our business activities in Upper Egypt but decided not to, as there is no transportation and our cost would increase" explained a private sector leader. Thus, the special incentives provided through PRCIP were not sufficient to effect change in this firm's investment behavior. It is interesting to note that the great bulk of PRCIP funding for Upper Egypt occurred in the latter part of the last decade, when the private sector economy was growing quite rapidly and foreign exchange was more abundant. On the other hand, support for exporters has increased rapidly in the last few years.

In an oral presentation of the findings and conclusions of this evaluation, in which the effectiveness of these incentives was discussed, Mission officials stated that they were aware that major investments needing environmentally friendly equipment were made possible by the PRCIP special incentives, citing specifically the case of a chain of liquid natural gas (LNG) distribution points now in operation and a case in the health sector. The Team was heartened to learn of these cases. It appears that the incentive programs have considerable growth potential.

C. Broader Implications from the Survey of Importers

The firms picked as potential participants in the survey carried out for this evaluation were selected to be representative of the entire population of CIP participants in the USAID data base. The sample process was designed to yield a subset of firms to be included in the survey that are representative of the total population of firms that have participated in the Program, using factors such as a firm's number of CIP transactions and the value of its total CIP transactions, plus location, first year/last year of participation and sector of activity. As survey work proceeded, checks were made to assure that the actual firms surveyed continued to be representative of all CIP participating firms.

Exactly 200 importing firms provided usable survey information, whereas the universe from which they were drawn consists of 997 importers.

Current Employment

According to the survey, CIP interviewees had 89,668 employees in October 2003. Expanding that number across the entire group of 1,326 participating importers would indicate that all CIP participants currently provide employment to an **estimated** 612,885 people. This is significantly more than the 386,354 people indicated by data taken from applications, but some of those applications go back quite a few years now.

Contribution to Employment

Surveyed firms report having added 21,349 employees since they started participating in the CIP, an average of almost 107 new employees per firm. Expanding that number across the entire group of importers would indicate that CIP participants as a whole have added an **estimated** 51,434 jobs since they started benefiting from the CIP.

Sectoral Growth and Capital Goods under the CIP

Capital goods enable a firm to expand its productive capacity; output increases are thus enabled, if other inputs are available. Although USAID data on the sectoral distribution of capital goods imported under the Program can be separated according to trader and end user, at the level of the country, all capital goods can be presumed to be put to productive uses, regardless of who is the importer.

On the other hand, intermediate goods and raw materials are usually thought of as allowing the utilization of existing productive capacity. Data on imports of intermediate goods and raw materials are thus of limited usefulness in a growth analysis. They can be useful in analyzing the maintenance of production, however. Just as it was of interest to know if the Program had contributed to providing to expanded employment opportunities, it would be of interest to USAID to know to what extent the Program has contributed to maintaining jobs. Available data are insufficient for such an analysis. One would have to know, at the firm level, when intermediate goods were made available relative to when they could be used. One would also have to know whether or not other required inputs were available, such that PRCIP loosened the constraint holding back production.

Because the only information recoded in the CMD transactions data base is the primary sector in which the importer is engaged, this evaluation does not include comparisons between sectoral growth rates on the one hand and the sectoral distributions of capital and intermediate goods imports on the other.

Impact on Imports from the United States

PRCIP-provided foreign exchange resources finance a significant portion of the Egyptian private sector's imports from the United States. They finance an even more significant portion of total Egyptian imports from the United States when feed grains are excluded. According to official GOE import data[24] for CY 2002 (the last complete year for which import data are now available), Egypt imported goods and service from the United States valued at roughly $1.68 billion,[25] including about $800 million of grains[26] and $880 million of all other products.

The $200 million financing provided under PRCIP that year thus accounted for about

- <u>12 percent of all U.S. exports to Egypt</u> and
- <u>23 percent of all non-grain U.S. exports to Egypt</u>.

Further, that year, the Egyptian private sector imported goods and service from the United States valued at roughly $1.490 billion, of which PRCIP funding accounted for over 13 percent. Official GOE data on Egyptian private sector imports do not specify the portion composed of grains, precluding the provision of analogous figures for non-grain private sector imports.

[24] CAPMAS, *op. cit.*
[25] It should be noted that import data published by the cited source never include military imports.
[26] Mainly corn, wheat and soybeans.

These are significant numbers in and of themselves and show the Program's importance to expanding U.S. exports to date. As reported earlier, however, 66 percent of interviewees reported that they would have imported from the U.S. in the absence of PRCIP, implying that only 34 percent would not have done so. It is logical to conclude that PRCIP enabled PRCIP importers as a whole to expand their imports from the United States by no more than 50 percent. In all likelihood, the true figure is lower, since not all decisions to buy from the U.S. are based solely on the availability of an attractive financing package. Whatever the true figure, the U.S. products introduced to Egyptian importers through PRCIP are likely to continue to be bought year after year.

The incorporation of importers new to the Program seems to be an especially valuable tool for expanding U.S.-Egyptian trade linkages. Half of U.S. suppliers surveyed for this study reported establishing longer-term relationships with Egyptian importers. In addition, some 72 percent of the firms that had used PRCIP for the first time in 2002 reported that the availability of CIP-provided foreign exchange was critical to their decisions to import from the United States. These imports probably would have been sourced from another country in the absence of the PRCIP, if undertaken at all. Either way, the link between new PRCIP importers and increased U.S. exports is clear from the information from 2002. Given the increased scarcity of foreign exchange through banks in 2003, this link must be even stronger of late.

Stimulating Employment Downstream and Upstream

The growth of the Egyptian private sector has brought with it an economy of increasing complexity and increasing specialization among firms. Linkages among productive enterprises grow stronger year by year. The traditional way of quantifying these relationships for later use in analyses and projections was to construct an input-output table. An input-output table needs to be based on expensive-to-collect highly disaggregated information on the purchases each sub-sector makes from all other sub-sectors and similarly on its sales. Any existing input-output table is likely to be considerably out of date when the economic relationships on which it is based are evolving as fast as the Egyptian economy. For all practical purposes, therefore, the additional resources required even to analyze and apply whatever information such a table might contain are likely to be poorly spent.

Nonetheless, those relationships do exist. As the firms assisted by PRCIP expand their production, they are likely to purchase more domestically produced inputs and sell into expanding marketing channels. Both suppliers and clients will eventually need to hire more employees.

Is PRCIP a Subsidy to the Importer?

An earlier discussion addresses this question from the point of view of commercial bankers (see Chapter IV, Financial Sector Involvement in the Program). This section addresses the same question from a broader perspective.

One basic fact is that Egyptian importers have to pay for the foreign exchange resources they obtain through the Program, although the price might be lower than the cost of obtaining FX in other markets. U.S. exporters receive those resources in exchange for the goods and services they provide on the basis of a restricted competitive process. U.S. shipping lines also receive an indirect subsidy in the form of profits they make on business they would not have received but for the PRCIP.

The primary recipient of the resource transfer is, however, the Government of Egypt. It receives the local currencies obtained through the operation of PRCIP from Egyptians participating in the Program.[27] The real value of the transfer is somewhat less than the GOE receives from cash transfers, in that it does not get all of the LE proceeds—banks keep some and USAID/Egypt's local currency operating expenses account for another part. The GOE also receives tax revenues from import duties and from income taxes on the incremental profits of importers and the bankers who participate in the commercial activities strengthened through the PRCIP. Egypt's economy and its people also benefit from the production, employment and exports that PRCIP induces.

In addition to paying for the foreign exchange, importers also pay bank fees and any interest payable after the expiration of the grace period. In addition, they give up some interest on whatever guarantees and down payments they make and otherwise would not have made. They also face the practical possibility of paying higher freight charges on their merchandise than otherwise might have been necessary under the USG's 50/50 shipping rules. With higher freight charges, higher import duties are also assessed.

However, there are also benefits for importers. First, to the extent that they would have had to obtain FX in other markets, they save on the cheaper dollars available through the Program. Second, they are granted an interest-free grace period that varies according to the nature of the product and the importer. Third, as reported by bankers, some importers participating in the Program might get a lower than customary rate of interest on any bank loan they might receive during the repayment period.[28] Note, however, that the importer currently does not bear an exchange risk on a sight L/C because it is now standard industry practice in Egypt, in accordance with CBE guidelines, for the rate of exchange on a sight L/C to be fixed at the time of opening rather than some later date.

All in all, the importer's real costs and benefits will vary according to his personal position, including as a credit risk for the participating bank, a risk that is built into the borrower's rate of interest assigned by his or her bank.

Notional numbers attached to key variables can illustrate the extent of potential costs and benefits to importers participating in the program. Most of these numbers came from interviews with bankers. The results will answer some aspects of the question of subsidy.

The published bank rate currently[29] is LE 6.13 per U.S. dollar, whereas the parallel rate is in the area of LE 7.05 (although we heard rates from LE 6.80 to LE 7.15). The importer who has access to the bank rate for a transaction will pay about 13 percent less in the bank market.

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[27] Another recipient is the USG, because the transferred resources completely offset some dollars that would have been expended had the Program not existed, such as USAID/Egypt's local currency operating expenses.

[28] Of course, all banks vary their loan rates according to their assessment of the risks associated with a particular customer and a particular transaction. We neither saw any evidence nor heard any intimation that USAID encourages banks to offer preferential treatment to PRCIP customers. These decisions are a bank's own to make.

[29] As of December 17, 2003.

However, the importer will also have to pay a charge for opening the 3-month L/C that is the standard length. Information collected by the CMD from participating banks indicates the average L/C opening fee is around 1.5 percent, although several bankers interviewed by the Team said that a 3 percent fee is commonly charged for opening a PRCIP L/C. If the L/C needs to be extended, which can occur if the exporter needs time to arrange shipping[30] or if the order is for custom-made goods, another fee, often at the same or slightly lower rate, is charged for an extension of up to three months. We are informed by a large importer that he normally pays a bank no more than 1.5 percent for opening an L/C and nothing for an extension. On the basis of this information, it seems safe to assume that a typical importer would save no more than 2 percent on opening and extending an L/C under a non-PRCIP transaction. Additional bank fees and charges may also be assessed; these reportedly vary both from bank to bank and according to the importer's credit rating and overall negotiating strength.

The exporter can request payment of the L/C at the time of shipping. At the point of shipping and payment of the L/C, the interest-free grace period starts for the importer. If the typical importer would have to borrow this money, he or she might well have to pay an annual rate of interest of 14 percent (we heard the range of 12 to 18 percent). If the average interest-free grace period is 6 months (the range under current PRCIP rules is from 2 to 18 months), the average savings would be 7.0 percent of the L/C amount.[31]

At the end of the interest-free grace period, the bank credit (if any) goes into effect. According to bankers, most PRCIP importers elect to pay off their debt at this point. We heard numbers in the area of 80 percent and slightly higher from some bankers. Also according to bankers, traders rarely if ever are extended credit; they account for about one-fourth of the value of PRCIP transactions. Thus, it appears realistic to assume that only 20 percent of importers are offered or avail themselves of a term loan.

When payments are due to be paid by the importer, the commercial bank sends the amount involved to the Special Account at the CBE. The bank will have invested none of its funds until a payment is due to the CBE. However, the bank gets to retain 2 or 4 percent of each payment, depending on the nature of the commodity and the differential record keeping and monitoring responsibilities assumed by banks for PRCIP. The bank bears the credit risk of the importer not paying or paying late. The Ministry of Finance carefully follows all transactions and payments into the Special Account.

Assume that the average PRCIP-related term loan is for 4 years and carries interest of an annual percentage rate of 14 percent, and that a non-PRCIP loan of that term, if available to the importer,[32] would cost 16 percent annual percentage rate, a savings of 5 percent of the principal accrues to the PRCIP importer (assuming the loan is paid in equal annual installments).

Finally, assume that the freight cost is 25 percent of the average transaction and that those who have their goods shipped on U.S. bottoms pay 30 percent more than had they shipped on non-

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[30] Extensions requested by the exporter are typically at the exporter's expense.
[31] This ignores the fact that some importers have access to suppliers' credits, which they might use rather than CIP when needing to finance their purchases. The Team did not explore interest rates and other terms on typical suppliers' credits.
[32] We were told by some interviewees that traders usually do not receive term financing.

U.S. carriers.[33] The differential for the above numbers is 7.5%. These figures are meant to approximate what are widely variable numbers, which differ according to type of commodity, port of embarkation, and other factors. The above freight differential is perhaps even conservative—U.S. flag shipping can involve a much higher differential in periods of heavy usage. In addition, higher freight costs can mean higher import duties, which usually are charged as a percent of the landed cost of merchandise. If the average import duty is 20 percent, the cost of freight differential and higher duties comes to 9.0%.

Here is how the above numbers combine for PRCIP versus non-PRCIP importers:

Table 22
PRCIP versus Non-PRCIP Importers

	PRCIP		Non-PRCIP		PRCIP Net Benefits	
Outlay Item	Trader	End User	Trader	End User	Trader	End User
Initial L/C	2.0%	2.0%	1.5%	1.5%	-0.5%	-0.5%
L/C extension	2.0%	2.0%	1.5%	1.0%	-0.5%	-1.0%
Cheaper FX	-13.0%	-13.0%		-13.0%	13.0%	
Grace period interest				7.0%		7.0%
Freight differential/duties	9.0%	9.0%			-9.0%	-9.0%
Total (minus = benefit)	0.0%	0.0%	3.0%	-3.5%	3.0%	-3.5%

As can be seen, traders seem to derive a net benefit from PRCIP participation, given their access under PRCIP to foreign exchange (and access at a lower cost than otherwise might be obtainable by them). For end users, the numbers demonstrate that the grace period is the most important factor in their calculations. Term credit, if offered, might be an equally important factor although one-fifth or fewer of end users are offered or choose to take term credits.

Overall, some end users will derive net benefits and others will incur net costs as a result of their participation in PRCIP. It is worth emphasizing that the above numbers are meant to be representative of the situations that a broad array of importers would face as a group, and individual calculations could be quite different. Nonetheless, the opinions that importers reported to our surveyors must be quite accurate—the availability of FX and the interest-free grace period are important plusses for the Program, and term financing, when available and taken, is important to some participants. It is clear, upon inspection, that the financial incentives in any case are not excessive.

D. Macroeconomic Impact

PRCIP dollars are an asset transferred from the USG to the GOE that is then marketed by the GOE to the Egyptian private sector. The local currency obtained from this sale becomes revenue to the budget. Macroeconomic impacts could be expected in economic growth (and employment), the share of the economy in the private sector, the exchange rate and the budget.

[33] This differential accrues to American shipping lines and is a cost of implementing a CIP. Congress is fully aware that the cost of the freight differential to the recipient government is a reduction in the value of the CIP, but the differential attends policy objectives that go beyond foreign assistance.

However, by 2002/2003, the PRCIP was 0.26 percent of GDP, which is smaller than the measurement error in the calculation of GDP. Similarly, it is smaller than the Errors and Omissions line item in the balance of payments. Thus, in these areas, macroeconomic impacts can be asserted but their validity cannot be statistically proven. The Program does impact the budget visibly, as it financed approximately 8 percent of the consolidated budget deficit in 2002/2003.

In terms of growth, and related employment, the PRCIP must be measured by its impact at the firm or industry level. Even if GDP could be measured more accurately, the effects of other, more important determinants of growth and employment would likely make the PRCIP's impact insignificant at the macro level. The same can be said regarding changes in the share of GDP produced by the private sector. At the industry level, such as poultry or plastics, shifts in the public and private producer shares could be measured by an analysis of sectors of interest. However, an undesirable shift could be observed at the macroeconomic level arising from public investments or expenditures unrelated to the PRCIP that reduce private sector involvement in other, non-PRCIP sectors. In the longer run, a macroeconomic impact may be significant and measurable as an outcome of PRCIP support for an industry which is now in its early development. Unfortunately, while these would make great "success stories," such a study would have limited practicality in terms of influencing Program design at this time or in the near future. In terms of Program design, what USAID needs to be concerned with at the macroeconomic level is whether the policies and regulations of the GOE remain consistent with the intent of this Program, which is to support private sector-led, export-oriented economic growth. During the period of this evaluation, they have been, although many observers may say that a more robust effort in this direction could have and should have been made by the GOE.

Regarding the exchange rate, any real transfer of resources from one country to another strengthens the exchange rate of the receiving country *vis-à-vis* what the exchange rate would have been without the transfer.[34] The PRCIP's impact on the exchange rate itself or on exchange rate policy has been of continuing interest throughout the Program. This probably arises because there is a visible exchange transaction involved in its implementation. However, much of the remaining "projectized" assistance and cash transfers provided to Egypt from the United States act to strengthen the LE relative to the dollar, although this issue is rarely raised at the activity level because the import of equipment for a power plant, computers for institutions or technical assistance for advice and training do not contain a visible exchange transaction. "Projectized" assistance fulfills, in kind, what would otherwise be a demand for resources in the market. Similarly, cash transfers reduce the GOE's need to acquire foreign exchange from the market. Thus, it should make no difference in terms of the rate of exchange if assistance is passed through the market under the PRCIP or if assistance is passed through USAID/GOE activity or cash transfer design procedures.[35] The only way to eliminate the mitigating effects of the PRCIP on the exchange rate is to reduce the total USAID program to Egypt by that amount. But such a reduction could be taken from any number of other USAID programs with the same effect.

[34] A distinction should be made between a real and an apparent transfer. When USAID finances a commodity or technical assistance that produces an economic return to the investment for Egypt, a real transfer has been effected. But if the commodity or technical assistance has no effect or, as was the case with some GOE procurement, produced negative value added, only an apparent transfer had occurred. No real resource transfer occurred.

[35] This assumes, of course, that the economic returns from USAID/GOE designed activities are equivalent to or better than the economic return arising from the alternative use of these resources in the PRCIP—a use determined by their sale to the private sector in the market.

The question then arises that perhaps the PRCIP is reducing popular support for needed reforms in the policies governing the exchange system because it is satisfying some demand. While the PRCIP is large in terms of foreign assistance activities, it is quite small when compared to the total flows in Egypt's balance of payments. The $200 million current annual Program is less than 1.3% of the total imports to Egypt. Also, the Program's bias towards new users and its limited windows of availability make it an unreliable resource for the core importers in Egypt. Nonetheless, over a decade, $2.1 billion is a significant sum.

During this evaluation, there was virtually no conversation with bankers and businessmen who were not sharply critical of the foreign exchange regime. We found no evidence to suggest that those who benefited from the PRCIP were any less critical of the exchange regime than those outside of the Program. Any timidity on the part of the private sector to criticize the GOE's foreign exchange regime is far more likely to be based on fear of retribution to their businesses than satisfaction from getting PRCIP resources. We heard no apologists for the GOE when it came to the foreign exchange regime, however.

The LE has been in continuous decline against the dollar for the past 20 years, and the rate of decline is far more influenced by factors other than the presence or absence of the PRCIP. While some mitigation of this decline theoretically occurred as a result of the PRCIP and the larger non-PRCIP U.S. foreign assistance program in Egypt, the structure of Egypt's economy, conditions in the world's economy and regional security concerns are far more powerful influences on the exchange rate. During the period of this evaluation, the value of the LE *vis-à-vis* the dollar was affected by sharp downturns in tourist revenues, large swings in the capital account and other factors. For example, from 2000 to 2001, revenue from tourism declined by nearly $900 million (more than the entire U.S. economic assistance program to Egypt), placing great downward pressure on the exchange rate. Similarly, direct foreign investment inflows declined from a $1,656 million peak in 1999 to $428 million in 2001. There are very powerful political pressures in Egypt against raising the prices of critical imports such as food and raw materials that push the GOE towards administrative methods to control demand for foreign exchange. The current restricted access for traders, the CBE's list of foreign exchange use priorities, the forcing of exporters and tourist companies to sell 75 percent of their foreign exchange to the banks and the suppression of the black market are evidence of this approach.[36] If these actions are successfully enforced, the amount of resources that would be involved exceeds the PRCIP by a factor of more than ten. While these actions do great damage to the economy now and into the future, they will stabilize the LE/$ exchange rate more firmly than any reprogramming action taken by USAID within the current country assistance level. Thus, since it makes no difference to the strength of the LE if the $200 million remain in the PRCIP or is reprogrammed elsewhere in Egypt, a decision to eliminate the PRCIP would appear to be entirely for political objectives. The private sector in Egypt is likely to see the move as just one more example of the government confiscating scarce resources for its own use, while the GOE may see such a move as unnecessary, given the other, more powerful instruments at its command.

[36] These moves are rooted in the GOE's traditional command approach to solving economic problems and its historic distrust of the private sector in general and traders in particular.

While the PRCIP is too small to measurably affect overall economic growth and currency stabilization, it is visibly supportive of USAID and GOE policies favoring a private sector, export led economy. From a policy point of view, the GOE's willingness to allow these resources to be marketed exclusively to the private sector at domestic commercial terms is seen by leading members of the private sector as evidence, albeit small, of the GOE's continuing desire to shift the responsibility for the production of marketable goods and services from the public sector to the private sector. The previous Public Sector CIP, channeled to public administrative units and public enterprises, reflected the then prevailing view that the public sector was the engine of growth in the economy. It was part of the package of resources and policies that underpinned the state-led system and kept the private sector on the margins of the economy. The gradual shift from the Public Sector CIP to the PRCIP has been one of the private sector's barometers for measuring their long sought after changes in domestic public policy.

The PRCIP generates a stream of non-inflationary resources to the budget through the private sector's payments of principal and interest to the Special Account. Since the budget continues to be in deficit, the local currency equivalent of the $200 million annual PRCIP Program helps finance this deficit (covering approximately 8% of the deficit in 2002/2003). This percentage had been higher in prior, non-recession years, but the current recession has exacerbated the deficit by slowing the growth of sales tax collection and making it politically difficult to impose new taxes and fees. In addition, the level of development and the relatively large size of the informal micro enterprise sector limit the GOE's ability to effectively impose additional non-distortion, broad based taxes. On the expenditure side, the high unemployment rate may have made the GOE reluctant to downsize itself at a faster rate than is now occurring. These observations are not meant to suggest that there aren't opportunities to raise more revenues and cut more expenditure. Rather, the GOE appears to be moving exceedingly cautiously during the recession (perhaps too cautiously for some donors) to resolve its budget problems at the expense of further hardship to a population already severely dislocated by the effects of economic reform and world recession.

At 8 percent of the consolidated budget deficit, the PRCIP reduces the amount that the GOE would otherwise have to borrow from the public and probably has a real effect on holding down the domestic interest rate. As most economists, including those at the U.S. Federal Reserve, will argue, reducing interest rates generally provides a stimulus to private sector investment and economic growth.

With PRCIP's resources allocated through the market, its reflows easing the budget financing problem, and it economy-wide stimulation through its effects on interest rates, PRCIP earns very high marks when compared with other donor programs that seek to affect the economy at the macroeconomic level.

VII. FINDINGS AND CONCLUSIONS

A. PRCIP as a Development Tool at the Macroeconomic Level: PRCIP is and has been an important demonstration of USAID and USG support for GOE policies to foster private sector development. The annual resource transfer that PRCIP embodies is small in comparison with Egypt's total foreign exchange uses in a given year, which means that the existence of PRCIP is not an obvious prop for poor exchange rate management. However, PRCIP finances an important part of the GOE budget deficit. This fact endows it with the ability of being very useful in the context of policy dialogues with the GOE. PRCIP is also building a stronger group of entrepreneurs who have clamored for, and will continue to clamor for, improved economic and financial policies.

B. PRCIP as a Development Tool at the Firm Level: According to the firms we surveyed, CIP clearly has helped firms become more competitive and their operations more cost efficient. Overall, they said that CIP accounted for 15-20 percent of their firm's growth. The Program also helped them to reduce prices in the price-sensitive local market. Over half said that the availability of CIP was a factor in their decisions to expand productive capacity, helping, on occasion, to found entirely new product lines and industries. A third of our interviewees saw the CIP as very important in expanding employment in their firms or among customers and suppliers of local inputs. That view only partially recognizes CIP's contribution, for some companies, to maintaining employment through economic difficulties and the fact that CIP participating firms, especially manufacturers, have expanded employment significantly since entering the Program. In addition, newer and smaller companies tend to benefit substantially through the extra security that a USAID-backed Letter of Credit provides to them as new customers of the exporting firms.

C. PRCIP as an Export Development Tool: PRCIP is an important export sales tool for the United States. Currently, PRCIP accounts for 12 percent of all U.S. exports to Egypt and 23 percent of all non-grain, non-military U.S. exports to Egypt. The availability of the CIP is one of the most critical factors in Egyptian firms' decisions to import from the United States. Export sales to Program participants occur while they are active in the Program and follow-on export sales result because CIP importers continue to buy from the United States when no longer participating in the Program. The inclusion of new participants has been an important factor in introducing U.S. products to private Egyptian importers, thereby expanding U.S. export sales. The research carried out for this evaluation suggests that as much as one-third of PRCIP imports could be U.S. export sales that otherwise would not have occurred.

D. PRCIP as a Subsidy: The incentives offered to Program participants are not major for most participating firms. They seem to be set at a point that would attract enough participants to keep implementation moving. They thus parallel the marketing tools used by businesses everywhere. The incentives built into the financial package act mainly to offset the extra costs of importing through the Program. Whether they are a subsidy to an individual firm depends on the specifics of the proposed transaction and the alternatives faced by that importer. Nonetheless, it seems clear that traders typically derive more benefits than end users because traders can obtain foreign exchange through PRCIP at a price that most often would not be available to them otherwise. (The inability to get foreign exchange at the lower bank rate except through the Program may affect some end users as well).

E. PRCIP's Incentive Programs: USAID/Egypt can point to some positive results from these programs, which currently involve about 10 percent of PRCIP resources made available annually. It is not clear from the importers and private sector business leaders interviewed for this study how often the Upper Egypt and environmental incentives induced changes in investment objectives. Rather, the Team believes that it enabled entrepreneurs to do what they wanted to do by making a specific decision possible, and to that extent these incentives allowed changes in their economic behavior. Logic indicates that the export incentive rewards past behavior and might induce some export sales that may not have occurred otherwise. All in all, these incentives seem to have been worthwhile efforts to increase the development impact of the Program while occasioning little additional management burden.

F. PRCIP's Operational Pluses and Minuses: Exporters appreciate the increased sales made possible by CIP and find the security of the USAID-backed Letter of Credit most appealing. Those Letters of Credit are also the source of frustration by being very exacting but also sometimes vague. U.S. shipping requirements are a source of some frustration as well. Exporters said that CIP paperwork involves a heavy burden of time and manpower, which raises their cost of doing business. Importers said they like to use the CIP because it eliminates exchange risks, provides a good interest-free grace period, allows payment in Egyptian pounds and, for some, provides foreign exchange at a lower cost than might otherwise be available to them. The most frequently mentioned burdensome aspect for importers is the requirement regarding U.S.-flag shipping, followed by problems with banks (including delays in approvals) and general paperwork requirements. Some 80 percent of U.S. exporters and 90 percent of Egyptian importers would recommend the Program to others. Making PRCIP resources available in two trenches gives the Mission the ability to allocate resources to the banks that make most ready use of them, but also makes resources available only at certain times of the year.

G. Program Management: The PRCIP is a mature program that builds on over a quarter-century of experience in Egypt. The Program has maintained a good rate of implementation through the vastly differing economic and financial conditions that characterized this period. The Team concludes that this maintenance of implementation is due to the on-point changes made by the Mission to the financial terms of the Program over time, especially changes in the length of the interest-free grace period and, to a lesser extent, the length of the term credits facilitated through the Program. USAID/Egypt has managed PRCIP operations very well, but its data system does not facilitate analyses very well.

VIII. RECOMMENDATIONS

<u>Recommendation # 1</u>: **Broadly publicize the rules on how the 50/50 shipping requirement is implemented, including specifically the flexibilities that are permitted by law or regulation.** This would help reduce the major source of user complaints.

The single complaint we heard most frequently, taking exporters and importers together, is how onerous the 50/50 shipping rules are perceived to be in practice. Both exporters and importers complain about the cost, of course, with not a few contending that the shipping lines jack up their prices when they see USAID is involved. USAID has had to offset the cost by making better financing terms available—and to all users, not just the exporters who do not work a way around the shipping rules.

There is more flexibility allowed than is being used in the Program. Importers may choose not to finance shipping with Program funds, in which case they are not forced to ship on American carriers (with the exception of certain bulk shipments) but must arrange for shipping separately. CIP and non-CIP funding can be included in one Letter of Credit. Exporters can get a Determination of Non-availability. However, making such arrangements adds to the paperwork, reduces the attractiveness of the Program and inevitably raises costs. Of course, banks would surely be willing to handle the extra work for a fee, and that fee would be less than the savings on freight.

<u>Both exporters and importers should be made more aware of the possibilities</u>. One possible method of accomplishing this among importers would be to include relevant information in the General Circular, with copies handed out with applications. Similarly, exporters who receive freight-inclusive orders, especially those new to the Program, might be sent a package of information outlining both the rules and the forms and essential procedures they can use to speed shipping decisions.

Congress did not mandate that more than 50/50 is required, and USAID/Egypt should not shy away from active measures to bring the current numbers closer to 50/50.[37] The Team believes this is the single most useful action that could be undertaken to increase the value of the Program to the participants, increase the Program's impact on private sector-led growth and thereby on the Mission's hierarchy of goals in the economic growth area. To the extent that U.S.-flag shipping is reduced, implementing this recommendation would also leave more Program resources for other users.

<u>Recommendation # 2</u>: **Smooth out funds availability through the year and, in any case, should not penalize banks that space out transactions by giving them smaller or no allocations in subsequent periods.** This would facilitate steadier use by smaller importers and those who need to make frequent imports of raw materials and intermediate goods.

According to bankers interviewed as part of this evaluation, banks participate in the Program mainly to meet the demands of their customers. However, some customers, especially those

[37] The Team understands that USAID/Egypt's latest proportion is around 85/15.

importing non-capital goods, need to import several times during the year for such reasons as the lack of storage or inadequate cash flow for a year's worth of imported goods.

The Mission currently provides two annual allocations to participating banks. In total, although not necessarily for each bank, these allocations are of approximately equal size. The Mission does this as a method of spurring rapid use of each allocation by each bank. Two allocations have proved to be a worthwhile management tool for the Mission.

One alternative could be to have three (or even four) allocations each year. This would smooth out resource availability for bankers and their customers while preserving the Mission's objective of maintaining the pace of Program implementation. Another alternative might be to ask banks, just before each allocation, to submit their plan for using Program resources for next period of availability for USAID approval. The Mission could then reduce the following allocations for those banks that do not substantially meet the agreed plans.

Recommendation # 3: Look for ways to simplify the paperwork burden faced by participants, especially applications and L/Cs. This would help reduce a significant burden on all Program participants—exporters, importers and banks.

Both suppliers and importers expressed the belief that the paperwork required for this Program was excessive. Of course, USAID is charged with implementing the Program in accordance with several laws and myriad regulations that contribute to the amount of paperwork required. In addition, banks have their own information needs.

It should be pointed out that the Mission is well aware of the burden of paperwork, having recently completed a review of applications to make sure that only information absolutely required by USAID or the banks is called for, which was clearly a step in the right direction.

Nonetheless, there are additional ways to reduce paperwork. Every application for a transaction now is treated as though it were the first one for an applicant. The Mission should search for ways to allow importers applying for subsequent transactions within a given period of time to supply only that information which has changed since the importer's first application. With regard to Letters of Credit, some suppliers believed that participating banks occasionally include vague and sometimes conflicting conditions and instructions for the exporter. Perhaps a standard PRCIP L/C format can be put into place. Participating banks should of course be consulted in carrying out both parts of this recommendation.

Recommendation # 4: The Mission should maintain its attention regarding the financial attractiveness of the Program in the near-term future in particular. This will help maintain the pace of implementation while controlling potential spikes in demand.

This recommendation is based the confluence of two events that will probably affect the attractiveness of the Program to importers in the near to middle term. First, the 2001 Partnership Agreement between Egypt and the European Union will lead to decreased tariffs in Egypt for goods and services of European origin, making those imports more attractive to Egyptian importers. Currently, Egypt obtains about 40 percent of its merchandise imports from Europe. Second, the recent strengthening of the Euro and the concomitant weakening of the U.S. dollar will lead to an increase in the cost of European goods for Egyptian importers. Because the net impact of these changes on importing preferences is not yet established, the Mission will need to establish a way of tracking how potential importers calculate the Program's attractiveness and adjust terms correspondingly if it is to maintain an acceptable rate of implementation.

At the same time, with continuing globalization, competition to both European and U.S. goods is increasingly coming from low-wage countries such as China. In fact, more and more goods competing with U.S.-made goods are produced by American and other Western companies there. The strengthening of the Euro may turn out to be no reason to reduce the attractiveness of the financial package, and the Mission may have to improve Program terms just to stay competitive enough to maintain Program implementation.

Recommendation # 5: The Mission should re-publicize the Program and its operations, especially the rules for qualifying for the three incentive programs (environment, Upper Egypt and exports). This will assist in attracting new participants.

Although the rules are already spelled out in the General Circular and summarized in the Program's promotional literature, a fair proportion of the people interviewed for this evaluation did not realize that one or another of these incentives exists or, in the case of exports, they remembered the old (50%) definition. To some extent, one could assume that the incentives did not apply to their intended transactions. In addition, not all bank officers were even aware of the Program, a case in point being the branch manager of one participating bank we interviewed. As discovered in other interviews, some business leaders had incorrect information on changes in the interest-free grace periods for capital equipment.

This vexing problem has no easy solution. Perhaps a series of advertisements in the local newspapers and magazines most often read by importers would be an effective remedy, especially if done on a regular (but intermittent) basis. In addition to the above, given that turnover and promotions lead to staffing changes in banks, USAID could ask participating banks to educate or re-educate those officers in their credit and trade financing departments who deal with the public as well as officers with broader responsibilities, as one bank reports an intention to do.

Applicants from small firms and firms seeking to participate in PRCIP for the first time are at a competitive disadvantage because they are unlikely to be accustomed to fulfilling the Program's information requirements, which can demand significant effort. The larger, more experienced firms have acquired these capacities and can absorb their cost more readily. One possible remedial action would be for USAID to hold a series of familiarization sessions for those interested in participating in PRCIP. Such sessions could be advertised in the notices recommended above.

Recommendation # 6: The Mission should develop computer software for all banks to use in generating required reports, so as to maximize the amount of data entered at a single time. This would reduce recordkeeping errors and reduce costs for all parties.

Several bankers said that the reporting requirements under PRCIP were an additional cost to the bank and that they would welcome any streamlining of the procedures. One banker suggested that USAID fund this undertaking and make the software available to all participating banks. He pointed out that the data entry and verification process now requires substantial human intervention, which is both costly and a major source of errors.

The Team believes this is a sensible suggestion that should save time and money for the banks, the Ministry of Finance, the Central Bank and USAID. The software's functionality requirements should be fully discussed with and agreed to by all users.

Recommendation # 7: The Mission should increase the transparency of bank fees in the Program. This will help competitiveness, affecting especially the smaller/newer firms that suffer from imperfect knowledge.

Many USAID programs are regularly interested in making markets operate more efficiently and more competitively. Currently, PRCIP users are subject to an asymmetric availability of information, in which importers do not know the degree of flexibility they have in negotiating fees. This asymmetry makes the market for CIP resources less efficient and less competitive than it could be. USAID has a definite interest in improving efficiency in this market.

USAID already has collected information on bank fees. It should consider publicizing that information in a hand-out given to all applicants. This step would increase the market-based nature of the Program (see Annex L, Participating Banks' Fee Schedule).

The Team is aware that this could be a controversial recommendation, possibly even subject to the charge that it is, in reality, a step to interfere with the market rather than help it function better. However, there were many complaints by importers of the extra charges made their banks for PRCIP transactions, some thinking that bank fees are established in cooperation with USAID and therefore somehow immutable. At the very least, USAID should make it clear that bank fees are not established with USAID approval or consultation.

One possible alternative is to make sure the promotional materials handed out for the Program clearly state that fees and interest rates are the subject of negotiations between banks and their customers, with no involvement of USAID in that process.

ANNEXES
USAID/EGYPT COMMODITY IMPORT PROGRAM

Page No.

ANNEX A
SCOPE OF WORK
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

I. BACKGROUND

At the inception of the Commodity Import Program (CIP) in 1975 and through 1984 the major beneficiaries of the $300 million annual program were public sector importers, i.e., government-owned enterprises and various ministries. During that time, the program was focused on financing the importation of capital goods for large "project-type" transportation and communications infrastructure, and bulk commodities such as coking coal, tallow, and corn.

From the mid-1980s to the mid-1990s the nature and role of U.S. assistance in Egypt changed markedly. Congress began earmarking annual assistance levels for the overall USAID program and for the CIP within that total. Private sector participation in the program greatly expanded, beginning with the establishment in 1986 of the Private Sector Commodity Import Program (PRCIP). The PRCIP has provided short and medium-term credit to private sector firms, enabling them to finance raw material and capital goods imports from the U.S. A specific component of the PRCIP provides medium and longer-term credits to private sector firms to finance capital goods and other imports from the U.S. related to plant modernization and/or expansion.

The CIP in general has been seen as important to the U.S. policy dialogue with the Government of Egypt. It also has been viewed as one of the main instruments used by USAID to encourage and support Government of Egypt (GOE) policy reform and restructuring initiatives. For example, the CIP has played a key role over the past two and a half decades in helping the GOE stabilize Egypt's balance of payments. In addition, the sustained level of commodity support provided under the program during periods of severe economic strain contributed significantly to the underlying strength of the economy and permitted the GOE to undertake the massive economic restructuring efforts currently underway.

In 1986 USAID adjusted its assistance strategy and CIP funding was shifted to support for private sector development, as a means of achieving more rapid economic growth. In 1992 the CIP was shifted exclusively to the private sector. As of 2003 the managers of the program characterize it “not as a commodities program *per se*, but really as a trade and investment program.”

II. PURPOSE

The purpose of the CIP impact assessment is four-fold:

(i) to assess program impact on borrower firms at the level of employment, production, and business growth;
(ii) to examine the effect of CIP financing on the commercial banking sector and on regional and other special interests (e.g., Upper Egypt, women small business owners, and the environment)
(iii) to assess the effect of the program on Egyptian-U.S. trade linkages, including U.S. exporters; and
(iv) To examine assumptions about the CIP's influence on the foreign exchange rate regime and other macroeconomic conditions.

With regard to (i) above, the assessment will examine the direct effects of the CIP on employment generation, growth in business production, and availability to businesses of equipment and spare parts. It will also review indirect effects such as "downstream" employment in the formal and informal sectors.

For (ii) above, the assessment will review possible program effects in strengthening the commercial banking sector, the role of financial incentives offered to borrowers under the CIP, and the efficiency of term financing.

Concerning (iii) above, it will assess the effect of the program in generating sustained Egyptian-U.S. trade linkages, including possible growth in U.S. imports, growth in follow-on imports, and the degree to which lasting U.S. supplier-Egyptian importer relationships have been formalized.

As to (iv) above, the assessment will examine possible relationships between CIP and the foreign exchange rate regime, including assumptions about the availability of commercial credit to small and mid-size enterprises in the hypothetical absence of CIP or a CIP-like mechanism.

Together, these purposes aggregate at a level that encompasses strategic concerns. These concerns are the appropriateness of the CIP mechanism to deal with macroeconomic conditions, including its effectiveness in addressing foreign exchange regimes, and, generally, its impact on business growth.

III. STATEMENT OF WORK

The outcome of this impact evaluation is to provide USAID/Egypt with conclusions, lessons learned and recommendations that can be used by management in decision making about the CIP. It will also provide the managers of CIP with an updated summary and synthesis of program status.

A. TASKS

Tasks and related activities to be carried out in this impact assessment are four in number. These are described below.

Task 1: Impact Analysis Framework

An impact analysis framework will be prepared in the context of developing an overall methodology. Informing the design of instruments and data collection and analysis, this framework will identify and define variables on which program impact is expected, such as employment (direct and downstream), production, new business creation, sectors (industry, service agriculture, tourism, environment, etc), and U.S.-Egypt trade, among others.

Task 2: Survey and Interviews with Import Firms

The impact of the CIP program on the private sector capacity for trade and investment is a critical component of the current program. A survey and interviews will be designed to collect data at the level of the import firm on the following variables:

a) Creation of jobs
b) Expansion of productive capacity
c) Increase in availability of equipment and spare parts
d) Formation of new businesses
e) Short and long-term employment, as well as the effect on informal and on-farm agricultural employment
f) "Down stream" job creation
g) Distribution and sales networks

The survey will address why CIP participants select this particular form of financing, in preference to other commercial financing. It will also address the question of whether or not any other type of financing would have otherwise been available, as well as whether in the absence of CIP financing the borrower would have been able to acquire funds from the banks at all. Related to these issues is question of whether the banks in fact have sufficient foreign exchange available to service all clients. The survey will also serve to identify CIP beneficiaries and examine the impact of the program on their income.

The survey will cover private sector participants in Egypt who used CIP financing during the last seven years, 1995-2002. We will conduct this electronically. In addition, we will conduct semi-structured interviews with selected representatives of a subset of these private sector firms to explore in more depth the dynamics, imperatives, opportunities and constraints that they have experienced through their participation in the program as well as their perceptions and views of its impact on the business in particular and their industry/sector in general. We will also address possible constraints particularly faced by small scale enterprises, including firms that are wholly or partially owned by women, in accessing commercial credit.

A particular focus of the survey and interviews is the role of special incentives provided by the CIP. These include, for example, extended grace periods for loan repayments for firms from Upper Egypt and other incentives for firms that import equipment friendly to the environment. A subset of firms will be selected to interview in depth for this purpose and from those we will closely examine a few cases in depth to more fully understand the role of incentives.

The survey questionnaire design for private sector importers will include, but not be limited to the following issues:

a) Reasons for participating
b) Extent to which participation led to:
   - Increased production
   - Increased employment
   - Increased sales
c) Views on terms of loan and repayment
d) CIP incentives
e) Potential constraints of USAID/CIP procedures used in managing the program
f) Intention to continue participating in program
g) Continued trade relations with U.S. exporters
h) Advantages of using CIP
i) Disadvantages to using CIP

The sample for the private sector survey will be drawn from the USAID/CIP database containing all completed CIP transactions for import firms over the last seven years (1995-2002). The sample will be stratified by capital assets and number of employees and will include representative importers from the smallest to largest CIP user firms, those in the program and those who had dropped out.

Task 3: Survey of U. S. Exporters and Interviews with U. S. and Egyptian Trade Officials

One of the critical components of this program is to help foster sustained trade linkages between U.S. and Egypt and stimulate U.S. exports to Egypt. The assessment will examine the impact of CIP on Egyptian imports from the U.S. by looking at:

- the degree to which the programs facilitated the import of U.S. goods
- the extent to which the program has generated follow-on imports that were not financed through the program
- the development of long-term supplier/importer relations

The survey will cover U. S. exporters who have participated in the CIP during the period 1995-2002. We will conduct the survey electronically. We will draw the sample of U.S. exporters from the USAID/CIP database. The questionnaire will include but not be limited to the following issues:

a) Export linkages with Egypt
b) Export record with Egypt
c) Use of standard commercial banking
d) Use of CIP financing
e) Views on most efficient method of exporting to Egypt
f) Volume of exports to Egypt (CIP and non-CIP)
g) Continued trade relations with Egyptian importers
h) Advantages of using CIP
i) Constraints to using CIP

In addition to the survey, we will conduct interviews in Washington with representatives of USAID/W, State Department, Department of Commerce and the Egyptian Commercial Counselor.

Task 4: Interviews with Commercial Banking and Government Officials on Impacts in the Financial Sector

We will examine the impact of the CIP on the commercial banking system in Egypt by interviewing representatives of participating banks as well as other commercial bankers and government officials. This will also address the impact on the availability of term financing for the private sector; constraints to obtaining loans for their purchases; and their views on the terms of the loans and period of repayment.

Based on the team's data collection and analysis, we will more closely examine the case of one or two financial institutions to demonstrate how and the extent to which the CIP has become integral to that institution. Through interviews, we will obtain information on the process whereby a bank adopts and applies CIP administrative procedures to its banking approach. This will require more extensive interviews with selected banks. The selection of banks could fall out along lines of one that deals with large-scale firms and another that deals with smaller firms.

Task 5: Interviews with Senior Finance Officials on the Foreign Exchange Regime and Analysis of Other Macroeconomic Issues

In this part of the assessment, we will examine the hypothesis that suggests that the CIP has perhaps served to reduce pressure on the Government of Egypt to address its foreign exchange policy. We will also review the role of CIP disbursements in meeting the demand and access by Egyptian traders to foreign exchange. The team will conduct elite and semi-structured interviews in Cairo with USAID mission staff, Egyptian government officials, other donor agency representatives, representatives of participating and other commercial banks in Egypt, and selected private sector representatives. We will underpin these interviews with an analysis of national data and trade statistics.

In addition to interviews, we will review USAID/W and USAID mission documents and data bases**,** historical documents and summaries of relevant country-level strategic objectives and program summaries, and key home office documents on CIP programs.

B. DELIVERABLES

The deliverable is an impact assessment report that describes the assessment purpose, objectives, findings and conclusions, lessons learned, and recommendations. This report will clearly and objectively describe how relevant policy issues are addressed by the CIP objectives and program content. A briefing to USAID on conclusions and recommendations will be presented prior to the consultant team's departure from the field. The draft report will be presented prior to departure from the field and the final will be due within three weeks of that time.

Additional deliverables include a work plan to be reviewed by USAID/CIP within two days of the team's arrival in the field. Other deliverables will consist of the survey questionnaires developed for the U.S. exporters and the CIP importers. These will be presented to USAID/CIP for review prior to implementation.

IV. TEAM COMPOSITION

Economist-Evaluator/Team Leader This person will oversee the evaluation from the design of survey phase to completion of the final report. He/she will prepare a work plan and schedule of work and facilitate a team planning meeting in Arlington, VA prior to the team's departure. She/he will support the research methodologist in reviewing the importer and exporter surveys and in analysis of data collected. The team leader will guide all work in the field, including support of the local social researcher in arranging appointments and in carrying out field logistics. This person will coordinate closely with the trade and investment economist and commercial banking specialist in sharing the interview effort. He/she will be responsible for organizing and coordinating production of the evaluation report at draft and final stages, and in preparing for the out-briefing of the USAID/CIP staff. He/she will also respond to comments on the draft report and submit the final product.

Research Methodologist The research methodologist will prepare, implement and analyze the results of the surveys for importers and exporters. She/he will support other team members in the design of their interview instruments, including interview schedules for U.S. and Egyptian trade officials, commercial banking and government officials, and senior finance officials. In the field, she/he will work with the local social researcher in carrying out interviews of firms and other interviews. He/she will support preparation of the draft and final reports, especially in data analysis and rendering such analysis in the form of statistical and other data-based tables and other formats.

Trade and Investment/Commercial Banking Economist This specialist will prepare interview schedules for questioning senior finance officials from GOE, senior officials from USAID and other donor agencies, and selected officials from Egyptian banks and firms participating in the CIP. He/she will also prepare a questionnaire for the purpose of questioning representatives of banks participating in the CIP on matters such as firm demand for and access to foreign exchange. Issues to be addressed include the foreign exchange regime and other macroeconomic issues implicated by the CIP. He/she will prepare an analysis of the relationship between Egypt's foreign exchange regime and the CIP as well as analyses of the linkage between the CIP and other aspects of the larger Egyptian economy. This person will coordinate closely with the commercial banking specialist in reviewing the banking sector. He/she will play a role in giving the report a macroeconomic perspective and in reviewing the overall content of the report.

Computer Program Specialist The computer program specialist will design a format for the delivery and receipt of the electronically conducted questionnaires.

Local Social Researchers/Logistics Coordinator 5-6 local researchers will carry out firm-level interviews prior to the arrival of the rest of the team. A logistics coordinator, in consultation with the team leader, will help organize interviews for the researchers and the above specialists.

V. SCHEDULE

The CIP impact evaluation is proposed from September—December 2003. This includes survey design preparation, implementation, and analysis conducted at Development Associates office in Arlington. Questionnaire survey work begins in Egypt in September. The technical team will work in country during November. A draft report will be presented at the out-briefing prior to departure from the field. The final report will be submitted within three weeks of departure from the field. The proposed overall schedule appears below. Following that is a more detailed work plan:

September 2003

Design survey questionnaire for private sector CIP imports
Design survey questionnaire for U.S. exporters
Obtain contact information on borrowers
Access programmatic data on importers and exporters
Configure the computer program for distribution and receipt of questionnaires
Conduct electronic survey of a sample drawn from approximately 800 Egyptian import firms
Conduct an electronic survey of a sample of U.S. export firms

October 2003

Design categories for use in inputting and assessing questionnaire data.
Conduct analysis of survey data.

November 2003

November 1: Team departs to Cairo
November 4: Team briefs with USAID/CIP, presents draft work plan, and begins field interviews
November 12: Team leader provides progress update to USAID/CIP
November 19: Team briefs USAID/CIP on conclusions, lessons learned and recommendations and submits draft report
November 21: Team departs from Cairo

December 2003

December 1: Review and comments on draft report by USAID/CIP due at Development Associates in Arlington
December 5: Final report submitted to USAID/CIP

ANNEX B
WORK PLAN
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

Work Plan for CIP Impact Evaluation
Team Visit: November 30-December 18, 2003
(As of November 30, 2003)

Section III.B (Deliverables) of the Scope of Work for this activity calls for a preliminary final report (to be delivered to USAID before the Analysis Team's departure from Egypt) and a work plan (to be reviewed by USAID within two days of the Analysis Team's arrival in country). This document is intended to satisfy the latter requirement.

The impact analysis framework (Task 1) and other preparatory steps were completed in October, including survey designs for U.S. exporters and Egyptian importers. Work products were reviewed by USAID before the survey phase was initiated. During November, the surveys of exporters and importers were completed and the responses tabulated, and USAID/Washington officials were interviewed (Task 2 and part of Task 3). Team sessions at Development Associates headquarters led to a preliminary division of tasks and initial data reviews.

The Analysis Team is undertaking the remaining portion of Task 3 plus Tasks 4 and 5, which consist of interviews in Cairo and Alexandria with bankers, Egyptian officials and private sector leaders, and USAID and Embassy officials. The Analysis Team will also prepare the preliminary final report for submission to USAID.

In accordance with the attached revision of the Schedule of Work that forms part of the Scope of Work, the following weekly schedule has been prepared for the Team's work in Cairo and thereafter.

Week One: November 30-December 6

Robert Maushammer (Team Leader): General coordination of team work; work plan preparation, submission and review with USAID/CIP; interviews with USAID and Embassy officials; start of interviews with Egyptian trade officials and private sector leaders; participation in selected interviews with Egyptian bankers; consultation on collection and analysis of macroeconomic and financial sector data; participation in analysis of exporter/importer survey data; and start of draft of several sections of report.

Paul O'Farrell (Senior Economist): Refinement of interview document to be used for interviews with Egyptian bankers; start of interviews with Egyptian bankers; start of collection and analysis of macroeconomic and financial sector data; participation in analysis of exporter/importer survey data; and start of draft of banking and economic sections of report.

Nadra Garas (Research Methodologist): Refinement of interview document to be used for interviews with private sector leaders; start of interviews with Egyptian private sector leaders in Cairo; interviews with representatives of Egyptian shipping company, banks and private sector organizations in Alexandria; and continued generation and manipulation of data from surveys of Egyptian importers and exporters.

Week Two: December 7-December 13

Robert Maushammer (Team Leader): General coordination of team work; continuation of interviews with Egyptian trade officials and private sector leaders; participation in selected interviews with Egyptian bankers; consultation on collection and analysis of macroeconomic and financial sector data; participation in analysis of exporter/importer survey data; and continuation of drafting of report.

Paul O'Farrell (Senior Economist): Completion of interviews with Egyptian bankers; completion of analysis of macroeconomic and financial sector data; continued participation in analysis of exporter/importer survey data; and completion of draft of banking and economic sections of report. Dr. O'Farrell leaves on December 12.

Nadra Garas (Research Methodologist): Completion of interviews with Egyptian private sector leaders in Cairo; completion of generation and manipulation of data from surveys of U. S. exporters and Egyptian importers; drafting of data and methodology sections of report.

Week Three: December 14-December 18

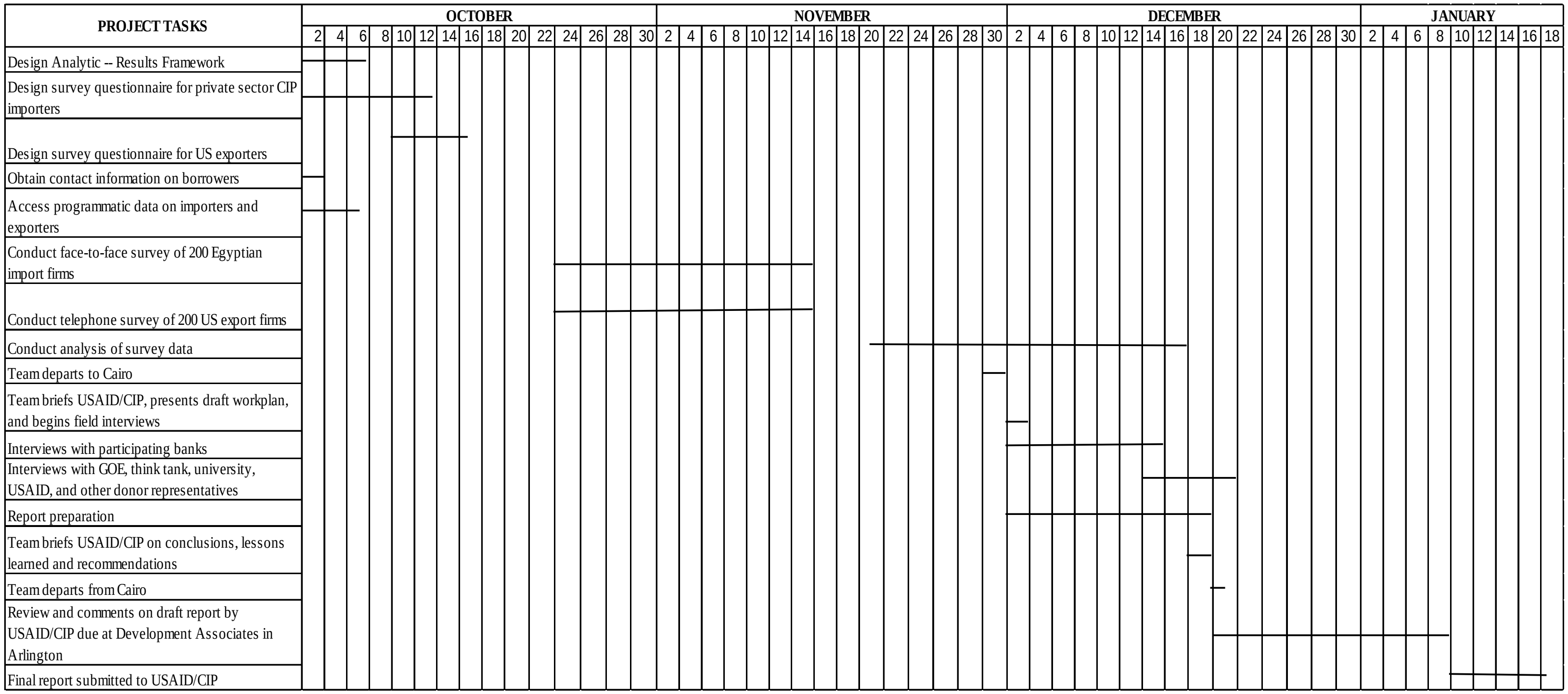
Robert Maushammer (Team Leader): General coordination of team work; completion of interviews with Egyptian trade officials and private sector leaders; analysis of macroeconomic and financial sector data; analysis of exporter/importer survey data; and completion of drafting of report and discussion thereof (on December 17) with USAID. Mr. Maushammer leaves December 18.

Nadra Garas (Research Methodologist): Completion of interviews with Egyptian private sector leaders in Cairo; interviews with representatives of Egyptian shipping company, banks and private sector organizations in Alexandria; and continued generation and completion of analysis of data from surveys of Egyptian importers and exporters. Ms. Garas leaves December 18.

Thereafter

The Scope of Work establishes January 8 as the date by which USAID/CIP comments on the draft report will be received in the headquarters of Development Associates and January 17 as the date by which the final report will be submitted by Development Associates to USAID/CIP.

Commodity Import Program/Egypt--Scope of Work--Impact Analysis Study
Revised Schedule of Work



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Revised 11/30/03

ANNEX C
METHODOLOGY
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

To undertake the impact analysis study of the USAID/Egypt Commodity Import Program (1994-2002) Development Associates, Inc., designed a multi-pronged approach to assess the program impact on CIP participant firms, examine the impact of CIP financing on the banking sector, its effect on U.S. Egypt trade linkages as well as review its influence on foreign exchange rate regime in Egypt. This approach comprises fielding two surveys, elite interview, site visits, document review as well as the analysis of macro economic data.

Survey of Egyptian Importers and U.S. Suppliers

Two surveys were conducted during the course of this evaluation. This first was a survey of CIP importers conducted in Egypt in October 2003. This face-to-face survey was designed to collect data at the level of the import firm. The survey was conducted by Allied Corporation, based in Cairo, Egypt. The second was a survey of U.S. suppliers conducted by telephone at the Computer Assisted Telephone Interviewing Center at Development Associates' headquarters located in Arlington, VA.

The surveys covered private sector participants in Egypt and U.S. suppliers who used CIP financing during 1994-2002. The sample for the private sector survey was drawn from the USAID/CIP database containing all completed CIP transactions for import firms that period. The surveys covered such issues as advantages and constraints of using CIP, trade relations with the United States, use of commercial banking services, and firm impact of CIP.

Sampling Plan for CIP Importers and Exporters

The population of CIP importers was divided into four categories as follows:

1. Firms with only one transaction
2. Firms with 2-5 transactions
3. Firms with 6-20 transactions
4. Firms with 21 or more transactions

All of the firms with 21 or more transactions were included in the sample. For the three remaining categories of firms, samples were randomly sampled within categories with approximately equal numbers in each of the categories. This approach will optimize the power of comparisons across categories.

Under this approach, firms with greater numbers of transactions had higher probabilities of selection. The approach used was a compromise between: (1) selecting all firms with equal probabilities (which is optimal for drawing conclusions about firms regardless of level of activity); and (2) selecting firms with probabilities proportional to their numbers of transactions (which is optimal for drawing conclusions based on numbers of transactions). Because of different probabilities of selection, during analyses the data can be weighted so as to be representative either of all firms or of all transactions by those firms.

Two samples were drawn to yield 200 completed interviews for the Egyptian importers and 206 completed interviews for the U.S. suppliers. The response rate for the U.S. suppliers was 72.5 percent.[38] The response rate for the Egyptian importers was 78.3 percent.[39] Tables C.1 and C.2 below summarize the sample disposition report for U.S. suppliers and Egyptian importers.

Table C.1 Sample Disposition for US Suppliers	
Disposition Description	**Number of Records**
Number disconnected/wrong number	81
No answer	14
Answering machine	26
Busy	5
Refusal	18
Not qualified	96
Callback	15
Completed interviews	206
Total	461

Table C.2 Sample Disposition for Egyptian Importers	
Disposition Description	**Number of Records**
Wrong/non-working number	67
No answer	29
Refusal	19
Incomplete interviews	8
Completed interviews	200
Total	323

The database provided by USAID lacked complete phone numbers on over 135 firms. An Internet search and telephone information services were conducted to obtain the missing and incorrect numbers. Of these, 81 numbers could not be located, were wrong or disconnected numbers. Of the firms that were contacted, 96 were classified as “Not qualified.” This disposition was used for firms that did not have anyone still there, who was familiar with the program, firms that had stopped using CIP or had been bought out by larger firms. Typically, this situation occurred in firms that had been bought out by other firms, or firms where the knowledgeable persons had left and the firm had not used the program in a while, or, in a few cases, in firms where the individuals who knew the program no longer worked in the United States, but were stationed overseas.

[38] The response rate for the US suppliers=(completed interviews/(no answer + answering machine+ busy + refusal + callback + completed interviews))*100

[39] The response rate for the Egyptian importers = (completed interviews/(no answer + refusal + incomplete interviews + completed interviews))*100

Questionnaire Design

The questionnaires used in the Egyptian importers' and U.S suppliers' surveys were development in collaboration with the CIP staff at the USAID Egypt Mission. The questionnaires were designed to address key issues of interest to the evaluation such as export-import linkages between U.S.A. and Egypt, use of CIP financing, volume of exports to Egypt (CIP and non-CIP), continued trade relations with Egyptian importers, advantages of using CIP and constraints to using CIP.

Interviewers Recruitment and Training

The quality of any data collection operation is based on a staff of skilled interviewers who are properly trained and supervised. Development Associates emphasized the careful recruitment, stringent screening, and thorough training of interviewers, and used rigorous quality control procedures for monitoring their performance. Computer assisted telephone Interviewing (CATI) interviewers completed an intensive general training session to ensure that they have understood and practiced all of the basic skills needed to conduct interviews. The foci of the general training are (1) the goals of survey research and (2) the interviewer's responsibilities and importance of professional behavior when conducting interviews. Interviewers are also trained in methods to secure the cooperation of respondents. Each interviewer signs a confidentiality pledge promising never to reveal, alter, or falsify survey data.

The second part of interviewer training focused on study specific goals and requirements. This included explaining the purpose of the CIP exporters' survey, knowing the sponsor and topic of the survey and adequately and effectively addressing any concerns or questions that respondents may have. Interviewers were also trained to reach and select the correct respondent for the survey, and establish rapport with the respondents, which may persuade reluctant respondents to participate. Interviewers were trained to effectively administer the questionnaire, taking respondents through the questions and ensuring that all questions are answered. During this session, interviewers performed practice exercises to enhance their ability to read the questions smoothly and avoid any behavior or comments that could potentially bias respondents' answers.

The specific training session provides information on the background and goals of the study including:

(1) Purpose of the study, sponsor of the study, eligible respondent, and study goals,
(2) Respondent selection,
(3) Gaining cooperation, and
(4) Practice interviews.

Interviewers were coached to handle questions that respondents typically have about their participation. They were also coached on the need for appropriate respondent selection and adhering to the selection criteria defined for U.S suppliers eligible to participate in the survey. During training, the interviewers conducted practice exercises until all interviewers can successfully handle a variety of reluctant respondent situations. This was critical to the successful completion of the survey. Without contact names for the U.S. suppliers, it was necessary to invest interviewers' time and skills in identifying who is the appropriate person to talk with at the firm, followed by locating this individual to conduct the interview. This multistep process was essential to identify individuals most familiar with the CIP or who were responsible for the most recent CIP transactions that firm had undertaken.

The next phase of training requires interviewers to go through the questionnaire noting the written question-by-question instructions and skip patterns. Interviewers familiarize themselves with the question-by-question instructions, and practice correctly pacing the interview. The last phase of this training is to conduct mock interviews at the CATI stations. Simulating an actual interview allows the interviewers to practice handling various scenarios that can occur during main data collection.

Data Collection

Development Associates devoted six CATI interviewer stations and one supervisor station, full-time, to the CIP U.S. supplier survey for the duration of data collection. During data collection, the telephone center supervisor was on duty at all times to supervise distribution of the sample, monitor quality control, and resolve any other issues. Based on the data collection schedule and the specific requirements for calling times for the CIP U.S firms, we scheduled shifts of interviewers throughout the day.

During data collection, interviewers were monitored (both audio and visual) during all stages of the study. Supervisors regularly monitored each interviewer's calls. This is an integral part of the data quality assurance procedures adopted at Development Associates.

Call Monitoring and Administration

Using our automated system, all telephone numbers in a sample were tried at least ten times, thus we try calling each number at different times of the day and different days of the week.

Constant and close monitoring of interviewer performance allowed us to quickly detect and address any problems that might occur during data collection. This ensured that we maintain our interviewing standards.

Elite Interviewing

The Team conducted elite interviews in Washington D.C., Cairo, Alexandria, and Borg el Arab. The Team conducted interviewed bankers, private sector importers, and U.S. government officials. The interviews provided in-depth information from the CIP importers and participating banks on the implementation of CIP administrative procedures and the private sector’s use and experience with the Program. The Team developed interview protocols for banks and private sector firms in Egypt. The interview guides were design to address why CIP participants select this particular form of financing, in preference to other commercial financing and explore in more depth the dynamics and their perceptions and views of the participation in CIP and its impact on their business, as well as the role of the role of special incentives provided by the CIP.

Banker Interview Checklist

A. Opening questions

1. How important is foreign trade financing for your bank? (Amount/percent)?
2. How important is the USAID CIP program to your foreign trade financing portfolio? (percent)

B. Topics related to the CIP

1. What are the incentives for your bank to become involved for the CIP?
   - Profit?
   - Desire to attract/retain customers?
   - Persuasion by USAID or GOE?
   - Would it make any big difference to your bank's business if the CIP were ended?
   - What do you charge under CIP and not under CIP? (Specify type and frequency—L/C opening, down payment, interest rates, etc.)

2. What does your bank like about the program? Name three attractive features in order of importance. (e.g., grace periods, length of terms, program emphasis)

3. What does your bank not like about the program? Name three unattractive features in order of importance. (N.B., If paperwork/procedures are the problem, probe for particulars)

4. How do you decide between CIP financing or your bank's regular programs for particular transactions?

5. How do the terms of this program compare with those of alternative sources of trade finance? Regular commercial financing? Programs of other donors?

6. With regard to the grace period, do you view as a subsidy to the importer or a method of equalizing the costs of using the program with the costs of importing through regular commercial methods?

7. How important to your customers are each of the following?
   a. Grace period
   b. Length of repayment period
   c. Fixing of the FX exchange rate

8. What percent of your applications get approved? What is the main reason for disapproval?

9. Has USAID disapproved any of your proposed transactions? If so, what were the main reasons for disapproval?

10. Do you make any special effort to promote CIP transactions in the special emphasis areas of export promotion, environment and Upper Egypt?

11. What changes in the program (structure or operations) would you recommend to USAID?

12. Would you recommend this program to other banks?

C. <u>Topics related to more general bank activity</u>

1. What are the principal problems faced by importers in acquiring foreign exchange financing during the past 8 years? (e.g., FX liquidity)

2. Are the bank's FX transactions with importers mainly spot market transactions or are there a related local currency credit provided? If there is a loan associated with the FX transaction, how is the exchange risk handled?

3. Has the CIP program influenced or altered in any way your dealings with non-CIP importers? If so, how?

4. Has the CIP's special emphasis on exporters, environment and Upper Egypt suggested new markets for your non-CIP transactions?

5. What has been your understanding of and experience with CBE actions related to the FX regime, in particular: establishing priorities for your use of your FX; the requirement that exporters and tour operators sell 75 percent of their proceeds to the banks; and the CBE selling FX for exchange rate stabilization purposes?

Private sector interview checklist

1. Why and when do you choose to participate in CIP and not use alternate source of commercial finance?

2. What are the advantages of using CIP? What are the drawbacks of using CIP?

3. How important are each of the following to you? Grace period, fixing foreign exchange rate, length of repayment period, and repayment in Egyptian pounds?

4. How useful is the CIP given the change in foreign currency regime in Egypt over the last year?

5. To what extent does your company rely on the use of CIP for its imports of capital goods/spare parts/raw materials?

6. Would you have been able to conduct the same transactions in the absence of CIP?

7. Has the CIP impacted your business in any way? Please explain.

8. Do you think participating in CIP contributed to the increase of your total value of imports from the USA?

9. Do you think participating in CIP contributed to the increase of the number of suppliers that you work with in the USA?

10. What is your major difficulty in importing from the USA? Do you think that CIP could address this issue?

11. How do the terms of the loan offered under CIP differ from other sources of commercial finance offered by the same bank?

12. What fees does your bank charge for CIP transactions? Is that different for non-CIP transactions?

13. Has your application for a CIP ever been denied? Did the bank or USAID not approve your loan? What was the main reason?

14. What do you think has been the impact of participating in CIP on your company?

15. Are all your imports from the USA through the CIP program? If not, when and why do you elect to use CIP?

16. Does the availability of CIP make it more attractive to import from the USA rather than purchase the same goods from other countries?

17. Have you been able to utilize the CIP's special emphasis on exporters, environment and Upper Egypt? If not, please explain.

18. What recommendations or changes you think should be considered to enhance the effectiveness of the Program?

Questionnaire for USAID/W Officials

1. In your opinion, how well is the CIP working relative to the strategy of private sector development (impact on firms and banks)? As a way of strengthening U.S.-Egyptian trade linkages?

2. In your opinion, how well is the CIP working as a policy dialogue instrument? Do you have any examples of how it was so used in the last 7 or 8 years (starting with FY 1995)? Was the support it provides for private sector development central to its usefulness as a policy dialogue instrument, or did the sheer magnitude of its resources enable its use for policy dialogue purposes?

3. Our survey of U.S. exporters shows a general satisfaction with the program and its importance for many firms that only occasionally export or are new exporters. At the same time, excessive paperwork was cited as the most burdensome aspect of the program, even though requirements have been reduced lately. Do you have any suggestions as to how the paperwork required of U.S. exporters could be further decreased?

4. Why does the CIP receive an earmark? What does Congress like about the program?

5. (For Ms. Cameron only) your office used to be a major backstop for the Egypt CIP and you still do price checks. How would you characterize the results of those efforts? What was lost when your office stopped supporting other aspects of CIP implementation in Egypt?

Document Review

The Team reviewed USAID/W and USAID mission documents and databases**,** historical documents and summaries of relevant country-level strategic objectives and program summaries, and key home office documents on CIP programs, as well as conducted analyses of national data and trade statistics

ANNEX D
CIP EGYPTIAN IMPORTERS SURVEY
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

1. Would you describe your company as
   (1) a commercial trading firm, or
   (2) an end-user/manufacturing firm
   (3) both

2. Is your CIP import
   (1) a capital good to increase capacity/productivity, or
   (2) a component of your final product
   (3) Both?

3. How important has CIP been in helping you do the following? Would you say it was
   (1) extremely important,
   (2) very important,
   (3) moderately important,
   (4) somewhat important, or
   (5) Not at all important.

   (a) Become more competitive
   (b) Produce better quality goods
   (c) Reduce the price of goods
   (d) Become more efficient
   (e) Become more cost effective
   (f) Enter new markets
   (g) Increase the number of employees in the firm
   (h) Increase the firm's productive capacity and production

4. How much of the growth in your business do you think is due to CIP? ENTER PERCENT

5. How many employees are there in the company today? ENTER NUMBER

6. How many new employees did you hire since [year of first CIP transaction? ENTER NUMBER

7. Is your firm considering an expansion in current business or new business?
   (1) YES
   (2) NO [GO TO 9]

8. Would you consider using the CIP program to purchase the products and equipment for that expansion?
   (1) YES
   (2) NO

9. On a scale of 1 to 10, where 1 is not at all and 10 is a great extent, in your opinion, to what extent has the expansion of your business had any effect on:
   (a) Making it easier to import equipment and spare parts from the USA
   (b) expanding the business of your suppliers or customers
   (c) expanding distribution networks in your industry
   (d) expanding sales networks in your industry
   (e) increasing "downstream" employment
   (f) increased your company's net profits
   (g) led to the development of long-term supplier-importer relationships

10. What is the role of CIP in the growth of your business?

    ____

    ____

11. Was the availability of the CIP a factor in your decision to expand you company?
    (1) YES
    (2) NO

12. During your **last financial** year, what percentage of your total imports from the USA was made under the AID-financed export program? ENTER PERCENTAGE

13. Was the first time your firm imported from the USA through the **CIP**?
    (1) YES
    (2) NO

14. Would your firm have imported goods from the Unites States without the availability of the CIP?
    (1) YES
    (2) NO

15. Are the products that you import available from other countries other than the United States?
    (1) YES
    (2) NO [GO TO 17)

16. If you import from countries other than the United States, which of the following is the **primary reason** you import this product from other countries?
    (a) They offer more competitive prices.
    (b) They offer better quality products.
    (c) Their products better meet the required specifications.
    (d) Better financing terms
    (e) OTHER [SPECIFY]

17. Was the United States a traditional trading partner for your firm before the availability of the CIP?
    (1) YES
    (2) NO
18. Do you still import any products from the USA?
    (1) YES
    (2) NO

19. What is the percent of your total imports that come from the USA? ENTER PERCENT

20. Does your company still use CIP?
    (1) YES [GO TO 22]
    (2) NO

21. What was the main reason you stopped participating in the USAID-financed import program? [ENTER FIRST THREE RESPONSES]

    (a) Grace period not advantageous
    (b) Availability of foreign exchange from other sources
    (c) Specifications of US goods did not meet requirements
    (d) Cheaper spare parts available from other sources
    (e) Cheaper raw materials available from other sources
    (f) Local representative is not cooperative
    (g) Slow delivery
    (h) Alternate preferable/better source of good
    (i) Do not need to import from the USA at this time
    (j) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

22. What was the main reason you participate (d) in the USAID-financed import program? [ENTER FIRST THREE RESPONSES]

    (a) Length of grace period
    (b) Repayment in Egyptian pounds
    (c) Only source of foreign exchange
    (d) High quality US goods
    (e) Quality of the U.S. supplier's local representative
    (f) Cooperative local representative
    (g) More favorable exchange rates
    (h) Established relations with exporter
    (i) Fixing exchange rate at time of purchase
    (j) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:

THIRD MENTION:

23. Have you taken advantage of the CIP's encouragement of environmentally correct equipment?
    (1) YES
    (2) NO
    (3) NEVER HEARD OF THIS

24. During the current financial year, **do you have any** sources of commercial financing, other than CIP, for importing from the USA?
    (1) YES
    (2) NO [GO TO 26]

25. Could you please tell me what the other sources of commercial financing are? Did that include [ENTER FIRST THREE RESPONSES]
    (1) Open account with the U.S. supplier
    (2) Supplier Credit
    (3) Cash
    (4) Bank Loans
    (5) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

26. What would you say are the **most favorable** aspects of the CIP program?
    (1) Letter of credit security
    (2) Financing Terms
    (3) Availability of foreign Exchange
    (4) Fixing exchange rate upon purchase
    (5) Repayment in Egyptian pounds
    (6) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

27. What would you say are the **most burdensome** aspects of the USAID-financed export program?
    (1) US shipping requirements
    (2) Delays in processing at bank
    (3) Delays in processing at USAID
    (4) Too much paperwork
    (5) Complicated GOE regulations
    (6) Difficulties with bank
    (7) Record maintenance requirements
    (8) Post transaction end use audits
    (9) No problems

(10) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

28. Which of the following is the major problem you have when you use the USAID export-financing program? [ENTER FIRST THREE RESPONSES]
    (1) Delay in processing paperwork
    (2) Lower priority given to CIP loans
    (3) Application rules are too strict
    (4) There are no major problems
    (5) OTHER [SPECIFY]: ______________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

29. Which of the following is the major problem you have with **US suppliers** when you use the USAID financing program? [ENTER FIRST THREE RESPONSES]
    (1) Goods are too expensive
    (2) Quality of goods is not good
    (3) Spare parts are not available
    (4) Performance guarantee is not effective
    (5) No local representatives
    (6) Local representatives are not helpful
    (7) There are no major problems
    (8) OTHER [SPECIFY]: ____________________

FIRST MENTION:
SECOND MENTION:
THIRD MENTION:

30. Would you recommend that other firms use the USAID-financed export program?

    (1) YES
    (2) NO

31. Could you please tell me the reason for your answer?
    ____
    ____
    ____

32. Is there anything else you would like to say about the USAID-financed program?
    ____
    ____
    ____

THANK YOU FOR YOUR COOPERATION.

ANNEX E
CIP US SUPPLIER'S QUESTIONNAIRE
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

Respondent Identifier

Introduction

Hello. My name is ____________. I am calling from Development Associates in Arlington, Virginia. We have been asked by the United States Agency for International Development, or USAID, to call firms that export to Egypt that have used USAID's export finance program to get their views on the program.

I. My first few questions are about your firm's export activity to Egypt.

1. When did you **first** begin to export to Egypt?
ENTER YEAR [ ]

2. Was that through the USAID Egypt export finance program?
(1) YES
(2) NO

3. How many times have you participated in this program?
ENTER NUMBER OF TIMES [ ]

4. Did you use the USAID Egypt export finance program **the last time you exported to Egypt?**
(1) YES
(2) NO

II. Now I have some questions about your experience with the program.

5. During the last financial year in which you exported to Egypt, what percentage of your total export sales to Egypt was made under the USAID Egypt export finance program?
ENTER PERCENTAGE: __________________

6. Has the availability of the program's resources enabled your firm to increase its export sales to Egypt?
(1) YES
(2) NO

7. Does the fact that the USAID Egypt export finance program's sales are backed by U.S. Government credit instruments increases your confidence in doing business in Egypt?
(1) YES
(2) NO

8. What would you say is the **most favorable** aspect of the USAID Egypt export finance program?
(1) Letter of credit security [SKIP TO 9]
(2) New markets for your firm [SKIP TO 9]
(3) Something else

8b. what is the most favorable aspect? ____________________

9. What would you say is **the most burdensome** aspect of the program?
(1) Too much paperwork
(2) US shipping requirements
(3) Something else

9b. what is the most burdensome aspect? _____________________

10. Has your participation in the USAID Egypt export finance program led to the development of a long-term supplier-importer relationship with the Egyptian importer?
(1) YES
(2) NO

11. Would your firm have exported goods to Egypt without the availability of the program?
(1) YES
(2) NO

III. The last questions I have are about representatives in Egypt.

12. Does anyone represent your firm in Egypt?
(1) YES
(2) NO

13. Do you have a representative in Egypt as a result of the financing made available to you through the USAID Egypt export finance program?
(1) YES
(2) NO

14. Would you encourage other firms to use the program?
(1) YES
(2) NO

15. If USAID financing were not available to your Egyptian buyers, in your opinion, would they find alternative commercial financing to meet their purchasing needs?

(1) YES

(2) NO
(3) DON'T KNOW

16. Is there anything else you would like to say about the USAID-financed export program or exporting to Egypt?

____
____
____
____

Thank you for your cooperation.

ANNEX F
SELECTED EGYPTIAN ECONOMIC TRENDS DATA
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

Official (net)	724	890	883	1,097	932	769	1,144	664	-8.3%
Private (net)	2,798	3,256	3,718	3,772	3,747	2,973	3,109	2,946	5.3%
Balance of Current Account	**-185**	**119**	**-2,478**	**-1,724**	**-1,162**	**-33**	**610**	**1,883**	
(in US $ million)	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003	
Trade Balance	**-9,498**	**-10,219**	**-11,770**	**-12,563**	**-11,472**	**-9,363**	**-7,523**	**-6,616**	
Export Proceeds**	**4,609**	**5,346**	**5,129**	**4,445**	**6,388**	**7,078**	**7,121**	**8,205**	78.0%
Petroleum	2,226	2,578	1,729	1,000	2,273	2,632	2,381	3,161	42.0%
Non Oil Export	2,383	2,768	3,400	3,445	4,115	4,446	4,740	5,044	111.7%
Import payments**	**-14,107**	**-15,565**	**-16,899**	**-17,008**	**-17,860**	**-16,441**	**-14,644**	**-14,821**	
Petroleum						-3,172	-2,477	-2313	
Non Oil Imports						-13,269	-12,161	-12508	
Services (net) (WHAT IS NET DEFINITION)	**5,791**	**6,192**	**4,691**	**5,970**	**5,631**	**5,588**	**3,880**	**4,890**	
Receipts	**10,636**	**11,240**	**10,455**	**11,026**	**11,427**	**11,697**	**9,618**	**10,441**	-1.8%
Transportation, of Which	2711	2535	2457	2637	2635	2704	2715	2964.8	9.4%
Suez Canal Dues	1885	1849	1776	1771	1781	1843	1820	2236.2	18.6%
Travel	3009	3646	2941	3235	4314	4317	3423	3796.4	26.2%
Investment Income	1829	2052	2081	1933	1833	1850	938	641.3	-64.9%
Government Services	285	216	303	308	110	190	188	252.8	-11.3%
Other Receipts	2802	2791	2673	2913	2535	2636	2354	2786.1	-0.6%
Payments	**-4,845**	**-5,048**	**-5764**	**-5056**	**-5796**	**-6109**	**-5737.9**	**-5551.8**	14.6%
Transportation	-203	-242	-362	-377	-457	-429	-419	-393	93.3%
Travel	-1335	-1333	-1307	-1104	-1028	-1054	-1208	-1372	2.8%
Investment Income, of which	-1291	-1085	-868	-928	-901	-778	-842	-805	-37.6%
Interest Paid	-1195	-995	-716	-789	-770	-728	-689	-626	-47.6%
Government Expenditures	-437	-511	-856	-511	-467	-588	-660	-455	4.2%
Others Payments	-1579	-1877	-2371	-2136	-2943	-3260	-2609	-2526	60.0%
Balance of Goods & Services	**-3,707**	**-4,027**	**-7,079**	**-6,593**	**-5,841**	**-3,775**	**-3,643**	**-1,726**	
Transfers	**3,522**	**4,146**	**4,601**	**4,869**	**4,679**	**3,742**	**4,253**	**3,609**	2.5%

Source: Ministry of Foreign Trade, August 2003
* 2001/2002 full year aggregates are preliminary, and some lines may not be consistent with the semi annual and quarterly data in tables 22 and 24.
** Starting 1996/97, trade data includes exports and imports of Free Zones Areas. **Note:** data in this table are based on banking sector compilation based on cash transactions. It may differ from data compiled by CAPMAS which are based on Custom Authorities' records of movement of goods.

Balance of Payment
Table (2) Capital Account
(in US $ million)

	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002	2002/2003
Capital & Financial Account	**1,017**	**2,041**	**3,387**	**919**	**-1,199**	**-542**	**-964**	**-2733.8**
Direct Investment Abroad	-15	-47	-137	-56	-43	**-27.3**	**-15.2**	**-30**
Direct Investment In Egypt (net)	627	770	1,104	711	1,656	**509**	**428**	**700.6**
Portfolio Investment Abroad	--	--	-56	-43	-12	**-5**	**-3**	**-15.8**
Portfolio Investment In Egypt (net)	258	1,463	-248	-174	473	**260**	**45**	**-187**
Other Investment (net)	**148**	**-145**	**2,724**	**481**	**-3,273**	**-1,280**	**-1,493**	**-3201.6**
Net Borrowing	89	225	858	191	492	268	881	**-74.6**
M&L Term Loans	-75	-113	-54	-339	-532	-559	-585	**-586.5**
Drawings	472	416	525	273	194	268	340	644.9
Repayments	-547	-528	-579	-611	-726	-827	-925	-1231.4
MT Suppliers Credit	-283	-251	322	-110	-95	-112	-207	**-340.1**
Drawings	56	77	547	88	236	77	261	42.5
Repayments	-339	-328	-225	-197	-331	-189	-468	-382.6
ST Suppliers Credit (net)	447	588	591	639	1,119	939	721	**1070.2**
Bonds*	--	--	--	--	--	--	952	**-218.2**
Other Assets	237	-1,590	97	143	-3,112	-2,281	-1,835	**-3067.7**
CBE	--	--	--	-17	-22	-17	12	-32
Banks	--	--	--	-2,126	-198	1,034	227	-493.4
Other	--	--	--	-1,966	-2,891	-3,298	-2,174	-2542.3
Other Liabilities	-177	1,221	1,769	147	-654	739	-439	**-59.3**
CBE	--	--	--	-200	-3	495	7	3.7
Banks	--	--	--	347	-651	238	-446	-63
Net Errors & Omissions	**-261**	**-247**	**-1,043**	**-1,312**	**-644**	**-296**	**67**	**1396.7**
Overall Balance	**571**	**1,913**	**-135**	**-2,117**	**-3,027**	**-871**	**-456.4**	**546**
Change in Reserve Assets (increase = -)	-571	-1,913	135	2,117	3,027	871	456.4	**-546**

Source: Ministry of Foreign Trade, August 2003

* Includes the Eurobond issued in July 2001 of US$1.5 billion. The figures above exclude amounts held by resident institutions.

Table 3

	Budget					Budget, NIB,GASC,SIF'				
	1999/00	2000/01	2001/02	2002/03		1999/00	2000/01	2001/02	2002/03	
	The Budget					The Consolidated Budget incl GASC, NIB & SIF's				
Total Revenue and Grants (A+B)	75399	76139	78968	85854	13.9%	97672	101051	104042	115467	18.2%
(A) Total Revenue	73626	74568	75255	82585	12.2%	95899	99480	100329	112198	17.0%
Current Revenue	72504	72776	74060	81435	12.3%	94777	97688	99134	111048	17.2%
Tax Revenue	49621	51358	51726	57550	16.0%	49621	51358	51726	57550	16.0%
Income Taxes	20104	21235	21625	23214	15.5%	20104	21235	21625	23214	15.5%
Goods and Services	20085	20793	20580	23066	14.8%	20085	20793	20580	23066	14.8%
International Trade	9295	9184	9323	11079	19.2%	9295	9184	9323	11079	19.2%
Other	137	146	198	191	39.4%	137	146	198	191	39.4%
Non-tax Revenue	22883	21418	22334	23885	4.4%	45156	46330	47408	53498	18.5%
Capital Revenue	1122	1792	1195	1150	2.5%	1122	1792	1195	1150	2.5%
(B) Grants	1773	1571	3713	3269	84.4%	1773	1571	3713	3269	84.4%
Total Exp & Net Lending (C+D)	88600	96121	101153	101153	14.2%	101834	109069	113665	127382	25.1%
(C) Total Expenditures	86464	95942	100739	100739	16.5%	92950	105086	106506	120162	29.3%
Current Expenditures	69758	80843	85472	85472	22.5%	76244	89987	91239	103747	36.1%
Wages & Salaries	22180	25217	28238	28238	27.3%	22421	25482	28500	31928	42.4%
Defense	8516	9731	10218	10218	20.0%	8516	9731	10218	11155	31.0%
Interest	18597	20907	22903	22903	23.2%	16303	18833	20352	24140	48.1%
Domestic	16800	19074	20570	20570	22.4%	14506	17000	18019	21119	45.6%
Foreign	1797	1833	2333	2333	29.8%	1797	1833	2333	3021	68.1%
Other	20465	24988	24113	24113	17.8%	29004	35941	32169	36524	25.9%
Capital Expenditures	16706	15099	15267	15267	-8.6%	16706	15099	15267	16415	-1.7%
(D) Lending-Repayments	2136	179	414	414	-80.6%	8884	3983	7159	7220	-18.7%
Overall Deficit/Surplus	-13201	-19982	-22185	-15299	15.9%					
						-4162	-8018	-9623	-11915	186.3%

Table 4

Sectors	1991/1992			1995/1996			Average annual growth %		
	Public	***Private***	***Total***	***Public***	***Private***	***Total***	***Public***	***Private***	***Total***
GDP	50300	80269	130569	55510	97216	152726	2.6%	5.3%	4.2%
	38.5%	61.5%		36.3%	63.7%				
Commodity Sectors	24302	41071	65373	27277	49084	76361	3.1%	4.9%	4.2%
Agriculture	254	21426	21680	165	24305	24470	-8.8%	3.4%	3.2%
Industry & Mining	9105	12625	21730	10202	16768	26970	3.0%	8.2%	6.0%
Petroleum & Products	10759	2249	13008	12052	2313	14365	3.0%	0.7%	2.6%
Electricity	2220	0	2220	2658	0	2658	4.9%	N/A	4.9%
Construction & Building	1964	4771	6735	2200	5698	7898	3.0%	4.9%	4.3%
Productive Services Sectors	16526	27080	43606	17035	33639	50674	0.8%	6.1%	4.1%
Transport & Communication	4540	4170	8710	5116	5379	10495	3.2%	7.2%	5.1%
Suez Canal	6125	0	6125	5621	0	5621	-2.1%	N/A	-2.1%
Trade	2230	19500	21730	1742	24194	25936	-5.5%	6.0%	4.8%
Finance	3215	1330	4545	4109	1800	5909	7.0%	8.8%	7.5%
Insurance	46	30	76	62	42	104	8.7%	10.0%	9.2%
Restaurants & Hotels	370	2050	2420	385	2224	2609	1.0%	2.1%	2.0%
Social Services Sectors	9472	12118	21590	11198	14493	25691	4.6%	4.9%	4.7%
Real Estate Ownership	127	2223	2350	159	2660	2819	6.3%	4.9%	5.0%
Government Services	9345	0	9345	11039	0	11039	4.5%	N/A	4.5%
Personal services	0	9895	9895	0	11833	11833	N/A	4.9%	4.9%

Table 5

Sectors	1996/1997			2000/2001			Average annual growth %		
	Public	***Private***	***Total***	***Public***	***Private***	***Total***	***Public***	***Private***	***Total***
GDP	76501	162778	239279	73708	215131	288839	-0.9%	8.0%	5.2%
	32.0%	68.0%		25.5%	74.5%				
Commodity Sectors	35381	83611	118992	30493	109468	139961	-3.5%	7.7%	4.4%
Agriculture	188	41694	41882	213	47756	47969	3.3%	3.6%	3.6%
Industry & Mining	11352	32031	43383	7063	50752	57815	-9.4%	14.6%	8.3%
Petroleum & Products	14569	2892	17461	11697	2327	14024	-4.9%	-4.9%	-4.9%
Electricity	4172	0	4172	5557	29	5586	8.3%	N/A	8.5%
Construction & Building	5100	6994	12094	5963	8604	14567	4.2%	5.8%	5.1%
Productive Services Sectors	22034	55526	77560	20575	76584	97159	-1.7%	9.5%	6.3%
Transport & Communication	6152	10048	16200	3494	16527	20021	-10.8%	16.1%	5.9%
Suez Canal	6495	0	6495	6551	0	6551	0.2%	N/A	0.2%
Trade	2325	39128	41453	1846	50865	52711	-5.2%	7.5%	6.8%
Finance	6410	2990	9400	8461	4162	12623	8.0%	9.8%	8.6%
Insurance	107	75	182	141	104	245	7.9%	9.7%	8.7%
Restaurants & Hotels	545	3285	3830	82	4926	5008	-21.2%	12.5%	7.7%
Social Services Sectors	19086	23641	42727	22640	29079	51719	4.7%	5.8%	5.3%
Real Estate Ownership	186	4189	4375	198	5492	5690	1.6%	7.8%	7.5%
Government Services	18900	0	18900	22442	0	22442	4.7%	N/A	4.7%
Personal Services	0	19452	19452	0	23587	23587	N/A	5.3%	5.3%

ANNEX G
BIBLIOGRAPHY AND DATA SOURCES
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

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ANNEX H
PERSONS CONTACTED
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

The following names form a listing of interviews undertaken by the evaluation team. The list is organized by alphabetical order.

U.S. Government

- Ali Abdi, Agricultural Attaché, U.S. Embassy, Cairo
- David E. McCloud, Office Director, Middle East Affairs, ANE, USAID/W
- Edward Yagi, Commercial Attaché, U.S. Embassy, Cairo
- Hend A. El-Sineity, Commercial Specialist, U.S. Embassy, Cairo
- Lyn Dunn, Deputy Chief, Commodity Import Program, USAID/Egypt
- Melody Owen Woolford, Assistant Egypt Desk Officer, USAID/W
- Patricia Chaplin, Officer in Charge, Egypt Desk, USAID/W
- Renata D. Cameron, Chief, Commodity Branch, M/OP/TC, USAID/W
- Robert A. Van Horn, Chief, Commodity Import Program, USAID/Egypt
- Tawfik G. Frega, Activity Manager, Commodity Import Program, USAID/Egypt

Egyptian Financial Sector

- Ahmed Abdel Salem Zaki, Chief Advisor, Credit Guaranty Corporation
- Amr Abbas, General Manager, Egyptian American Bank
- Amr El-Solamy, Cluster Trade Products Head, Citibank, N.A.
- Assaad M. Assaad, Deputy General Manager, HSBC Egypt
- Emad Helmy, Assistant Vice President, Egyptian American Bank
- Fatma Lotfi, Vice Chairman, Bank of Alexandria
- Heba Sabet, Senior Credit Analyst, Commercial International Bank
- Laila Fahmy, Asst. General Manager, Al-Watany Bank of Egypt
- Mahmoud Negm, General Manager, Credit Marketing Dept., Egyptian Export Bank
- Manal M. Ghaly, Manager, Trade Service, HSBC Egypt
- Miranda Ramzy, Manager, International Division, Export Development Bank of Egypt
- Mohamed El-Antably, Head of Trade Finance, National Societe General Bank
- Mona Saeed, International Trade Dept., Al-Watany Bank of Egypt
- Mounir Yassin, Assistant General Manager, Commercial International Bank
- Samia Ayad, Manager, Cairo Operations, Barclays Bank
- Sandy Mohamed Fahmy, Senior Banker, Export Development Bank of Egypt
- Youssef Aly, Assistant Vice President, Egyptian American Bank

Egyptian Private Sector Firms and Organizations

- Ahmed Abdel Salam Zaky, Financial and Economic Consultant, Credit Guarantee Company for Small and Medium Enterprises
- Aly Ghali, Chairman, Mido Paints
- Awni Barkouki, General Manager, EGYPAC
- Fayek Farid, Chairman, Giza Cables Company
- Hesham Sheta, Vice Chairman, International Group for Investments
- Hisham Fahmy, Executive Director, American Chamber of Commerce in Egypt
- Magdi Mokhtar, General Manager, Power Egypt
- Magdi Youssef, C.E.O., JAC Group
- Mohammed Farag Amer, President, Faragalla Group
- Mona Hegah, Customer Service Documentation Manager Egypt, P&O Nedlloyd
- Ramzi Nasrallah, Vice President, Wahi Holdings
- Refaat, Finance Manager, Afico
- Sami Allam,Chairman, Saco Pharma
- Shamel Abaza, General Manager, International Company for Agro-Industrial Projects
- Talaat Ghabbour, President, Afico
- Wilford Lloyd Laffernis, Commercial Manager, P&O Nedlloyd

ANNEX I
SURVEY DATA
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

U.S. Suppliers Survey Data
US Suppliers Open-ended Responses
Additional Comments

- It was good. It was very profitable for our company, but a lot of paperwork and a lot of personnel involvement.
- Would encourage businesses in Egypt to use the program. Biggest complaint besides paperwork: have to prove that they are shipping product on US flag vessel. There is only one or two of these, so they take advantage of the customer by charging double.
- No except there is a lot of paperwork. When they go to Egypt they have to go to the local chamber of commerce that take a long time and it costs of more money. If they could cut out the chamber of commerce.
- Has not been very helpful because many projects do not qualify for USAID financing. They sell commercial kitchen equipment
- It allows them to do business in Egypt safely. The USAID people in Egypt are great.
- Good program. Paperwork is fairly cumbersome. All in all, a good program.
- Shipping problem with limitation to US flag carriers. Costs 60-70% more to use them. We haven't used the USAID program in the last 7 months and that is probably why. Am I a fan of the program? No. But it does enable Egyptians to import products that they want.
- It’s a good program the paperwork is to much lessen the paperwork process. It is just too many pages the go threw.
- It extremely complicated and to much paperwork
- The program has increased the business by millions of dollars. When it was taken away, our business was cut by about $20million a year. The product became ineligible.
- I'm glad we're exporting something. We need to be exporting more stuff overseas.
- No longer participate because Egyptian government. No longer allows import of their product. Would love to have it back
- Needs to be more oversight of the Egyptian banks who participate. Their fees have gotten outrageous. In the past, USAID has also covered the banking charges, which has been favorable for us and for the customer.
- I have asked several times and can't get an answer: why is it that a 5-star hotel in Egypt, e.g., why should it be suitable for AID financing, which is ultimately US taxpayer money? They aren’t hurtin' for money. The people staying in those hotels are not
- Added cost by having to ship on US flagged vessels and availability of those vessels
- The one thing we have found is that once you have a good handle on the documentation that shipments require; it takes a lot of the nervousness and stress out of it. The more we have done, when we've contacted USAID in DC for specific questions, they have asked.

- I understand the value of the program; I think it's a good thing. It has created a little bit of rift between the customer and when it takes too long for me to get paid and for him to get the initial shipment.
- Wish it was in other countries
- I'd like USAID to work out with the Egyptian government a duty reduction for US materials coming in. There's a 30% duty on my product, but in neighboring Bahrain, they get free duty. Not only does USAID help because it finances it for the buyer.
- Excellent, good program. It's really helping us and helping those in Egypt who are getting rid of their sewage and getting fresh water into their houses.
- When transition for USAID office moved from DC to Cairo, as exporter we were a little bit nervous because of time difference and they don't work Fridays. We were concerned about being able to reach out and touch them.
- Requirement for a US flag vessel is very difficult. You have to put the freight amount on your invoice; those amounts are constantly changing so by the time the letter of credit is approved the rates are totally different so we end up taking a
- They had no problems using USAID besides the paperwork
- 16-page letter of credit is one of most complicated documents I've ever done. There are conflicts within the letter. Attachments to letter of credit not always in synch with what banks needed.
- We would appreciate more opportunities.
- It does not benefit them at all it is of no value
- Flag requirements are too expensive. It needs to be a free flag requirement. They would like a regular shipping line. Approval to ship free flag. One low price.
- Like to see current info about program
- Good program
- Hope program continues with funding to expand
- Less strict in some requirements
- Problem with aid's time lapse in responding. The hardest time was getting a response from them and trying to receive some documents. It takes a very long time and becomes very frustrating.
- Person who handled the program no longer here. We stopped using USAID because we had a lot of problems with them. There were so many stipulations that it wasn't worth it.
- Excellent program it really secure
- Takes very much time. It takes maybe three weeks to a month, I don't know why so much delay. I never get a good answer from them. The documents are very complicated. The loc is so long, should be only 2-3 pages.
- Just want more
- Business slow down because of rising prices
- Paperwork very extensive and complicated. Requires an experienced firm to handle it. Would recommend the program to other firms only if they can manage all the paperwork.
- I hope it continues and terms will be favorable and wish it was available in other countries
- Would use more if it were simpler to use
- USAID over all is something that they try to use in other countries in an effort to provide financing packages which are similar to those available to other countries
- The program benefits the Egyptian buyer, not the US exporter.

- Wish office in Washington was more customer service oriented
- Has tried to find out about other potential customers in Egypt, but USAID will not provide a list. This would be a very helpful service. Also, emphasizes too much paperwork. Initially had problems faxing to USAID in Egypt but that
- One bank in Egypt called Misr very difficult to work with and don't seem to follow the 500 letter of credit recommendations. USAID office in Egypt was very helpful and professional.
- I cannot fully express my dissatisfaction. The worst aspect was the way people treated us. I cannot believe that my government treated us this way.
- It was a very beneficial thing for us. We were new to exporting. When you deal with letters of credit from foreign banks it's a little bit hairy. When you deal with the US government. it takes the fear out of it.
- In general, exporting to Egypt has been an adventure. USAID programs have been excellent.
- The shipping gave us some trouble because had to be US carrier. Cost was quite a lot more than on international carrier. We finally shipped on Danish ship but took all kind of clarifications from dc. I spent hours and weeks in discussions to get this changed over.
- Send American businesses information and reduce the paperwork
- Program is not a problem or burden.
- Biggest drawback: document requirements. Everything must be approved by USAID, then documents go to the bank, then banks come out with so many ifs and buts, we can interpret what the bank needs, but can't interpret what USAID wants, they have their own norms.
- Would like to discuss that with someone if a person from the agency would call him.
- You don't think most people know about it. The equipment will go there on way or another. It seems to one sided and not enough protection for us and more for them. You need to be familiar with what you are doing worth the paper work and need people to assist.
- Need to examine country of origin rule and make them consistent with general US procurement law.
- Is there a way that we could expand our market into Egypt through your program?
- The problem areas you mentioned--the paperwork was very difficult. The US flag requirement -- only one carrier we could use. But all in all it's a very good program.
- Went pretty smooth. No complaints. Good cooperation. Questions were promptly answered. Very pleasant experience. Re shipping: requirement to use US carrier increased cost considerably.
- Goods manufactured out of us bring extra competition because they don't have rules and restrictions that US companies have.
- Good program. Our product helps save lives and its good that the us government can be a part of it
- Too many restrictions and have lost money in fees on every order
- I like the program, because when you start shipping it's comfortable to us to ship something where we are 100% sure we get paid.
- Doesn't use this program too often.
- Do not use this program.
- Would be interested in any additional opportunities
- Dept of commerce was very helpful and knowledgeable

- We haven't had any problems with it.
- If they would have a web site that would let you know projects that are out there, they would get more participation. Our distributor in Egypt found this deal.
- No longer make product that they bought but a good program
- We've been very fortunate and done some very nice business with Egypt.
- Sometimes the lead-time inhibits us. We also use Exim Bank. USAID can take 3-4 months; we can build and ship a machine quicker than the paperwork can be processed.
- Doesn't want to use the program anymore. However, one favorable aspect is that Egyptian company can get US dollars to pay us. It's very difficult now to get US dollars.
- In Egypt it certainly helps to have that available. We have also been going online looking at the EXIM Bank.
- I believe it will help us in the future
- There is one thing when they got the final payment it was less two thousand dollars, the Egyptian Bank took out the money and it was a loss for them. He does not know why they took the money out.
- Communication with Egyptian consulates difficult to contact. Also make documentation of products simpler
- Streamlining it and making it available to and known to more companies
- Shipping with US flag vessels are expensive and are today the biggest detriment of doing business under the program
- Should be simplified and not need so much documentation
- Cut down on the paperwork.
- All paperwork etc handled by customer in Egypt.
- A great program; wish was available for other countries (the CIP aspect)--especially Africa. Straightforward; paperwork not real cumbersome. Needs to be publicized more among US exporters as well as in Egypt. But US shipping requirement a real problem: cost
- Reduce the paperwork.
- Problem finding us flagship and too much paperwork
- Shippers charge too much if they know it’s through USAID. Steamship line will not give a quote for USA shipments without transaction number.
- There is a great deal of red tape and the shipping requirements are cumbersome. It is not the LC, it is shipping and shipping on a us flag ship it makes it difficult if they did not have to do that is it would be great
- Happy with business it brought
- Sometimes American products cost more than same European products; the USAID financing helps balance this and encourage purchases to the Amer. Products.
- Problem with having to use US flag vessel; only one shipping co. Short transit time: Paperwork often takes longer than journey; vessel arrives before paperwork done; problem for buyer.
- Helped make shipments go more smoothly
- Happy with program
- If paperwork could be reduced and you can make more companies aware of the program, it would help

- Program has given us business but usability for exporter is full of red tape. It should be made much easier for us exporter. Bankers are difficult to work with and create more paperwork for you.
- Didn't feel program was helpful
- Very good. Do it in other countries for targeted programs
- We don't have a problem with the shipping. Although, quotes for a future project are very hard to come by when it's limited to US shipping. A lot of paperwork, but it is handled by the freight forwarder.
- The paperwork is horrible. The time delay in getting response when you do file papers, response from Egypt, is terrible.
- Program useful
- It was an easy situation to work with; it was NOT a pain in the butt.
- Working on current USAID shipment; not familiar with previous transactions.
- Very time-consuming
- Approval process makes procedure longer.
- Only one carrier to Egypt and the shipper takes advantage of the situation
- USAID program very useful for us in Egypt. I wish we had opportunities in other places with a similar type of program. It's been okay.
- This firm has found this program very beneficial.
- In the last two years this program has been moving very swiftly.
- It is important that people not familiar with program to have someone or someplace to get answers to their question by a person. Would like more info and training on program.
- It's helpful that their involved.

FREQUENCIES
U.S. SUPPLIERS SURVEY

First Export Through CIP

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	90	43.9	43.9	43.9
	No	72	34.9	34.9	78.8
	DK	44	21.2	21.2	100.0
	Total	206	100.0	100.0	

Number of Times in CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1**	38	18.5	21.1	21.1
	2	25	12.3	14.1	35.2
	3	14	6.7	7.7	42.9
	4	10	4.9	5.6	48.4
	5	6	2.9	3.3	51.7
	6	9	4.6	5.3	57.0
	7	4	2.1	2.4	59.4
	8	2	1.2	1.4	60.8
	9	1	.4	.4	61.2
	10	14	6.6	7.6	68.8
	12	7	3.3	3.8	72.6
	15	4	2.0	2.3	74.8
	16	3	1.3	1.5	76.4
	18	2	1.2	1.3	77.7
	20	4	2.2	2.5	80.2
	22	1	.4	.4	80.6
	24	2	.9	1.0	81.6
	25	2	1.0	1.1	82.7
	27	2	.8	.9	83.6
	28	2	1.0	1.1	84.7
	30	11	5.5	6.3	91.0
	35	2	1.0	1.1	92.1
	36	2	1.0	1.1	93.2
	45	4	1.7	2.0	95.1
	50	1	.4	.5	95.6
	100	4	1.9	2.2	97.8
	135	2	1.0	1.1	98.9
	150	2	1.0	1.1	100.0
	Total	180	87.3	100.0	
Missing	**System**	26	12.7		
Total		206	100.0		

CIP Used Last Time Exp. to Egypt					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	99	47.9	47.9	47.9
	No	90	43.5	43.5	91.4
	DK	18	8.6	8.6	100.0
	Total	206	100.0	100.0	

Percentage of Exports Made Under CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**0**	41	20.1	22.5	22.5
	1	18	8.5	9.5	32.0
	2	6	3.1	3.5	35.6
	3	3	1.7	1.9	37.4
	4	2	.9	1.0	38.5
	5	9	4.2	4.7	43.2
	10	4	2.0	2.3	45.5
	12	1	.5	.5	46.0
	15	3	1.3	1.4	47.4
	20	5	2.5	2.8	50.2
	25	2	1.0	1.1	51.3
	30	1	.4	.5	51.8
	33	1	.4	.5	52.2
	35	1	.4	.4	52.7
	40	2	.8	.9	53.5
	50	16	7.6	8.6	62.1
	60	2	.8	.9	63.0
	67	2	1.0	1.1	64.0
	70	5	2.6	2.9	66.9
	75	1	.4	.5	67.4
	78	1	.4	.5	67.9
	80	3	1.6	1.8	69.7
	82	1	.5	.5	70.2
	90	4	1.8	2.0	72.2
	92	2	1.0	1.1	73.2
	95	3	1.7	1.9	75.1
	97	1	.4	.4	75.5
	98	4	1.9	2.1	77.7
	100	41	19.9	22.3	100.0
	Total	184	89.2	100.0	
Missing	**System**	22	10.8		
Total		206	100.0		

CIP Availability Increased Sales					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	98	47.6	47.6	47.6
	No	82	39.6	39.6	87.2
	DK	26	12.8	12.8	100.0
	Total	206	100.0	100.0	

Credit Increase Confidence					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	147	71.2	71.2	71.2
	No	40	19.6	19.6	90.8
	DK	19	9.2	9.2	100.0
	Total	206	100.0	100.0	

Most Favorable Aspect					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Letter of credit security**	140	68.1	68.1	68.1
	New markets for your firm	22	10.9	10.9	79.0
	Something else	43	21.0	21.0	100.0
	Total	206	100.0	100.0	

Most Burdensome Aspect					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Too much paperwork**	126	61.2	61.2	61.2
	U.S. shipping requirements	31	15.1	15.1	76.3
	Something else	49	23.7	23.7	100.0
	Total	206	100.0	100.0	

Long-Term Supplier-Importer					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	96	46.8	46.8	46.8
	No	98	47.6	47.6	94.5
	DK	11	5.5	5.5	100.0
	Total	206	100.0	100.0	

Exported to Egypt Without the Program					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	150	73.0	73.0	73.0
	No	36	17.7	17.7	90.7
	DK	19	9.3	9.3	100.0
	Total	206	100.0	100.0	

Anyone Represent Firm in Egypt					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	108	52.5	52.5	52.5
	No	91	44.4	44.4	96.8
	DK	7	3.2	3.2	100.0
	Total	206	100.0	100.0	

Representative There Due to CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	16	7.9	7.9	7.9
	No	183	88.6	88.6	96.5
	DK	7	3.5	3.5	100.0
	Total	206	100.0	100.0	

Encourage Other Firms to Use CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	165	79.9	79.9	79.9
	No	27	13.1	13.1	93.0
	DK	15	7.0	7.0	100.0
	Total	206	100.0	100.0	

Egyptian Buyers Find Alternative Financing					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Yes**	142	69.0	69.0	69.0
	No	24	11.8	11.8	80.8
	DK	40	19.2	19.2	100.0
	Total	206	100.0	100.0	

First Year Participated in CIP by Group					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1**	77	37.3	39.4	39.4
	2	86	41.9	44.3	83.7
	3	32	15.4	16.3	100.0
	Total	195	94.7	100.0	
Missing	**System**	11	5.3		
Total		206	100.0		

Percentage Exports through CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1**	94	45.7	51.3	51.3
	2	20	9.7	10.8	62.1
	3	10	4.7	5.3	67.4
	4	60	29.1	32.6	100.0
	Total	184	89.2	100.0	
Missing	**System**	22	10.8		
Total		206	100.0		

Recode Of Percentage Exports Thru CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Zero percent**	41	20.1	22.5	22.5
	Between 1-25%	53	25.7	28.8	51.3
	Between 26-50 percent	20	9.7	10.8	62.1
	51 Percent and above	70	33.8	37.9	100.0
	Total	184	89.2	100.0	
Missing	**System**	22	10.8		
Total		206	100.0		

First Year In CIP 1994-95					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**First year participated in CIP pre-1994**	110	53.4	56.5	56.5
	First year participated in CIP 1995	85	41.2	43.5	100.0
	Total	195	94.7	100.0	
Missing	**System**	11	5.3		
Total		206	100.0		

First Transaction					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1994**	23	11.1	11.1	11.1
	1995	41	20.0	20.0	31.1
	1996	29	14.2	14.2	45.3
	1997	26	12.6	12.6	57.9
	1998	17	8.3	8.3	66.2
	1999	12	5.9	5.9	72.1
	2000	11	5.2	5.2	77.3
	2001	22	10.8	10.8	88.1
	2002	25	11.9	11.9	100.0
	Total	206	100.0	100.0	

Last Transaction					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1994**	1	.4	.4	.4
	1995	5	2.6	2.6	3.0
	1996	11	5.2	5.2	8.2
	1997	9	4.5	4.5	12.7
	1998	13	6.1	6.1	18.8
	1999	19	9.0	9.0	27.8
	2000	18	8.9	8.9	36.7
	2001	34	16.6	16.6	53.3
	2002	96	46.7	46.7	100.0
	Total	206	100.0	100.0	

Recode Amounts					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Under $100,000**	37	18.1	18.1	18.1
	Between $100,001-250,000	22	10.8	10.8	28.9
	Between $250,001-750,000	44	21.5	21.5	50.4
	Over $750,000	102	49.6	49.6	100.0
	Total	206	100.0	100.0	

Survey of Egyptian Importers

Survey Data

Survey of Egyptian Importers

Open Ended Responses

Response to Q10: What is the role of CIP in the growth of your business?

- Important
- Ameliorating the payment balance
- Lowering the financing burden
- Stabilizing the exchange rates for a long period of time which will lead to stabilizing the product price
- Indeed. It has a positive role in funding
- It doesn't have an important role
- No role
- Important
- Not important as we used only once
- It has an important role
- Important role
- Has an important role
- Not important at all
- Offering of the facilities and the fastness of payment
- It used to have an important role when the grace period used to be bigger but it is not that important nowadays as the grace period is reduced
- An important role in providing the needed machines
- Important and effective
- An important role
- A very important role
- In all cases the company imports the materials from the U.S. and the increase of importing depends on the dollar exchange rate
- A very important role
- A very important role
- It has an important role
- It has an important role, bit it is not effective in the industry rather in the commodity sector
- It has an important role
- It has an important role
- It has an important role
- It has an important role and without it, we will not have a chance in this sector
- It has an important role
- It has a medium role

- Importing some of the products with less prices leading to a positive result in production due to stabilizing the exchange rate
- Funding the raw material with the official prices, low costs
- In all cases, the company imports the materials from U.S.
- Currently, it has a limited role while in the past it had an important one
- It has an important role
- Importing the raw materials
- It has an important role
- It has an important role
- It has an effective role in stabilizing the exchange rates
- Effective
- Now, there is no role and I hope there will be
- Without this program, the company couldn't deliver the product due to insufficiency of cash
- Lessening the costs
- Helping in financing the commercial activity
- It used to have an important role through importing large quantities
- Very important role for hotel construction
- No difference
- Increase
- In the past, when the grace period was long, it had an important role, nowadays, it is not that important
- More materials are available
- Effective
- Offered us more available materials
- Very important role
- Very important role
- Important role
- Very important role
- Important role
- Providing raw materials in Egyptian pounds
- All the companies equipment are imported through USAID
- Competitiveness with European companies and stabilizing the exchange rates
- It had a role in increasing sales
- Increasing production, Increasing profits, Reducing costs, Fast distribution
- It had a role in increasing sales
- Buying the needed machines
- It helps in determining the cost of the imported product
- Fair role
- Buying the needed equipment for the project
- Benefiting from importing the needed goods
- It offers a big grace period and helps increasing sales
- It doesn't have a role
- Providing goods for a period of 18 months helping in development
- It helps the company to grow and develop its business , which is mainly building gas stations all over Egypt

- An important role due the offered grace period which allowed the opportunity to sell in installments
- It has no role
- Increasing the productive capacity
- Helps in providing the main raw materials, Stabilizing the exchange rates
- It has a role in delaying payment only
- It allows us to get the products we need
- It doesn't have any role nowadays
- It has no role in development except in replacing other countries to import from
- An important role as it provides the funds
- It has an important role for importing the equipment, but it needs cooperation with the Egyptian importers
- We dealt with the program only once, and it helped the importing procedures and it can lead to the development of the industry
- It has a very important role in increasing production and reducing costs
- Increasing the company's operation
- Work effectively
- No role
- It led to a prosperous business
- It has a role in providing the raw materials
- No role
- An important role
- An important role
- An important role
- Reducing costs
- Not effective
- It used to have an effective role
- No role
- Availability of raw materials
- A basic role
- Simple
- Very important
- Simple
- An important role
- Very important
- Not important
- Non-effective role
- An important role
- No role
- Important
- Important
- It is important in facilitating the procedures
- Medium
- No role
- An important role in operation

- Effective role
- Important role
- Essential role
- Important role
- No role
- For buying water electricity stations and for water treatment
- Important role
- Important
- Medium
- Important role
- Very important
- Vital role
- Important role in providing the raw materials
- Very important role
- It doesn’t contribute in development
- Giving the opportunity to produce new products in the Egyptian market
- Great program but needs a fair distribution
- Important
- Important role
- Important role
- Increased my business
- It has an important role

Response to Q15: If you import from other countries other than the United States, which of the following is the primary reason you import this product from other countries?

- Small distance
- We import only from the US because the gas stations are available in the US with high quality
- Less transportation costs
- I don’t want to buy from other countries
- The small share that the company gets
- The quota we are allowed represents 3 million $, we import some and not all of the products from Europe
- Fastness of responding to our requests
- No importing except from the U.S
- There is no manufacturing for these products in US
- For the non-availability of the product in the US and the shorter distance with Europe
- The economic and political conditions led to problems when dealing with the program
- Shorter distance with Europe led to making products available in a faster way
- Shorter shipment time
- Less prices
- Fastness of providing the products
- Because shipping is easier due to the shorter distance from the US than from Europe
- The fastness of shipping
- The non-cooperation of US importers in prices

- We sometimes import from other countries
- We don't import from other countries
- For the existence of many competitors
- The non-existence of a production line in US
- Facility of communication
- Facilitating the paper work and the shipping
- I didn't import from other countries
- The difficulties of procedures
- The good exists in other countries and not in the US
- The importing of products has stopped completely since 2000 for the following reasons:
  - Imposing very high taxes on the products
  - Lowering the value of local currencies as compared to the dollar value
  - The bureaucratic procedures

Response to Q21: What was the main reason you stopped participating in the USAID import financed program?

- The program has stopped importing the bone and meat powder
- The non-availability of the products in U.S. nowadays
- The refusal of the U.S companies to import through the USAID
- The instability in the current markets
- Stopped working
- The L.C's of banks
- The procedures of implementing the program
- Due to the market conditions
- No, it didn't stop
- Due to the market conditions
  - The banks don't work properly due to the non-existence of supervision from the USAID
- Due to the high financing costs
- Due to the stoppage of the program upon of the request of the minister of national cooperation
- The imports of the raw materials have been cancelled and this used to present 90% of the program goods
  - There is a limited number of times one can benefit from the program
  - The program needs supervision
- Increase in exchange rate prices
- The non-cooperation of the aid
- Stabilizing the exchange rates and procedures of opening LC
- The non-cooperation of the USAID
- The banks position in dealing
- Non-cooperation of banks and reducing the grace period
  -The difficulties of dealing with USAI
  -Necessity of facilitating communication between the USAID and companies
- The non-availability of the product in the program
- Specializing in certain products

Response to Q25: Could you please tell me what the other sources of commercial financing are?

- The Arabic commercial funding agency
- The European Aid
- THE German Program
- Transfer from the mother company
- The European Aid
- The European aid

Response to Q27: What would you say are the most burdensome aspects of the USAID-financed export program?

- The inflexibility of banks, there is no relationship between the banks and the aid, no enough quota for the banks
- Changing the grace period to be longer
- The insufficiency of the quota
- The non-availability of cash
- The non-determination of the time of opening the L.C
- The non-availability of cash
- Availability of a small quota
- There should increase the grace period
- Insufficient quota
- Insufficient quota
- The barriers of the US government
- Difficulties with banks

Response to Q28: Which of the following is the major problem you have when you use the USAID export-financing program?

- The share is not available in the banks (It needs to be increased)
- Guarantee 110%
- The interest rate is very high 14% ++
- The bank I deal with doesn't have a share (development bank)
- The non-availability of the program on a permanent basis
- The procedures of opening LC are very tedious and take lots of time
- The amount should be paid to the bank in LE as a guarantee
- The banks should be responsible about the expenses
- Insufficient quota
- Non-cooperation of banks
- Insufficiency of quota
- Insufficiency of quota
- Insufficient quota
- The non-availability of funds on a permanent basis
- Competitiveness requirements
- Competitiveness requirements

Responses to Q29: Which of the following is the major problem you have with US suppliers when you use the USAID financing program?

- The limited quota provided to the banks
- Refusing the USAID paper work for the aid
- The U.S. companies don't care about the national trade and the imposition of the shipping costs on the Egyptian companies
- The bureaucratic procedures that are required, which lead to delaying the shipping and the delivery of the products
- The conditions of the US exporters
- Thee is no organization
- The non-obedience of the exporters by the contract conditions
- Preparing the documents

Responses to Q32: Could you please tell me the reason for your answer [recommend or not recommend the program]?

- The programs are quite good, however what is required is to put pressure on the Egyptian banks so that they avoid the bureaucratic procedures
- For the existence of many advantages, like stabilizing the exchange rates, payment in Egyptian pounds, the good quality of American products
  - Stabilizing the exchange rates
  - Lengthening the grace period
- For the advantages:
  - The grace period
  - Payment in Egyptian pounds
- For benefiting from the offered facilities and benefits
  - Stabilizing the exchange rates
  - Payment in Egyptian pounds
  - The grace period
- Availability of the foreign currencies
- For the inflexible required procedures
- Contributes in solving the unemployment problem
  - Stabilizing the exchange rates
  - Payment in Egyptian pounds
  - Availability of the currency
- For the advantages:
  - Stabilizing the exchange rates
  - Payment in Egyptian pounds
  - The grace period
  - Availability of the foreign currencies
  - Payment in Egyptian pounds
- Stabilizing the exchange rates
  - The grace period
  - The availability of the foreign currency
- To benefit from the advantages offered by the program

- The relationships between our company and others are quite few but our company is known for many companies (Secrecy of work)
    - Changing the grace period
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - Availability of foreign currencies
- The previous advantages
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - Availability of foreign currency
    - The grace period in the past
- All the previous advantages
- In case there is a difference between the official price of the dollar exchange rate and its price in the free market
    - Stabilizing the exchange rate
    - Payment in Egyptian pounds
    - Availability of the foreign currency
- For the previous advantages
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - Availability of foreign currencies

To benefit from the stability of the exchange rate under the current circumstances
For the 3 known reasons:
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - The grace period
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - The grace period
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - The grace period
    - Availability of the foreign currency
- It leads to the success of some of the business and to the increase of profits and availability of foreign currencies and the benefit from the offered grace period
    - The exchange rates, Payment in Egyptian pounds
    - For the advantages: Stabilizing the exchange rates, Payment in Egyptian pounds
- The facilities in payment and the availability of Egyptian currency according to the official price
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
    - Availability of the foreign currencies
    - The grace period
- Payment in Egyptian pounds, Grace period is added benefit
- Stabilizing the exchange rates
- The grace period

- Stabilizing the exchange rates
- Payment in Egyptian pounds
- Availability of foreign currencies
- Because there is a difference between the official rate and the price in the free market
- There are a number of advantages, like stabilizing the exchange rates
- For the advantages: stabilizing the exchange rates, payment in Egyptian pounds, The grace period
- The grace period, The exchange rates
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds and the grace period
    - Stabilizing the exchange rates
    - Payment in Egyptian pounds
- The non-availability of enough money in the bank we deal with
- The grace period
- Stabilizing the exchange rates
- Payment in Egyptian pounds
- Availability of foreign currencies
    - Facility of communication and dealing
    - The grace period
    - I didn’t deal with the program before and I hope I shall deal with it
    - No problem with the program
    - Availability of the foreign currencies
    - Stabilizing the exchange rates
    - The grace period
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - The grace period
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - Availability of foreign currencies
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - Availability of foreign currencies
    - Payment in Egyptian pounds
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - Stabilizing the exchange rates
    - Availability of foreign currencies
    - Payment in Egyptian pounds
- To use its advantages
    - Stabilizing the exchange rates
    - Availability of foreign currencies
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates
    - Availability of foreign currencies
    - Payment in Egyptian pounds
    - Stabilizing the exchange rates

  - Availability of foreign currencies
  - Payment in Egyptian pounds
- Benefiting from the advantages
  - Stabilizing the exchange rates
  - Payment in Egyptian pounds
- To achieve development if possible
  - The high quality of the US products while having a similar price to the European products
  - Offering advantages different than the ones offered by the European aid:
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Payment in Egyptian pounds
  - he grace period
- For its effectiveness
- For its advantages
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Payment in Egyptian pounds
- It provides high quality, grace period, and stabilize the exchange rates
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Payment in Egyptian pounds
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Payment in Egyptian pounds
- For the advantages offered to the importers
- For the variety of imports and exports
- Providing the funds
- For its advantages:
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Payment in Egyptian pounds
- No
- For financing and availability of foreign currencies
- We benefited from it and expect it to help the industry
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - High quality of imported equipment
  - The availability of the products while stabilizing the exchange rates
  - Payment in Egyptian pounds
- For the advantages offered
- For the previous advantages
- For its advantages
  - Stabilizing the exchange rates

- Availability of foreign currencies
- The grace period
- Stabilizing the exchange rates
- Availability of foreign currencies
- The grace period
- Stabilizing the exchange rates
- Availability of foreign currencies
- The grace period
- Payment in LE
- The exporter
- Shipping 2nd class products
- Facilitating the shipping
- Stabilizing the exchange rates
- Availability of foreign currencies
- The grace period
- Payment in LE
- Stabilizing the exchange rates
- Payment in LE

* For the complications and the required procedures and for asking for 3 offers from 3 exporters
* Lessening the prices
* For the advantages
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
* Providing funds
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
  - High quality machines
  - Good payment conditions
  - The existence of agencies for maintenance
* For its advantages
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
* Lessening the pressure on foreign currencies
* On the condition of reducing prices
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period

  - Payment in LE
- Necessity of reducing prices
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
- Reducing the shipping costs
- Non-existence of loans in all banks
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
  - Stabilizing the exchange rates
  - Availability of foreign currencies
  - The grace period
  - Payment in LE
- The program is great and what is required is to spread it in the private sector.
- There are huge American companies which have branches in other countries in the world, that give better prices and which we can't deal with in the program. This is because the source of the products in this case is not U.S., which leads to importing the raw materials from other countries due to the price advantage as compared to quality. (This is because the product is referred to the mother company, which is American). We require that the program comprises such companies.
  - Fair distribution in banks
  - Determination of the required procedures to have the aid
  - Identification of a way to market the aid for the beneficiaries
- Simplifying the required procedures for dealing with the aid
  - Lessening the required procedures
  - Having more flexibility
- Informing the companies that export about everything that is new
- The facilities should be given to the factories or the importers and not to the banks and facilitating the procedures and lessening the paper work required by the aid
- Dealing with the agency and the return of the bone and meat powder
  - Making the grace period 9 months at least
  - Facilitating the required procedures
- When the American importers know that the aid is involved they increase the prices
  - Returning the grace period to be 9 months
  - Lessening the paper work in banks
  - Ameliorating the relationship between the American exporter and the Egyptian importer
  - Organizing conferences and visits for the American exporters to explain the aid program and its advantages and make the Egyptian importers knowledgeable about the program
- Requiring the inclusion of the product: Soya beans oil, as U.S is considered one of the greatest productive countries for this country
- I prefer the non-existence of the agencies as I prefer the dealing to be between our company and the serious ones and I prefer to be nominated by the USAID rather than the agencies

  - Organizing conferences for the factories and the ones responsible without the interference of any agencies
  - Lessening the grace period and making the currency available for the banks
  - Most importantly, the existence of a representative who can negotiate and discuss any problems that might appear
- Thanking the aid employees for their cooperation
- Providing a longer grace period (9-12 months) while stabilizing the dollar exchange rate in the dealing and the payment should be in Egyptian pounds. In addition, I see that it should be content with a letter of guarantee and not putting 10% of the L.C in the bank before the opening of the L.C
- I want to revise the European loan as it offers a lower interest rate of 9% for the long term loans of more than 5 years while the American loans offer a higher interest rate of 14%. However, dealing with American loans save time and the paper work required is very easy and I would like to thank the aid program and suggest lowering the interest rate
  - Returning to the old grace period
  - There is problem, which is that the products arrive from U.S faster than the paper work
- I suggest to deprive some of the products that enter Egypt from some of the costs like the tariffs, as it is happening in some Arabic countries, for example some of the products imported from U.S are exposed to 10% tariffs as compared to 4% only in Saudi Arabia
- There is no balance in the distribution of loans between the different branched of different banks as they are concentrated in certain banks
- The existence of publications for the ones in the CIP and changing its name from the US loan to the loan offered by the Egyptian government for importing from U.S
- Explaining to all the users and the ones responsible that the aim of using the U.S loan is to stabilize the exchange rate in order to lessen the difference between the official exchange rate and its price in the free market , which represents now 13% leading to the unemployment problem and the existence of a barrier for the increase of production
- The bank guarantees are 100 %and we should look into that so that we can deal with the program in a better way
- The prices of the products offered through the aid are quite high as compared to their prices in other countries
- The shipping period is very long
- The necessity of increasing the share of the banks in the CIP program
- Returning the grace period as it used to be
- Increasing the share of the factories to be in proportion with their needs
- The paper work is too much and it is quite delayed in the U.S agency
- Extending the grace period
- There should be no differentiation in the dealing between the customer and the end user in determining the grace period in the case of sales and the use in Upper Egypt
- Allowing the shipping to be on non-American ships to reduce costs
- Ameliorating the relationship between the USAID and the banks as the client is not offered facilities as he should be offered
- The foreign banks shall determine the costs of L.C. according the natural L.C in order not to increase the costs for the producer
- Fasten the procedures of agreeing the CIP for the importer
- I suggest to deal with the importer bill only after making sure of his identity

- They should deal with multinational companies in a better and easier way in order to prevent refusing the L.C ‘s of a company due to the existence of many requests (as it happened to us)
- The necessity of using U.S ships and the difficulty of the required procedures to get the ships out of the U.S ports
  - The U.S. companies pose very high costs and expenditures on the paper work and the required procedures
  - There is a high difficulty in dealing with banks
  - There is no good attention for the small industries and the difficulty of its dealing with the banks
  - Suggest to come up with a system to deal with the small industries
    I suggest increasing the quota offered to the private sector and to the end users as we are offered a quota of 3 million dollars annually and this is not enough for our needs
  - The grace period used to be 6 months in the past
  - The grace period has been reduced to 2 months only and because the shipping from the U.S takes lots of time, the grace period needs to be extended to what it used to be
- The grace period for the production equipments is not enough except if they apply allowing payment after the grace period with interests equivalent to the international interests exposed on the foreign currencies and this is what the agreement says allowing a period of 7 years for payment, which would allow strengthening the relationship with the U.S. importers. However, this is not actually applied with the banks.
  - The decrease of the trader quota from 5 to 3 annually
  - Increasing the period of opening the L.C after the agreement of the USAID
  - Benefiting from the grace period
  - Increasing the banks quota offered by USAID
  - Increasing the grace quota as it used to be (12 months for the raw materials and 18 months for the investment commodities)
  - Including all the U.S. commodities in the USAID program especially the cars (personnel or commercial)
  - Facilitating the shipping procedures
- Allowing the shipping to be on non-U.S. ships or decreasing the shipping costs on U.S companies
- As quota was disbursed erratically, leading to not being able to purchase the required commodity on a “just in time system”, when we need to do an order there were no funds left in the banks.
- Restrictions to use US flag vessels leading to delaying the shipment of materials as the US flag vessels have reduced their delivery schedule to Alex. Port, thus being constantly overbooked with no space available.
  - Allowing shipment on non-US ships
  - Lessening the paper work
  - Fastening the acceptance of L.C.
  - Increasing the grace period
  - Fastening the procedures
  - Increasing the company’s quota
- Providing the information needed to the ones included in the program and changing its name from the US loans to The Egyptian Government loan to import from U.S.
  - Providing the information about the conditions of giving loans
  - Increasing the grace period to be 6 months

- Broadening the program
- The problems:
- Proving more U.S ships
- Increasing the banks quota every 3 months
- Increasing the grace period

- All the workers in the CIP program are cooperative , but we need the following:
- Facilitating the LC opening procedures
- Availability of cash
  - Facilitating the opening of L.C
  - Canceling the 3 options
- The guarantees from the bank , which note that an L.C with a value equal to the one of the equipment that are going to be imported shall be opened
  - Facilitating the procedures
  - - Facilitating dealing with the banks
  - The existence of a direct contact between the importers and the USAID
  - Facilitating the procedures
  - - Changing the US laws
  - -the grace period shall be extended
  - There is no customer service to follow up with the problems
  - It is necessary to make the allowance duration longer especially for the end user
  - Allowing the use of non-US ships
  - Shouldn't be strict in using 3 different US importers
  - Increasing the banks shares
  - Facilitating the paper work procedures
  - It is necessary to make the allowance duration longer especially for the end user
  - Allowing the use of non-US ships
- We suggest lowering the interest rate
- Increasing the grace period
- Increasing the banks quota
- Relating the shares to the percentage of imports of raw materials
- Reconsider funding materials that would help the food industry
- We have a problem is that we can't import our raw materials through the CIP
- Deliver the products in time
- Facilitating the dealing with the banks
- Applications to use the CIP should be available
- Reconsider funding our materials
- Making the companies knowledgeable about the CIP program
- Increasing the quota of those who import capital goods
- The fixed exchange rate between the USAID and the banks as we agreed is between 4-6% while the banks deal with 13%
- The goods shouldn't be 100% US as this is very hard on the companies
- Facilitating the shipping procedures and reducing its costs
- There is no agent to deal with in case if the goods are not identical to what is required
- Reduce tariffs
- Reduce shipping costs
- Caring for the good companies
- Caring for the clients

- Taking care of time constraint
- Lessening the time needed to get the approval for shipment
- Increasing the cash limit devoted to CIP
- Facilitating the paper work procedures
- Increasing the grace period
- Increasing the grace period
- Decreasing the L.C costs
- There is so much paper work leading to delaying the arrival of the products while the prices change during this period
- Controlling the banks procedures and work so the USAID shall interfere to guarantee a fair quota for the different banks
- The cash transfer program doesn't benefit the program
- Supervising the imported machines
- The experience of the USAID is not sufficient
- The program shall make more investigations of the different companies and banks to deal with
- The CNT program is not effective
- I totally object the way this questionnaire was developed as it doesn't include valuable questions
- Increasing the grace period
- The cost of opening L.C is very high (around 2% of the L.C value)
- It offers great help , however the quota offered is not enough
- Providing a longer grace period
- Dividing the quota 4 times a year because we can't import all what is needed in one time
- The non-availability of quota in banks
- We import medical equipments from the US, Europe , and Asia, the part from the US represent 40% of the whole and we want to increase it to 60%
- Organizing the relationship between the US agency and the US exporter as it causes lots of troubles and delay
- Increasing the grace period
- The existence of no agency, but rather direct contact with the US exporter
- Facilitating the procedures and paper work
- The cost of financing is very high and needs supervision
- The banks offer facilities and advantages
- Reducing the costs of the US exporters to deal more effectively with the aid
- Lessening the required procedures
- We need to include all the goods in the program, including cars
- Increasing its effectiveness and returning its operation
- Increasing the grace period
- In ceasing the quota provided to the banks
- To benefit from funds
- For its advantages
- The program needs promotion to make it known to the importers
- There should be no limit for the no. of times one can benefit from the program
- Training the employees in banks how to deal with the program
- Increasing the grace period to 9 months instead of 4

- the dealing should be direct without an agent
- There should be no L.C or a smaller one
- Allowing installments
- The problems:
  - There is no enough funds
  - The payment of the whole amount to the bank as a guarantee
  - Allowing more funds
  - Increasing the companies quota
  - Increasing the grace period
  - Including other parties than banks
  - Facilitating the procedures
  - Counting the period from the moment the shipment arrives
  - There is no experience for the employees
  - There is no benefit under the current circumstances
  - The USAID logo is not put on the product
  - -Distributing the quota on 4 times annually
  - increasing the companies' quota
- Supervising the quota distributed on banks
  - Increasing the grace period
  - Increasing the quota
  - - Ameliorating the distribution of offers
- Ameliorating the funding conditions
- Increasing the quota of banks
- Increasing the quota devoted to Egypt
  - There should be no agency in between when dealing
  - Increasing the companies' quota
  - There should be no agency in between when dealing
  - Increasing the companies' quota
- Increasing the grace period
- Allowing shipment on non-US ships
- Less tariffs
- Increasing companies' quota
- For the previous advantages
- Allowing importing at any time
- Shipping on non-US ships
- Including meat and bones in the program
- The existence of no agency in the dealing but rather return to the commercial chamber
- Non-cooperation of banks
- Non-existence of LC
- Procedures of the letter of guarantee
- The many procedures involved and the paper work required
- The necessity of having 3 offers from 3 exporters
- Shipping on non-US ships
- To have control on the correspondent banks in the US in the process of shipping documents
- To extend the facilities for payments

- To speed up procedures of obtaining approvals to use the USAID
- Including the companies that have activities outside the US
- Facilitating the procedures
- Need more cooperation
- Need for serious dealers
- The reach of the exporters that deal with the USAID more easily
- Canceling the existence of 3 offers
- Increasing the grace period
- Facilitating the procedures
- Increasing the grace period
- Facilitating the procedures
- Increasing the companies' quota
- Increasing the grace period
- The insistence of banks to cover the whole payment in LE
- non-cooperation of banks
- the banks use the dealing for their own benefit
- The paper work
- Facilitating the procedures
- Increasing the grace period
- Canceling the necessity of having 3 offers
- Increasing the grace period
- Canceling the necessity of having 3 offers
- Extending the LC for those who deal with the program constantly
- Increasing the grace period
- Increasing the companies' quota
- Deleting the US exporters that are not serious from the program
- Allowing shipment on non-US ships
- Increasing the grace period
- Increasing the companies' quota
- Increasing the number of US shippers
- Increasing the grace period
- Increasing the banks quota
- Including the poultry feed in the program
- Increasing the banks quota
- Canceling the 3 offers
- Promoting the program among importers
    - reducing the good price
    - providing equipments in the program
    - facilitating the procedures
    - increasing the banks quota
    - there should be a direct contact with the CIP
    - redistributing the quota between the companies
    - the prices are unstable
    - increasing the grace period
    - flexibility
    - allowing shipment on non-US ships

- Increasing the grace period
- Allowing shipment on non-US ships
- Preparing plans for distributing the quota
- Increasing the banks quota
- Communicating with the banks
  - availability of raw materials
  - the availability of corn
  - Provide a time plan for financing
- Facilitating the opening of L.C
- Allowing shipment on non-US ships
- Lessening the role of banks in providing the opportunity to benefit from the program
- Yes it has a role
- It's role is very limited because we import according to the market needs
- It made it easier to import commodities
- It eliminated the burden of getting the foreign currency for import.
- It lowered the cost due to the grace period and it allowed us to produce with higher quality
- It helps importing commodities without facing the risk of fluctuating exchange rate
- It helped us to increase the size of our activities which helped increasing our profits
- Yes , it has an important role
- Yes, it has a role
- It has a small role
- Yes, it has a role
- It has an important role
- It helped decreasing costs
- Financing part of the imports
- Quick opening of the LC's
- Fixing the exchange rate
- It does not have any role
- A vital role as the Group imported raw material through the CIP with 8 Million USD and it did not face the risk of the foreign currency fluctuation
- It has no role
- A very important role. It helps achieving the required quality according to the international standards
- It led higher efficiency in work
- Yes it had a role due to it's advantages, for example these advantages are reflected on the deals with the customers
- Availability of better exchange rate for import
- The program helped our company to grow in it's current activity and increase sales of the US products
- We have imported equipment for raising poultry also we imported pumps which helped in reclaiming lost of desert land
- It helped the company to continue it's activities
- It helped the company to increase it's production capacity
- It helped increasing the company sales
- It helped increasing the company profits

- Importing raw material required for manufacturing cables
- It has an important role
- It’s role is not sufficient
- It has no role
- It has an important role
- Due to the lower cost (due to lower exchange rate), the products I import through the CIP is cheaper thus it has the priority
- No Role
- It had an important role
- Not very effective
- Important role
- The shipping process from the US is very slow
- It is faster to import without the CIP
- Shorter Distance which leads to cheaper shipping
- I deal with an agent for European Pumps that does not exist in the US
- I don’t import from other countries
- Different payment terms
- Lower shipping cost
- Old long term relation ships with suppliers
- The quota’s at banks quickly consumed
- Shorter shipping period
- Orders are executed quickly and technicians comes fast
- Shorter distance to Europe
- The required commodities are available any time
- The US suppliers provides lower service level
- Because it takes too long time to open the LC through the USAID
- Other countries gives us some funds
- Other countries gives us some funds
- Other countries gives us some funds
- Other countries gives us some funds
- CIP fund is not always available at banks so it is difficult to depend on it
- There are more varieties in other markets
- Facilities in payments and in shipping
- The rules and regulations of the Egyptian Central bank
- 2-Opening the LC requires paying 100 % of the amount in advance to the bank.
- 3-The interest rate is 14% however the interest on the USD does not exceed the 3%
- 4-The grace period is very short
- Problems with banks
- No enough quota at banks
- It takes too long time & procedures to open the LC through the USAID
- The USAID does not finance importing the meat and bone powder any more
- We tried to use the CIP in dealing with lots of our US suppliers (Microsoft, HP...etc) but we failed to do it which affected our profits badly
- Lower the required guarantees
- Delay due to the required procedures

- The nutritional products are not included in the program
- No Reason
- MSSP
- Long grace period
- Nothing
- Grace period
- Sometimes the dealer brings products that aren't manufactured in the US and in this case, the importer pays all the costs of the delay and this is what actually happened to me last time as I paid 200000 LE fees for delaying the products in Port Said port while the dealer didn't pay anything (Camper land)
- Limiting the company quota to 1 million USD only
- The whole amount of the LC should be covered
- Lack of liquidity at the CIP (sometimes)
- Fund are not enough
- The USAID does not finance importing the meat and bone powder any more
- The competition requirement (3 offers)
- There are many company the would like to enter the program, which results in delaying the share that the company wants
- The rules and regulations of the Egyptian Central bank
- Long procedures to open the LC
- The procedures takes too long time
- Delaying the quota in the banks
- Lack of liquidity which delays opening the LC
- Banks employees lacks the information about the CIP
- Delays of funds to banks
- Delays in providing banks with funds
- No enough quota for manufacturers
- The shipping cost of American carriers is very expensive
- Some of the suppliers lack the experience of dealing with the international markets
- The US suppliers are not experienced
- The US suppliers are not knowledgeable with the regulations of the international trade
- The US suppliers are un experienced
- The agent is should not be the trader
- Payment in LE
- Fixing the exchange rate by the time of opening the LC
- Providing US $ and repayment in LE
- It is very difficult to get foreign currency to finance importing capital and non capital imports. The CIP facilitates this process and it gives a grace period and allows repayment in LE
- There is no problems in dealing with the USAID
- No risk associated to the exchange rate
- Long credit period
- Guaranteed quality of the US suppliers
- Repayment in LE
- Fixing the exchange rate by the time the LC is opened
- Grace period

- To get the economic benefit of it
- Fixing the exchange rate
- Repayment in LE
- Grace period
- The quality of the US commodities is high
- The quality of the US commodities is high
- Repayment in LE
- Grace period
- Because there are no liquidity in the market due to the stagnation
- To get the benefit of :
- Fixing the exchange rate by the time of opening the LC
- Repayment in LE
- Grace period
- Availability of foreign currency
- To reduce the imports by USD, which will effect the value of the LE as compared to the USD
- Lack of liquidity at the USAID
- Delays in issuing the LC's leads to paying penalties to local customers
- Most of the US suppliers refuses dealing through the USAID due to the long procedures required by the at the US
- To get the benefit of:
- Financing terms
- Grace period
- Availability of foreign currency
- To get the benefit of:
- Repayment in LE
- Fixing the exchange rate
- Grace period
- Because there is no advantages in the program
- The program was extremely useful to our organization. The Aid staff was very supportive and helpful. Overall, we had a very positive experience with the CIP & we certainly recommend it with out hesitation.
- It is not important
- Due to the program advantages such as :
  - The exchange rate
  - Repayment in LE
  - Grace period
- It has lot's of advantageous
- Because the program is very useful especially in the current economic conditions
- Repayment in LE
- Fixing the exchange rate by the time of opening the LC
- It helps increasing the company sales
- To get the benefit of the CIP advantages
- Because of:
  - Grace period
  - Foreign currency is available

  - Perfect conditions
- Because of all the advantages previously mentioned
- To get the benefit of it's several advantageous
- To get benefit of :
  - Grace period
  - Fixing the exchange rate
  - Low interest rate
  - Shipping takes long time
  - Shipping is very costly
- We could not accomplish our promises to our customers due to the delays at the USAID
- Because nowadays it does not have advantages as it used to in the past
- Payment in LE
- Fixing the exchange rate by the time of opening the LC
- Repayment in LE
- Fixing the exchange rate
- Grace period
- Availability of foreign currency
- Repayment in LE
- Fixing the exchange rate
- Due to the problems I faced
- Due to the benefits that we have previously mentioned
- For the following advantages:
- Repayment in LE
- Fixing the exchange rate
- Grace period
- To get the following advantages:
  - Grace period
  - Availability of foreign currency
  - Fixing the exchange rate
  - Repayment in LE
  - Get the benefit of the grace period
  - Repayment in LE
  - Fixing the USD exchange rate
- Get the benefit of :
  - Repayment in LE
  - Availability of USD
  - the grace period
  - Get the benefit of :
  - Fixing the USD exchange rate
  - Facilities in repayment
  - Repayment in LE
  - Fixing the final cost by the time of opening the LC
  - the grace period
- Get the benefit of :
  - Grace period
  - Repayment in LE
  - Fixing the exchange rate

- Availability of USD
- Favorable financing terms
- Because the market is in shortage of USD
- Fixing the exchange rate
- Repayment in LE
- Repayment in LE
- Fixing the exchange rate by the time of opening the LC

- Get the benefit of :
- Repayment in LE
- Availability of USD
- Grace period
- Fixing the exchange rate
- Fixing the exchange rate by the time of opening the LC
- Availability of the USD
- Repayment in LE
- Due to lots of advantages such as the grace period & repayment in LE
- To get the benefits of the previously mentioned benefits
- No
- Allowing shipping on Non US shipping companies, for the sake of reducing the cost
- Unavailability of quotas in commercial banks
- Allowing shipping on Non American shipping companies, especially that they are very expensive
- Solving the conflicts between the different banks roles
- Allowing longer time for opening the LC
- Increase Egypt share in the Program
- Reduce the procedures of importing through the program
- Allowing shipping on non US shipping companies
- The main problems with the CIP are:
- Routine
- Shipping on US carrier
- The procedures of opening the LC takes too long time
- The bank quota should be announced so all companies knows about it
- The Egyptian banks requests 100% guarantee to open the LC for importing any commodities through the CIP
- The import requirements from the US is more restricted than other countries
- The USAID should not restrict shipping to the American couriers only
- Shipping cost on US couriers is very expensive
- The quota for the company is 2 million UDS regardless to the type of products the company produce or to its financial position. I see that this has to be reevaluated
- The grace period is reduced to 4 months instead of 9 months
- The shipping approval takes too long time at the USAID office in Cairo, which leads some times to stopping the production in the factory. I would suggest that this approval be at the USAID office in the US.
- It is sufficient to get one offer from one supplier, because the competition requirements make the process more difficult.

- The procedures at the banks should be easier, it is enough to get the previous offer from the supplier and the previous LC number
- Liquidity should always be available
- The USAID should be able to make the bank procedures easier. Opening the LC should not take more then one week.
- Fixing the exchange rate by the time of opening the LC & decreasing the interest rate. Also these information should be clear and direct from the USAID to the customers
- The grace period should be suitable for the nature of the activity and the company
- Creating awareness between bank employees about the program, especially in the banks branches
- The Importer should not cover 100% of the LC amount and it is sufficient to cover 25% only or even less
- Long procedure at banks
- It is very important to agree with the concerned parties in Egypt to cancel the condition of paying the whole LC amount to the bank as a guarantee.
- Fixing the exchange rate is not considered an advantage
- The interest rate on the USD is 3% however the interest on the LC amount is 14%
- The only limiting factor currently is the ceiling of the USD is 2 million per company. We could certainly make it greater use of the program if such ceiling was higher, or there was no ceiling at all taking of course into consideration supply and demand equation.
- Reducing the interest rate
- Increasing the grace period
- US prices should be more competitive
- US prices should be more competitive compared to Europe prices
- Specifying 25-30 % of the total CIP funds at banks to be directed to companies the serves national projects like Toshka project. These companies should be given a higher quota because some time we go to the bank and we find that there is no fund and this has a negative impact on the operations. In such cases we import from other countries in order to save cost which leads to lower quality. If there are enough funds we could import all our requirements from the US. We nugget that the USAID get a list of the companies that works on national projects and ask them about their needs and schedule payment for them all over the year.
- Reduce the amount of paper work.
- Reduce the shipping requirements
- Increasing the grace period
- Opening the LC is very costly
- Create awareness between companies on the USAID program
- Quota is not available at banks
- This program is considered the best program in Egypt
- Shipping on US couriers is very costly
- Lots of paper work required
- The process of opening the LC should be facilitated and payment through banks as well (as an intermediate)
- Increasing the grace period
- Providing more consideration to the agricultural activity companies that is directed to export.

- I recommend to increase the length of the grace period
- The grace period is 4 months , which is very short
- Increasing the funds
- Increasing the company quota
- Opening the LC with the whole amount for the company at the begging of the year to facilitate the process in the rest of the year
- The grace period should be increased
- Giving the advantage of longer grace period to the companies with operations in Upper Egypt
- Financing imports weather from the US or other countries
- Facilitate the procedures of opening the LC
- Facilitate the procedure for the Supplier in order to ship the commodities on time
- Import of meat & bone and father meal under the USAID CIP be allowed for operating manufactures only- not for traders
- Manufacturers with more than one operating company be limited to only allocation of USAID funds for all companies- in the past single owner , multiple operation companies have taken misappropriate amount of available fund
- Increasing the fund at banks
- Omit the condition of getting three offers
- Creating awareness about the USAID
- Increasing the fund at banks
- Omit the condition of getting three offers
- Creating awareness about the USAID
- The USAID should try to find a solution allow us deal with the American companies such as Microsoft & HP. These companies are American however it's it has a branch in the Middle East and we are only allowed to deal with the Middle East branch.
- Priority should be given to manufacturing companies
- Allowing importing the meat & bone powder through the USAID
- Fixing the USD exchange rate for pre specified periods
- Omit the condition of shipping on US couriers because it is very costly, or reduce the cost of shipping on the US Shippers
- Fixing the USD exchange rate for pre specified periods
- Omit the condition of shipping on US couriers because it is very costly, or reduce the cost of shipping on the US Shippers
- Increasing funds at banks
- Omit the condition of getting three offers
- Finance importing the grains for the traders & the manufacturers
- Creating awareness about the USAID programs
- Increase the grace period at least to 5 years
- Reduce the required guarantee to 10-20% instead of 100%
- Omit the condition of shipping on US shippers
- Ensuring that the agencies have real activities and the spare parts are available
- Reduce the required guarantees
- Allowing the importer to deal directly with the CIP instead of having the bank as an intermediate
- Shipping on the US shippers is very expensive

- Increasing funds at banks
- Increasing the companies quota
- Opening the LC with the total company requirement by the begging of the year
- Increasing funds at banks
- Omit the condition of getting three offers
- Finance importing the grains for the traders & the manufacturers
- Creating awareness about the USAID programs
- Increase the grace period to 9 months instead of 3
- Increasing the companies awareness with the activities that the USAID finance
- Giving the banks fund on fixed basis (fixed periods)

FREQUENCIES
EGYPTIAN IMPORTERS SURVEY

Year Of First CIP Transaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1994	22	11.0	11.0	11.0
	1995	28	14.0	14.0	25.0
	1996	29	14.5	14.5	39.5
	1997	24	12.0	12.0	51.5
	1998	11	5.5	5.5	57.0
	1999	25	12.5	12.5	69.5
	2000	21	10.5	10.5	80.0
	2001	22	11.0	11.0	91.0
	2002	18	9.0	9.0	100.0
	Total	200	100.0	100.0	

Year Of Last CIP Transaction

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1994	1	.5	.5	.5
	1995	2	1.0	1.0	1.5
	1996	7	3.5	3.5	5.0
	1997	12	6.0	6.0	11.0
	1998	8	4.0	4.0	15.0
	1999	23	11.5	11.5	26.5
	2000	25	12.5	12.5	39.0
	2001	25	12.5	12.5	51.5
	2002	97	48.5	48.5	100.0
	Total	200	100.0	100.0	

Number of Transactions					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1**	54	27.0	27.0	27.0
	2	17	8.5	8.5	35.5
	3	15	7.5	7.5	43.0
	4	9	4.5	4.5	47.5
	5	8	4.0	4.0	51.5
	6	4	2.0	2.0	53.5
	7	11	5.5	5.5	59.0
	8	6	3.0	3.0	62.0
	9	3	1.5	1.5	63.5
	10	6	3.0	3.0	66.5
	11	5	2.5	2.5	69.0
	13	2	1.0	1.0	70.0
	14	2	1.0	1.0	71.0
	15	3	1.5	1.5	72.5
	16	2	1.0	1.0	73.5
	18	5	2.5	2.5	76.0
	19	1	.5	.5	76.5
	20	3	1.5	1.5	78.0
	21	2	1.0	1.0	79.0
	22	7	3.5	3.5	82.5
	23	1	.5	.5	83.0
	24	2	1.0	1.0	84.0
	26	2	1.0	1.0	85.0
	29	3	1.5	1.5	86.5
	30	2	1.0	1.0	87.5
	31	3	1.5	1.5	89.0
	32	2	1.0	1.0	90.0
	35	2	1.0	1.0	91.0

Number of Transactions					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
	36	1	.5	.5	91.5
	37	1	.5	.5	92.0
	38	2	1.0	1.0	93.0
	40	1	.5	.5	93.5
	42	1	.5	.5	94.0
	45	1	.5	.5	94.5
	47	1	.5	.5	95.0
	48	1	.5	.5	95.5
	58	1	.5	.5	96.0
	61	2	1.0	1.0	97.0
	63	1	.5	.5	97.5
	65	1	.5	.5	98.0
	69	1	.5	.5	98.5
	119	1	.5	.5	99.0
	127	1	.5	.5	99.5
	283	1	.5	.5	100.0
	Total	200	100.0	100.0	

Governorates					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	10th Ramadan	3	1.5	1.5	1.5
	Alexandria	31	15.5	15.5	17.0
	Assiut	2	1.0	1.0	18.0
	Aswan	1	.5	.5	18.5
	Cairo	119	59.5	59.5	78.0
	Giza	34	17.0	17.0	95.0
	QALIOBIA	2	1.0	1.0	96.0
	Sharkia	6	3.0	3.0	99.0
	Sohag	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Description of Company					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	commercial trading firm	46	23.0	23.2	23.2
	end-user manufacturing firm	128	64.0	64.6	87.9
	both	24	12.0	12.1	100.0
	Total	198	99.0	100.0	
Missing	System	2	1.0		
Total		200	100.0		

Type Of CIP Import					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	capital good	68	34.0	34.0	34.0
	component of final product	67	33.5	33.5	67.5
	both	65	32.5	32.5	100.0
	Total	200	100.0	100.0	

Importance For Competitiveness					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	extremely important	91	45.5	45.5	45.5
	very important	39	19.5	19.5	65.0
	moderately important	40	20.0	20.0	85.0
	somewhat important	16	8.0	8.0	93.0
	not at all important	14	7.0	7.0	100.0
	Total	200	100.0	100.0	

Produce Better Quality Goods					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	extremely important	66	33.0	33.0	33.0
	very important	29	14.5	14.5	47.5
	moderately important	23	11.5	11.5	59.0
	somewhat important	19	9.5	9.5	68.5
	not at all important	63	31.5	31.5	100.0
	Total	200	100.0	100.0	

Reduce Price Of Goods					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	extremely important	74	37.0	37.0	37.0
	very important	49	24.5	24.5	61.5
	moderately important	31	15.5	15.5	77.0
	somewhat important	20	10.0	10.0	87.0
	not at all important	26	13.0	13.0	100.0
	Total	200	100.0	100.0	

Become More Efficient					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	extremely important	61	30.5	30.5	30.5
	very important	45	22.5	22.5	53.0
	moderately important	40	20.0	20.0	73.0
	somewhat important	17	8.5	8.5	81.5
	not at all important	37	18.5	18.5	100.0
	Total	200	100.0	100.0	

Become More Cost Effective					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	extremely important	84	42.0	42.0	42.0
	very important	29	14.5	14.5	56.5
	moderately important	36	18.0	18.0	74.5
	somewhat important	27	13.5	13.5	88.0
	not at all important	24	12.0	12.0	100.0
	Total	200	100.0	100.0	

Enter New Markets					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**extremely important**	50	25.0	25.0	25.0
	very important	20	10.0	10.0	35.0
	moderately important	34	17.0	17.0	52.0
	somewhat important	28	14.0	14.0	66.0
	not at all important	68	34.0	34.0	100.0
	Total	200	100.0	100.0	

Increase # Of Employees					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**extremely important**	44	22.0	22.0	22.0
	very important	20	10.0	10.0	32.0
	moderately important	22	11.0	11.0	43.0
	somewhat important	32	16.0	16.0	59.0
	not at all important	82	41.0	41.0	100.0
	Total	200	100.0	100.0	

Increase Productive Capacity					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Extremely Important**	64	32.0	32.0	32.0
	Very Important	33	16.5	16.5	48.5
	Moderately Important	31	15.5	15.5	64.0
	Somewhat Important	18	9.0	9.0	73.0
	Not At All Important	54	27.0	27.0	100.0
	Total	200	100.0	100.0	

Percent Growth due to CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**0**	35	17.5	17.6	17.6
	1	2	1.0	1.0	18.6
	2	5	2.5	2.5	21.1
	3	2	1.0	1.0	22.1
	4	2	1.0	1.0	23.1
	5	9	4.5	4.5	27.6
	8	1	.5	.5	28.1
	10	25	12.5	12.6	40.7
	15	9	4.5	4.5	45.2
	20	28	14.0	14.1	59.3
	23	1	.5	.5	59.8
	25	6	3.0	3.0	62.8
	30	16	8.0	8.0	70.9
	35	4	2.0	2.0	72.9
	40	4	2.0	2.0	74.9
	50	13	6.5	6.5	81.4
	60	12	6.0	6.0	87.4
	70	9	4.5	4.5	92.0
	75	2	1.0	1.0	93.0
	80	5	2.5	2.5	95.5
	85	2	1.0	1.0	96.5
	90	1	.5	.5	97.0
	95	1	.5	.5	97.5
	100	4	2.0	2.0	99.5
	150	1	.5	.5	100.0
	Total	199	99.5	100.0	
Missing	**System**	1	.5		
Total		200	100.0		

Current Number of Employees					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**5**	3	1.5	1.5	1.5
	6	1	.5	.5	2.1
	10	2	1.0	1.0	3.1
	12	2	1.0	1.0	4.1
	14	2	1.0	1.0	5.2
	15	6	3.0	3.1	8.2
	19	1	.5	.5	8.8
	20	4	2.0	2.1	10.8
	25	4	2.0	2.1	12.9
	30	6	3.0	3.1	16.0
	32	1	.5	.5	16.5
	35	3	1.5	1.5	18.0
	36	1	.5	.5	18.6
	40	6	3.0	3.1	21.6
	42	1	.5	.5	22.2
	45	5	2.5	2.6	24.7
	50	5	2.5	2.6	27.3
	52	1	.5	.5	27.8
	55	1	.5	.5	28.4
	60	3	1.5	1.5	29.9
	65	1	.5	.5	30.4
	70	1	.5	.5	30.9
	73	1	.5	.5	31.4
	75	3	1.5	1.5	33.0
	78	1	.5	.5	33.5
	80	3	1.5	1.5	35.1
	100	8	4.0	4.1	39.2
	105	1	.5	.5	39.7
	115	2	1.0	1.0	40.7

Current Number of Employees					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
	120	8	4.0	4.1	44.8
	135	1	.5	.5	45.4
	140	1	.5	.5	45.9
	145	1	.5	.5	46.4
	150	5	2.5	2.6	49.0
	160	1	.5	.5	49.5
	170	2	1.0	1.0	50.5
	175	1	.5	.5	51.0
	187	1	.5	.5	51.5
	200	9	4.5	4.6	56.2
	215	1	.5	.5	56.7
	220	1	.5	.5	57.2
	250	5	2.5	2.6	59.8
	258	1	.5	.5	60.3
	270	2	1.0	1.0	61.3
	300	7	3.5	3.6	64.9
	340	1	.5	.5	65.5
	350	4	2.0	2.1	67.5
	360	2	1.0	1.0	68.6
	400	8	4.0	4.1	72.7
	402	1	.5	.5	73.2
	414	1	.5	.5	73.7
	440	1	.5	.5	74.2
	450	1	.5	.5	74.7
	490	1	.5	.5	75.3
	500	5	2.5	2.6	77.8
	550	1	.5	.5	78.4
	560	1	.5	.5	78.9
	600	4	2.0	2.1	80.9

Current Number of Employees					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
	682	1	.5	.5	81.4
	700	2	1.0	1.0	82.5
	750	1	.5	.5	83.0
	800	4	2.0	2.1	85.1
	900	1	.5	.5	85.6
	920	5	2.5	2.6	88.1
	1000	5	2.5	2.6	90.7
	1030	1	.5	.5	91.2
	1100	3	1.5	1.5	92.8
	1200	2	1.0	1.0	93.8
	1500	1	.5	.5	94.3
	2000	4	2.0	2.1	96.4
	2100	1	.5	.5	96.9
	2300	1	.5	.5	97.4
	4000	1	.5	.5	97.9
	5000	2	1.0	1.0	99.0
	5600	1	.5	.5	99.5
	6000	1	.5	.5	100.0
	Total	194	97.0	100.0	
Missing	**System**	6	3.0		
Total		200	100.0		

Number of Employees hired since CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**0**	99	49.5	49.5	49.5
	2	1	.5	.5	50.0
	3	1	.5	.5	50.5
	5	5	2.5	2.5	53.0
	6	2	1.0	1.0	54.0
	7	2	1.0	1.0	55.0
	8	1	.5	.5	55.5
	10	10	5.0	5.0	60.5
	12	1	.5	.5	61.0
	15	4	2.0	2.0	63.0
	17	1	.5	.5	63.5
	20	7	3.5	3.5	67.0
	25	3	1.5	1.5	68.5
	30	6	3.0	3.0	71.5
	35	4	2.0	2.0	73.5
	36	1	.5	.5	74.0
	40	3	1.5	1.5	75.5
	45	1	.5	.5	76.0
	50	7	3.5	3.5	79.5
	70	1	.5	.5	80.0
	80	2	1.0	1.0	81.0
	85	1	.5	.5	81.5
	100	11	5.5	5.5	87.0
	120	1	.5	.5	87.5
	125	1	.5	.5	88.0
	150	3	1.5	1.5	89.5
	200	2	1.0	1.0	90.5

Number of Employees hired since CIP					
		Frequency	Percent	Valid Percent	Cumulative Percent
	250	3	1.5	1.5	92.0
	300	3	1.5	1.5	93.5
	350	1	.5	.5	94.0
	400	6	3.0	3.0	97.0
	500	1	.5	.5	97.5
	700	1	.5	.5	98.0
	800	1	.5	.5	98.5
	1000	1	.5	.5	99.0
	4500	1	.5	.5	99.5
	5600	1	.5	.5	100.0
	Total	200	100.0	100.0	

Considering Expansion					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	168	84.0	84.0	84.0
	No	32	16.0	16.0	100.0
	Total	200	100.0	100.0	

Use CIP for Expansion					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	151	75.5	89.3	89.3
	No	18	9.0	10.7	100.0
	Total	169	84.5	100.0	
Missing	**System**	31	15.5		
Total		200	100.0		

Easier to Import From USA					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	71	35.5	36.2	36.2
	2	7	3.5	3.6	39.8
	3	8	4.0	4.1	43.9
	4	4	2.0	2.0	45.9
	5	15	7.5	7.7	53.6
	6	10	5.0	5.1	58.7
	7	31	15.5	15.8	74.5
	8	14	7.0	7.1	81.6
	9	7	3.5	3.6	85.2
	A great extent	29	14.5	14.8	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Expand Business Of Suppliers And Customers					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	47	23.5	24.0	24.0
	2	13	6.5	6.6	30.6
	3	13	6.5	6.6	37.2
	4	9	4.5	4.6	41.8
	5	31	15.5	15.8	57.7
	6	22	11.0	11.2	68.9
	7	27	13.5	13.8	82.7
	8	12	6.0	6.1	88.8
	9	5	2.5	2.6	91.3
	A great extent	17	8.5	8.7	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Expand Distribution Networks In Industry					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	70	35.0	35.7	35.7
	2	7	3.5	3.6	39.3
	3	14	7.0	7.1	46.4
	4	7	3.5	3.6	50.0
	5	26	13.0	13.3	63.3
	6	22	11.0	11.2	74.5
	7	24	12.0	12.2	86.7
	8	17	8.5	8.7	95.4
	9	3	1.5	1.5	96.9
	A great extent	6	3.0	3.1	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Expand Sales Networks In Industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	55	27.5	28.1	28.1
	2	11	5.5	5.6	33.7
	3	15	7.5	7.7	41.3
	4	9	4.5	4.6	45.9
	5	29	14.5	14.8	60.7
	6	17	8.5	8.7	69.4
	7	31	15.5	15.8	85.2
	8	17	8.5	8.7	93.9
	9	5	2.5	2.6	96.4
	A great extent	7	3.5	3.6	100.0
	Total	196	98.0	100.0	
Missing	System	4	2.0		
Total		200	100.0		

Increase Downstream Employment					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	71	35.5	36.2	36.2
	2	11	5.5	5.6	41.8
	3	18	9.0	9.2	51.0
	4	17	8.5	8.7	59.7
	5	25	12.5	12.8	72.4
	6	12	6.0	6.1	78.6
	7	22	11.0	11.2	89.8
	8	9	4.5	4.6	94.4
	9	6	3.0	3.1	97.4
	A great extent	5	2.5	2.6	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Increase Company Profits					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	50	25.0	25.5	25.5
	2	21	10.5	10.7	36.2
	3	18	9.0	9.2	45.4
	4	7	3.5	3.6	49.0
	5	35	17.5	17.9	66.8
	6	11	5.5	5.6	72.4
	7	19	9.5	9.7	82.1
	8	14	7.0	7.1	89.3
	9	6	3.0	3.1	92.3
	A great extent	15	7.5	7.7	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Develop Long Term Relations With Suppliers					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Not at all**	51	25.5	26.2	26.2
	2	4	2.0	2.1	28.2
	3	6	3.0	3.1	31.3
	4	7	3.5	3.6	34.9
	5	22	11.0	11.3	46.2
	6	8	4.0	4.1	50.3
	7	27	13.5	13.8	64.1
	8	28	14.0	14.4	78.5
	9	12	6.0	6.2	84.6
	A great extent	30	15.0	15.4	100.0
	Total	195	97.5	100.0	
Missing	**System**	5	2.5		
Total		200	100.0		

Role Of CIP In Growth					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**1**	77	38.5	38.5	38.5
	2	11	5.5	5.5	44.0
	3	14	7.0	7.0	51.0
	4	12	6.0	6.0	57.0
	5	20	10.0	10.0	67.0
	6	3	1.5	1.5	68.5
	7	5	2.5	2.5	71.0
	8	26	13.0	13.0	84.0
	9	8	4.0	4.0	88.0
	10	4	2.0	2.0	90.0
	11	2	1.0	1.0	91.0
	12	9	4.5	4.5	95.5
	13	7	3.5	3.5	99.0
	14	2	1.0	1.0	100.0
	Total	200	100.0	100.0	

Availability Of CIP Factor In Decision					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	108	54.0	54.0	54.0
	No	92	46.0	46.0	100.0
	Total	200	100.0	100.0	

Percentage US Imports Last Financial Year					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	81	40.5	40.5	40.5
	1	1	.5	.5	41.0
	4	3	1.5	1.5	42.5
	5	7	3.5	3.5	46.0
	7	1	.5	.5	46.5
	8	1	.5	.5	47.0
	9	1	.5	.5	47.5
	10	16	8.0	8.0	55.5
	12	2	1.0	1.0	56.5
	15	6	3.0	3.0	59.5
	20	22	11.0	11.0	70.5
	25	3	1.5	1.5	72.0
	30	6	3.0	3.0	75.0
	35	2	1.0	1.0	76.0
	40	2	1.0	1.0	77.0
	50	7	3.5	3.5	80.5
	58	1	.5	.5	81.0
	60	5	2.5	2.5	83.5
	70	4	2.0	2.0	85.5
	75	1	.5	.5	86.0
	80	5	2.5	2.5	88.5
	85	2	1.0	1.0	89.5
	90	2	1.0	1.0	90.5
	95	1	.5	.5	91.0
	100	18	9.0	9.0	100.0
	Total	200	100.0	100.0	

First Time Import Through CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	104	52.0	52.0	52.0
	No	96	48.0	48.0	100.0
	Total	200	100.0	100.0	

Import Without CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	132	66.0	66.0	66.0
	No	68	34.0	34.0	100.0
	Total	200	100.0	100.0	

Products Available From Other Countries					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	194	97.0	97.0	97.0
	No	6	3.0	3.0	100.0
	Total	200	100.0	100.0	

Primary Reason Import From Other Countries					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Offer more competitive prices**	124	62.0	63.3	63.3
	Better quality goods	11	5.5	5.6	68.9
	Meet required specifications	1	.5	.5	69.4
	Better financing terms	19	9.5	9.7	79.1
	OTHER	41	20.5	20.9	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Second Reason Import From Other Countries					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Offer more competitive prices**	13	6.5	11.3	11.3
	Better quality goods	31	15.5	27.0	38.3
	Meet required specifications	17	8.5	14.8	53.0
	Better financing terms	34	17.0	29.6	82.6
	OTHER	20	10.0	17.4	100.0
	Total	115	57.5	100.0	
Missing	**System**	85	42.5		
Total		200	100.0		

Third Reason Import From Other Countries					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Offer more competitive prices	6	3.0	12.5	12.5
	Better quality goods	6	3.0	12.5	25.0
	Meet required specifications	19	9.5	39.6	64.6
	Better financing terms	8	4.0	16.7	81.3
	OTHER	9	4.5	18.8	100.0
	Total	48	24.0	100.0	
Missing	System	152	76.0		
Total		200	100.0		

US Trading Partner Before CIP					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	80	40.0	40.0	40.0
	No	120	60.0	60.0	100.0
	Total	200	100.0	100.0	

Still Import From US					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	142	71.0	71.0	71.0
	No	58	29.0	29.0	100.0
	Total	200	100.0	100.0	

Percent Of Total Imports Are From USA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	**0**	32	16.0	16.0	16.0
	1	8	4.0	4.0	20.0
	2	3	1.5	1.5	21.5
	4	3	1.5	1.5	23.0
	5	9	4.5	4.5	27.5
	7	2	1.0	1.0	28.5
	9	1	.5	.5	29.0
	10	19	9.5	9.5	38.5
	12	2	1.0	1.0	39.5
	15	11	5.5	5.5	45.0
	20	22	11.0	11.0	56.0
	25	4	2.0	2.0	58.0
	30	13	6.5	6.5	64.5
	35	3	1.5	1.5	66.0
	40	8	4.0	4.0	70.0
	50	3	1.5	1.5	71.5
	55	2	1.0	1.0	72.5
	58	1	.5	.5	73.0
	60	9	4.5	4.5	77.5
	65	1	.5	.5	78.0
	70	6	3.0	3.0	81.0
	75	4	2.0	2.0	83.0
	80	7	3.5	3.5	86.5
	85	4	2.0	2.0	88.5
	90	4	2.0	2.0	90.5
	95	7	3.5	3.5	94.0
	100	12	6.0	6.0	100.0
	Total	200	100.0	100.0	

Still Using CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	117	58.5	58.5	58.5
	No	83	41.5	41.5	100.0
	Total	200	100.0	100.0	

Main Reason Not Using CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Grace period not advantageous**	21	10.5	25.6	25.6
	FX from other sources	1	.5	1.2	26.8
	Cheaper spare parts from others	4	2.0	4.9	31.7
	Cheaper raw material from others	3	1.5	3.7	35.4
	Local rep not cooperative	3	1.5	3.7	39.0
	Slow delivery	5	2.5	6.1	45.1
	Better source of good	5	2.5	6.1	51.2
	Do not need this at present	19	9.5	23.2	74.4
	OTHER	21	10.5	25.6	100.0
	Total	82	41.0	100.0	
Missing	**System**	118	59.0		
Total		200	100.0		

Second Reason Not Using CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**grace period not advantageous**	3	1.5	6.4	6.4
	FX from other sources	6	3.0	12.8	19.1
	specs not meet requirements	2	1.0	4.3	23.4
	cheaper spare parts from others	5	2.5	10.6	34.0
	cheaper raw material from others	6	3.0	12.8	46.8
	local rep not cooperative	4	2.0	8.5	55.3
	slow delivery	5	2.5	10.6	66.0
	better source of good	7	3.5	14.9	80.9
	Do not need this at present	3	1.5	6.4	87.2
	OTHER	6	3.0	12.8	100.0
	Total	47	23.5	100.0	
Missing	**System**	153	76.5		
Total		200	100.0		

Third Reason Not Using CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**grace period not advantageous**	1	.5	3.3	3.3
	FX from other sources	3	1.5	10.0	13.3
	specs not meet requirements	2	1.0	6.7	20.0
	cheaper raw material from others	1	.5	3.3	23.3
	local rep not cooperative	1	.5	3.3	26.7
	slow delivery	7	3.5	23.3	50.0
	better source of good	7	3.5	23.3	73.3
	Do not need this at present	2	1.0	6.7	80.0
	OTHER	6	3.0	20.0	100.0
	Total	30	15.0	100.0	
Missing	**System**	170	85.0		
Total		200	100.0		

Main Reason Use CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Length of grace period**	68	34.0	34.2	34.2
	Repayment in LE	41	20.5	20.6	54.8
	Only source of FX	1	.5	.5	55.3
	High quality US goods	4	2.0	2.0	57.3
	Quality of local rep	2	1.0	1.0	58.3
	More favorable FX rate	6	3.0	3.0	61.3
	Good relations with exporter	2	1.0	1.0	62.3
	Fixing exchange rate	72	36.0	36.2	98.5
	OTHER	3	1.5	1.5	100.0
	Total	199	99.5	100.0	
Missing	**System**	1	.5		
Total		200	100.0		

Second Reason Use CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Length of grace period**	24	12.0	12.2	12.2
	Repayment in LE	88	44.0	44.9	57.1
	Only source of FX	3	1.5	1.5	58.7
	High quality US goods	11	5.5	5.6	64.3
	More favorable FX rate	31	15.5	15.8	80.1
	Good relations with exporter	3	1.5	1.5	81.6
	Fixing exchange rate	36	18.0	18.4	100.0
	Total	196	98.0	100.0	
Missing	**System**	4	2.0		
Total		200	100.0		

Third Reason Use CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Length of grace period**	42	21.0	23.1	23.1
	Repayment in LE	46	23.0	25.3	48.4
	Only source of FX	14	7.0	7.7	56.0
	High quality US goods	8	4.0	4.4	60.4
	Quality of local rep	4	2.0	2.2	62.6
	More favorable FX rate	19	9.5	10.4	73.1
	Fixing exchange rate	49	24.5	26.9	100.0
	Total	182	91.0	100.0	
Missing	**System**	18	9.0		
Total		200	100.0		

Use Environmental Correct Equipment					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	37	18.5	18.5	18.5
	No	92	46.0	46.0	64.5
	Not know about environ incentive	71	35.5	35.5	100.0
	Total	200	100.0	100.0	

Other Commercial Financing During Current Financial Year					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	155	77.5	77.5	77.5
	No	45	22.5	22.5	100.0
	Total	200	100.0	100.0	

First Commercial Source					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Open account with US supplier	13	6.5	8.2	8.2
	Supplier credit	34	17.0	21.4	29.6
	Cash	69	34.5	43.4	73.0
	Bank loans	36	18.0	22.6	95.6
	OTHER	7	3.5	4.4	100.0
	Total	159	79.5	100.0	
Missing	System	41	20.5		
Total		200	100.0		

Second Commercial Source					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Open account with US supplier	9	4.5	8.4	8.4
	Supplier credit	17	8.5	15.9	24.3
	Cash	38	19.0	35.5	59.8
	Bank loans	39	19.5	36.4	96.3
	OTHER	4	2.0	3.7	100.0
	Total	107	53.5	100.0	
Missing	System	93	46.5		
Total		200	100.0		

Third Commercial Source					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Open account with US supplier	4	2.0	10.3	10.3
	Supplier credit	16	8.0	41.0	51.3
	Cash	7	3.5	17.9	69.2
	Bank loans	12	6.0	30.8	100.0
	Total	39	19.5	100.0	
Missing	System	161	80.5		
Total		200	100.0		

First Most Favorable Aspect Of CIP					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LC security	12	6.0	6.0	6.0
	Financing terms	15	7.5	7.5	13.5
	Availability of FX	25	12.5	12.5	26.0
	Fixing exchange rate	111	55.5	55.5	81.5
	Repayment in LE	36	18.0	18.0	99.5
	OTHER	1	.5	.5	100.0
	Total	200	100.0	100.0	

Second Most Favorable Aspect Of CIP					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LC security	2	1.0	1.0	1.0
	Financing terms	12	6.0	6.2	7.2
	Availability of FX	23	11.5	11.9	19.1
	Fixing exchange rate	59	29.5	30.4	49.5
	Repayment in LE	96	48.0	49.5	99.0
	OTHER	2	1.0	1.0	100.0
	Total	194	97.0	100.0	
Missing	System	6	3.0		
Total		200	100.0		

Third Most Favorable Aspect Of CIP					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LC security	9	4.5	5.3	5.3
	Financing terms	26	13.0	15.4	20.7
	Availability of FX	68	34.0	40.2	60.9
	Fixing exchange rate	20	10.0	11.8	72.8
	Repayment in LE	44	22.0	26.0	98.8
	OTHER	2	1.0	1.2	100.0
	Total	169	84.5	100.0	
Missing	System	31	15.5		
Total		200	100.0		

First Most Burdensome Aspect Of CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**US shipping requirements**	52	26.0	26.1	26.1
	Delay in bank processing	38	19.0	19.1	45.2
	Delay in USAID processing	14	7.0	7.0	52.3
	Too much paperwork	9	4.5	4.5	56.8
	Complicated GOE regulations	8	4.0	4.0	60.8
	Difficulty at bank	17	8.5	8.5	69.3
	Record keeping requirements	2	1.0	1.0	70.4
	Post transaction audits	1	.5	.5	70.9
	No problems	42	21.0	21.1	92.0
	OTHER	16	8.0	8.0	100.0
	Total	199	99.5	100.0	
Missing	**System**	1	.5		
Total		200	100.0		

Second Most Burdensome Aspect Of CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**US shipping requirements**	17	8.5	13.4	13.4
	Delay in bank processing	30	15.0	23.6	37.0
	Delay in USAID processing	32	16.0	25.2	62.2
	Too much paperwork	17	8.5	13.4	75.6
	Complicated GOE regulations	5	2.5	3.9	79.5
	Difficulty at bank	18	9.0	14.2	93.7
	No problems	2	1.0	1.6	95.3
	OTHER	6	3.0	4.7	100.0
	Total	127	63.5	100.0	
Missing	**System**	73	36.5		
Total		200	100.0		

Third Most Burdensome Aspect Of CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**US shipping requirements**	7	3.5	7.9	7.9
	Delay in bank processing	11	5.5	12.4	20.2
	Delay in USAID processing	19	9.5	21.3	41.6
	Too much paperwork	17	8.5	19.1	60.7
	Complicated GOE regulations	6	3.0	6.7	67.4
	Difficulty at bank	20	10.0	22.5	89.9
	Record keeping requirements	1	.5	1.1	91.0
	Post transaction audits	2	1.0	2.2	93.3
	No problems	1	.5	1.1	94.4
	OTHER	5	2.5	5.6	100.0
	Total	89	44.5	100.0	
Missing	**System**	111	55.5		
Total		200	100.0		

Major Problem With Banks					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Delay in paperwork**	34	17.0	17.1	17.1
	Lower priority to CIP loans	29	14.5	14.6	31.7
	Application rules too strict	29	14.5	14.6	46.2
	None	90	45.0	45.2	91.5
	OTHER	17	8.5	8.5	100.0
	Total	199	99.5	100.0	
Missing	**System**	1	.5		
Total		200	100.0		

Second Problem With Banks					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Delay in paperwork**	7	3.5	12.3	12.3
	Lower priority to CIP loans	15	7.5	26.3	38.6
	Application rules too strict	16	8.0	28.1	66.7
	None	10	5.0	17.5	84.2
	OTHER	9	4.5	15.8	100.0
	Total	57	28.5	100.0	
Missing	**System**	143	71.5		
Total		200	100.0		

Third Problem With Banks					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Delay in paperwork	7	3.5	50.0	50.0
	Application rules too strict	6	3.0	42.9	92.9
	None	1	.5	7.1	100.0
	Total	14	7.0	100.0	
Missing	System	186	93.0		
Total		200	100.0		

Major Problem With US Suppliers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Goods too expensive	48	24.0	24.1	24.1
	Low quality goods	4	2.0	2.0	26.1
	Spare parts not available	2	1.0	1.0	27.1
	Performance guarantee not effective	9	4.5	4.5	31.7
	No local reps	7	3.5	3.5	35.2
	Local reps not helpful	5	2.5	2.5	37.7
	None	115	57.5	57.8	95.5
	OTHER	9	4.5	4.5	100.0
	Total	199	99.5	100.0	
Missing	System	1	.5		
Total		200	100.0		

Second Problem with US suppliers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Goods too expensive	4	2.0	10.5	10.5
	Spare parts not available	10	5.0	26.3	36.8
	Performance guarantee not effective	4	2.0	10.5	47.4
	No local reps	6	3.0	15.8	63.2
	Local reps not helpful	6	3.0	15.8	78.9
	None	4	2.0	10.5	89.5
	OTHER	4	2.0	10.5	100.0
	Total	38	19.0	100.0	
Missing	System	162	81.0		
Total		200	100.0		

Third Problem With US Suppliers					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Goods too expensive	1	.5	7.7	7.7
	Low quality goods	2	1.0	15.4	23.1
	Performance guarantee not effective	1	.5	7.7	30.8
	No local reps	4	2.0	30.8	61.5
	Local reps not helpful	3	1.5	23.1	84.6
	OTHER	2	1.0	15.4	100.0
	Total	13	6.5	100.0	
Missing	System	187	93.5		
Total		200	100.0		

Recommend CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**YES**	178	89.0	89.0	89.0
	No	22	11.0	11.0	100.0
	Total	200	100.0	100.0	

Recode Q4 Percent Growth Due To CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Zero percentage**	35	17.5	17.6	17.6
	Between 1-10 percent	46	23.0	23.1	40.7
	Between 11-25 percent	44	22.0	22.1	62.8
	Between 26-50 percent	37	18.5	18.6	81.4
	Over 50 percent	37	18.5	18.6	100.0
	Total	199	99.5	100.0	
Missing	**System**	1	.5		
Total		200	100.0		

Recode Q6 Number Hired Since CIP					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Zero employees**	99	49.5	49.5	49.5
	Between 1-99 employees	64	32.0	32.0	81.5
	100 Employees and over	37	18.5	18.5	100.0
	Total	200	100.0	100.0	

Recode Q5 Current Number Of Employees					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**100 And under employees**	76	38.0	39.2	39.2
	Between 101-500 employees	75	37.5	38.7	77.8
	Between 501-999 employees	20	10.0	10.3	88.1
	1000 And over employees	23	11.5	11.9	100.0
	Total	194	97.0	100.0	
Missing	**System**	6	3.0		
Total		200	100.0		

Recode Q19 Percent US Imports					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	**Zero percent**	32	16.0	16.0	16.0
	1-10 Percent	45	22.5	22.5	38.5
	Between 11-25 percent	39	19.5	19.5	58.0
	Between 26-50 percent	27	13.5	13.5	71.5
	51 Percent and over	57	28.5	28.5	100.0
	Total	200	100.0	100.0	

ANNEX J
LESSONS LEARNED
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

This section deals with suggestions for improving similar evaluations in the future.

1. When changes in a variable are the object of analysis, it is important to establish a baseline for measuring such change. The instrument used in the survey of Egyptian importers did not allow room for the importers to indicate if the number of their employees had decreased since the initiation of their involvement in the PRCIP. As a result, in those cases, it is not known whether employment decreases occurred or not.

2. Although the USAID/Egypt has an extensive data base built up over the years that provides a significant variety of Program information needed for day-to-day management of the Program, the data are not were not provided in a format that facilitates analyses required for other purposes. Changing the current storage and retrieval system so the data could be handled by standard spreadsheet or statistical programs would enable a broader range of uses of the data, both in evaluations and in analyses by the office's own staff. Cost considerations are recognized to be important factors in deciding whether or not to make such a change.

3. This evaluation benefited from an early start on making appointments with people to be interviewed by the Team.

4. The Team noted that the Commodity Management office's data base did not uniformly include information requested in transaction applications that are useful for evaluations, particularly employment data and the applicable point in time. It is possible that the application omitted employment information and that fact was overlooked during the approval process. While going back to correct that situation now might prove impractical, the completeness of information requested should be verified at the time of review.

ANNEX K
INTERVIEWER TRAINING MATERIAL
IMPACT ANALYSIS STUDY
USAID/EGYPT COMMODITY IMPORT PROGRAM

(Available only in Arabic language)

ANNEX L
PARTICIPATING BANKS' FEES SCHEDULE

Rank	Bank Name	ABRV	Issuing Fees (per 3 month period)	Extension Fees (per 3 month period)	Amendment Fees	Communication fees (list in details)	Other Fees (if any, list in detail)
1	National Societe General	NSG	1.25%	1,25%	$10 per item	$100 per full swift $25per short swift	Acceptance 0,75% P.Q.
2	National Bank of Egypt	NBE	1.25% (min $15)	1,25% (min $15)	$10 each	At cost	Undertaking Fees 0.1% per Annum
3	Export Development Bank	EXDB	1.25%	1.25%	$10	Long swift $ 80 & Short swift $20	$30 service charges, Administration fees & Stamps
4	HSBC	HSBC	1.25% or part thereof	Extension within validity: 0.2% or part thereof - Extension for another period: similar to issuing commission	$10 per item amended (except for Extensions/Increases)	Telex Charges $20 -Full details telex $150	DHL Charges $30 / Postage EGP 10
5	National Bank of Abu Dhabi	ABU	1.25%	1.25%	$10 per item	Full details swift $120 - short swift $35	$5 charges
6	National Bank for Development	NDEV	1.25%	per 3 month period, 1.25% or 2% within the period	LE 70	*Opening swift cost LE 600 *Postal charges LE 150 *Fax charges LE 100	Specimen No 11 LE 70 -TNT charges LE 50 (per time) - Amen. Sw 100(per time) com. after expiry date 2.50%
7	Bank of Commerce & Develop.	BCD	LE 1.50 % minimum fee LE 100	LE 1.50 % minimum fee LE 100	LE 35 for each amendment item	LE 400 for opening L/C -LE 75 for short MSG to amend L/C	Add. Fee 1 per mill annually for the total installements amo
8	American Express Bank	EXP	1.5%	1.5%	$10 per item	$150 full telex or swift	$50 short telex or swift
9	Cairo Barclays Int'l	BARC	1.25 % of L/C value (validity of L/C)	1.25 % of outstanding balance value $ 25 (or EQV.) per item (none)	$ 5 (or EGP. 10) Postage chgs	$100 (or EQV.) L/C issuance swift message charges	$30 (or EQV.) L/C amendment swift message charges
10	Misr Iran Development Bank	MIDB	1.25%	1.25%	$10 (per amendment)	$35 (Swift /Telex)	L.E 3 (Mail) - L.E 20 (Photocopy)
11	Banque Du Caire	CAI	1.5%	1.5%	$10 for each item	$20 for each page	$10 (stamps)
12	Bank Misr	MSR	1.5%	1.5%	Max. $50 for each amendment	Actual expenses (not fixed) neg. fee LE 50	Acceptance comm.: 1% annually for 1 million LE and 3/4 % for
13	Egyptian Commercial Bank	ECOM	1.25%	(Per 3 month period) Exceeding the previous period 1,25% -Within the previous period 0.2%	Other than extension and increase $10 (per amendment)	Opening swift $130 -Other swifts $40 - Postage $10	Others $5
14	Societe Arabe Internationale De Banque	SAIB	1%	Per 3 month period .3% within period -1% new period	$10 for each item & swift charges $40	Full swift $110 -Postage $10 -Duty stamps 0.5% in Egyptian pounds	Administration charged for economy authority in Egyptian po
15	Mashreq Bank	MASHR	1.25%	Per 3 month period 1.25% If the extension is within original period of charged L/C commission, the applied rate is .20% (two per Mile)	$10 per item	Swift $ 100 - Postage $ 10	

16	Egyptian American Bank	EAB	1.75% for L/C's up to $50,000 -1.50% for L/C's over $50,000 both min. LE 500	Same rates as issuing fees -Extension within validity .02%	LE 40 per each item -LE 120 swift/telex charges	Opening full swift/telex charges LE 300	Courier charges: Applied courier co. tariff -Issuing shipping gua endorsement shipping documents: LE 70 -Issuing of Annex Form Administrative Charges payable to the Ministry of Economy (follows): (from LE 1 to 5000) LE 5 (from LE 5000 to 20000) LE LE 20000 to 50000) LE 150 (from LE 50000 to 100000) LE 200 100000 to 150000) LE 300 (from LE 150000 to 200000) LE 350 200000 to 250000) LE 400 (from LE 250000 to 300000) LE 500 300000 to 400000) LE 600 (from LE 400000 to 500000) LE Proportional stamps duties (Payable to the Egyptian Tax Autho shared equal between client and bank for the uncovered portion
17	Al Watany Bank of Egypt	Al WA	*Up to 50,000 -1 1/8% *50,000 to 300,000 1% *More than 300,000 7/8%	,02%	$10per item	$100 only	
18	Egyptian Gulf Bank	EGB	1.5 (Min. LE 200)	1.25%	$10 (per item) min. $25	Swify/Telex charges: $80 opening $25 amendment/$3 postal charges	$50 discrepancies fees 0.25% late presentation 0.2% extension same period
19	Arab African Bank	AAB	1.75%	1.75% on outstanding balances	$10 per each item amended	Swift $120	
20	Faisal Islamic Bank of Egypt	FAISA	1,25% up to $500,000 1% up to $1,000,000 3/4% more than $1,000,000	Same issuing fees and 0,2% inside original period	$10 for each amendment item	$75 for full details msg. $25 for short msg.	Post chargs $4 and actual DHL chargs.
21	Arab Banking PLC	AB	1.25%	1.25% (Within validity) 0.2%	$10 per item	Swift issuance $50-100 Swift amendment $20-35	Courier / Mail $10 File / photocopy $5
22	Credit Agricole Indusuez	CREDI	1.75%	1.75%	$10 or EGP 50 for each item	Long swift $ 70 & Short swift $20	
23	Misr America International Bank	MAI	1.25%	1.25%	Equivalent of $10 in LE	Full Telex or Swift $ 400 & Short Telex or Swift $ 120	*Extension during the same period 0.2% *Negotiation of doc presented after expiry date 0.25%
24	Commercial International Bank	CIB	1.25%	1.25%	$10 per item	Issuing swift $80 Amendment $ 20	*Disc. Fees $ 25 *TLX charges $20 *EXT. within same p
25	Misr International Bank	MIB	1.25%	1.25%	LE 75 per item	*Telex LE 220 (issuance) *Telex LE 50 (amendment) *Postage LE 20 (upon issuance)	Applied stamp duty administration fees (0.3%) collected once (upo
26	Suez Canal Bank	SCB	1.25%	1.25%	$5 per each item (or equiv.)	Full tlx $ 80 (or equiv.) Short TLX $ 30 (or Equiv.)	*DHL $ 40 *Tax 1% for uncovered balance (50% customer 50% *Mail $1
27	United Bank of Egypt	UBE	1.25%	1.25%	$12 per item	$35 per swift MSG	opening tlx/swift $180
28	Citi Bank	CITI	1.25%	1.25%	$30	L/C full tlx (once upon issuance) $105 Telex/swift charges $30	$50

29	Arab Banking Corporation	ABC	1.25% + 3% management commission	1.25%	LE 50 or equivalent per each modification item Minimum LE 75 or equivalent for the amendment as all	Full details: LE 400 or equivalent Short form: LE 150 or equivalent	
30	Bank of Alexandria	Alex	2.5%	2.5%	LE 60 for each item amended	*Swift/tlx charges LE 15-20 *details of L/C by swift/tlx LE 120-150	
31	Alexandria Commercial & Maritime Bank	ACMB	1.25%	1.25%	$10 per amendment	*EGP 350 issuance telex charges *EGP 40 postage *EGP 1.05 fiscal stamp	EGP 100 issuance application