

## EGYPT



**Egypt** Egypt is an important U.S. partner in the pursuit of Middle East peace, and regional stability. U.S. assistance to Egypt has long played, and continues to play, a central role in Egypt's political, economic, social, and military transformation. Egypt has begun a substantive economic reform process which has seen some meaningful results; however, more must be done. To expand the scope of what has already begun, the United States will support programs to expand civil liberties, introduce transparency and accountability in government, and foster more democratic institutions. Despite some progress, achieving meaningful reform will continue to present challenges. The U.S. will remain closely engaged with the Government of Egypt (GOE) on political and economic reforms, while encouraging Egypt's strong support for U.S. regional policies and efforts to combat terrorism. The U.S. Government supports the enactment of the political reforms outlined by President Mubarak during the 2005 Presidential campaign. Egypt has, however, been slow to implement these reforms. U.S. assistance program will work with the Egyptians to advance these reforms apace. The United States also supports Prime Minister Nazif's economic reform package and remains committed to promoting trade and investment between the U.S. and Egypt. Furthermore, U.S. assistance programs will support reforms in basic education in accordance with Egypt's National Education Strategic Plan, as well as to improve Maternal and Child Health indicators, thus moving Egypt closer to achieving the Millennium Development Goals.

**FOREIGN RELATIONS:** Geography, population, history, military strength, and diplomatic expertise give Egypt extensive political influence in the Middle East and within the Non-Aligned Movement as a whole. Cairo has been a crossroads of Arab commerce and culture for millennia, and its intellectual and Islamic institutions are at the center of the region's social and cultural development.

The Arab League headquarters is in Cairo, and the Secretary General of the League is traditionally an Egyptian. Former Egyptian Foreign Minister Amr Moussa is the present Secretary General of the Arab League. President Mubarak has often chaired the African Union (formerly the Organization of African Unity). Former Egyptian Deputy Prime Minister Boutros Boutros-Ghali served as Secretary General of the United Nations from 1991 to 1996.

Egypt is a key partner in the search for peace in the Middle East and resolution of the Israeli-Palestinian conflict. Sadat's groundbreaking trip to Israel in 1977, the 1978 Camp David Accords, and the 1979 Egypt-Israel Peace Treaty represented a fundamental shift in the politics of the region--from a strategy of confrontation to one of peace as a strategic choice. Egypt was subsequently ostracized by other Arab states and ejected from the Arab League from 1979 to 1989. Egypt played an important role in the negotiations leading to the Madrid Peace Conference in 1991, which, under U.S. and Russian sponsorship, brought together all parties in the region to discuss Middle East peace. This support has continued to the present, with President Mubarak often intervening personally to promote peace negotiations. In 1996, he hosted the Sharm El-Sheikh "Summit of the Peacemakers" attended by President Clinton and other world leaders. In 2000, he hosted two summits at Sharm El-Sheikh and one at Taba in an effort to resume the Camp David negotiations suspended in July of 2000, and in June 2003, Mubarak hosted President Bush for another summit on the Middle East peace process. Throughout mid-2004, Egypt worked closely with Israel and the Palestinian Authority to facilitate stability following Israel's withdrawal from Gaza, which occurred in August and September of 2005. Prior to this Egypt and Israel

reached an agreement that allowed Egypt to deploy additional forces along the Philadelphi Corridor in an attempt to control the border and prevent the smuggling of weapons.

Egypt played a key role during the 1990-91 Gulf crisis. President Mubarak helped assemble the international coalition and deployed 35,000 Egyptian troops against Iraq to liberate Kuwait. The Egyptian contingent was the third-largest in the coalition forces, after the U.S. and U.K. In the aftermath of the Gulf war, Egypt signed the Damascus declaration with Syria and the Gulf states to strengthen Gulf security. Egypt continues to contribute regularly to UN peacekeeping missions, most recently in East Timor, Sierra Leone, and Liberia. In August 2004, Egypt was actively engaged in seeking a solution to the crisis in the Darfur region of Sudan, including the dispatch of military monitors. Following the September 11, 2001 terrorist attacks on the United States, Egypt, which has itself been the target of terrorist attacks, has been a key supporter of the U.S. war against terrorists and terrorist organizations such as Osama bin Ladin and al-Qaeda, and actively supported the Iraqi Governing Council, as well as the subsequent government of Prime Minister Allawi. In July 2005, terrorists attacked the Egyptian city of Sharm El Sheikh. In the same month, Egypt's envoy to Iraq was assassinated.

**U.S.-EGYPTIAN RELATIONS:** The United States and Egypt enjoy a strong and friendly relationship based on shared mutual interest in Middle East peace and stability, revitalizing the Egyptian economy and strengthening trade relations, and promoting regional security. Over the years, Egypt and the United States have worked together assiduously to expand Middle East peace negotiations, hosting talks, negotiations, and the Middle East and North Africa Economic (MENA) Conference. Multinational exercises, U.S. assistance to Egypt's military modernization program, and Egypt's role as a contributor to various UN peacekeeping operations continually reinforce the U.S.-Egyptian military relationship.

An important pillar of the bilateral relationship remains U.S. security and economic assistance to Egypt, which expanded significantly in the wake of the Egyptian-Israeli Peace Treaty in 1979. U.S. military aid to Egypt totals over \$1.3 billion annually. In addition, the U.S. Agency for International Development (**USAID**) provided over \$25 billion in economic and development assistance to Egypt between 1975 and 2002. A shift in assistance from infrastructure, health, food supply, and agriculture toward market-based economic development, good governance, and training programs is reflected in the motto, "From Aid to Trade." The Commodity Import Program, through which USAID provides hundreds of millions of dollars in financing to enable the Egyptian private sector to import U.S. goods, remains one of the largest and most popular USAID programs. Since 2003, U.S. assistance is also focusing more on economic reform, education, civil society, and other programs supported by the Middle East Partnership Initiative (MEPI).

U.S. military cooperation has helped Egypt modernize its armed forces and strengthen regional security and stability. Under Foreign Military Financing (FMF) programs, the U.S. has provided F-4 jet aircraft, F-16 jet fighters, M-60A3 and M1A1 tanks, armored personnel carriers, Apache helicopters, anti-aircraft missile batteries, aerial surveillance aircraft, and other equipment. The U.S. and Egypt also participate in combined military exercises, including deployments of U.S. troops to Egypt. Every other year, Egypt hosts Operation Bright Star, a multilateral military exercise with the U.S., and the largest military exercise in the region. Units of the U.S. 6th Fleet are regular visitors to Egyptian ports.

**Peace and Security:** The U.S. benefits from its strategic relationship with Egypt and through the GOE's support for U.S. efforts to deter and counter threats to regional security. From providing logistical support and security to U.S. forces transiting the Suez Canal and Egyptian airspace in support of Operations Enduring and Iraqi Freedom, to maintaining a field hospital in Bagram, Afghanistan, to vocally and publicly supporting U.S. policies in the region and efforts to stabilize Iraq, Egypt continues to be an

important U.S. regional partner. Military assistance supports Egypt's efforts to enhance its border security and combat smuggling, while expanding the base of Egypt's U.S. equipment and enhancing interoperability with U.S. forces. Assistance also provides technical development and training for the Egyptian military while building mutual understanding between the United States and Egypt. Continuing programs in police training to promote respect for human rights and effective community policing practices are necessary steps in the transformation of Egypt's law enforcement. Finally, security assistance gives Egypt the tools it needs to participate in peacekeeping operations in countries that include Sudan, Liberia, and Afghanistan. These areas of cooperation highlight the United States and Egypt's shared interests in a secure Middle East and strong coalition operations. Support for counter-terrorism activities will assist the GOE in further enhancing the operational and tactical capabilities required to destroy terrorist networks and prevent attacks. Assistance will contribute to anti-terrorism efforts by providing training, enabling equipment, and operational planning for the implementation of an Anti-Terrorism Unit (ATU). This program concentrates on building the investigative capabilities of a dedicated group of investigators to specialize in terrorist investigations. Training will culminate in the ATU's ability to develop and sustain terrorist interdiction programs, react to a terrorist incident, conduct multi-disciplinary investigations and manage mass casualty critical incidents.

**Governing Justly and Democratically:** U.S. assistance will continue to focus on supporting the efforts of non-governmental organizations to increase public participation in governance and political life, and promote human rights, social justice and civic education. It will also improve administration of and access to justice, while strengthening government accountability. Assistance will increase grassroots support for democratic and political reform, and support a professionalized and restructured state-owned and independent media. Grants will be made to grassroots Egyptian organizations that conduct educational and advocacy work on democracy, human rights, and further greater institutional transparency and accountability with organizations that partner with and train Egyptian counterparts. To promote human rights and decrease violence against women and children, the U.S. will continue to strengthen the capacity of the National Council on Human Rights, the National Council of Women, and the Ministry of Family and Population. Working in partnership with the GOE, U.S. assistance will continue to focus on improving access to justice in the areas of criminal justice and family justice. In criminal justice, the U.S. Agency for International Development (USAID) will work with the Prosecutor General's Office to provide training on human rights, strengthen the right to publicly-appointed defense counsel, increase public access to information, automate selected offices and make defendants' files available to counsel earlier in the process to ensure that justice is properly served. In family justice, USAID will work closely with the Ministry of Justice and the Ministry of Family and Population to strengthen the capacity of the family justice system to mediate family disputes and increase access to and information about family legal services. In the Rule of Law area, USAID plans to develop community-based dispute resolution centers for the poor and provide legal aid where litigation is deemed necessary. U.S. assistance will develop local media by continuing to promote free expression and improve centers for training press and broadcast journalists in technical and management skills. In addition, U.S. assistance will support an improved enabling environment through the restructuring of state-owned press and broadcast services. To promote increased citizen participation in decision-making, the U.S. will maintain its support for the decentralization of fiscal, political, and administrative authorities to governorates and districts through supporting policy reform at the national level. At the local level, training and technical assistance will continue for local stakeholders to enable them to become more effective partners in the development of their communities. Assistance will also be directed toward enhancing political competition and consensus building and will provide training and technical assistance to improve election administration at polling stations nationwide. In the areas of political party building, assistance will improve parties' internal election processes and improve their responsiveness to constituents. Additional training resources will be provided to aspiring political candidates, as well as to support voter education and domestic observation of elections. Programs will work to build an understanding of and respect for U.S. policies and values through broad public outreach to the Egyptian public, including web-chats and media events, expanded

English scholarships, cultural and outreach programming in Alexandria, and support for private people-to-people initiatives.

**Investing in People:** Despite laudable economic growth rates, Egypt lacks developed and effective social safety nets to assist the poor, especially in rural Upper Egypt and the urban slums of Cairo and Alexandria. Poverty rates remain high, malnutrition has increased, and 40 percent of adult women are illiterate. U.S. assistance will be targeted to these pockets of poverty and other vulnerable populations, providing quality sustainable models of primary health care and education delivery based on active community engagement and informed choice. In FY 2010, USAID will support the Ministry of Health to emphasize policies and programs that improve coverage of underserved population groups with the greatest health needs, and to strengthen technical and managerial skills in the health sector to sustain the impressive gains in health achieved in recent decades. The preliminary 2008 Egypt Demographic and Health Survey demonstrates continued, sharp downward trends in infant and child mortality, and an increase in coverage of immunization, pre-natal and delivery care, and child health services. The overall impact of past assistance efforts in family planning has been dramatic: the average Egyptian woman now has approximately three children, down from about six in the 1980s. Effective family planning has lengthened the interval between births, positively affecting child survival and maternal health. Nevertheless a number of concerns persist. Almost 50 percent of the population is under the age of 25. Family planning usage has stagnated over the last six years and is contributing to overpopulation. The associated demands of additional resources for these citizens will stretch fragile public services and scarce natural resources, which could have a significant impact on country-level stability. Child malnutrition and growth stunting have risen sharply, with rural, urban poor, and low-income groups bearing the greatest burden of these trends. Female circumcision, a form of gender-based-violence and a threat to women's health, continues at high levels across all segments of Egyptian society. Funding through USAID will address these problems by strengthening the coverage and quality of maternal and child health and family planning/reproductive health services, as well as supporting behavior change communications to reach the lower income and most vulnerable groups with least access to services. Contributing to the GOE's health sector reforms, USAID will support the continued development of management and leadership skills throughout the health system. With the highest prevalence of hepatitis C in the world, U.S. support will intensify infection prevention and control efforts throughout the country. Given the rise of other chronic diseases, the adoption of healthy behaviors will be encouraged throughout the country via mass media and interpersonal communication and will be built into key health service programs. U.S. assistance will support changing the Egyptian educational system from one that rewards rote memorization and passive knowledge to one that promotes critical thinking and problem-solving skills. Funding requested will continue Egypt's drive towards sustained school-based reform as part of its basic education program and will also provide opportunities for higher education training. Specifically, in basic education, funds will support the development of sustainable systems for teacher and administrator training and professional development, the introduction of educational technology in schools, improved student assessment practices, and pilot projects in the decentralization of finances and administration. Improving access to and quality of education for girls in poor remote areas of Egypt will continue to be a priority focus. USAID will also seek public-private partnerships for the use of information technology in improving student learning. USAID will continue to employ two standardized studies to monitor performance in the education sector. To date, these studies have demonstrated notable impacts on teacher and school management performance. The Standards-based, Classroom Observation Protocol for Egypt (SCOPE) study showed that teachers in USAID-supported schools used more active learning methodologies (a 20 percent increase annually). The Management Assessment Protocol (MAP) survey revealed that school management improved (also a 20 percent increase annually). To advance public diplomacy goals, provide professional certifications in technical skills, and deepen the leadership pool, USAID, in partnership with the private sector, will continue to finance scholarship programs for disadvantaged Egyptians to attend higher education institutions. In addition, USAID will encourage sustainable partnership activities between the U.S. and Egyptian scientific and technical communities.

**Focus on Performance:** The plan for FY 2010 is to train additional working level officers to expand the professional corps of investigators and response-capable personnel. In addition, the U.S. will train mid-level officers as program managers to supervise and train (train-the-trainer concept) a sustainable investigative and response capability. The U.S. will also support training for explosives detection K-9 teams (both dogs and handlers), as well as providing dogs and equipment to maintain capable working dog units. Due to the tailored nature of these trainings, the cost per participant is higher than in FY 2008. Therefore, although the funding requests for FYs 2009 and 2010 has increased, the target number for trainees is lower. The Government of Egypt is moving toward implementing decentralization, which includes the development of a national strategy on decentralization and legislative reforms. The U.S. is providing assistance in three governorates to implement sectoral decentralization on a pilot basis over the next two years. Concurrently, U.S. assistance is being provided to Egypt to develop the national strategy, draft new laws and amend existing laws relevant to decentralization. Throughout this process the U.S. provides an array of support on the national and the local level to improve skills and enhance citizen involvement in local decision-making and in advocating for legislative reform. In FY 2010, a new law on local administration will be drafted and finalized with U.S. assistance. A new uniform budget system law will also be drafted with U.S. technical assistance. Sustainable natural resources conservation policies and practices are critical to the long-term future of a vibrant tourism industry in Egypt. The FY 2010 funding will be divided equally between two new programs: an Energy program, under the program element “Clean Productive Environment”, to support energy efficiency policies and expanded production of clean energy; and a Natural Resource Management program under the “Natural Resource and Biodiversity” program element. The two programs are currently in the assessment phase. Therefore, performance results for FY 2010 funds are not expected before FY 2012, and the custom indicator provided is tentative and only relates to the Energy program. By the end of FY 2012, it is anticipated that energy efficiency will increase in targeted sectors, such as construction and energy intensive industry, and that government and civil society organizations responsible for managing natural resources will have improved management practices. The \$400 million Human and Economic Development Cash Transfer Program, which ceases September of 2010, targets reforms in the program areas of education, health, macroeconomic foundations for growth, trade and investment and private sector competitiveness. Of the FY 2010 request for the Trade and Investment area, \$30 million is requested for a cash transfer disbursement for achievement of two policy reform benchmarks: 1) the enactment of a new customs law consistent with most World Customs Organization and Kyoto Convention standards, enabling a modern streamlined customs system characterized by risk management conditional release, post-clearance audit, international cooperation with other customs and enforcement agencies, adequate enforcement tools, and transparency, and; 2) the reduction of clearance time from 14 days to 9 days, in ports that cover at least 50 percent of Egypt's imports. Of the FY 2010 request for the Private Sector Competitiveness area, \$30 million is requested for a cash transfer disbursement for achievement of two policy reform benchmarks: 1) the enactment of an amendment of the Companies Law that eliminates minimum capital requirements and restrictions on the transfer of founder's shares, relaxes rules governing the issuance of preferred shares, streamlines procedures for opening branches of foreign companies in Egypt, and streamlines procedures for voluntary liquidation, and; 2) the implementation of bankruptcy reform to ensure that debtor rehabilitation is the primary goal, priority is given to secured creditors in debt resolution cases, and civil rights of insolvent debtors are protected. The remaining FY2010 request is slated to accommodate a newly designed bilateral Economic Support Fund program currently being negotiated by the U.S. Government and the Government of Egypt, the specific elements of which are still under discussion.

**Economic Growth:** In FY 2010, the U.S. will continue its assistance to support Egypt's transition to a market-oriented, private-sector led economy, improving the business environment and generating more productive jobs. Since 2003, the GOE has eliminated the black market for hard currency by liberalizing the exchange rate regime; cut tariffs across the board by 40 percent and simplified the tariff code; reduced

corporate and personal income tax by 50 percent; reduced and simplified sales taxes; consolidated offices within the Egyptian Tax Authority to streamline the assessment and collection processes; raised fuel prices to cut subsidies; and implemented extensive financial sector reforms. Recent U.S. assistance directly supported the creation of a Single Regulatory Agency, a Consumer Protection Agency, and a Food Safety Agency. U.S. assistance also played a prominent role in the GOE's ongoing efforts to improve customs administration, tax administration, and intellectual property protection, as well as improving Egyptian participation in World Trade Organization processes. Assistance provided through USAID will improve the overall business environment and benefit the Egyptian consumers. Efforts will target a new tax regime for small and micro-businesses, a new comprehensive budget law that meets international best practices, reduced real estate tax rates, and a new customs law consistent with most World Customs Organization and Kyoto Convention standards. USAID will also support a major trade capacity-building initiative with the Egyptian Customs Authority, as well as a modernization of the inspection system for traded goods. In addition, USAID will support GOE business-oriented initiatives including a major reform of industrial estates, creation of small business facilitation centers, and the reform of licensing and inspection regimes. These USAID-supported efforts have contributed to improving Egypt's ranking from 165 in 2007 to 114 in the 2009 Doing Business Report, placing Egypt among the top 10 reformers for 2009. Finally, USAID will initiate a program that will strengthen human resources development to improve and sustain Egypt's competitiveness in the market place. In the area of environment, USAID will reengage the GOE and the Egyptian private sector on energy issues, and continue successful efforts in natural resource conservation. A new program will support energy efficiency and the expanded production of clean energy using Egypt's abundant solar and wind resources. USAID will encourage further liberalization of energy markets, thus reducing the current significant drain on budget resources, limiting harmful greenhouse gas emissions, and freeing up hydrocarbon-based energy for export to neighboring countries. U.S. assistance goals promote energy efficiency policies and practices in collaboration with both public and private sectors in industry, residential and commercial property, and transport. In addition, USAID will support Egyptian entrepreneurs in their efforts to expand locally-based energy conservation and renewable energy industries that will create new jobs and increase incomes. A second new environmental program will promote sustainable natural resources policies and practices that are critical to the long-term future of Egypt's vibrant tourism industry. This program will build on USAID's successful efforts in creating a nature protectorate along the Southern Red Sea and in improving conservation management practices within that area. Working with public officials responsible for Egypt's protectorates, non-profit environmental groups, and entrepreneurs, the program will attempt to leverage private capital for investment in environmentally responsible tourism that respects Egypt's rich cultural and natural heritages while creating jobs and income for local inhabitants of tourism destinations. USAID will continue funding a program to assist poor Bedouin communities in the Sinai, through a comprehensive development approach aimed at improving water resource availability and distribution; upgrading basic community services such as health, education, and utilities; providing increased employment and business opportunities; and, building community institutional capacities. In the agricultural sector, USAID will initiate a new program to expand smallholder, high-value agriculture in disadvantaged rural areas, especially in Upper Egypt. This effort will increase rural incomes, improve food security for resource-poor farmers, and conserve Egypt's increasingly scarce water supplies. The program will expand linkages and distribution channels between small farmers and consumers in urban and export markets, building on the lessons learned from ongoing public-private agribusiness partnerships between USAID and U.S.-based multinationals. Support will focus on farmer education, high-value crops with low water requirements, and the promotion of water-saving irrigation methods.