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To: Members of the Executive Board
From: The Acting Secretary
Subject: Report on the IMF Institute Seminar in Egypt

Attached for the information of the Executive Directors is a report on the IMF Institute seminar, held in Egypt during the period November 14-24, 1983.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

Report on the IMF Institute Seminar in Egypt

November 14 - 24, 1983

Introduction

The IMF Institute, in collaboration with the Middle Eastern Department, conducted a seminar in Egypt over the period November 14-24, 1983. This was the fourth seminar held abroad by the Institute under its external training program, designed to supplement the regular courses held at Fund headquarters. The staff mission consisted of Messrs. Gérard M. Teyssier (INST--head of the mission), Orlando H. Lobo (INST), Chorng-huey Wong (INST), Naranhkiri Tith (INST), Robert H. Floyd (MED), and a Secretary, Miss Alicia Roca.

The topics for discussion were jointly determined by the Egyptian authorities and the IMF Institute in consultation with the Middle Eastern Department. The Egyptian officials contributed three discussion papers while the remaining eight papers were prepared by Fund staff.

The Egyptian authorities handled the selection of the 25 participants, who came from the Central Bank and various government ministries (see Attachment I). In addition, there were three Egyptian officials who presented papers and nine guests from public sector agencies, financial institutions, universities and private industries, who attended sessions on topics of interest to them (see Attachment II).

Organization of the Seminar

The seminar comprised three parts as shown in Attachment III.

Part I consisted of four lectures dealing with analysis of financial statistics and elements of financial programming. Three workshops were conducted to illustrate the application of these analytical techniques to the case of Egypt.

Part II dealt with six aspects of economic problems and policy issues with reference to Egypt, namely, development planning, foreign investment, exchange rate policy, management of state enterprises, fiscal deficit, and control of banks.

The Fund staff presented the papers on "The Role of Exchange Rate Policy in Balance of Payments Management in Egypt," "Problems and Issues in the Effective Management of State Enterprises in Egypt," and "Strategies to Reduce the Fiscal Deficit and to Promote a Better Coordination of Monetary and Fiscal Policies in Egypt." Members of the Fund team also chaired sessions and served as discussants for the three papers presented by the Egyptian officials.

Part III of the seminar was related to the Fund. The purpose of the three lectures presented in this part was to inform the participants of the Fund's policies and practices. Emphasis was placed on the role of the Fund after the Second Amendment and the changes being introduced to make the Fund more responsive to the needs of its members. The procedural aspects regarding the use of Fund resources were discussed in some detail.

Documents used in the seminar are listed in Attachment IV.

Summary of Discussions

This section briefly summarizes the discussions in Part II of the seminar.

Concerning Egypt's 1982/83-1986/87 Development Plan, although the participants agreed with the Plan's strategy to develop the commodity sectors, especially agriculture and industry, relative to the services sectors, their opinions differed with respect to the necessary measures as well as the role of the private sector in implementing such a strategy. There was also considerable debate regarding the desirability of increasing self-reliance and the appropriate means of achieving it. On the objective of more equitable distribution of income, the participants agreed that it could be furthered by the augmentation of productive employment opportunities, but underscored the need for population control. They also agreed that the subsidies should be channeled to the poor only, but differed in opinions as to how the present subsidy system should be modified. The latter issue came up again in sessions dealing with the fiscal deficit.

In the session on attracting foreign capital for investment in Egypt, Investment Law No. 43 of 1974 was reviewed together with the more recent measures aimed at promoting foreign investment. There was a general consensus that in order to attract foreign investment the bureaucratic procedures for the approval of investment applications and for the repatriation of profits and capital should be streamlined. In this respect the participants were informed that the Investment Authority now acts as a "one-stop" agency, and that decisions pertaining to investment projects are now taken during the meetings of the Authority's Board of Directors, in lieu of the previous procedure whereby decisions were made on the basis of correspondence between the Authority and related agencies.

On the role of exchange rate policy in Egypt, there was a general agreement that the exchange system should be liberalized and that the exchange rates in the "own exchange" market and in the commercial banks pool should be unified. Opinions differed as to the timing and the speed of the unification of the two exchange rates. A few participants were of the view that structural imbalances should be corrected before

any exchange rate measure is taken, while others argued that inappropriate exchange rate policy has been one of the main causes of the structural problems.

Discussions on problems and issues in the effective management of public enterprises were focused on the objectives, controls, and pricing policies of the enterprises, as well as on the relationship between public enterprise operations and the fiscal deficit of the government, and hence the monetary expansion. The participants agreed that, in principle, public enterprises should be operated to a greater extent on a commercial basis, but little agreement was reached regarding how to reform the system.

In the two sessions dealing with strategies to reduce the fiscal deficit and to promote a better coordination of monetary and fiscal policies, various measures to increase government revenues and to reduce government spending were discussed. Particularly at issue on the expenditure side was how the subsidy program should be changed in order to minimize wastage and at the same time protect the well-being of the poor. In this connection, suggestions were made to (1) establish social security numbers to identify the taxpayers as well as the subsidy recipients; (2) issue food stamps; and (3) issue different ration books granting access to different quantities of subsidized commodities. On the revenue side, there was a general agreement that (1) additional efforts should be made to convert excise taxes from specific to ad valorem rates; (2) the present consumption tax should be extended into a sales tax at the manufacturing level; (3) customs exemptions should be reduced further; and (4) customs valuation of imports for the purpose of determining customs duties should be based on the actual exchange rate at which payments for imports are made.

Various monetary policy instruments, bank regulations, and bank supervision were discussed in the session on control of banks in Egypt. While it was realized that the recent large fiscal deficits have tended to impart an expansionary impulse to the money supply in excess of that desired by the monetary authorities, there was a general agreement that the instruments at the disposal of the Central Bank of Egypt to control money and credit were generally adequate under the current circumstances. The participants seemed to agree also that the instrument of the maximum loan-deposit ratios is more flexible than either the absolute credit ceilings or the reserve ratios.

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List of Participants

NAME	POSITION	AFFILIATION
ALI, Ali Ahmed	Manager in the Minister's Bureau	Ministry of Investment Affairs and International Cooperation
ATTIA, Ibrahim Abdel Hassib	Researcher, Budget Department	Ministry of Finance
AZIZ, M. Salah Eldin Abdel	Assistant Sub-Governor for Cairo Office	Central Bank of Egypt
BADR, Mohamed M. Saad	Deputy General Manager, Foreign Exchange Department	Ministry of Economy and Foreign Trade
BALAH, Mohamed El Sayed	Manager of Promotion Department	Ministry of Investment Affairs and International Cooperation
ELDIN, M. Nelson Zaki Zein	General Controller, Budget Department	Ministry of Finance
EL FAKIR, Hussein Taha Aly	Researcher	National Planning Institute
EL SHAL, Ali Ahmed Taha	Researcher, Budget Department	Ministry of Finance

NAME	POSITION	AFFILIATION
HAFEZ, Ibrahim Ali Mohamed	Deputy General Manager, Government Acc., Cairo Office	Central Bank of Egypt
HANTIRA, Amal Abdel Fattah (Mrs.)	Researcher, International Cooperation Department	Ministry of Planning
HASHEM, Amina Abdel Azim (Mrs.)	Researcher, Prices Studies Department	Ministry of Planning
HUSSEIN, Mahmoud M. Mahmoud	Researcher, Budget Department	Ministry of Finance
IBRAHIM, Nahed Mohamed (Mrs.)	Researcher, International Financial Department	Ministry of Investment Affairs and International Cooperation
ISKANDER, Philip	Manager of Statistics Department	Ministry of Economy and Foreign Trade
KHALIFA, Magdi M. Sayed Ahmed	Researcher	National Planning Institute
KHALIL, Mohamed Abdel-Razek	Chief, Bills Section - Alex. Office	Central Bank of Egypt
KHALIL, Raga Abdel Moneim (Mrs.)	Deputy General Manager, Banks Control Department	Central Bank of Egypt
MOSTAPHA, Hamed Mahmoud	Manager in the Minister's Bureau	Ministry of Economy and Foreign Trade

NAME	POSITION	AFFILIATION
NADAR, Farouk Abul	Manager in the Foreign Ex-change Budget Administration	Ministry of Economy and Foreign Trade
NOUR, M. Momtaz El Said Aboul	General Controller, Budget Department	Ministry of Finance
SADEK, Mohamed Ezz Eddin	Researcher, Promotion Department	Ministry of Investment Affairs and International Cooperation
SAID, Iman Gamal (Miss)	Researcher, International Financial Department	Ministry of Investment Affairs and International Cooperation
SALEH, Mahmoud Ibrahim	General Director of National Income Department	Ministry of Planning
TEWFIK, Shoukri	General Manager, Foreign Ex-change Control Department	Central Bank of Egypt
YOUSSEF, Ibrahim Mohamed	Manager of Local Economic Research Department	Ministry of Economy and Foreign Trade

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List of Invited Guests

NAME	POSITION	AFFILIATION
ALI, Sultan Abou	Chairman, Department of Economics	Zagazig University
BARGHOUTH, Assad	Senior Under-Secretary	Ministry of Planning
GAZARINE, Adel	Chairman	Nasr Automative Co.
IBRAHIM, Mohamed Nabil	Chairman	Banco Misr Exterior
ISMAIL, Ahmed	General Manager, Foreign Affairs	National Bank of Egypt
KAMEL, Ibrahim	Chairman	Kato Aromatic Co., Giza
MANSUR, Ahmed	General Director of the Budget	Ministry of Finance
MOHAMED, Ismail Hassan	Director of Banks Control Department	Central Bank of Egypt
RADI, Abdel Moneim	Vice Chairman, Faculty of Commerce	Ein Shams University
SULTAN, Fouad	Chairman	Misr Iran Development Bank
TOBAR, Samir	Vice Chairman, Faculty of Commerce	Zagazig University
WAHBA, W. G.	Director General of Research and Information	The General Authority for Investment and Free Zones

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List of Topics

Part I. Techniques of Economic Analysis

1. Analysis of Financial Statistics (2 sessions)
2. Workshop on Financial Statistics (2 sessions)
3. Elements of Financial Programming (2 sessions)
4. Workshop on Financial Programming

Part II. Economic Problems and Policy Issues with Reference to Egypt

1. Egypt's 1982/83 - 1986/87 Plan: Its Evolution and Evaluation
2. Attracting Foreign Capital for Investment in Egypt
3. The Role of Exchange Rate Policy in Balance of Payments Management in Egypt
4. Problems and Issues in the Effective Management of State Enterprises in Egypt
5. Strategies to Reduce the Fiscal Deficit and to Promote a Better Coordination of Monetary and Fiscal Policies in Egypt (2 sessions)
6. Control of Banks in Egypt

Part III. Fund Policies and Practices

1. Introduction to the Fund and the Fund's Code of Conduct
2. Uses of Fund Resources and Fund Policies for Adjustment
3. Recent Evolution of the International Monetary Fund

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List of Documents

Summaries prepared by Fund staff

INST/ET 83 C/I-1&2	Analysis of Financial Statistics and Workshop on Financial Statistics
INST/ET 83 C/I-3&4	Elements of Financial Programming and Workshop on Financial Programming
INST/ET 83 C/II-3	The Role of Exchange Rate Policy in Balance of Payments Management in Egypt
INST/ET 83 C/II-4	Problems and Issues in the Effective Management of State Enterprises in Egypt
INST/ET 83 C/II-5	Strategies to Reduce the Fiscal Deficit and to Promote a Better Coordination of Monetary and Fiscal Policies in Egypt
INST/ET 83 C/III-1	Introduction to the Fund and Fund's Code of Conduct
INST/ET 83 C/III-2	Use of Fund Resources and Fund Policies for Adjustment
INST/ET 83 C/III-3	Recent Evolution of the International Monetary Fund

Discussion papers prepared by Egyptian authorities

"Attracting Foreign Capital for Investment in Egypt," prepared by the
General Authority for Investment and Free Zones.

"Control of Banks in Egypt," prepared by the Banks Control Department,
Central Bank of Egypt.

"Egypt's 1982/83-1986/87 Plan: Its Evolution and Evaluation," prepared
by the Ministry of Planning.

