



The Cabinet
Information & Decision Support Center
(IDSC)

Government Statement to the People's Assembly

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The Prime Minister**

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**Professor Dr. Ahmad Fathi Sorour, Speaker of the Egyptian People's Assembly,
Ladies and gentlemen, members of the Assembly;**

We are starting together a new phase of national effort for building on the achievements of successive governments, in an era that is worth calling “The era of building modern Egypt”. This responsibility being shouldered by a true leader who struggled, through wise and ambitious steps, to create a modern country capable of achieving and fulfilling the requirements of development.

In the midst of ever changing global conditions and the challenges of a new system of globalization that has imposed itself both on developed and developing countries alike, our president has undertaken – in his time of great consequence – to serve Egypt's national interests To guide us with his wisdom To lead an ambitious journey towards building a modern nation that is able to cope with the prerequisites of development.

Achievements in the last two decades gave Egypt a solid base for the transformation to a better future. Although the country faced an increase in population of more than 30 million people since the early eighties, the government was able to meet the growing public needs of services. Looking at indicators of social services and economic sectors between 1981 and 2004, it is obvious that:

- The provision of better health care caused the average age of Egyptian citizens to increase by more than 10 years.
- Infant mortality rate decreased from 71 to 23.2 per 1000.
- Free basic education was provided to all children.
- Number of students enrolled into Primary One (first year of basic education) this year reached 1.5 million.
- Number of accepted students into free universities and higher institutes education reached 400 thousand this year and is increasing by 10% annually.

The Egyptian government also paid special attention to infrastructure as it is a main pillar of development. Public utilities networks were extended to cover many cities and villages, which brought the rates of services close to international standards. In this regard, the annual average consumption of electricity increased from 414 to 1350 kw/h, in addition to the increase of the average per capita consumption of potable water from 143 to 295 liters/day. While the capacity of sanitation and sewerage increased from 2.2 to 12.9 million cubic liters/day and the length of paved roads increased from 15.3 to 45.3

thousand kilometers. This is in addition to a 16.4 million increase in the number of telephone and mobile phone subscribers.

On the production level, all sectors witnessed a major boom, with the construction of 20 new cities hosting more than 3000 factories and 1.7 million residential units. In addition, cultivated land increased by two million feddans boosting agricultural output from L.E 5.8 billion to L.E 95.4 billion and the value of agricultural exports from L.E 500 million to L.E. 5.4 billion.

The tourism sector witnessed a large increase in the number of tourists from 1.4 million to 7.5 million. The manufacturing sector's contribution to GDP reached 18.6% in addition to the increase in the value of industrial exports to L.E 8.4 billion. Oil and gas production increased from 36.7 to 58.5 million tons and oil reserves grew from 4.1 to 15.3 billion equivalent barrels.

The social services sector also witnessed an increase in the number of insured citizens which reached 18.7 million, in addition to growth in the number of eligible pensioners to 7.4 million, which brought the amount of total annual pensions to L.E 19.1 billion. Women's participation in the workforce increased from 9.4% to 21.7%, while the percentage of female student in higher education increased to 49%.

Such achievements are only part of the great accomplishments achieved in the Mubarak era, with the help and support of Egyptian citizens, public and private business sectors, and honorable leaderships that have sacrificed their times and efforts and therefore deserve our deep appreciation and recognition.

I am pleased to present to the Assembly's Secretariat a report on the government's achievements in 2004 during the service period of the well-respected government of Dr. Atef Ebeid.

**Respected Speaker of the People's Assembly,
Ladies and Gentlemen, members of the Assembly.**

Despite of all the achievements of past years, Egypt is still facing major challenges due to internal and external burdens. Egypt had to bear such burdens in order to protect its identity on one hand and to achieve social justice and support limited-income groups on the other. What makes it even more difficult, is the accelerated population growth, which in turn creates new barriers to education and the provision of health care services. It is also a barrier to providing food, housing and utilities to new families most of which are unable to survive without government support. Another burden is the sharp increase in demand for jobs, which outnumbers job opportunities provided by the labor market.

Egypt is now facing those challenges in the middle of changing global conditions, where borders are vanishing between countries and competition is increasing in production and trade. Success, under current global conditions, is linked to the country's ability to overcome the challenges of globalization.

**Respected Speaker of the Assembly,
Ladies and gentlemen, members of the Assembly,**

In the context of a comprehensive vision for national interests, President Mubarak has mandated the new Cabinet to accelerate growth rates in a bid to create new jobs and generate higher incomes that would allow the most vulnerable groups to afford basic needs.

Since its initiation, the government has been working on preparing a comprehensive program with the following objectives:

1. Achieving higher rates of economic growth by increasing national and foreign investments and increasing exports of goods and services which in turn creates new job opportunities for Egyptian youth.

Therefore, our goal is "Investment for Employment"

2. Protecting limited income groups by directing more government subsidies help them meet their basic needs and obtain basic services.
3. Achieving a tangible improvement in the quantity and quality of services to meet increasing demands on education, health care, transportation and other services through social participation that enhances and supports government efforts.
4. Reinforcing an institutions-based country that respect the rights and freedom of citizens, promotes judicial autonomy, increases public political participation, maintains the capabilities of the country's armed forces, and supports police forces.

To achieve such ambitious objectives, we must follow a balanced strategy that will help accelerate the transformation into a market economy while protecting vulnerable groups from adverse effects of the reform process. Strategies are to be carried out under a number of working conditions and principles as follows:

1. Our government will develop and build on achievements of previous governments.
2. We will ensure transparency stressing that the government will not adopt policies of economic tranquilizers or shocks. But rather, it will progress according to an accurate scientific vision and set priorities based on accurate knowledge about the Egyptian economy.
3. The government will not promise to achieve more than it can..
4. Problems are to be solved with real and bold solutions.
5. We will fight any obstacles that hinder development, those who impede investment or exaggerate the level of prices or profit margin will be considered traitors.
6. We are working on achieving a balance between the importance of long-term development and short-term urgent requirements. We strongly believe in the importance of short-term solutions that serve rather than oppose development goals.

7. We are working to achieve the long awaited comprehensive change in the context of economic and social work by encouraging private businesses and applying a system of reward and punishment.
8. We support sincere partnership between the government and the private sector that integrates interests, and creates a balance between cost, return, quality, efficiency, competition, and anti monopoly.

Respected Speaker of the Assembly

Ladies and gentlemen, members of the Assembly,

The government has prepared an ambitious program to face current challenges and help enter future horizons. The program includes ten developmental programs translated into specific steps. We have already started executing these programs.

First Program

Investment and Employment

In order to increase employment opportunities for Egyptian youth, the Egyptian economy has to experience higher rates of growth. The growth rate has to exceed the 3 or 4% already achieved in the past few years. Every new employment opportunity needs new investments. Consequently, the government had to take specific steps towards attracting new domestic and foreign investments in all sectors that enjoy a competitive advantage and have a concrete added value.

In this context, the government's role lies in providing the appropriate economic environment that attracts investments. In addition to the growing role of the private sector in providing the necessary infrastructure, it is important to invest in new projects and expand existing ones in order to provide more employment opportunities.

The Program for encouraging investment is based on a number of axes:

1. *Increase confidence in the Egyptian investment climate.* Both Egyptian and foreign investors are always calling for increased transparency, stability of regulations and facilitated procedures. The investment climate in Egypt has improved over the past few months, which was reflected in the growing volume of investments in the Egyptian stock exchange. Since the assumption of the new government, capital market indicators witnessed 941 points (65%) growth for active shares as well as 30% in foreigners' transactions. This was also reflected in the increasing interest of Arab and foreign businesses to invest in the fields of industry, energy, tourism and construction.
2. *Eliminate administrative barriers and reduce financial burdens imposed on investments in new projects.* The government already taken several steps, including issuing a new customs tariff. A number of draft laws were also prepared including the amendment of the custom law, the custom exemption and sales tax laws, in addition to the new income tax law. The government is seeking cooperation with the Assembly in order to discuss and approve these laws which are expected to increase investments by reducing tax burdens on economic activities.
3. *Provide quality services to investors.* This required the restructuring of the General Authority for Investment and Free Zones (GAFI), and

optimizing its role in providing information, marketing investment opportunities and eliminating procedural impediments.

4. *Introduce a number of promising investment projects, prepare economic and financial studies and encourage private sector participation.*
5. Restructure public and private enterprises and inviting investors to participate in upgrading the production and services base, with an emphasis on technology transfer. New injections of investment that take the rights of labor into account are welcome. Running parallel to these changes, the government is implementing the Industrial Modernization Program that strives to increase the competitiveness of the industrial sector, given the increasing and inevitable globalization of world economies.
6. *Develop the export infrastructure, provide sufficient funds and guarantees, enhance trade with promising foreign markets and give more attention to the competitive advantage of Egyptian products and services. It is also important to sign bilateral and regional trade agreements which could open up foreign markets to Egyptian products.*
7. *Provide incentives and additional facilities to multinationals intending to build production facilities in Egypt. This in turn will transfer new technologies and expertise into the Egyptian economy.*
8. *Take advantage of the natural and human resources of sectors that enjoy a relative advantage, namely, tourism, agriculture, petrochemicals and information and communication technologies. These sectors are characterized by a high value-added as well as intensive direct and indirect employment opportunities. It is worth noting that the tourism sector alone has great potential for increasing job opportunities by 200 thousand jobs each year due to the one million annual increase in the number of tourists.*

We are convinced that encouraging investment is the main approach to bridging the gap between job opportunities and job seekers; therefore the government is currently executing a separate program aimed at accelerating employment. This program is based on the following axes:

1. Upgrade the employment infrastructure by modernizing labor offices, improving their ability to create a balance between supply and demand and updating data related to job seekers and available jobs. The number of developed recruitment offices in Egypt reached 288.
2. Building capacity for the labor force to meet the demands of both local and international markets. This requires special training programs for young people in marketing, languages and computers. These basic skills will either enable the unemployed to establish their own small businesses or qualify them to work in new fields. Some 162,000 participants received such training this year.
3. Develop a labor export program targeting Arab and foreign countries. The program includes studying foreign labor markets to determine the adequate training, mobilizing recruitment offices, as well as signing agreements with labor-importing countries.
4. Expand the activities of the Social Fund, public lending programs, and Productive Families' projects, to encourage independent initiatives and establish small projects.
5. Support production and exports activities in an effort to encourage the private sector to employ a larger number of job seekers. In this regard, necessary help is given to loss-making companies especially those with idle production lines. Reactivating idle capacities in factories is the fastest and most efficient way of providing new job opportunities.
6. Allow companies that are ready to recruit new job seekers the opportunity to implement public services projects included in the State investment plan as well as the local authorities' plan in an effort to increase employment opportunities.

Second Program

Subsidies, Prices and Market discipline

This program, which is sought by most countries, aims to support the transformation of the Egyptian economy into a market economy. This transformation will lead the country to integrate into the global economy and participate in international trade; two essential developmental aspects, especially to a country like Egypt with an emerging market and an export-oriented strategy aimed at achieving the required economic development.

This transformation represents a major challenge in terms of maintaining prices at affordable levels in the interest of limited income groups. It does not allow for setting arbitrary prices or either services or goods or determining profit margins for producers and vendors. The minimum price limit is determined by the cost of production or import, while supply and demand determine the maximum price limit which is also affected by market openness to competition, purchase and productive powers of society, market monitoring and anti-monopoly mechanisms.

The government prepared a program to curb inflation using middle and long-term policies along with some short-term procedures to preserve the social safety net for limited-income groups.

In the middle and long term, a group of financial and monetary policies will be implemented to affect prices and achieve market equilibrium. Customs reform, which has already started with the presidential decree 300/2004, intends to increase the competitive advantage of Egyptian products by reducing custom burdens on production inputs including raw materials and capital goods, which in turn will have a long term affect on consumer prices.

The new tax law will also have a positive effect on the market as it reduces tax burdens on production and services units, which in turn reduces the cost of production and prices on one hand and increases real income on the other. A program for reforming the banking system will also be implemented to allow the Central Bank to apply appropriate fiscal policies aimed primarily at curbing inflation.

Until these policies achieve the desired results outcomes in the middle and long term, the Egyptian government assures the respected Assembly that it is

carrying out a number of procedures to reduce burdens on limited-income groups in the short term. The most important procedures are as follows:

1. The government will continue to subsidize basic commodities and most importantly bread and goods included in ration cards. Total subsidies directed to such commodities reached L.E 11.6 billion compared to L.E 8 billion the previous year. This is in addition to a subsidy of L.E. 530 million for medicines and L.E. 350 million for potable water and sewage treatment. More than L.E. 2 billion was directed to transportation facilities in large cities and to railway lines in addition to L.E. 570 million to subsidize housing projects.

Subsidies directed to petroleum products such as benzene, kerosene, biogas and natural gas, dramatically increased to reach L.E. 20.2 billion compared to L.E. 14 billion two years earlier.

2. The government is currently facing the challenge of rapid population growth leading to a rise in the number of families needing subsidies. In addition, prices of basic subsidized commodities are increasing since they are mostly imported.

Consequently, the government has targeted achieving the maximum benefit and efficient use of allocated subsidies in the state budget. To this effect, new mechanisms were applied to ensure that only eligible groups benefit from the subsidies. On that theme, the point must be made that a direct subsidy is applied on some commodities such as bread and petroleum materials serving society as a whole regardless of the level of income. This means that the government is supporting the wealthy as well as the needy. It is doubtless to say that limiting subsidies to needy groups will release more resources for additional subsidies.

A new project was implemented in Suez to issue smart ration cards. This project, which will achieve greater flexibility for the consumer, will be evaluated in light of the full execution of the project in the first half of next year in preparation for spreading it across the country. In this case, families are not obliged to observe a certain quota system. This will also help eliminate double pricing of certain commodities, to prevent leakage of subsidies, and will eventually lead to a shift from the food subsidy to a system of supporting the purchasing power of limited-income groups.

3. Decentralized policies are applied to conduct strict monitoring of markets and of the production and distribution systems of bread. Governors are

given full control in choosing the mechanisms that best suit the circumstances of their governorates, and activating the role of monitoring authorities affiliated to the Ministries of Supply and Home Trade, Health and Population, Environment, and Interior

4. Expand semi-wholesale and wholesale markets in addition to seasonal and permanent distribution outlets, which exceeded 5500 units selling at semi-wholesale prices. Outlet areas are provided to distributors fully equipped with free security and lighting services in return for nominal fees, which helps traders, reduce their marketing margins.
5. Encourage competitive multinational retail chains, which proved capable of competing in the market, by buying from cheap sources, making low price offers to attract consumers and efficiently managing inventory. These chains also managed to encourage the export of Egyptian products to worldwide branches and create employment opportunities in all phases of goods circulation.
6. The agricultural sector improved its crop composition to focus more on the main crops such as wheat, oil-producing crops, lentils and beans. The sector also intends to raise the level of self-sufficiency, which in turn will reduce importing costs and help provide consumers with commodities at reasonable prices to consumers without affecting exportable crops.
7. Increase the amount of imported red meat through various sources to ensure reasonable import prices and increase supply in an effort to affect local market prices. At the same time, local poultry industries will be instructed to maintain low retail prices taking in consideration that the government may resort to importing poultry from external markets if this is in the favor of consumers.
8. Amend the legislative framework in order to create an adequate competitive environment consistent with a free market economy. The government drafted the competition and anti-trust law, while the consumer protection law is currently under preparation. These laws are significant legislative mechanisms for fighting monopolistic practices that can harm competition and securing necessary protection against producers and traders.
9. Encourage commercial credit and provide information about the credit worthiness of traders, which in turn increases the volume of market activities. It will also allow for the creation new credit and installment sale systems, concurrently with providing relevant information and statistical

surveys dealing with the volume of available commodities, level of prices and profit margins as well as early warning systems.

Third Program

Developing Basic Public Services

In compliance with the request of the President to take into account social considerations and provide basic services to all citizens especially limited-income categories, the government dedicated a comprehensive program for the improvement of services throughout Egypt. However, special attention will be given to the deprived rural areas and urban informal squatters. The program depends on the following axes:

1. Equal distribution of services by bridging the development gap between lower and Upper Egypt, rural and urban areas, and ensuring that services are allocated to all areas without regional discrimination. The government must ensure that all citizens receive equal services despite the location of their residence.

2. Top priority must be given to providing potable water and sanitary drainage systems throughout all Egyptian villages. It is totally unacceptable to allow water canals to be polluted with waste disposals. In this regard, 240 villages still require potable water services. The service was already installed in 35 villages at a total cost of L.E 225 million. It is expected that installation in the remaining 205 villages will be completed within two years. In the current year, we will initiate the implementation of eight massive water projects at an estimated cost of L.E 620 million which will increase capacity by 330 thousand cubic meters per day. New water meters will be also installed for users in order to eliminate arbitrary assessments of consumption. In addition, 45 sanitary drainage projects costing L.E 400 million will be completed in 16 governorates. It is expected that the sewage projects will increase capacity to approximately 710 thousands cubic meters per day.

3. Provide electricity and lighting services to all villages and hamlets, which are not yet covered. In addition to enhancing service in the areas that require additional capacity, this year our goal is to illuminate 450 residential areas, support the networks of 300 villages, replace and renovate the networks of 260 villages. Our objectives also include providing electricity services to 10 thousand feddans of new land owned by small entrepreneurs

4. Provide economy housing services to limited-income categories. To this effect, small low cost housing units (studios) will be designed and constructed to suit newly-married couples and small families. The owners are allowed to exchange the units with larger units when the number of family members

increases. It is planned that 50 thousand units will be constructed next year with an estimated cost of L.E 2250 million of which L.E 750 million will be disbursed in the form of soft loans. Concurrently, the draft law for protection and maintenance of buildings will be completed to protect the real estate wealth.

In an effort to minimize the burden on citizens, some residential units will be offered for monthly rent while maintaining the already-established ownership system. Commercial stores will also be offered in new cities on a 10 year installment scheme in order to encourage youth to work and live in new cities.

We will also work on activating the real estate mortgage law, to provide housing to the limited and middle income categories on long-term installments.

5. Emphasize the cleanliness factor in both rural and urban areas and set a plan to ensure a quicker rate of waste collection than disposal. We will continue with the plan of establishing waste recycling plants, which includes the replication of Sharqia model of using solid waste for power generation purposes.

6. Restructure the transportation services with special focus on supporting limited income groups. In this regard, the government aims at encouraging the establishment of collective transportation companies, organizing minibus services, and establishing a number of companies to manage the New Taxi project in order to secure quality outstanding transportation service within Greater Cairo.

The government is planning to continue a number of projects aimed at enhancing the River Nile navigation course between Damietta and Cairo as well as between Cairo and Aswan. It is expected to facilitate and provide low cost environmentally-friendly transportation for passengers and goods between the different Egyptian governorate and cities.

7. Provide social care services to all citizens, including the development of “Productive Families” projects, helping female-headed households, and extend the social security pension to cover other low-income categories. This is in addition to a youth care program in universities, schools, youth centers, and culture centers, to give them the opportunity to occupy their free times while benefiting and investing in their potential.

8. Execute a plan with defined priorities to resume the construction, pavement and maintenance of roads between governorates and within cities and villages with special focus on providing more safety measures on all roads.

9. Continue with the plan to develop informal areas and improve the level of human and social services. In this context, the government is planning to

complete the establishment of 6500 housing units with a total cost of L.E 700 million.

This development strategy is coupled with the restructuring of sectors monitoring the construction, utilization and maintenance of these services with more decentralized planning, implementation and management. Based on this, organizational entities will be established to supervise implementing companies, and issue necessary permits for operation and maintenance. Part of its responsibility will also be to ensure quality and set a fee for services based on a balance between costs and revenues.

Fourth Program

Enhancing Economic Performance

The government is executing a comprehensive program comprised of a group of procedures that aim at:

- Increasing the competitiveness of the Egyptian productive base.
- Increasing economic growth rates.
- Assisting the public and the private business sectors in playing a greater role in the investment strategy, by reducing the custom duties and the tax burdens.
- Restructuring the financial sector specially the banking sector in order to assume an effective role in funding new projects and creating new funding sources, which in turn enhance economic activities.

We have already executed many developmental procedures, which will be completed upon the approval and enactment of a number of economic legislations that were referred to your respected Assembly by the President. They could be summarized as follows:

1. Reducing the customs burden on production inputs of capital goods, spare parts, and industrial requisites. This can be done by restructuring the entire customs tariffs system, reducing tariffs classifications from 27 categories to just six, eliminating obstacles that hinder the production process, and abolishing service fees, which ranged between one percent and three percent. Recently a tariff amendment annex was issued to deal with the remaining requirements of the industry and export sectors under a new customs umbrella and a new customs administration.

The new tariff leads to the simplification of customs procedures and the elimination of discretionary powers given to the customs officers, which was a major source of problems and complications. The customs administrative system was also improved by applying new regulations such as, customs clearance prior to the arrival of goods, post-clearance examination, samples examination system, risk management concept, and electronic circulation of documents. The anticipated result will be the reduction in the time required for customs clearances from 7 days to less than 48 hours before the end of the current fiscal year.

2. Fully restructuring the tax law to include modern international tax concepts that include reducing tax rates on commercial profits from 42%

to just 20%. Also expanding tax segments and raising exemption limits of families to reach LE 15 thousand for families in which both parents work. Although these reductions will lead to a L.E 3 billion falls in tax revenues in the short term, it will still help increase domestic resources through widening the tax base to include all segments of society and increasing commitment for tax payment on both the individual and institutional levels. This is in addition to ensuring better control of the tax community, limiting tax evasion, and working to integrate the informal sector into the national economy.

The restructuring process depends primarily on changing the way the government views the taxpayer. The taxpayer should be viewed as a partner whom the government trusts. This will help the tax payer become a major supporter of the concepts of economic development and the national fiscal balance.

The implementation of the proposed tax law is expected to greatly improve the process of tax collection and administration. This is reflected in improved tax collection and assessment procedures, sample examination, and risk management. The tax authority will be committed to applying the Egyptian accounting standards, reformulating the appeal committees to include neutral parties in an effort to reduce judicial disputes with taxpayers, and establish a supreme council not affiliated to the Tax Authority to monitor the just application of the tax system and administration.

The new tax system introduces a new philosophy to the tax culture in Egypt. In the past, the primary objective of tax collection was revenue maximization; proceeds collected would be redistributed according to the discretion of the government. In contrast, the objective of the new tax code is that this surplus be automatically, and more efficiently, redistributed between consumption and investment.

The general sales tax is also changing to allow a deduction on imported capital goods and the amendment of taxes on certain petroleum products, without additional burdens, as in the case with customs.

3. Comprehensive structural and financial reform of the banking sector, in addition to undertaking mergers to create stronger banking institutions under the supervision of an efficient monitory committee, capable of using monetary policy tools to accelerate economic growth and increase investments. The reform will be applied through the following:

- Restructuring state-owned banks both financially and administratively including human resources development, introducing modern technologies, and managing credit risks
 - Selling state-owned banks' shares in joint venture banks and preparing to privatize one of the state-owned banks.
 - Applying feasible merging and acquisition procedures to reduce the number of banks.
 - Dealing with non-performing loans by applying settlement rules aiming at achieving an accelerated efficient collection mechanism, avoiding judicial problems and bringing the involved projects from debt to profit.
 - Developing and enhancing operation mechanisms in Central Bank and strengthening its role in monitoring and supervision.
 - Establishing supplementary units to support banking activities such as credit inquiries and deposit insurance mechanisms.
4. Developing financing sources other than the banking sector such as the capital market to attract foreign financial investments, utilize financial savings according to investors' requests, and to make Egypt a regional hub for investment. The stock exchange will introduce new instruments such as futures and margin trading. The insurance market will expand and include new products that are suitable for the size of the Egyptian economy. Mergers between insurance companies will also be encouraged to create strong competitive entities that are capable of surviving in the market-oriented economy. Efforts are also made to activate the role of private insurance funds in accumulating and investing saving in addition to raising public awareness and knowledge in the area of insurance.
5. Managing and executing a comprehensive program to control government-owned assets in the public sector as well as in the public and private business sectors, through:
- Assigning a fund dedicated to the restructuring of loss-making companies according to firm rules of investment spending, with emphasis on administrative development and formulating an accurate performance evaluation system.
 - Offering assets for sale according to the rules of public money and labor rights protections.

- Selling the government shares of joint venture companies while observing transparency in the announcement, and applying market forces in determining the appropriate price.
6. Efficient management of domestic public debt, and the reduction of its service payments by consuming the highest interest rates debts. This is in addition to searching for the least costly sources of funding, and allocates foreign funding to foreign-currency generating projects.

It may seem that the proposed project for promoting economic performance will lead to the increase in the size of domestic public debt, due to the fall in government revenues coming from taxes and custom duties. However, the government realizes that accelerated rates of economic growth resulting from the expansionary policies applied, will eventually lead to an increase in the size of government revenues from taxes. Besides, increased government spending will be met with an increase in the public purchasing power, which will cause more economic recovery. The budget deficit can be judged, whether positive or negative, by its ability to increase growth rates and the ability of the economy to generate sufficient resources to cover this deficit in the medium term, bearing in mind that public debt remains at a level that is consistent with macroeconomic stability.

Fifth Program

Developing Education and Scientific Research

Human resources one of the main components of the economic development program. Even though we are suffering from growing burdens resulting from the increasing social demands of the fast growing population, we have to make efficient use of the massive human potential that is added to the workforce. We must also prepare this workforce in a way that suits labor market needs so it can become internally and externally competitive in producing goods and services.

Our aim is to create a competitive advantage for Egypt represented in a qualified and cost-effective labor force. This requires the development of the Egyptian educational system through the following:

1. Improving the capacity of public education by continuing to increase the number of schools, decreasing classroom density, and absorbing a larger number of students enrolled in Primary One (first year of basic education). The plans are to establish more than 10 thousand new classrooms at an estimated cost of L.E 1 billion this year.
2. Providing the whole Egyptian society with a variety of education opportunities, in addition to free education for all those who demand it. Experimental and model governmental schools charging gradual fees will cater to the increasing demand. The cooperative and private sectors will also be given the opportunity to introduce new educational resources under the supervision of the government.
3. Continuing to improve educational curricula in a way that is compatible with the needs of domestic and international labor markets. We will start next year by enhancing secondary education “Thanaweya amma” with the aim of reducing its burdens on students and parents. Special focus will be given to specific obligatory subjects that provide students with general knowledge. Additional subjects should be chosen by the students according to their interests in addition to other subjects and activities that cater to their talents and skills.

As for technical education, that absorbs more than thirds of secondary schools students, attention will be placed on repeating successful experiences in the fields of maintenance technology,

information technology, and expanding the Mubarak-Kole project. We will also offer higher education for technical schools graduates by establishing technology faculties to prepare a new generation of specialized and technical labor.

4. Instead of exerting great effort to provide universal education, the government's proposed program aimed at improving the quality of education by setting standards for the practical components of the education process and establishing an independent institutional system to evaluate the performance and monitor quality inside educational institutes.

The Egyptian Cabinet will soon submit a new draft law aiming to establish a "National Authority for Credence and Educational Quality" Assurance that will guarantee the enhancement of the educational system and its outputs.

5. Encouraging decentralization and community participation, through transferring central authority from the Ministry of Education to governorates throughout Egypt, enhancing the role of parents and teachers associations, and encouraging the civil society to invest in education. The role of the Ministry would be setting policies, preparing and enhancing curricula, monitoring and measuring performance.
6. Expanding university education and continue to improve government universities and transform its branches into independent universities. It is also expected to continue granting 1.25 million free education scholarships. Applicants for scholarships must fulfill the criteria of high educational performance. Public universities will be allowed to deliver outstanding educational programs in foreign languages in return for an adequate fee in order to meet the requirements of new labor markets. The experience proved successful and created high demand in a number of departments.

In addition, we will encourage the private sector and the civil society to invest in the construction of new universities to provide additional opportunities to those who want to complete their university education for fees. This program will establish a number of non-profit public universities, the whole of society will be invited to cooperate in the establishment of the new Egyptian public universities with an absorption capacity of 40 thousand students. It is also planned to establish an Egyptian university for distant learning, which offers

additional opportunities of specialized education using the most advanced communication and information technologies.

7. Giving more attention to the talented and skillful students, by enhancing their scientific, technical and athletic abilities. On the other hand, students with special needs will be fully and partially integrated in a highly qualified educational system.

In the field of scientific research, the government believed that scientific research projects should be directed to solving the problems of the production and service sectors, which are expected to fund scientific research. In addition, research centers should be linked to social institutions. In this context, the Egyptian government assigned every governmental production and service sector to identify the 10 most important problems hindering its activity in order to find proper solutions using the available research facilities.

Sixth Program

Developing Health Services and Controlling Population Growth

The government realizes the importance of modernizing and spreading health services to the whole society in order to catch up with the most modern medical techniques that are rapidly and consistently developing. We are currently executing a comprehensive program in this field based on the following axes:

1. Improving basic healthcare services through the implementation of an ambitious plan for reforming health services under the title “Family Medical System”. The system aims at providing medical and preventive treatment, public healthcare services as well as mother and child health services which are expected to solve between 80% and 90% of health problems.

This system is currently applied in five governorates, namely, Alexandria, Menoufia, Suhag, Quena, and Suez in which 262 health units and family health centers were established in addition to 13 central hospitals and 13 laboratories. The system achieved undoubted success and will be replicated in ten other governorates and will be expanded to include 250 health units per year.

It is expected within the coming year that 400 clinics for mother and child health care will be organized, and improvements in the gynecology and obstetric units and incubators in three new hospitals will be witnessed, in addition to increasing health care coverage by 85% for children with special needs.

2. Developing secondary healthcare services by improving public, central, and village hospitals, nursing schools and technical health institutes as well as providing health establishments with the required medical equipment. It is planned to establish and complete the setting up of 414 health establishments by next year with a total cost of L.E 326 million and establishing eight cancer units, three cardiology and digestive system units, one ophthalmology hospital, two tuberculosis centers, improve 35 labs and 80 x-ray units. This is in addition to developing blood transfusion units and services, which currently number 272 banks all over Egypt.

3. Enhancing speedy health services (emergencies and ambulances) by supplying 50 new ambulances with a total cost of L.E 15 million and supplying advanced equipment with a cost of L.E 15 million. Additional emergency units and two emergency hospitals are being constructed in addition to four air ambulances and four high-speed ambulance boats. This is within the national network for emergency medical service program carried out in coordination with the Ministry of Defense.
4. Modernizing the health insurance system, by developing a plan of financial, technical, and legislative restructuring with the aim of spreading the system to cover all social groups through:
 - A new law that covers the insurance of newborns.
 - Unifying all laws governing the insurance system.
 - Separating the service provider from the purchaser.
 - Achieving quality in providing services.
 - Providing continuous and distinguished training opportunities to everyone working in this field.

Total expenditure on health insurance services reached L.E 1.6 billion last year, and the number of insured people reached 35.4 million treated at 7000 different clinics and 41 hospitals with the capacity of 3700 beds, 26 haemodialysis centers and 177 family planning units.

5. Modernizing and develop the system of government sponsored medical treatment as well as improve its quality as part of a national network for registration, follow up, performance evaluation and updating medical protocols. In this regard, the number of patients treated this year increased by 6.5% while expenditure increased by 10.8%. The system has become more efficient due to automation.

Government sponsorship for medical drugs reached L.E 650 million last year covering chronic diseases, surgery-related treatment, kidney failures and organ transplantations. The government is confirming its continuous support for programs of medical treatment especially for limited-income groups and the poor.

Where medication policies are concerned, the government health program guarantees the continuous availability of basic medical drugs, encourages investments in this sector, and utilizes a just and flexible mechanism for drug

pricing in order to protect the limited-income categories and provide them with required medication.

Respected Speaker of the Assembly
Ladies and Gentlemen, members of the Assembly

President Mubarak stresses the fact that the growing population represents the main obstacle facing development and progress. Consequently, the President assigned our government to implement an ambitious program to manage and control population growth rates. We have decided that the strategy of controlling population growth is a national project that aims at:

- Reducing birth rate to less than 25 per 1000.
- Reducing death rate to 6 per 1000.
- Reducing the natural population growth rate to 19 per 1000.
- Reducing fertility rate to 3 children/female.

In order to achieve those objectives, coordination and cooperation is essential between all ministries. This is in addition to strengthening the institutional role of the National Population Council in setting population policies and formulating plans for the implementation of population strategies include:

- Increasing the number of new family planning beneficiaries by half a million women.
- Establishing 27 ideal reproductive health units, one in each governorate with a total cost of L.E. 24.3 million.
- Training 7000 female rural leaders (Ra-eda Rifayah) at a cost of L.E 4 million.
- Purchasing 100 mobile clinics to service deprived areas at a cost of L.E 43 million.
- Increasing the number of outlets for reproductive health services and for diagnosing diseases and tumors.
- Launching an advanced mass media campaign addressing people and encouraging them to support the implementation of the ambitious program.
- Strengthening the role of public associations and non-governmental organizations in providing family planning services in cooperation with the Ministry of Health and Population.
- Providing and encouraging the use of advanced family planning methods.
- Expanding the range of services delivered to informal and deprived areas.

The philosophy of this program is to integrate plans of controlling population growth rates with projects aimed at modernizing health services. This would lead to new generations of Egyptians, who will enjoy good health and immunity against diseases on one hand and receive an equitable share of services and social returns on the other.

Seventh Program

Developing the State Administrative Agency

The number of individual employed in the State Administrative Agency increased to 5.67 million government employees, who work under a framework of legislations, rules and regulations that ought to be modernized and developed. This is in addition to the fact that government employees are in need for modern training programs to increase their efficiency and improve their performance.

The government has declared that such developments could only be achieved through:

1. Modernizing and simplifying services provided by the government for citizens and investors. This will reduce bureaucracy, speed work, and avoid corruption. This will be achieved by minimizing procedures, automating administrative systems and electrically connecting all government entities in order to avoid duplication of documents, unify service charges and provide all government services through the internet under the “E-government” initiative.
2. Developing management systems in governmental institutions especially in relation to the budget preparation process and using modern resource management systems. This is in addition to the computerization of financial accounts, governmental procurement, and management of commodity inventory. This is also coupled with developing systems to calculate and optimize the use of government owned buildings and land in addition to the improvement of taxes, customs, and port management systems to accelerate the clearance process.
3. Building and completing national and economic databases. This involves completing the issuance of the national identification number for all citizens which must be used in all government institutions, and completing the real estate registration and land ownership project.
4. Restructuring the government sector and rationalizing the size of the State Administrative Agency, and ensuring the utmost use of the over-employed government employees. Solving this depends on the privatization of certain economic activities, which must be managed and supervised by the state.
5. Modernizing and developing a system for filling leading positions in an

effort to attract highly competent human resources from both inside or outside the government staff and the early identification of potential leaders. As such, a special career course is developed for high-caliber individuals to prepare them to serve as assistants in addition to encouraging talented and skilled youth to lead executive work.

6. Deepening decentralization and encouraging social participation through transferring powers from ministries and institutes to the governorates and allowing governors more authority to manage resources and employ leaders. In addition, governorates will be allowed more flexibility in deciding their developmental needs, participating in the preparation of the state budget, and managing utilization, maintenance and service expenditures. Concurrently the role of the local popular councils will be strengthened in the monitoring process, while achieving a balance between themselves and other executive councils. These councils will also be given more room for participation in preparing plans and monitoring their implementation.

Eighth Program

Protection of Natural Resources

Egypt enjoys a wealth of natural resources, the value of some may reach billions of pounds while others are priceless such as the climate and natural beaches that extend for hundreds of kilometers. This is in addition to natural reserves and the great River Nile. It is vital that our programs include preserving and protecting this huge wealth. This program includes the following:

1. Rationalizing the Nile water consumption, through the expansion of modern irrigation systems in old lands and spreading the sprinkling irrigation in new lands which is expected to save 30% of water.
2. Protecting agricultural land. We have decided to take new air images for urban areas in cities and villages in an effort to control their expansion to agricultural areas. We have also decided to complete urban planning in villages and cities in preparation for a new 20 year urban plan aimed at achieving a balance between protecting agricultural land and the requirements of urban expansion. This will involve severe punishment for any violations especially after the approval and issuance of the new urban plan.
3. Setting a new agricultural development strategy, which involves new crop composition, and aims at:
 - Gradual replacement of sugar cane by sugar beet.
 - Achieving self-sufficiency of lentils production in the short term, followed by local beans.
 - Expanding the cultivation of fruits and vegetables in new agricultural lands for export purposes.
 - Reducing the rice-cultivated areas in order to expand the cultivation of sweet corn.
 - Enhancing the role of the Agricultural Fund in subsidizing agricultural production in cases of problems such as change in climate or increases in international prices.
 - Cultivating 50 thousand new feddans in Toshki and East Owaynat with oil producing crops and sweet corn, aiming to decrease imports of oils from 90% to 70% of the total local consumption in addition to providing fodder.
 - Setting a plan to maximize the use of Egypt's beaches and lakes

in increasing fish wealth as a nutritious and low cost food source.

4. Optimal exploitation of petroleum resources. The government is exerting great effort in order to maximize petroleum resources of crude oil, and natural gases, in addition to the provision of petroleum products to meet the needs of the domestic market and development plans. The world today is witnessing intensive efforts in petroleum and gas activities. Underway are a number of projects for developing discovered oil fields in order to optimize production of crude oil and natural gas, and increase exports of high quality oil products. Massive projects have started operating in the areas of natural gas production and exportation. Such efforts are expected to reflect positively on Egypt's revenues of foreign currency.

This is coupled with the completion and implementation of the first stage of the national petrochemicals plan which aims at increasing the industry's value-added by extracting high value derivatives and producing new materials. With investments estimated at US\$3.7 billion, those projects will be directed to exporting with revenues that largely exceeds the returns of exporting oil or crude gas.

5. Make maximum use of energy sources. We aim to provide the electrical energy necessary to face the increasing pressures of demand and new development projects. An urgent plan is under implementation to establish four new electrical power generation stations with a total capacity of 4500 megawatts in North Cairo, Nubareyya, new Talkha, and Koraymat. Studies have revealed that Egypt needs to increase its power generation capacity by 33 thousand megawatts by the year 2022. The state gave much attention to connecting Egypt's unified electrical network with the networks of Arab and African countries to benefit from different peak hours, which provides the adequate reserve.

We are also aim to increase the production of new and renewable energy sources by utilizing wind and solar/thermal energy. This is in addition to replacing liquid gas with natural gas, a measure that will have a positive impact on the environment.

6. Environmental protection. We have enacted a number of laws and decrees requiring strict adherence. The program also intends to complete a number of projects that controls pollution and protect natural reserves through recycling solid wastes, industrial byproducts and agricultural wastes. This

is achieved through the establishment of recycling plants, use treated sewage water in expanding tree forests and green areas, and encouraging vehicles that use solar to switch to natural gas with tight monitory measures on produced exhaust. Our objective is to achieve sustainable development, create environmental balance and efficiently use natural wealth.

Ninth Program

Developing the Political and Legislative environment

We are taking persistent and calculated steps towards achieving democracy and encouraging all forms and levels of political participation. We will continue to march on the path of political reform and deepen democratic activities within modern legislative and executive frameworks and in complete cooperation with your respected Assembly and the Shura Council, through continuous talks with all political parties, we are hoping to:

1. Expanding political participation by refining and improving election tables, encouraging youth -especially females- to participate in the election process, and raising public awareness regarding the importance of political participation.
2. Improving in a number of laws related to political activities and systems including the laws of political rights, political parties, People's Assembly, professional unions, civil institutions, and local administration. These amendments and legislative reforms aim at promoting the political climate and deepening democratic participation for all social groups. This step is very important for political reform and was inaugurated by President Mubarak by forming a national council for human rights and abolishing the hard-labor punishment as well as some military laws and some national security courts .
3. Executing a number of policies that aims at reinforcing and enhancing the role of women in society through:
 - Fighting discrimination against women.
 - Activating the law for establishing family courts, nationality law, and alimony rulings.
 - Encourage the girls' education initiative.
 - Improve women's economic, social and health levels.
 - Encourage women political and economic participation .
4. Give more attention to youth programs and enhance their participation in voluntary work, while supporting and strengthening their national loyalty and the value and culture of entrepreneurship. It is also important to increase their awareness of domestic and international events, encourage them to hold dialogues with specialized personnel in their fields of interest, and to ensure their national participation by establishing the National Youth Council.

In addition to the above mentioned, developing the legislative climate requires the continuous revision and improvement of the current legislations in order to meet the requirements of economic, social and political reform. It also requires activating mechanisms for dispute settlement between the State and individuals according to stable legal principles, as well as speeding up court judgments. The government also decided to end litigation, which are seen by the specialized authority as insignificant.

We are also focusing on improving street behavior through the enforcement of traffic law, raising public traffic awareness and that of law enforcement officials while taking the necessary monitoring procedures.

The Ministry of Justice is implementing a comprehensive project involving administrative and technological development of all court levels to simplify judicial procedures, enhance the issuance and enforcement of judgments in cooperation with the Ministry of Interior.

In order to achieve external stability, the government plans to enhance cooperation and bilateral relations with foreign countries and civil society organizations in addition to establishing a vital diplomatic presence in the region all of which are a priority to Egypt's diplomacy.

Egypt's foreign policy depends on investing its outstanding position on both the regional and international levels, and maintaining special relations with the different countries, regional blocks and international institutions. In this regard, credit goes to President Mubarak's sound policy geared towards supporting and encouraging such relations while securing a special leadership position among Arab, African and developing countries

Egypt calls for peace, stability and fighting terrorism. It adopts balanced positions that allow her to assume a vital role in dispute settlement without relinquishing its legal rights.

We are investing such advantages in building economic ties that supports the reform process, opens up international markets, provides our exports with competitive advantage and encourages foreign investment in Egypt.

Tenth Program

Building an Information Society

The world is currently witnessing what are known as knowledge economies. Progress no longer depends on natural resources but rather on creativity and innovation. In this context, President Mubarak launched the “Egyptian Information Society” initiative. In the past five years, Egypt has made great strides in the modernization of the Information and Communication Technology (ICT) infrastructure. The challenge now is how to invest and utilize such advancements in social and economic development.

We will continue to provide communication services in Egypt including telephone and mobile phone services, Internet, and personal computers at reasonable prices thanks to the cooperation between the government and both public and private business sectors. Such efforts are coupled with the implementation of training programs for ICT specialists and technicians to provide them with the skills required in the labor markets. So far the number of trained individuals has exceeded 150 thousand fresh graduates.

The government also started a training program aiming to introduce preparatory school students to computers and Internet basic skills. We are also working to encourage the use of IT in Egyptian universities.

The government is also taking steps towards increasing the competitiveness of the Egyptian business sector through the integration of communication technologies in the fields of marketing and transactions. Based on the law, which was approved by your respected assembly, electronic signature process are already in use.

In order to complete the picture, we are planning to use IT to develop health services through the Egyptian network of long-distance treatment, health records, family medicine and tumor information.

On the other hand, the initiative intends to develop the ICT industry in Egypt in order to increase exports in this field taking advantage of the country’s competitive edge in this field. This competitive advantage is represented in trained youth and the strong telecommunication infrastructure. The opening of the second stage of the Smart Village project is planned to take place in the first quarter of 2005. The first joint-venture fund for supporting new companies was also established with a value of L.E. 50 million. The number of companies in the

ICT industry increased from 182 companies in 1998 to 1338 companies this year, which make it possible for our exports to double in size and increase possible job opportunities.

Conclusion

Respected Speaker of the Assembly

Ladies and Gentlemen, members of the Assembly

Those are our programs which are already being implemented and have already made some achievements. If we take a glance at economic indicators of the first quarter of 2004 (July – September 2004) in comparison to the first quarter of the previous year, we will find the following:

- The size of investments increased from L.E 11.9 billion to L.E. 17 billion, which represents a 43% increase.
- Earnings of foreign currency increased from US\$ 6.6 billion to US\$ 8.6 billion, which represents a 30% increase.
- Current account surplus increased from US\$ 1.5 billion to US\$ 1.9 billion which represents a 27% increase. Settlements were made to handle bad loans.

More importantly, the investment climate in Egypt is beginning to regain confidence of foreign investors as a direct result of the previously mentioned policies, related laws and legislations. This improvement is reflected through the evaluation reports submitted by international institutions, which changed its forecast about the Egyptian economic performance from negative to stable.