



CHAPTER THREE

The General Framework of the Sixth Five-Year Plan (2007/08 – 2011/12)

The Sixth Five-Year Plan relies on a number of pillars that reflect the methodological framework of the Plan and its basic features, in addition to the embraced objectives, development policies and scope of work.

3/1 Basic Facts

The conceptual framework of the Plan is based on a set of facts, of which the most important are:

- ❑ Fostering economic growth and improving the citizen's standard of living are the real core of society's development.
- ❑ Community participation is essential for effectuating the development process.
- ❑ Preserving natural wealth and rationalizing its usage are two main conditions to achieve sustainable development.
- ❑ Developing the competitiveness of the Egyptian economy is a must to fasten its integration in the world economy.
- ❑ Political reform is a necessary condition for deepening democracy, achieving social stability, improving the investment climate: and all these are core factors for accelerating the socio-economic development process.

3/2 Plan Pillars

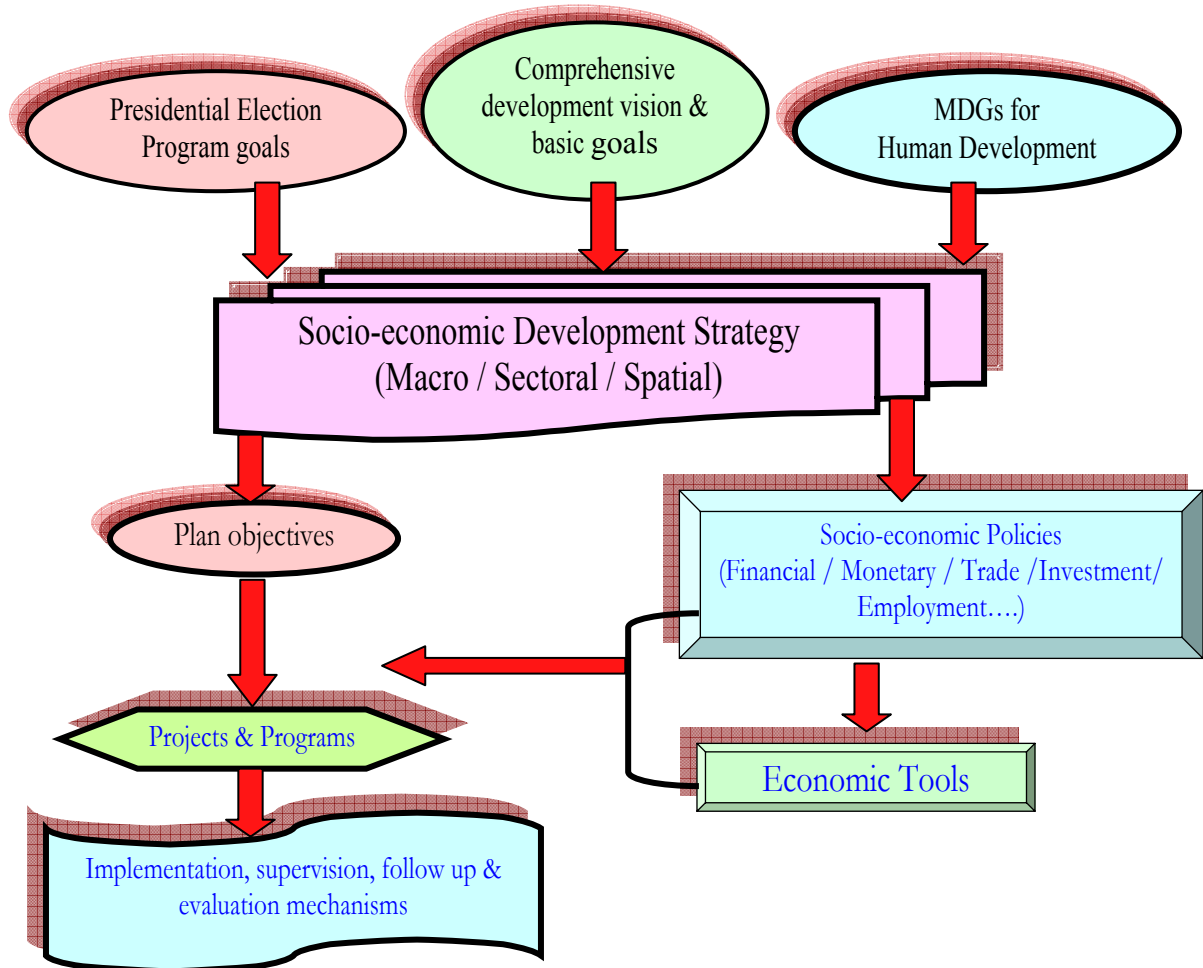
In addition to the long-term vision, the Social and Economic Development Plan (2007/08 – 2011/12) rests on a group of pillars, namely: The Presidential Election Program, The Third Millennium Goals for Human Development; and the New Social Contract.

Based on these pillars, the Sixth Five-Year plan has set its goals and formulated its policies, components and investment programs. The methodological framework - which is based on these pillars - is shown in fig. (3/1).



Figure (3/1)

**Methodological Framework of the Sixth Five-Year Plan
(2007/08 – 2011/12)**



 **Presidential Election Program**

The presidential election program includes seven programs that represent the main focal points of the development plan. These are:

- * The employment program, the investment program, enhancing living standards programs and provision of social care for low – income groups, the improvement of citizen's living conditions and quality of services, the boom of the national economy, the political and legislative environment development program and the program for deepening and strengthening international relations.



- * The objectives and contents of these programs, as well as their investment requirements and expected sources of finance have been concluded in a way that would allow for the development plan to cope chronologically in the coming six years with the Presidential Election Program. Such incorporation has taken into consideration the new strategic thinking shifting away from the "project planning" concept to the effectuation of "program packages" instead, further to the full integration of programs' components.

The Sixth Five-Year Plan gives the priority to the programs included in the presidential election program. Examples of these programs are:

- **The employment and training program**, aiming at providing 4.5 million job opportunities at a rate of 750 thousand jobs per year, in addition to training and skill upgrading of 100 thousand individuals each year.
- **The supporting industrial structure program**, which includes establishing one thousand large factories and 2000 medium – sized industrial projects.
- **The rural development program**, which includes the establishment of 400 villages and the reclamation of one million feddans.
- **The integrated tourism development project**, which aims at increasing inbound tourism at a rate of one million visitors per year with an expenditure capacity of one billion dollars.
- **The pre-university education development program**, which comprises the establishment of 3500 schools.
- **The slum areas development project**, covering different urban areas.
- **The housing services expansion program**, targeting the building of 500 thousand housing units at a rate of 85 thousand units per year, and activating the role of the Real Estate Finance Authority.



All efforts of development partners were taken into consideration while forming the whole picture of the packages in agreement with each partner's capacity to contribute effectively. The State Budget shares in these programs' cost is about 10%; the holding companies, the general economic authorities and the companies affiliated to some ministries would contribute by 5%, while foreign participation is likely to reach 13% and takes the form of loans, aids and foreign direct investment. In addition, the private sector contribution constitutes the greater bulk of overall investment of which 50% would be self-financed and the remaining 50% through banking loans and credit facilities.

It should be noted that the estimated cost of these programs does not cover all components of the Five-Year Plan. The latter requires other appropriations in order to complete projects still in the implementation phase as well as renewal and rehabilitation projects, in addition to funds needed for socio-economic projects embraced by other ministries and authorities.

In accordance with the above, the Sixth Five-Year Plan has targeted an overall investment of LE 1295 billion which would allow the fulfillment of the government's scope of work to implement the president's election program (while considering what has been previously implemented during the first year of the program), and which will also take into account other funding resources deemed necessary for the enlisted activities in the Plan.

Human Development and Third Millennium Development Goals (MDGs)

The Third Millennium Development Goals comprise: the eradication of poverty, achieving universal primary education, consolidating gender equality, empowering women and reducing child mortality, improving maternal health, combating endemic diseases, guaranteeing sustainable development, and finally supporting global partnership for development.

In this respect, Egypt has achieved a significant progress as the human development index reflects an increase of 17% from 0.589 in 1994 to 0.689 in 2004^(*) and to about 0.7 in 2006. This has allowed advancing Egypt's position from countries of low human development index to the middle level countries according to the global human development report classification.

^{*)} The index value varies between zero and one, which means the total achievement of human development goals.



Table (3/1) shows the progress achieved in some of the Third Millennium Goals indicators till 2004. It should be noted that the following period till the third quarter of the fiscal year 2006/07 has witnessed more progress towards achieving the development goals for 2015.

Table (3/1)

Development of Human Development Indicators within the Third Millennium Development Goals

Statement	1990	2005	Target in 2015
% of population gaining less than \$1/day	8.2	0.94	4.1
% of population under poverty line	24.3	20.2	12.1
Enrollment rate in primary education	85.5	100*	100
% of literates (14 – 25 years old)	73	87	100
% of females to males in primary education	81.3	90.9	100
% of males to females in secondary education	77	104.3	100
% of females to males in high education (natural science)	51	66	100
% of females to males in high education (human & social science)	65	99	100
% of literate females to males (15-24 years old)	84.7	86.4	100
Under 5 years old mortality rate	56	35.4	18.7
Infant mortality rate	37.8	18**	12.6
% of children vaccinated against measles	81.5	96.9	100
% of children vaccinated against polio	87.9	94.9	100
Maternal mortality rate per 100.000 live births	174	67.6	43.5
% of urban households with access to potable water	96.9	100	98.5
% of rural households with access to potable water	61.1	95	80.6

* 2005 **2005/06

The Ministry of Economic Development issued the Human Development Report for the year 2005 in the second half of the fiscal year 2005/06. This report



presents a vision for developing the national economy coping with the MDGs in eradicating extreme poverty and hunger. The Ministry has also issued several reports on the human development status in the municipalities, covering (19) governorates aiming at describing the status quo and providing plans that target the improvement of human development indicators in concerned governorates, the creation of job opportunities for youth and the consolidation of local community contribution in development efforts.

The required program of work has been determined to ensure total commitment to the achievement of these goals during the coming period till 2015. The programs that were prepared in this context target improving the citizens' quality of life and upgrading low-income class living conditions. They are mainly concerned with issues of poverty.

Primary education, health, social reform, small enterprises, agricultural mechanization, sanitation and housing services, slum areas development, and finally, overall management of the programs' package.

The total cost of these programs is estimated approximately LE 181 billion over a period of ten years (2005 – 2015), with an annual average of LE 18.1 billion. The line items of each program have been defined, as well as the different stakeholders, beneficiaries, and relevant costs and sources of finance.

The development plan of 2006/07 has embraced these programs and started its execution. Moreover, the program's components have been included in the Sixth Five-Year Plan to achieve all of the Third Millennium Development Goals before 2015.

The New Social Contract and Community Participation

The New Social Contract is concerned with the protection of freedom and citizens' social rights to deepen democracy and enhance individuals' capabilities and community participation in development efforts.



Constructive measures have been taken in this respect, such as the latest constitutional amendments which targets deepening democracy, citizenship rights insurance and positive participation in the political life.

Generally, one of the main features of the New Social Contract is improving the relationship among all development partners in the political, social, economic and institutional fields. It mainly focuses on supporting citizenship by asserting the principals of democracy, community participation, transparency, disclosure, accountability and equal opportunities.

The New Social Contract pays a special attention to supporting low-income groups to improve their living standards and support social stability, in addition to promoting education and health services and directing subsidies to target the poor within a comprehensive system of social safety net.

In line with the New Social Contract, the Social and Economic Development Plan (2007/08 – 2011/12) ascertains the importance of achieving proper balance between the rights and duties of all concerned parties, whether the State, public institutions, private sector, or civil society, and in all fields of investment, expenditure, employment and others. Such concern would guarantee sustainable development and enhancement of citizen's living conditions in the framework of social equity.

3/3 Development Strategy

The development strategy aims at maximizing economic growth and guaranteeing an acceptable level of employment to reduce the unemployment rate to 5.5% by the end of the Plan, and to secure a decent living standard to low-income groups.

From this point, the strategy focuses on the following:

- * Giving a big push to the leading sectors enjoying rapid growth rates (e.g., manufacturing industries, construction & building, tourism, communication and information technology).
- * Fostering exports of goods and services, while satisfying local market needs to prevent inflationary pressure and ensuring the conservation of natural resources to guarantee sustainability of development.



- * Developing small and micro enterprises to expand the job-creation capacity of the economy.
- * Achieving balanced development between the three broad economic sectors, namely, production of goods & services sectors; infrastructure and services related to production sectors; and human development and social services sectors.
- * Opening all economic activities to private sector participation, while reinforcing the monitoring and follow-up functions of the State.
- * Supporting local community and civil society organizations participation in developments efforts.
- * Improving living standard conditions of low-income groups, by:
 - Influencing primary income and wealth distribution, through employment policies, ownership policies of agricultural lands, small enterprises and housing units.
 - Influencing income redistribution, through monetary and in-kind subsidies, and social solidarity policies.
- * Intensifying investment in Upper Egypt and desert governorates to achieve balanced spatial development.
- * Socio-economic rural development to reduce existing gaps between rural and urban communities, in addition, to opening the spectrum of employment, especially for rural woman to enforce her economic participation in the community.

3/4 Overall Goals

The Sixth Five-Year Plan (2007/08 – 2011/12) embraces all goals included in the Presidential Election Program and the Third Millennium Development Goals, in the frame of effectuating the New Social Contract which includes the consolidation of citizenship and community participation.

The Goals of the Sixth Five-Year Plan (2007/08 – 2011/12) are as follows:

First: In the Field of Economic Development

- * Achieving a high economic growth rate with an annual average of (8%).
- * Increasing real per capita income by an average annual rate of 6%.



- * Providing about 3.8 million job opportunities, at a rate of 750 thousand jobs per year. Reducing the number of unemployed persons from 2 million in 2006 to 1.4 million by the end of the Plan, which would curb the unemployment rate from 9.3% to 5.5%.
- * Increasing the investment rate from 20% to 24%.
- * Enhancing the goods and services' exports by an annual rate of no less than 12%.
- * Increasing the current balance of payment surplus (including transfers) from 1.3% of GDP in the base year to 1.8% of GDP by the end of the Plan.
- * Increasing FDI inflows from \$ 7 billion in the base year to \$ 14 billion by the end of the Plan.
- * Increasing international reserves of foreign currency from \$ 26 billion in the base year to 42% by the end of the Plan.
- * Speeding up the degree of integration into the global economy from 60% in 2006/07 to 67% by the end of the Sixth Plan.
- * Consolidating production and technological capacity of the national economy through:
 - Reclaiming about 900 thousand feddans during the Plan period.
 - Boosting industrial production to achieve a real growth rate of 9% annually.
 - Upgrading the communication and information technology sectors to achieve an annual growth rate surpassing 11%.
 - Expanding electric power generation by no less than 7% per year.
 - Expanding the hotel accommodation capacity by about 15 thousand rooms annually.

Second: In the Field of Social and Human Development

- * Reducing the population growth rate from 2.04% to 1.9%, to reach a population of about 81.6 million by the end of the Plan, in comparison to 72.6 million in 2006 according to the latest population census.
- * Achieving price stability to control annual inflation to a limit of 6%.



- * Reducing the percentage of population living under poverty line from 20% to 15% by the end of the Plan.
- * Reducing illiteracy rate from 29.3% in 2006 to 20% by the end of the Sixth Plan period.
- * Increasing the percentage of female contribution to total labor force from 19% in the base year to 25% by the end of the Plan period.
- * Establishing 415 thousand housing units for low-income groups.
- * Establishing about three thousand schools and 800 nursery classes during the Plan period.
- * Establishing (30) villages and allocating 120 thousand feddans of reclaimed land to youth graduates.
- * Increasing the number of rural health units from 4452 units in 2006/07 to 7200 units in 2011/12, with an annual growth rate of 10%.

3/5 Development Policies

Coordination between social and economic policies is vital to guarantee the effectiveness of the development strategy in achieving its targets. In fact, consistency of economic policies is essential in order to enable the development strategy to attain its predetermined objectives.

What follows is a brief summary of the main elements of the general economic policies upon which the Sixth Plan relies on to achieve its targets:

First: Fiscal Policy

The fiscal policy is one of the most important economic policies that exerts a direct impact on all macro-economic variables. The main features of the fiscal policy endorsed by the Plan can be summarized as follows:

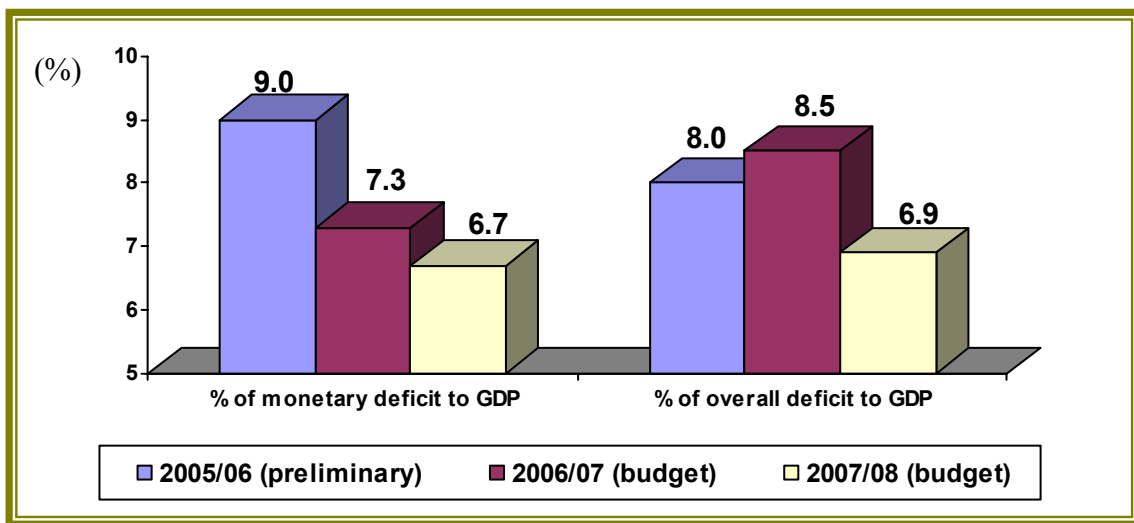
- Supporting the growth incentive policies, using custom and tax instruments to promote investment and to achieve an annual economic growth rate of 8% on average.



- Increasing subsidy allocations and social safety benefits to low-income groups. Restructuring subsidy to target the poor with a gradual shift to conditional cash transfer (CCT).
- Pursuing the tax and fiscal reforms to achieve a steady decline in the State budget deficit [fig. (3/2)].

Figure (3/2)

**Development of State Budget Deficit as Percentage of GDP
(2005/06 – 2007/08)**



Source: Ministry of Finance

Second: Monetary Policy

The main elements of the monetary policy are as follows:

- Expanding domestic liquidity in a way that compromises between the objective of rapid economic growth and the objective of curbing inflation to an acceptable level (6% - 7%).
- Improving the balance of payment position and activating inter-bank foreign transactions to ensure exchange rate stability.
- Increasing the reliance on indirect monetary tools, especially open market operations.
- Reducing the margin between lending and deposit rates to achieve a proper balance between depositors and investors' interests.



- Maintaining international reserves at a suitable level that ensures the payment of foreign debts and coverage of commodity imports for a period of at least 9 months.
- Commitment to applications of governance rules in banking institutions (transparency, accountability and information disclosure).
- Encouraging banks' mergers to formulate strong economic entities.
- Expanding the establishment of investment funds with flexible schemes for savings mobilization and investment promotion.
- Expanding the establishment of specialized bank's departments to finance small enterprises.

Third: Investment Policies

These policies are concerned with modes of activating foreign and local private investment and restructuring the State's owned fund administration programs, in addition to the business sector restructuring schemes. Moreover, they comprise policies aiming at effectuating capital and insurance markets as well as free and economic zones.

Among these policies are the following:

- Preparing land maps for investment purposes.
- Expanding marketing campaigns to identify investment opportunities.
- Further simplification of investment procedures.
- Providing special investment incentives for development projects in South Egypt.
- Upgrading operational systems of the stock market to effectuate its function.
- Proceeding with the companies' privatization program and management of public business sector's assets.
- Reforming the financial structure of business sector's companies.
- Completing the sale of public sector's equity in joint companies and banks.



Fourth: Trade Policies

The main trade policies can be summarized as follows:

- Commitment to applying the concepts of quality control and assurance in line with international specifications' standards to ensure the competitiveness of Egyptian products.
- Providing data on foreign markets and investigate export opportunities.
- Facilitating exports and imports' procedures.
- Intensifying efforts aiming at marketing Egyptian products in foreign markets.
- Increasing the financial resources of the Export Development Fund.
- Developing transactions with regional and global economic blocs, and speeding up the completion of infrastructure works for deepening Egypt's integration in the world economy.

Fifth: Industrial Policy

The main elements of the industrial policy endorsed by the Plan are as follows:

- Focusing on industries where Egypt enjoys competitive and comparative advantages.
- Establishing and developing industrial zones; providing utilities and basic services to promote the spread of industrial location, particularly in the South governorates.
- Simplifying procedures related to licensing and operation.
- Expanding the establishment of exhibitions and providing information about foreign markets.
- Facilitating financial and marketing assistance and other supportive services to small enterprises.
- Expanding the establishment of industrial compounds with integrated services; supporting feeding intermediate industries, and encouraging the formation of industrial clusters.
- Developing and upgrading industrial workers' skills.