June 17, 2004

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Highlights

Highlights of GAO-04-846T, testimony before the House Committee on International Relations

FOREIGN ASSISTANCE

Observations on USAID's Commodity Import Program in Egypt

Why GAO Did This Study

The Commodity Import Program (CIP), managed by the U.S. Agency for International Development (USAID), is intended to foster a competitive private sector in Egypt, in addition to assisting U.S. exporters. The program also supports the government of Egypt and USAID activities and expenses in Egypt. Since 1992, Congress has appropriated at least $200 million per year for the CIP.

In 1998, the United States negotiated a reduction in its economic assistance to Egypt, including the CIP, through fiscal year 2009. In this context, GAO was asked to discuss its ongoing analysis of (1) program participants' use of the CIP and the Egyptian government's and USAID's use of program funds and (2) factors that have affected the CIP's ability to foster a competitive private sector in Egypt.

We received comments on a draft of this statement from USAID, which we incorporated where appropriate. In general, USAID agreed with our observations.

www.gao.gov/cgi-bin/getrpt?GAO-04-846T.

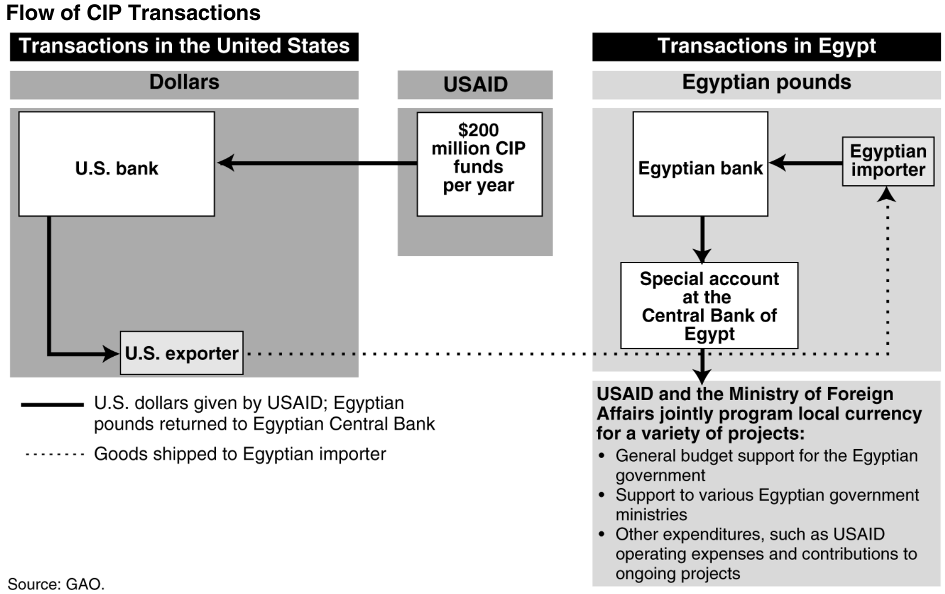
To view the full product, including the scope and methodology, click on the link above. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

What GAO Found

The CIP provides loans to Egyptian importers of U.S. goods and, through loan repayments, supplies funds to the government of Egypt. During fiscal years 1999-2003, about 650 Egyptian firms used the CIP to import $1.1 billion in U.S. products from approximately 670 U.S exporters. In a 2003 USAID survey, about two-thirds of CIP importers said that they would have imported U.S. goods without the program, but half said that it helped increase their firm's production capacity and one-third said that it helped increase their firm's employment levels. The Egyptian government and USAID jointly determine the uses of the funds from loan repayments. In fiscal years 1999-2003, about three-quarters of these funds supported Egypt's general and sector budgets and about 15 percent supported USAID-administered activities and operating expenses in Egypt.

Despite the positive results reported by some CIP users, various factors have limited the program's ability to foster a competitive private sector in Egypt. According to the State Department, the slow pace of Egypt's economic reforms has created a climate not conducive to private enterprise. Further, according to several U.S. government studies, the Egyptian government's inconsistent foreign exchange policies have hampered firms' ability to do business in Egypt, limiting the extent to which the CIP can relieve the country's foreign currency needs. In addition, because of experience with bad loans, the recent economic slowdown, and the resulting increased risk of nonrepayment, bank officials told us that they are generally reluctant to provide loans to entrepreneurs. Finally, because the CIP is not designed to reach firms in Egypt's large informal economy, the program's ability to foster a competitive private sector is necessarily limited.

Flow of CIP Transactions



Source: GAO.