

Trade Policy Review Body

TRADE POLICY REVIEW

EGYPT

Report by the Secretariat

This report, prepared for the third Trade Policy Review of Egypt, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Egypt on its trade policies and practices.

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Document WT/TPR/G/150 contains the policy statement submitted by Egypt.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Egypt.

(iii) Government procurement

114. Egypt is not a signatory to the WTO plurilateral Agreement on Government Procurement.

115. Public procurement is governed by the Tenders Law (Law 89/1998), which is aimed at investment promotion, deregulation and decentralization, and flexibility in procurement procedures. Procurement procedures under the Tenders Law require that awards go to the lowest bidder, with the exception of purchases financed by international financial institutions, where specified criteria are considered. In all procurement, a 15% price preference is given to Egyptian products.

116. The two main procedures for public procurement of goods and services in Egypt are public tender and public practice. The purchaser is free to choose the procedure used. These methods may be open to both Egyptian and foreign suppliers, and must accordingly be advertised in daily newspapers in Egypt and abroad. Public tenders and public practices require offers to be submitted in two sealed envelopes, one with technical and the other with financial specifications. The envelope with the technical offer is considered first; only financial offers corresponding to accepted technical specifications are considered. In the case of public practices, prices are negotiated with all the competitors during an open session with a view to further reducing the initial price offers. In contrast, in the case of tenders, initial offers are final and cannot be negotiated. Tenders cannot be changed to practices once the procedures are launched, and vice versa.

117. Under a decree from the competent authority, public procurement may also be carried out through one of the following alternatives: limited tender, local tender, direct agreement (direct purchase), and limited practice. Limited tenders are used where the nature of the product requires participation by selected suppliers in Egypt or abroad. Local tenders are used for products with a value of up to LE 200,000; tendering is limited in this case to local suppliers from within a Governorate. Direct agreements are applied in emergency situations. They require prior authorization by the head of administration or the authority, for purchases not exceeding LE 50,000 (LE 100,000 for contractual work); or by the competent Minister or Governor for contracts not exceeding LE 100,000 (LE 300,000 for contractual work). In the case of direct agreements, buyers are advised to purchase from Egyptian small and medium-sized enterprises. Limited practices, based on bargaining with selected suppliers, are used for: (i) products available only from specific suppliers in Egypt or abroad; (ii) products whose nature dictates that they are brought from their production location; (iii) products whose technical specifications require that they are purchased from certain suppliers; and (iv) national security. Both the Ministries of Defence and of Military Production and their entities may use any of the limited methods of procurement when necessary. While using any of these limited methods, they are advised to compare at least two offers.

118. Egypt has no central procurement body; each department has its own procurement committee, which examines its tenders and practices; technical, financial and legal aspects are considered. The composition of the committee depends on whether domestic or foreign suppliers are involved. Participation by the Ministry of Finance in the committee is mandatory if the value of the purchase exceeds LE 250,000; if the value exceeds LE 500,000, participation by competent legal counsel from the Council of State is also required. Decisions with regard to tenders/practices are made by one committee if the value is up to LE 50,000; above this amount, two committees examine all bids.

119. A Tender Board has been established on an experimental basis to purchase 400 items for five ministries, including those responsible for Trade and Industry, Finance, Telecommunications, and Information Centre for Cabinet. The experience shows that purchases through the Board are 20% cheaper. The General Authority for Government Services (GAGS) plays an a posteriori role; it controls the contracts to ensure that the prescribed guidelines and directives are followed. It may

provide technical assistance and training to departments or procurement units. It may also represent the Ministry of Finance in procurement committees.

(iv) State-owned enterprises and privatization

120. State-owned enterprises play an important role in the import of petroleum products and some agricultural commodities, and cotton exports. The General Authority of Supply Commodities (GASC), the agency designated to carry out the food subsidy programmes in Egypt, is a major importer of wheat, sugar, and edible oils; its wheat imports amounted to 5,420,000 tons in 2003/04. The Egyptian General Petroleum Corporation is the major petrol importer. Cotton and cotton products, such as yarn, fabrics, and garments, are largely exported by public companies.

121. The Government considers an expanding role for the private sector to be an important pillar in its economic reform programme, and is committed to privatization. Egypt's privatization programme dates back to 1991, when the Government embarked on a stabilization and adjustment programme. Law 203/1991 scheduled 314 companies for privatization and grouped them into 27 holdings, each specialized in a particular activity. Between 1993 and 2004, nearly 200 of these companies were fully or partly privatized through different methods (Table III.8). The companies privatized to date encompass a broad range of industries and activities, including agriculture, real estate and construction, milling, pharmaceuticals, chemicals, textiles, and tourism.

Table III.8
Privatized companies, 1993-04

Privatization technique	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total number of companies
Complete or majority sale through stock offering	0	0	1	14	14	8	0	1	0	0	0	0	38
40% sale through stock offering	0	1	2	6	1	0	0	0	0	0	0	0	10
Partial sale (less than 50%) on the stock market	0	0	4	0	1	1	0	0	0	0	0	0	6
Sale to majority investor	0	3	0	3	3	2	9	5	4	0	0	5	29
Sale to employees	0	7	3	0	3	12	5	0	1	2	0	0	33
Liquidation	6	2	2	1	3	6	7	3	2	1	0	0	33
Sold as production assets	0	0	0	1	1	3	4	6	3	3	4	12	27
Leased companies and production units (long-term lease)	0	0	0	0	1	0	6	10	1	0	3	0	21
Total	6	13	12	25	27	32	31	25	11	6	7	17	197

Source: Information provided by the Ministry of Public Enterprises.

122. Between 1997 and 2004, the privatization programme generated receipts of nearly LE 12 billion (Table III.9). Larger companies were generally privatized through full or partial stock offerings. Privatization proceeds are not earmarked for specific purposes. The authorities indicate that foreign investors played an important role in the privatization programme; they were involved in 11 of the 29 sales to majority investors.

Table III.9