MINISTRY OF FINANCE

ACTIVITIES AND ACHIEVEMENTS

• Preface by:

H.E. Dr. Youssef Boutros-Ghali
Minister of Finance

The Egyptian society witnesses a process of comprehensive economic reform through an integrated development system aiming at raising the human development rates, achieving prosperity and promoting individual’s living standard by renovating the society politically, economically and socially on the grounds of a thorough and scientific reading into its capabilities, empowered with its cultural heritage and aware with the international and regional variables to capitalize on their advantages and prevent their discovered risks or at least restrict their negative effects.

In context, Ministry of Finance began to apply a package of economic policies and procedures aiming at driving the wheel of economy almost instantly, a matter the citizen began to actually feel with, through structural procedures in all the state financial, customs and tax systems having sustainable effects on different economic sectors.
MINISTRY OF FINANCE
ACTIVITIES AND ACHIEVEMENTS

- Customs Reforms
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Tax Reform: Income Tax Law No. 91 / 2005

Less than two months after the appointment of the new Cabinet, Minister of Finance Youssef Boutros-Ghali presented a new income tax law during the annual conference of the National Democratic Party, held in September 2004. The draft law was circulated and discussed by all stakeholders and then sent to Parliament for approval. The Parliament has passed the new law and the President has signed and issued it in the Official Gazette in June 2005.

The new income tax law makes the Egyptian tax system more transparent for both national and foreign companies looking to invest in Egypt. It cuts personal and corporate income taxes, and unifies tax exemptions and legislations. It introduces a 50 percent reduction in personal and corporate taxes to a maximum rate of 20 percent. It has also restructured income tax brackets into three categories, with tax rates of 10, 15 and 20 percent. Existing tax exemptions for annual earnings of under LE 5,000 would double. Working spouses would benefit from the new law as each of them would be eligible for an exemption of LE 5,000 on wages. Civil servants would get a personal exemption of LE 4,000 annually.

Additionally, the law grants a general amnesty for taxpayers in all cases before courts the subject of which is the
disagreement between the taxpayer and the Tax Authority on the tax estimation, provided that the disagreed tax amount does not exceed LE 10,000. Moreover, the law provides for a settlement process in tax evasion cases or other offences upon request from the concerned person within one year of the entry into force of the law. These provisions are seen essential in order to encourage Egypt's informal economy to legalize its status.

The law also provides for phasing out tax exemptions for newly established companies. Companies listed on the Stock Exchange would also lose the tax exempt status of their paid-in capital.

In addition to rate reductions, the law provides for streamlining tax administration and merge all income tax legislations into one law. The law is intended to encourage the voluntary submission of tax returns by taxpayers, the timely payment of taxes, and greater compliance of citizens who previously evaded taxes whether because of high rates or cumbersome procedures. A key element of the law is the introduction of self-assessment for taxpayers. This places the burden of proof for tax evasion on Tax Authority which will now limit its inquiry to a sample of some 5 to 10 percent of all taxpayers. The elimination of what had been viewed as discretionary assessments aims at regaining the missing trust between taxpayers and the Tax Authority.
The Ministry anticipates a significant improvement in the cost effectiveness of the Tax Authority and a reduction in costs to enterprises and individuals associated with the payment of taxes. The new system raises revenue from a limited number of tax rates and will therefore substantially reduce administration and compliance cost. Avoidance of numerous taxes that yield limited revenue will also facilitate tax assessment and avoid the impression of excessive taxation. The new law also introduces high deterrent penalties against tax fraud.

The proposed rate reductions and administrative changes will, in the medium term, stimulate the economy. Higher profits for businesses will encourage faster economic growth, thus expanding the tax base and ultimately increasing tax revenues. This should partially make up for the shortfall in tax revenues, estimated at between LE 3.2-3.5 billion. GDP growth rates should increase by 2-2.5 percent giving rise to at least LE 2 billion in additional revenues.

A broad tax base with limited exemptions enables revenue to be raised with relatively low rates. The erosion of the tax base through exemptions requires higher tax rates to make up for the loss in revenue. Higher rates only serve to increase the likelihood of tax evasion. Hence, expected improved tax compliance under the new reforms should also cover a large part of the loss in tax receipts.
Proceeds from an ambitious privatization program that includes 172 state-owned companies, a public sector bank and the stake of the government in joint venture banks will also be used to finance the temporary increase in the budget deficit.

Over the longer term the government will be building up the administrative capacity of the state to collect taxes. In addition, a plan was set, immediately after the issuance of the law, to create awareness of taxpayers in order to encourage them to take part in the reform. This plan depends to a large extent on press and media campaigns directed to all classes of society.
CUSTOMS REFORMS

• Bold tariff and customs measures: The government has slashed tariffs and continues to streamline red tape. The weighted average tariff rate was reduced from 14.6 percent to 9 percent and all surcharges and service fees were abolished.
### Table 1: Weighted Average Tariffs before and after Reductions
(Presidential Decree No.300/2004)

<table>
<thead>
<tr>
<th>Description</th>
<th>Before Reduction</th>
<th>After Reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL IMPORTS</td>
<td>14.60</td>
<td>9.10</td>
</tr>
<tr>
<td>Industrial supplies not elsewhere specified, primary</td>
<td>11.80</td>
<td>1.80</td>
</tr>
<tr>
<td>Parts and accessories for capital goods</td>
<td>17.30</td>
<td>7.70</td>
</tr>
<tr>
<td>Food and beverages, primary, mainly for industry</td>
<td>2.80</td>
<td>2.10</td>
</tr>
<tr>
<td>Food and beverages, primary, mainly for household consumption</td>
<td>19.20</td>
<td>8.50</td>
</tr>
<tr>
<td>Fuels and lubricants, primary</td>
<td>1.40</td>
<td>0.27</td>
</tr>
<tr>
<td>Capital goods (except transport equipment)</td>
<td>12.11</td>
<td>7.4</td>
</tr>
<tr>
<td>Parts and accessories for transport equipment</td>
<td>29.50</td>
<td>11.70</td>
</tr>
<tr>
<td>Industrial supplies not elsewhere specified, processed</td>
<td>15.80</td>
<td>8.70</td>
</tr>
<tr>
<td>Fuels and lubricants, processed motor spirit</td>
<td>10.30</td>
<td>7.50</td>
</tr>
<tr>
<td>Fuels and lubricants, processed motor spirit (not elsewhere specified)</td>
<td>9.70</td>
<td>5.60</td>
</tr>
<tr>
<td>Food, and beverages, processed, mainly for industry</td>
<td>4.30</td>
<td>3.50</td>
</tr>
<tr>
<td>Consumer goods not elsewhere specified, non-durable</td>
<td>15.50</td>
<td>13.80</td>
</tr>
<tr>
<td>Food and beverages, processed, mainly for household consumption</td>
<td>20.40</td>
<td>8.60</td>
</tr>
<tr>
<td>Consumer goods not elsewhere specified, semi-durable</td>
<td>32.60</td>
<td>26.40</td>
</tr>
<tr>
<td>Consumer goods not elsewhere specified, durable</td>
<td>34.80</td>
<td>30.60</td>
</tr>
<tr>
<td>Goods not elsewhere specified</td>
<td>23.50</td>
<td>21.70</td>
</tr>
<tr>
<td>Passenger motor cars</td>
<td>84.60</td>
<td>63.10</td>
</tr>
<tr>
<td>Transport equipment and parts and accessories thereof, other</td>
<td>39.00</td>
<td>28.00</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
The structure of customs had been complex and the rate schedule was ambiguous. This had led to disputes and delays in processing imports. As a first step towards greater transparency, distortions have been eliminated and tariffs have now been set according to standard principles. Tariff brackets have been reduced from 27 to only 6. The reductions in tariffs and elimination of exemptions have served to curtail the discretionary assessments of imported goods, resulting in further transparency and credibility of the system. The automation of customs is also an integral part of these reforms.
**Table 2: New Tariff Rates for Some Commodities**  
(Presidential Decree No.300/2004)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Item</th>
<th>Tariff rate (Before change)</th>
<th>Tariff rate (After-change)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td>Agricultural tractors</td>
<td>33% and 13%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Tractor spare parts and necessities</td>
<td>30% and 23% and 13%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Tractor tires</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Fertilizers</td>
<td>33% and 13% and 8%</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Transportation</strong></td>
<td>Utility cars (up to 1600 cc)</td>
<td>104% and 44%</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>Components and spare parts</td>
<td>33% and 23%</td>
<td>12% and 5%</td>
</tr>
<tr>
<td></td>
<td>Tires</td>
<td>37%</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Construction and Building</strong></td>
<td>Cement</td>
<td>33% and 23%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Limestone</td>
<td>13%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Reinforced steel bars</td>
<td>8%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>High durability ships for the high seas</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Social Dimension</strong></td>
<td>Fish (certain types)</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Grains</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Tea</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Sugar (raw)</td>
<td>5%</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Wheelchair products for the disabled, and their parts</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Household, health tools and kitchenware</td>
<td>44%</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>Chemicals</td>
<td>8%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
A new Presidential Decree (No. 410/2004) further lowered tariffs on inputs with a view to increase the competitiveness of the domestic industry. For example, tariffs on inputs used in the car industry such as wires and rubber used in tires dropped from 12 percent to 2 percent. All tariffs on inputs for medical equipment, printing, foodstuffs, and poultry were slashed by 50 percent. Tariffs on inputs for the garments industry fell from 40 percent to 22 and 12 percent. Significant reductions on inputs for the leather industry were also introduced. Tariffs on inputs for the steel industry were eliminated. Initially, the reductions are expected to lower customs revenue by some LE 3 billion. However, this is a stimulus reform. Reduced customs revenue will be offset by increased tax revenues arising from the expected export led economy. Wide growth will be stimulated by the reduced costs of importing essential raw materials and intermediate and capital goods. The reduction in tariffs and streamlining of customs procedures will help enhance Egypt's competitiveness in the global market. It will also help reinvigorate the business environment, give momentum to the domestic industry and hence give the needed push to growth and job opportunities. In addition, the recent increases in some energy prices (electricity, fuel oil and, natural gas) that have brought domestic energy prices closer to their international prices also provide a budget offset to reduced customs revenue. Other customs reforms include the following:
• Strengthening the institutional capacity of the Customs Authority to enhance its role as a trade facilitator and service oriented institution.
• Streamlining procedures to be at par with international standards and conventions (e.g., pre-arrival clearance)
• Introducing up to date techniques such as risk management and post audit.
• Expanding the electronic handling of documents.
• Streamlining customs procedures and minimizing discretionary exemptions and import controls.

**Trade/Customs Automation**

Part of the mandate of the Ministry of Finance, for the total re-engineering of the Egyptian Customs Authority, is the implementation of integrated, state of the art automated electronic systems and solutions, which will ensure an efficient, transparent processing of all customs functions, promote and facilitate customs and foreign trade reform, and secure stable, modern and fully automated operations of the Egyptian Customs and related systems.

This requires:

- The development of the strategy and vision for the re-engineering of all systems and processes at the Egyptian Customs
- The development of related documentation, encompassing presentations, roadmaps, flowcharts and project plans required thereof.
• Following up of all project management activities required.

• The formation and coordination with project teams and committees, required for timely and efficient delivery of deliverables

• The establishment of periodic management reporting to Minister and project owners

• The establishment and monitoring of project success criteria and performance measures

• The identification of projects risk areas, as well as risk mitigation alternatives.

• The development of the complete technical infrastructure design

• Following up of required procurement activities, through relevant committees and teams

• The development of all required databases for SMEs operating in relation to the customs re-engineering project.

**Customs and Tariffs Reforms**

The Ministry of Finance is undertaking the following reform initiatives with support from USAID and the EU.

- Follow up on reform initiatives in the customs sector, including (i) activities that support the modernization of the customs legal framework; (ii) the simplification of customs procedures and controls; (iii) the automation of the Customs Authority systems; (iv) the strengthening of inspection and enforcement mechanisms; (v) the
introduction of risk management and post audit procedures; (vi) the streamlining of customs duty relief regimes; and (vii) the strengthening of human resource management and training.

- Trade facilitation area, including (i) support to the enhancement of uniform customs product standards and sampling procedures; (ii) the facilitation of customs services; and (iii) the streamlining of inspection of goods and human resource development and training.

- Improving duty drawback.
Law 97/2005 enacted the budget for 2005/2006 according to the IMF 2001 GFS (Government Finance Statistics) classification. The new system, which is consistent with international standards, will ensure more consistent reporting during the year. Under the new system the budget will in the medium term be guided by macroeconomic and financial objectives and constraints. Under the new standard, which re-classified many budget lines, indirect petroleum subsidies are explicitly treated as budget lines. (This applies only to the 2005/2006 budget which makes the year incomparable to previous series.) The adoption of the new classification distinguishes between the economic, administrative and functional classification. There is a clear distinction between revenues, expenditures and financing transactions, as well as between transfers and exchange transactions. The fiscal policy stance is monitored on the basis of the cash/surplus deficit and the overall fiscal balance.
Budget implementation and follow up

The eventual approval of the state budget of a coming fiscal year triggers the start of work for the Finance Ministry’s sectors responsible for the implementation and follow up of the budget. The State Budget Sector issues folders of budgets and distributes them on all the state different authorities in order that financial administrations can start the actual implementation of the budget. Ministry of Finance as well as its sectors follow up the implementation, control and monitoring as well as issuing approvals on amendments and emergency demands for the state authorities during implementation. The implementation of the budget requires available flexibility for facing the emergency circumstances and also the complete cooperation with the authorities responsible for implementation, follow up and monitoring provided the commitment to laws of the budget as well as the financial regulations, instructions and rules of implementation the Ministry issues.
Drafting the state closing accounts

This stage comes during the budget implementation and at the end of the fiscal year, including the actual expenditure of the budget and the collected revenues in the fiscal year. Ministry of Finance as well as its sectors in particular the Closing Accounts Sector in cooperation with the State Authorities prepare the closing accounts according to the actual implementation of the budget and monitored by the Central Agency for Auditing that submits its annual report of remarks to the state authorities, Ministry of Finance and the People Assembly. The Ministry of Finance presents the closing account of the budget to the People Assembly to be finally approved.
The National Bank for Investment

- It provides the fund necessary to spend on the government projects in the framework of the investment plan of the bank.
- The Bank reports on the outcome of seeking the wages assessments proposed by the economic authorities in their draft budgets as a guide in preparing assessments of wages enlisted in such draft budgets.
- It provide funds necessary for spending on the government projects within the framework of the investment plan. The Ministry of Finance pays back installments and interests due from the implementation of these government projects.
- The Central Bank of Egypt is contacted to set the domestic loans and their interests for the economic authorities, what has been paid back and the balance in 30/6 to review the third heading allocations (investments uses).
AUTOMATED GOVERNMENT EXPENDITURE SYSTEM (AGES)

The preparation of the budget is now fully automated according to the GFS classification. Budget implementation is currently being automated and will be become fully automated in 2005. The Ministry of Finance is in the process of implementing an Integrated Automation project (MOFIA) which includes and Automated Government Expenditure system (AGES). The MOFIS and AGES projects should eventually be subsumed within the framework of a Government Financial Management Information System (GFMIS), covering all ministries, service authorities, governorates and districts.
Moving forward with the decentralization of public expenditure and revenue mobilization, Egypt started in July 2004 to undertake a PER in four sectors namely: education, health, water and transport. The PER is closely related to work being undertaken to improve the budget classifications, budget execution, accounting and reporting, banking and payment arrangements, and the legal framework for budgeting. Work in the PER is also closely related to the ongoing work on performance based budgeting (PBB). This involves pilot projects in education and health. The view is to establish a framework for developing performance management and budgeting within these sectors, and piloting the development of indicators and other performance data in selected entities.
PUBLIC DEBT MANAGEMENT

- Domestic Debt

The Egyptian Ministry of Finance is responsible for issuing government debt and making fiscal policy decisions. Fiscal policy decisions include determining the appropriate level of taxes, government spending and hence government debt. The Ministry of Finance is in the process of developing an efficient government securities market with a view to minimize over time refinancing risk and the cost of its public debt. Towards this end, the Government of Egypt launched on July 4, 2004 its Primary Dealer System (regulated by Ministerial Decree 480/2002) for government bills and bonds. The principal provisions of the program include the designation of 13 banks, including Citibank, to be Primary Dealers. All bills and bonds have been dematerialized and transactions are recorded electronically within a system linked the Primary Dealers, Central Bank, the Stock Exchange and the clearing house Misr Clearing and Settlement Depository (MCSD).

Auction rules have been changed from a “subscription” to a competitive” style auction in which the coupon is set at the average yields of accepted bids. An issuance calendar is published quarterly, providing data on debt issuance during the quarter.
Since 2004, debt issuances by the Egyptian Treasury amounted to:
First Quarter (L.E. 35 billion) bid to cover ratio 2.23.
Second Quarter (L.E. 37 billion) bid to cover ratio 2.32.
Third Quarter (L.E. 36.5 billion) bid to cover ratio 2.26.
Fourth Quarter (L.E. 21 billion) bid to cover ratio 3.102.

During the third quarter ending March 2005, the Ministry of Finance issued a series of medium term bonds maturing in 2008, 2011 and 2014 respectively. The view is to build liquid yield curve. On January 18, 2005, the Government issued its first ever 20 year fixed rate bond bearing a coupon of 11.4 percent. The issue was oversubscribed with a bid to cover ratio 2.6 times. Furthermore, the concept of “bond re-opening” was introduced to create liquid benchmarks over time. During the second half of 2005, the Central Bank and the Capital Market Authority will introduce bond lending and short selling to improve both primary and secondary market pricing.

**External Debt: The Eurobond**

In July 2001, Egypt issued two sovereign Eurobond worth US$1.5 billion in two tranches (5 and 10 year-maturity). The 5-year bond, maturing in July 2006, has a nominal value of US$500 million. It was issued with a spread of 275 basis points over 5-year US Treasury and offered a fixed coupon of 7.625%. The 10-year Eurobond is due to mature in July 2011 and has a nominal value of US$1 billion. It was issued with a spread of 335 basis points over 10-year UST bonds and offered a fixed coupon of 8.75%.
The issues marked Egypt's first international bond issuance and firmly established Egyptian credit in international capital markets. Both issues were received with very strong demand, they were oversubscribed by international investors and are now held by international, regional and domestic investors. Both issues were lead managed by Morgan Stanley and Merrill Lynch and commanded a BBB+ investment grade rating by Standard and Poor's.

♦ **Eurobond performance**

Both Eurobonds have performed well since their issuance. For the bond maturing in 2006, the spread over comparable US Treasury has tightened, reaching 43 basis points in May 2005 compared to 150 basis points in May 2004.

The spread over US Treasury for the 2011 bond issue, as well, has tightened to 82 basis points in May 2005 compared to 180 basis points in May 2004. The YTM on the 2011 issue has fallen from 5.835% in May 2004 to 4.81% in May 2005, which in turn has caused a price rise from US$116.75 in May 2004 to US$120.625 in May 2005. On the other hand, the YTM on the 10 year US Government bonds decreased from 4.657% in May 2004 to reach 3.986% in May 2005. The decline in spread over US Treasury for both issues has been due to increased appetite for emerging market debt, in addition to the positive outlook for the Egyptian economy.
following the appointment of the new cabinet in July 2004 and the vigorous reform program that has been undertaken. Moving forward with the decentralization of public expenditure and revenue mobilization, Egypt started in July 2004 to undertake a PER in four sectors namely: education, health, water and transport. The PER is closely related to work being undertaken to improve the budget classifications, budget execution, accounting and reporting, banking and payment arrangements, and the legal framework for budgeting. Work in the PER is also closely related to the ongoing work on performance based budgeting (PBB). This involves pilot projects in education and health. The view is to establish a framework for developing performance management and budgeting within these sectors, and piloting the development of indicators and other performance data in selected entities.
**Business Formalization**

- Formalization of property rights: Setting up a comprehensive and integrated property system that will (i) integrate the assets of the extra-legal majority into the mainstream market, (ii) make these assets more fungible, (iii) make their owners accountable; and (iv) provide them with the connecting devices that allow them to leverage their usefulness in the economy. The formalization of property rights will facilitate capital formation by allowing the previous holders of informal real estate to transform their assets from "dead" capital to "live" capital.

- Improving the legal framework in order to attract more extralegal activities under the rule of law, will also facilitate capital formation as it enable the previously informal sector to adopt legal organizational forms that will (i) allow them to access financial resources; and (ii) give them contractual and efficient enforcement mechanisms that will make them subject to enforceable rights and obligations, and protect their trading names and the trademarks of their products and services.

- Streamlining of procedures needed to establish small businesses. This should reduce the cost of setting up businesses and provide the needed incentives for the informal sector to cross over to the legal economy where its real potential for growth can be unleashed.

- Taking the necessary measures to ensure that reforms stay on track.
All of the above measures, when implemented, will help Egypt enter a virtuous circle. The legal protection of property rights will lead to the creation of capital and an increase in productivity, which will generate more investment and expansion in production. This will permit increases in employment and per capita income, thereby reducing poverty. At the same time, the increase in economic activity and the reduction in extra-legality will lead to a commensurate increase in tax revenues.
Macro-fiscal Unit

The new macro-fiscal unit is undertaking a wide range responsibilities, including:


b. Reforms on the expenditure side of the budget, including modernization of the treasury and cash management systems, and the development of a full treasury single account.

c. Developing and updating forecasting models, and producing periodic written and statistical analysis of the macro-fiscal environment in order to improve the assessment of the current status of the economy. Informed analysis of the macro-fiscal economy would provide an early warning system for the Economic Ministries in general, and the Finance Ministry in particular, about turning points in the economy and inadequacies in the implementation of reforms. These may be identified and analyzed early enough, permitting timely and more targeted remedial actions by Economic Ministers.

d. Interacting with the Central Bank and economic ministries to exchange information on the economy and obtain the data needed for macro-fiscal analysis. This will enable the unit to be informed on a current basis on potential problems that may arise.
e. Preparing position papers and memoranda on macro-fiscal issues for the Minister of Finance and other economic committee ministers.

f. In addition to monitoring the domestic economy, the macro-fiscal unit must monitor the impact of events happening in the world economy and their interaction with the domestic economy.
THE MINISTRY INFORMATION TECHNOLOGY ACTIVITIES

• Build up general information network for ministry of finance includes and connects all the ministry interior sections and involves machines, equipments and basic software.

• Build up a main center to the computers and the networks in the ministry managing and controlling and technically supporting the information networks, systems and the working applications in the ministry.

• Complete building up computer centers, the information systems and the fellow administrations. also the local information networks in the exterior organizations and connect them with other networks.

• Complete building up the systems, applications, and programs and building the database for automating the activities and the main working for the organizations fellow to the ministry.

• Achieve a link between the ministry intranet and other governmental sites and banks

• Creating a multi service portal for the ministry of finance, which supports financial services such as customs, tax, general tax, etc. In addition to historical coins selling.

• Finalizing an electronic payroll program for the employees through the ATM

• Building a dependable data base for the ministry’s human resources, especially in the Information Technology sector in order to achieve best results in that field.
The Governmental Stock

The General Authority for Government Services is currently, through various tasks and effective activities on the national level to rationalize government expenditure, in cooperation with the Cabinet’s Information and Decision Support Center, taking procedures to activate the national project to promote the efficiency of governmental stock management according to the ministerial decrees issued on the 21/1/2003 session chaired by the Prime Minister within the framework of the government attitude to adopt a new approach to deal with problems basically depending on the use of automation and information systems.

The project aims at:
- Making an inventory of all assets and government warehouses.
- Drawing up an information map of warehouses.
- Providing the real and essential amount of the stagnant stock and facilitating the exchange processes of these articles on the government authorities level.
- Controlling and monitoring the public expenditure by defining all articles in the government warehouses.
- Creating a central purchase system for the repeatedly used articles based on centralized contract, and the non-centralized supply and receipt.
Small and Medium enterprises Development:

The aim of SME Unit in the Ministry of Finance is to develop fiscal policies that will enable SMEs to join the formal sector. The work is done through a process that ensures participation of different actors in the field of SME development, in addition to reliance on best international practices, resulting in policies that address constraints faced by SMEs. One of the major targets is to transform the informal sector to become formal, and that requires a more generic approach that deals with the constraints hindering enterprises to being formal. Small and Medium enterprises form 99% from all enterprises and the majority of the informal sector, targeting those enterprises and creating an enabling environment for their survival is one of the Ministry’s goal. To reach this goal, the Ministry has an SME Development Unit associated with the Minster’s Office, and a Project that was done with CIDA to assist the GOE in setting a policy process that would ensure formulation of policies targeting the SME constraints.
Attracting FDI to Egypt

The recent policy initiatives in the areas of trade reform, taxation and revived privatization have been directed towards realizing Egypt's potential in attracting FDI. Privatization will extend to the banking sector as part of a broader financial sector restructuring plan. Recent leadership changes in the General Authority for investment (GAFI) also bode well for foreign direct investment (FDI). GAFI is intent on improving conditions for existing investors in order to attract new inflows. In addition, new optimism should reverse the downward trend of the past years. In the first three quarters of 2004/2005 FDI reached US$1.9 billion compared to US$407 million last year.
THE WORLD ECONOMIC FORUM IN DAVOS

Business, political and social leaders met in Davos, Switzerland for five days at the end of January 2005 to discuss immediate action on the tough issues of poverty, climate change, education, equitable globalization and good global governance.

Specifically, participants at the Annual Meeting called for the implementation of a series of concrete measures designed to yield immediate and long-lasting results, including the adoption of technology to reduce the emission of greenhouse gases, the creation of a fund to accelerate financial aid to the poorest nations and the removal of trade barriers that deprive developing countries of the dividends of global economic growth.

Participants were urged in the closing session to exercise “self responsibility, global responsibility ... and responsibility to the next generation.” Early in the five-day Meeting, participants gathered in a town hall meeting to single out the six issues they consider most critical to the world today and to identify the key challenges related to each. At the top of their list, they placed poverty, followed by equitable globalization, climate change, education, the Middle East and global governance. Among the recommendations made by participants was the implementation of a proposed international financing facility that would deliver aid to the neediest countries at a more rapid and predictable rate. To foster equitable globalization and make trade fairer,
participants urged negotiators to complete the Doha Agenda of trade talks to enshrine principles of reciprocity, free trade and the liberalization of trade in services. For any of these measures to work, however, the world’s poor nations must be at the forefront of this agenda, participants agreed. Offering assistance to the developing world has to be done in a way that recognizes and preserves the dignity of the people. Rather than approach the poor as a problem, developed nations and companies need to view them as an opportunity, a source of new markets, labor and innovation. An Egyptian delegation consisting of the Prime Minister, the Ministers of Finance, Petroleum, Trade, Investment and Information Technology participated in the 2005 Meeting.
RECENT ECONOMIC LEGISLATION

-Law Number 15/2004 concerning Electronic Signature- Enacted.
- Presidential decree No. 300 of the year 2004 issuing the Customs Tariffs- Enacted.