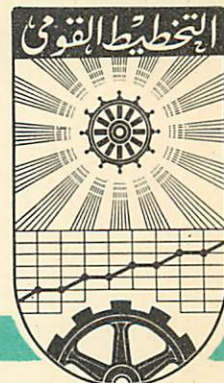


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## THE INSTITUTE OF NATIONAL PLANNING



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### PLANNING OF INDUSTRIAL DEVELOPMENT IN U.A.R.

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## INTRODUCTION

Since the advent of the Revolution (July , 1952) great emphasis has been laid on industrial development. Consequently, industrial production, during the last decade, has shown spectacular progress. It will have been noticed that the last decade has also witnessed the ever increasing expansion of the public sector. Almost all the large-scale industrial enterprises are , at present, in the public sector.

The process of industrialization, in Egypt, during the last decade, has undoubtedly been greatly influenced by the new policy of the State toward industrial expansion : both in the field of formulating programmes of industrial development and in the execution of these programmes by the State itself.

An Attempt is made, in this note, to analyse the different phases of industrial expansion during the last decade.



1. The First Phase, 1953-1954  
"An Attempt to Set-up Programmes for  
National Economic Development"

In the second of October 1952, Law no. 213 was promulgated for the establishment of "The Permanent Council for the Development of National Production". The National Production Council was entrusted with the task of studying economic projects for the development of national production in agricultural, industrial and commercial fields, and related projects for irrigation, reclamation of arid and desert land, crop variation and improvement of agricultural methods<sup>1)</sup>. Art II of Law no. 213/1952 stipulated that the National Production Council would submit, within one year of its inception, an economic programme for the development of national production which could be implemented over a span of time, i.e., three years or five years. It is worth mentioning that besides planning, the National Production Council was empowered to carry out certain schemes, take part in the formation of companies, and supervise important projects.

The National Production Council started its functions in January, 1953. Soon, the Council embarked on the study of some major schemes in the various economic activities, i.e., in the agricultural, industrial, and transportation activities. Concerning the manufacturing sector, the Council laid considerable stress on basic industries such as: the Iron and Steel Industry; the Chemical Fertilisers Industry; and the Oil refining Industry. However, the National Production Council could not prepare, within one year, a programme for national economic development. On the other hand, the Council, after the study of the individual projects, would send its reports about these projects to the Cabinet. The reports of the National Production Council contained, generally, the Council's recommendations for the establishment of the projects.

Major Industrial Projects

In the following paragraphs, we will mention some of the major

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1) Art II, para. one, Law no. 213/1952. Report of the Permanent Council for the Development of National Production, 1955 (Cairo), pp. 402-8.



industrial projects which were studied by the National Production Council. The Council, also, recommended to the Cabinet the establishment of these projects. The Government approved the Council's recommendations, and these projects, were, therefore, put into execution.

#### 1. Iron and Steel Plant:

The plant is designed to manufacture steel out of domestic iron-ore. The other important raw materials required for this industry, viz., coke limestone, dolomite, manganese, magnestic, silicon faldopar ore, also, locally available . Coke has only to be imported.

The capacity of the Iron and Steel Plant was estimated, originally, at 265,000 tons of unwrought steel, equivalent to 200,000 tons of wrought steel. The waste from the furnaces will be employed in making cement and sound-proof building materials. Other important by-products from the factory will be utilised to produce phosphoric fertilisers, about 50,000 tons per annum. The gases from the furnaces results from the reduction of iron-ores are about 700 million meters per annum, will be used to generate power for an electric station with a capacity of 45,000 kw. As the factory needs only 26,000 kw the rest of the electric power will be distributed through the Cairo City electric network.

To implement this project, the Egyptian Iron and Steel Company was formed with an initial capital of L.E. 9,250,000. Of this, L.E. 2 million was provided by the Egyptian Government, and L.E. 7.25 million by various Egyptian companies and institutions, machinery of a value of about L.E. 2 million was supplied by the German Group "Demag", which also provided technicians. Production was expected to begin early in 1957 with an output of 110,000 tons in the first year and 235,000 in subsequent years. Actual production, however, started flowing in mid 1958.

#### 2. Chemical Fertilizers Project :

The aim of this project is to produce 380,000 tons p.a. of ammonium nitrate fertiliser containing 20.5 % nitrogen (equivalent to about 490 thousand tons of fertilisers containing 15.5 % of nitrogen). In May 1954, the National Production Council invited the specialized international companies to offer their tenders for the establishment of this project. In



1956, the Egyptian Chemical Industries Company (KIMA) was established with an initial capital of L.E. 8 million. The capital required to implement this project was estimated, however, at L.E. 22 million. Production started in the second half of 1960. It is of significance to mention that this project depends on the electricity generated by the hydro-electric power at Aswan Province.

### 3. Rubber Tyres Project :

This project is to manufacture, in the first stage, 180,000 tyres of outer and inner tyre tubes to be increased, at the end of the second stage, to 400,000 tyre-tubes. The period of the two stages was estimated at three years. In April 1953, invitations were extended for the execution of this project. The Egyptian Company, "The Transport Engineering Co." - assisted on the technical side by "Mansfield American Co." - was assigned with the task of erecting a plant for the production of tyres for cars. Production started at the end of 1955.

### Financing of Industrial Development

As may have been noticed, some of the industrial projects recommended by the National Production Council required relatively large capital investments. Among these were the Iron and Steel Plant, with an estimated investment of L.E. 11 million, and the Chemical Fertiliser Plant, with an estimated investment of L.E. 8 million.<sup>1)</sup> Compared with the investment in existing industrial enterprises, the proposed investment in these two plants was high.

To facilitate financing of the industrial projects, the Government adopted two ways. These were:

First - Direct and Indirect Participation of the Government in the Establishment of the Industrial Projects.

Industrial expansion in Egypt was achieved, up to the beginning of the 'fifties, almost wholly through the agency of private enterprises. The role of the state in fastening and encouraging the process of indust-

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1) Paid-up capital of the Iron and Steel Plant and the Chemical Fertiliser Plant amounted now to L.E. 19 and L.E. 16 million respectively.



rialization was of paramount importance (e.g., the tariff reform of 1930, the subsidies given to certain industries, and aids extended by way of industrial credit), but direct participation by the State in the establishment and running of industrial enterprises was insignificant.

Since 1953, however, Government participation in industrial expansion has shown a fairly spectacular increase. Government participation took various forms . Of these were:

1. Direct participation: The Government subscribed to the capital of the companies which were formed to execute the industrial projects recommended by the National Production Council, such as: The Iron and Steel Company and the Fertilisers Company "Kima".

2. Indirect participation : The Government extended financial assistance and credits to semi-government agencies to enable them to subscribe to the capital required for the projects recommended by the National Production Council.

The purpose of the Government participation (whether it was direct or indirect participation) was to cover a substantial part of the capital requirements of the new projects before appealing to the public for subscriptions. This was necessitated by the lack of a developed capital market in Egypt, particularly underwriting institutions.

Second: Encouraging the private sector to subscribe to projects of national importance

The Government policy , during this period, 1953-1957, was to encourage the private sector to subscribe to projects which were recommended by the National Production Council and which the Government considered as projects of national importance. To achieve this policy, the Government issued several important laws, designed to foster a more favourable atmosphere for private investment.

In September 1953, a new law was issued (Law No. 430 of 1953) regarding certain taxation measures to be taken for the support and development of the National Economy. New companies could be exempted for seven years; existing companies which increased their capital could be exempted



for five years, beginning two years after the increase. Undistributed profits made by all companies in the specified fields could be exempted from half the tax due on them. These provisions applied to the tax on commercial and industrial profits, but not to the general income tax. The law stipulated that the exemption from payment of taxes referred to in the various articles should be applied to those companies the objects of which should be the establishment of and investment in a new scheme necessary for the support and development of the National Economy (either in connection with industry, mining, power production, hotels or reclamation of waste land). A special committee was set up to rule on the eligibility of companies for exemption.

To stimulate investment of foreign capital in economic development projects, law no. 156 of 1953 (which was amended by Law 475/1954) was enacted. Art II of the Law stipulated that foreign capital would benefit of the provisions of this Law if it was employed in economic development projects whether in industry, agriculture, mining, power, transport or tourism. Art III of the Law provided for transfer abroad of profits up to an annual limit of 10 per cent of the foreign capital invested in Egypt. Art II stated that the transfer of both foreign capital and profits would be effected in the same currency originally transferred to Egypt and at the rate prevailing at the time of the transfer. Art III also stipulated that foreign capital could be transferred abroad after five years from the date of its investment in lines of one fifth of its registered value per year. Art IV of Law 156 authorized foreign experts and foremen brought from abroad to work on economic development projects to transfer abroad a part (not exceeding one half) of their wages, salaries and quantities.

A special committee for the investment of foreign capital was formed at the Ministry of Commerce and Industry. Representatives of the National Production Council, the Ministry of Finance and the Central Bank were among the members of the Committee. Art V set terms of reference of the Committee.

Law 475/1954, which was enacted in September 1954 (amending Law 156/1953), rendered further privileges to investment of foreign



capital. The Law authorised the transfer of all profits on foreign capital; this measure was also extended to profits on amounts reinvested in approved projects. The Law authorised the Special Committee on Investment of Foreign Capital to grant permission for the transfer of any foreign capital if it was not invested within one year of its entry into Egypt because of difficulties recognized by the Committee.

Furthermore, the Government provided various facilities for private entrepreneurs including the reduction of customs duties on imported raw materials and capital goods, the settlement of disputes with tax-payers, and the guarantee of minimum dividends for some newly established companies.

#### Industrial Development during 1952-1956

In spite of the measures taken by the Egyptian Government (under the New Regime) to encourage investments in the manufacturing sector, the flow of paid-up capital into manufacturing industry in 1954 and 1955 was relatively small. Increases in paid-up capital in manufacturing industry amounted to only L.E. 6.9 million in 1954 and L.E. 7.7 million in 1955<sup>1)</sup>. In 1956, paid-up capital in manufacturing industry showed a remarkable increase. According to the Federation of Egyptian Industries, the increase in paid-up capital in manufacturing industry in 1956 amounted to L.E. 22.4 million.<sup>2)</sup> The Government, however, subscribed L.E. 12.2 million, directly or through public agencies, to the capital of four of the new industrial joint-stock companies which were formed in 1956 with a total authorized capital of L.E. 22.2 million<sup>3)</sup>.

Meanwhile, investment in buildings, continued to be high in 1956. The Federation of Egyptian Industries estimated the value of new buildings (public and private) in 1956 at L.E. 40 million (as against L.E. 42.3 million, for both public and private sectors, in 1955).<sup>4)</sup> This boom in

"1" Economic Bulletin, National Bank of Egypt, Vol. 18, No.2 (1956), P.109.

"2" E.B.N.B.E., Vol.X, No.2 (1957), P.117.

"3" Ibid., P.117.

"4" Ibid., P.117.



building activity, which had gone all through the post-War period, began to get reflected in the expansion of industries producing building materials. Thus, production of cement increased from 947,000 tons in 1952 to 1,331,000 tons in 1956 (43 per cent); of plate glass from 5,000 tons to 10,000 tons (100 per cent); of iron bars from 50,000 tons to 95,000 tons (90 per cent); and of production of cast iron, used in the manufacture of sanitary wares, from 4,000 tons to 11,000 tons (175 per cent) during the three years 1954-1956 (Table 1). But despite this remarkable expansion, domestic production of some of these industries was not sufficient to meet the local demand. Exports of cement, which reached 117,703 tons and 151,403 tons in 1953 and 1954 respectively (L.E. 615,514 and 836,040)<sup>1</sup> were, therefore, totally banned; instead, the Ministry of Supply made contracts, in 1956, to import 100,000 tons of cement from the U.S.S.R., Tunis and Bulgaria.<sup>2</sup> Imports of iron bars nearly doubled in 1955, amounting to 112,000 tons as against 58,000 tons in 1954.<sup>3</sup> Imports of common plate glass, for windows, increased from 787 tons in 1954 to 2,203 tons in 1955<sup>4</sup>

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"1" Custom's Department, Ministry of Finance and Economy, Report on Egypt's Foreign Trade, 1954, PP. 139-7.

"2" E.B.N.B.E., Vol.X, No.2 (1957), p.122. An additional L.E. 0.50 per ton of excise duty was put on locally produced cement to cover the loss in the sale of imported expensive cement at local prices. Ibid., p. 122.

"3" E.B.N.B.E., Vol.IX, No.2 (1956), p.113. In 1956, imports of iron bars kept their high level of 1955 although local production was somewhat higher than in 1955. Ibid., Vol.X, No.2 (1957), p.121.

"4" Ibid., Vol.IX, No.2 (1956), p.115. Although the factory producing plate glass was working almost to capacity and production of plate glass increased by 3,495 tons in 1956 (nearly 50 per cent higher than in 1955); imports in 1956 were lower by only 430 tons. Ibid., Vol.X, No.2 (1957), p.123.



TABLE "1"

PRODUCTION IN SELECTED INDUSTRIES IN EGYPT,  
1952-1956

Industry	Unit	1952	1953	1954	1955	1956
<b>Food industries:</b>						
Refined sugar	Tons 000's	210	206	262	287	287
Cottonseed oil	" "	106	102	87	85	87
Starch	" "	5	5	5	6	8
Glucose	" "	5	8	13	15	18
<b>Textile industries:</b>						
Cotton yarn	" "	56	59	64	73	75
" fabrics	Meters mill.	317	322	352	380	411
Wool yarn	Tons 000's	2	3	5	4	4
Wollen fabrics	" "	1	2	2	2	2
Art. silk thread	" "	2	3	3	4	6
" " fabrics	Meters mill.	56	52	58	65	68
Jute fabrics	Tons 000's	1.6	2	2	2	2
Petroleum products	" "	2,000	2,081	1,950	2,100	2,116
<b>Chemical industries</b>						
<b>Fertilizers:</b>						
Superphosphate	" "	106	68	108	137	157
Nitrate of lime	" "	100	115	159	191	172
Caustic soda	" "	3	2	2	2	2
Alcohol	Litres mill.	11	13	14	12	13
Soap	Tons 000's	67	56	74	90	27
Paper, cardboard:	" "	20	20	24	26	32
<b>Non-metallic products:</b>						
Cement	" "	947	1,097	1,237	1,371	1,351
Plate glass	" "	5	7	6	7	10
<b>Basic metals:</b>						
Iron bars	" "	50	58	76	86	95
Cast iron	" "			4	8	11

Source: 1. E.B.N.B.E., Vol.XI, No.2 (1958), p.2.2.

2. Statistical Department (Egypt), Basic Statistical Data, p.84.



In order to moderate the boom in private buildings and to divert private savings to the manufacturing sector, the Government set up a special committee in September 1956 to control the erection of new buildings. As a result, by 1957, cement shortages began to disappear and later the ban on cement exports was also lifted.

In addition to the expansion of industries producing building materials, there was considerable progress of other manufacturing industries during the years 1952-1956. The cotton textile industry showed favourable results in production and exports. Production of cotton yarn increased from 56,000 tons to 75,000 tons (34 per cent), and of cotton fabrics from 317 to 411 million metres (30 per cent).<sup>1</sup> Exports of cotton yarn also increased from 5,395 tons in 1953<sup>2</sup> to 11,305 tons in 1956<sup>3</sup> (110 per cent), and that of cotton fabrics nearly doubled during the years 1954-56 ) from 1,811 tons in 1954 to 3,616 tons in 1956).<sup>4</sup> The woollen industry doubled its production of wool yarn, from 2,000 tons in 1952 to 4,000 tons in 1956, and of woollen fabrics from 1,000 tons to 2,000 tons.<sup>5</sup> This expansion of production in the woollen industry was due, mainly, to the imposition of import restrictions.<sup>6</sup> The artificial silk industry also made use of its newly installed capacity<sup>7</sup> and increased production of both yarn and fabrics. Output of artificial silk thread trebled from 2,000 tons to 6,000 tons, and the output of artificial silk fabrics increased from 56 million metres in 1952 to 68 million metres in 1965 (21 per cent).<sup>8</sup>

"1" Table 1.

"2" Report on Egypt's Foreign Trade, 1954, op.cit., p.136-7

"3" E.B.N.B.E., Vol.X, No.2 (1957), p.119.

"4" Ibid., p.119

"5" Table 1.

"6" E.B.N.B.E., Vol.X, No.2 (1957). p.119.

"7" Besides the expansion in the productive capacity of the two existing factories, another new factory was under construction, the "Misr nylon". Ibid., p.121.

"8" Table 1.



There was, also, a steady increase in the production of the chemical industries (Table 1). Output of chemical fertilizers increased by nearly 60 per cent, from 206,000 tons in 1962 to 329,000 tons in 1956.<sup>1</sup> This increase was due, mainly, to the restrictions imposed on imports of certain chemical fertilizers, particularly nitrate of lime. Imports of nitrate of lime, which had reached 241,000 tons in 1953 went out down to 189,000 tons in 1954, 198,000 tons in 1953 and to only slightly over 7,000 tons in 1956.<sup>2</sup> Prices of locally produced nitrate of lime were also gradually reduced from L.E. 31 per ton in 1952 to L.E. 29 in 1953, L.E. 27 in 1955 and L.E. 26.2 in 1956.<sup>3</sup>

Nevertheless, domestic production of chemical fertilizers is far less than the installed, productive capacity. Installed productive capacity in nitrate of lime was 250,000 tons and in superphosphate 200,000 tons;<sup>4</sup> actual production of the two products was however, only 191,000 tons respectively. While this idle capacity in the domestic chemical fertilizers continue Egypt's imports of other chemical fertilizers not produced locally, were increasing. Imports of ammonium sulphate increased from 85,000 tons in 1955 to 92,773 tons in 1956, and that of ammonium nitrate from 130,000 tons in 1955 to 185,700 tons in 1956.<sup>5</sup> Some projects were, therefore, started to manufacture these other products as well. The Sues factory, the sole producer of nitrate of lime, increased its capital by L.E. 1.4 million in 1956 to finance the establishment of an ammonium sulphate plant of 100,000 tons capacity.<sup>6</sup> Moreover, a new company, "Societe Egyptienne des Industries Chimiques", with an initial capital of L.E. 8 million was established in 1956 for utilizing electric power generated at the Aswan Dam to

"1" E.B.N.B.E., Vol. X. No.2 (1957), p. 124. There was, on the other hand, no significant increase in the local consumption of chemical fertilizers.

"2" Ibid., p. 124

"3" Ibid., p.124.

"4" Ibid., Vol.IX, No.2 (1956), p.115.

"5" Custom's Departments, Ministry of Finance and Economy, Report of Egypt's Foreign Trade, 1956, p.83.

"6" E.B.N.B.E., Vol.X, No.2 (1957), p.124.



produce 415,000 tons yearly of ammonium nitrate.<sup>1)</sup> The total cost of this project, as recommended by the National Production Council, was estimated in the neighbourhood of L.E. 22 million.<sup>2)</sup>

Other industries in the chemical group which expanded their production were: alcohol, from 11 million litres in 1952 to 13 million litres (18 per cent); and soap, from 67,000 tons to 90,000 tons in 1955 (34 per cent).

The paper industry also recorded considerable progress. The output of paper and cardboard increased from 20,000 tons in 1952 to 32,000 tons (60 per cent). Domestic production could not, however, keep pace with the expanding demand, and imports of paper and cardboard increased from 50,951 tons in 1952<sup>3</sup> to 66,699 tons in 1956.<sup>4</sup>

Certain "military factories" were established during this period, 1953-1957, too. Though the purpose of these factories is to provide the army of its needs of amunitions and armament; yet, these lines of manufactures can be switched over to production of civilion goods.<sup>5</sup>

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"1" E.B.N.B.E., Vol.X, No.2 (1957), p.124

"2" Ibid., p.124.

"3" Ibid., Vol.IX, No.2 (1956), p.116.

"4" Ibid., Vol.X, No.2 (1957), p.125.

"5" Some of the "military factories" are producing now: ovens, heaters, and electric washing machines.



2. The Second Phase  
"Programmes of Industrial Development"  
"1957-1960"

In June 1956, a Presidential Order was issued for the formation of a new Ministry for Industry, stipulating that this Ministry be concerned with everything related to the industrialization of the country and the exploitation of its mineral wealth and motive power<sup>1)</sup>. Soon the Ministry of Industry embarked on the task of formulating a plan<sup>2)</sup> for industrial development in Egypt. By July 1957, the First Industrial Five-Year Plan was already drawn up and put into operation by the end of the year.

Outlays of the First Industrial Programme amounted to L.E. 330 million. The period of executing the First Industrial Programme was, originally, proposed to extend over five and half years, starting from November 1957, i.e., from November 1957 up till April 1963.

During 1958, the Ministry of Industry started preparing the Second Industrial Five-Year Plan. By the end of 1959, the Ministry of Industry had already drafted the Second Industrial Five-Year Plan which envisaged an investment approximately L.E. 348 million.

A brief analysis of the objectives, policies and programmes of industrial development set up in the First Industrial Programme will be given in the following pages.

Industry-wise Distribution of Outlays on Manufacturing Industries in the First Programme

The total outlay on industrial development during the First

- 1) Ministry of Industry, Industry after the Revolution and the Five-Year Plan (Cairo; 1957), p. 85.
- 2) The Ministry of Industry used, at first, the term "Plan"; later, the Ministry used the term "Programme".



Programme, as proposed initially (See: the Report of the Ministry of Industry (1957), "Industry after the Revolution and the Five-Year Plan"), amounted to L.E. 250.5 million, of which the manufacturing sector accounted for L.E. 196.2 million<sup>1)</sup> (including L.E. 19.2 million as "Reserves and unexpected expenses"). Later, in April 1960, the Ministry of Industry issued a further Report (The General Position of the First Industrial Five-Year Plan), in which it was stated that an additional sum of L.E. 80.0 million was added to the outlay of the First Plan; in the process, outlay in the manufacturing sector increased to L.E. 287.6 million.

Table 2 shows the distribution of the outlay on manufacturing industries over the period of the First Programme.

Table 2  
OUTLAY ON THE DEVELOPMENT OF MANUFACTURING INDUSTRIES  
IN THE FIRST INDUSTRIAL FIVE YEAR PLAN

Groups of Industry	Total	
	L.E. million	%
1. Food Industries	7.3	2.5
2. Engineering & Metal Industries	95.0	33.0
3. Chemical Industries	103.9	36.1
4. Spinning and Weaving	50.4	17.9
5. Petroleum	31.0	10.9
Total	287.6	100.0

Source: Compiled from the figures given in: Ministry of Industry (Public Affairs Department), The General Position of the First Industrial Five-Year Plan Programme, 1960, pp. 7-26.

- 1) Projects included in the Industrial Five-Year Plan have been divided into four divisions: a) Manufacturing industries; b) Mining industries; c) Petrol industry; and d) Productivity and vocational training. Some outlays in the petrol industry were for the development of oil prospecting and production; pipe-lines; depôts and carriers; these projects should have been included in the mining division and /or in the transportation activities and, therefore, have been excluded from our calculations. Other outlays for the development of the petroleum industry (oil-refineries, petro-chemicals), have been added to the outlay on manufacturing industries. Ministry of Industry, Industry after the Revolution and the Five-Year Plan, p. 104, 127 and 159.



It will be seen that chemical industries accounted for the largest share of the Programme's outlay, i.e., 36.1 percent of the total. Engineering and metal industries ranked second in importance, accounting for 35 per cent of the Programme's total outlay. Outlay on the development of textiles and petroleum industries accounted for 17.5 percent and 10.9 percent, respectively, of the total; whereas the outlay allotted for the expansion of food industries represented only 2.5 percent of the Plan's total outlay.

### Priorities in the First Programme

The plan indicated a number of factors as the determinants in the setting of priorities in industrial development. These factors were summarized as follows:<sup>1)</sup>

1. The extent of each project's contribution to the national income.
2. The domestic financial resources needed for the project.
3. The amount of foreign currency needed by the project.
4. The average estimated net profit of the project.
5. The additional productive capacity that may be contributed by the projects producing capital goods.
6. The foreign currency that may be saved through the project.
7. The period necessary for the execution of the project.
8. The extent of the employment by the project of locally available resources, in particular unskilled labour and raw materials available in abundance, and local by-products..
9. Strategic considerations.

To what extent these different considerations were quantified for each project, and how they were weighted, is not, however, clear. At the stage of implementation, some of the projects, such as for the manufacture of cars, seem to have received higher priority than others, such as the Projects for the manufacture of machine tools.

1), Ministry of Industry, Industry after the Revolution and the Five-Year Plan, P. 104.



Patterns of the Industrialization of the Plan:

The Final Plan divided manufacturing industries into five main groups: food industries; spinning and weaving industries; chemical industries; engineering and metal industries; and petroleum industries.<sup>1)</sup>

The plan has, further, divided each of the above-mentioned groups of industries "horizontally and vertically":

The historical division seeks to find in each of the main groups, associated industries based on raw materials needs; the vertical division determines in each group three types of industry:

1. Basic industries whose products are used as raw material for many other industries.
2. Consumer goods industries which produce articles necessary for direct public and private consumption.
3. Between those two groups some industries have been defined and given the name of "mixed industries" owing to the fact that their products may be used as raw material for other industries or as articles necessary for direct public or private consumption.<sup>2)</sup>

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1) No explanation has been given for introducing this new classification of manufacturing industries or the reason for neglecting the International Standard of Industrial Classification which has been adopted in the Censuses of Industrial Production since the introduction of this type of census in Egypt in 1944. The Draft Plan, however, classified manufacturing industries "according to their types and the raw materials used in their production" into four general groups: engineering and metal industries; chemical industries; alimentary and agricultural industries; and spinning and weaving industries. But, even if the types of industries and the raw materials used are taken as criteria for classifying manufacturing industries, this could not justify the inclusion of 'sugar extraction from molasses' (which is generally included in the group of Food industries) in the chemicals. Likewise, there is no justification in including the cement industry (which belongs to the group of industries 'Non-metallic mineral industries') in the chemical industries.

2) Ibid., p. 105.



The development of basic and mixed manufacturing industries accounted for about 75 percent of the total outlay on manufacturing industries in the Plan. It should be noted, however, that the term "basic industries" has been used in the Egyptian Plan in a very broad sense, it included industries producing raw materials for both consumer-goods industries and capital-goods industries. The sugar industry; cold storage and preservation by freezing, grinding mills and rice beating industries, for example, have been included in the category of "basic industries". Needless to say, these industries are generally recognized as branches of the group of industries "Food Products". We shall review briefly the features of the development programme in each of the five main groups of industry identified in the Plan.

1. Foodstuffs Industries:

The Plan divided this group of industry into four parts:

1. 'Basic' industries: sugar oil; cold storage and preservation by freezing; volatile oils and medical plants; and grinding mills and rice bleaching industries.
2. Industries necessary for the production of materials now imported in large quantities, or which have a special importance : fish; meat; milk and dairy products; dry apricot paste; preserved dates; dried raisins; dried figs; dried or salted olives; olive oil for food and industry and juices and extracts for refreshments.
3. Industries, the raw materials of which are locally available, and which could be established for export, or local consumption of their products, or for both purposes; packing of vegetables and fruits for export; onions and garlic dehydration; syrups and jams; starch and glucoses; and pickle industries.
4. Industries depending on the secondary products of other industries<sup>1)</sup> (this category of industry has been mentioned in

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1) Ibid., pp. 824-291.



the classification of the foodstuff industries, but nothing about the projects belonging to this category has been mentioned elsewhere).

Almost all the projects included in the group of foodstuffs industries were for meeting of domestic consumption. The proposed outlay on the development of these industries amounted to L.E.7.3. millions (2.5 per cent of the total outlay).

It may be of interest here to mention that the Plan visualised the introduction of mechanization processes in the grain and rice-beating industries. The Draft Plan stated as follows; "The productive capacity of these mills (grain and rice mills) meet the country's needs, but the productive capacity of modern factories alone is not enough to meet the country's needs. This leads to variation in the quality of flour. It is therefore preferable to substitute new mills for old ones."<sup>1)</sup> In the Final Plan, a sum of L.E. 1.3 million was allotted for the modernization of grain and rice mills. It should be recalled that, the majority of grain mills in Egypt use traditional techniques, vis., stone rollers, which are capital-saving and labour-intensive. Further, the stone-rollers used in these old-fashioned grain mills are provided from the local resources. The replacement of the stone-roller techniques by cylindrical machines implies (a) importation of these new machines (since Egypt has no factories for manufacturing them), and (b) using techniques which are labour-saving and hence might lead to the unemployment of many workers in the grain-milling industry. It is of significance to mention that grain milling industry provides work for a substantial number of workers.

## 2. Spinning and Weaving Industries:

The proposal outlay on the development of spinning and weaving industries amounted to L.E. 50.4 million, of which nearly L.E. 30 million (60 per cent) was allotted for the expansion of the cotton textile industry.

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1) Ministry of Industry, Industry after the Revolution and the First Five-Year Plan, p. 286.



### The Cotton-Textile Industry:

The Plan has set up a long-term target for the cotton industry in Egypt, based on local consumption requirements and export needs. The goal is to use, in eighteen years, half of the domestic cotton crop for manufacture within the country.<sup>1)</sup> The additional capacity is proposed to be devoted to the production of medium-fine and fine cotton products, mainly for export purposes. The Plan has stipulated that three quarters of the proposed exports of cotton products will be yarn and the remaining quarter of various kinds: fabrics, thread reels, etc. During the first ten years, an annual increase of 3,000 tons of medium-fine kinds have been fixed; these require an annual addition of about 100,000 spindles. After ten years, the industry will have to manufacturing very fine qualities which require 30,000 spindles per annum. The average annual outlay in the first ten years has been estimated at L.E. 5.3 million.<sup>2)</sup>

Exports of cotton products during the Plan period have indeed shown a remarkable increase. Exports of cotton yarn increased from 10,687 tons in 1957 to 20,943 tons in 1960;<sup>3)</sup> and exports of cotton fabrics from 3,845 tons in 1957 to 13,857 tons in 1960.<sup>4)</sup> Exports of cotton fabrics thus increased by 270 per cent. About 52 per cent of the total exports of cotton products in 1960 was directed to the American and West European countries, that is, to the markets where standards of living are relatively high. This underlines the need for rapid expansion in the manufacture of fine qualities of cotton products, which still represent a very small proportion of the total production of cotton yarn in Egypt (about 1,500 tons or 1.5 per cent of the total production of cotton yarn in 1960).<sup>5)</sup>

### 3. The Chemical Industries:

The proposed outlay on the development of the chemical industries accounted for the largest part of the total outlay in the Final Plan; it

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1) Ministry of Industry, Industry after the Revolution and the Five-Year Plan, pp. 291-3.

2) Ibid., p. 294.

3) Annual Report of the Federation of Egyptian Industries, 1960, p.34.

4) Annual Report of the Federation of Egyptian Industries, 1960, p.34.

5) Ibid., p. 32.



amounted to L.E. 103.9 million, representing 36.1 per cent of the total outlay (Table 2 ). As has already been pointed out, a variety of industries has, however, been included under the heading "chemical industries". For example, some projects which really belong to the food group of industries were included in the chemical industries, such as the sugar project (which accounted for L.E. 8.1 million). Cigarette and wood industries were included too, accounting for about L.E. 0.8 million and L.E. 1.8 million respectively. In fact, most of the projects listed in the chemical industries group were for the production of final consumer-goods or of intermediary products for the production of consumer goods. The estimated cost of projects for developing the paper industry amounted L.E. 18.3 million; pharmaceuticals, L.E. 5.5 million; chinaware L.E. 2.6 million and the glass industry L.E. 0.9 million. Chemical fertilizers and cement (cement also was included under chemical industries), however, accounted for L.E. 26.9 million, of which L.E. 19.9 million was allocated for the Fertilize Plant at Asswan, which was already under construction before the introduction of the Plan.

#### 4. The Engineering and Metal Industries:

The Plan attached great importance to the expansion of the engineering and metal industries:

"This group is considered the basis of manufacturing industries; in addition to its importance as a source of various important products, for public and private consumption. It is also the main source for the equipment of other industries, chemical, agricultural, and so forth.

It is noteworthy that the fast advancement of industrialization in many countries is due to the rise and development of these industries, for it leads to raising the standard of living, and makes for greater economic progress and prosperity.

The importance of this group of industries is proved by their absorbing the greater part of industrial investment all over the world. It is observed, also, that the percentage of labour in it is great, so that this will be a source of employment for many persons.



The motor-car industry, for example, is a source of livelihood for one seventh of the population of the U.S.A. If we add to it the ship-building, electric and other metal industries, it will be seen that the source of livelihood for half the working population of the U.S.A. depends on the industries connected with this group<sup>1)</sup>.

A sum of L.E. 95 million was allotted in the Final Plan for the development of this group of industries, representing 33 per cent of the total proposed outlay in the manufacturing sector. The group covered, however, in the Plan a wide range of industries, from iron and steel to the wooden furniture industry. It also included some projects for transportation purposes and services activities:

L.E. 4.0 million for the establishment of a dry dock;

L.E. 0.6 million for the establishment of a water-purification station;

L.E. 6.7 million for the establishment of an electricity generation station;

L.E. million for the establishment of a floating dock; and

L.E. 0.7. million for the development of a river transportation.

The outlay on the development of projects for transportation purposes and services activities amounted to L.E. 14.0 million, accounting for about 15 per cent of the proposed outlay on engineering and metal industries.

The outlay on the development of the iron and steel industry, however, absorbed the largest part of the proposed outlay on engineering and metal industries, amounting to L.E. 35.7 million, i.e., 37.6 per cent of the outlay on this group of industries. Over 95 per cent of the outlay on the iron and steel industry was allotted to the Iron and Steel Plant at Helwan which was already under construction before the inauguration of the First Plan, and which started production early in 1959. (Nearly 70 cent of the production of the Helwan Plant is iron bars for the building and construction industry; the remaining production is in the form of steel sheets

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1) Ministry of Industry, Industry after the Revolution and the five year Plan, op. cit., p. 238.



for the manufacture of railway coaches, and rails and sleepers for railway lines).

Projects for the manufacture of telephone equipment and electric cables amounted to another L.E. 5.7 million. A considerable part of the remaining outlay on the engineering and metal industries was allotted for the development of industries producing durable consumer-goods. The most important of these was the motor-car industry. There was already a factory for assembling cars in Alexandria; the Plan gave priority to the establishment of a nearly self-sufficient motor-car industry, and about L.E. 9.2 million was allotted for its development. The other consumer-goods industries were for the manufacture of: bicycles (L.E. 0.4 million); refrigerators, coolers; electric washing machines; butagaz tubes and ovens (L.E. 1.1 million); sewing machines (L.E. 0.3 million); wood and furniture (L.E. 0.8 million).

One finds, on the whole, that over 50 per cent of the projects listed under the engineering and metal industries were projects for the manufacture of consumer-goods and intermediate-goods necessary for the production of consumer-goods, or for the development of service industries. The share of capital-goods industries in the outlay on this group of industries was not very considerable. The most important projects for the manufacture of capital goods were for the manufacture of cotton spindles (L.E. 1.3 million); of spare parts for textile machinery (L.E. 0.4 million); and of machines tools (L.E. 1.9 million).

##### 5. The Petroleum Industries:

A sum of L.E. 55.7 million was allotted in the Final Plan for the expansion of petroleum industries. Projects enumerated in this category of industry included, however, outlays on prospecting and exploration of oil, on storage and on pipe-lines and depots; although these activities are usually included along with activities relating to the extraction of minerals and with transportation. Excluding the outlays under these heads, the investment for developing the petroleum industry <sup>amounted</sup> to only L.E. 31.0 million (10.9 per cent of the total outlay - Table 2), of which L.E. 2 million were allotted for the expansion of oil refining <sup>and</sup> L.E. 19.7 million for the mazout carbonization project and other petro-chemical industries;



It would appear from this analysing of the categories in which industrial projects have been listed in the First Plan, and the relative importance allotted to different industries in each category, that more attention was given to consumer-goods, and less to capital-goods, than was perhaps justified on long-term considerations. The former sector includes, however, various industrial projects for the production of import-substitutes and therefore they will eventually save foreign exchanges; though some of these industries are for the manufacture of articles to the upper-class incomes (such as the motor-car plant and the electrical washing machine projects).

Period of the First Programme:

It has been stated that the First Programme of Industrial Development was originally proposed to be executed over a five-and-half-year period, viz., November 1957-April 1963. In 1958 the Ministry of Industry was, however, directed by the President of the Republic to implement the targets of the Industrial Five-Year Plan in three-year period. Subsequently, in 1959 the Minister of Industry announced that the execution of the Plan had already been carried out faster than had been anticipated and that the Plan would be successfully implemented in three years.

Later in 1960, the Ministry of Industry issued a statement on the "Progress of the First Industrial Five-Year Plan". Table 3 shows the year-wise distribution of the outlays on the manufacturing industries in the First Industrial Programme. It will be seen that the outlays on the industrial projects which were expected to be implemented by the end of 1960 (i.e., over the three years 1958-1960) accounted for only 40 per cent of the total outlay on the manufacturing industries in the Plan. Outlay on the industrial projects which would start production in 1961 and 1962, on the other hand, amounted to L.E. 172.9 million, which account for 60 per cent of the total outlay on the manufacturing sector in the Plan.



(26)

TABLE 3

YEAR WISE DISTRIBUTION OF OUTLAYS ON THE DEVELOPMENT OF  
MANUFACTURING INDUSTRIES IN THE INDUSTRIAL FIVE-YEAR PLAN.

Groups of Industry	(L.E. million)			
	1958 & 1959	1960	1961	1962
1. Food Industries	1.7	1.7	1.6	2.3
2. Spinning & Weaving	13.0	21.7	14.7	1.0
3. Chemical Industries	1.6	39.3	25.0	38.0
4. Engineering & Metal Industries	30.8	5.6	19.5	39.1
5. Petroleum	—	—	2.0	29.0
TOTAL ....	47.1	68.3	62.8	109.4 287.6
%	16.4	23.7	21.8	38.1 100.0

Source: Compiled from the figures given in Ministry of Industry,  
The General Position of the First Industrial Five-Year  
Programme, op.cit., pp. 7-26.



Moreover, the preliminary outlay on the Second Industrial Five-Year Plan, covering the period 1960-1964, includes a sum of L.E. 81 million which was allotted for the execution of projects enumerated in the First Plan but not erected up to 1960. This also indicates that over one fourth of the total outlay on the manufacturing industries in the First Plan was not expended by 1960.

However, in July 1960, the comprehensive Five-Year Plan was inaugurated; and, thus, one could say that the First Programme of Industrial Development ended in June 30, 1960.

#### Progress of the First Industrial Programme

The actual expenditures on industrial expansion during the First Industrial Programme, i.e., during the period, November 1957 to June 1960, amounted to L.E. 142 million. Actual investments in manufacturing industries amounted to L.E. 124 million.

The actual outlays during the First Industrial Programme represent the actual new investments on two categories of industrial projects. These were:

1) Industrial projects which erection had been implemented before June 1960. The production of these industrial projects had, also, started before June, 1960. New investments on these industrial projects amounted to L.E. 83.5 million. Table 4 shows the break-up industry-wise of the total outlay of L.E. 83.5 million on industrial expansion during the First Industrial Programme.

2) Industrial projects which erection had not been implemented before June 30, 1960. Actual investments in this category of industrial projects amounted to L.E. 58.8 million. Table 5 shows the industry-wise distribution of the outlay of L.E. 58.8 million.



TABLE 4

BREAK-UP INDUSTRY-WISE OF THE TOTAL

OUTLAY OF L.E..83.5 MILLION

<u>Industry</u>	<u>L.E. million</u>
1. Petroleum	9.2
2. Mining	0.4
3. Food Products	2.5
4. Chemicals	8.9
5. Engineering	34.7
6. Metallic	0.4
7. Textiles	27.1
8. Vocational	0.3
<b>TOTAL .....</b>	<b>83.5</b>

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Source: Ministry of Industry,  
Index of Industries, Cairo,  
1963, p. 7 (Arabic)



TABLE "5"

Industry-wise Distribution of the Outlay  
of L.E. 58.8 million .

Industry	L.E. million
1. Petroleum	6.5
2. Mining	2.7
3. Chemicals	31.6
4. Food products	5.8
5. Engineering	3.4
6. Metallic	1.9
7. Textiles	6.1
8. Vocational	0.8
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TOTAL	58.0

SOURCE: Ministry of Industry, Programme of Industrialization,  
Cairo, 1961, p.3 (Arabic)



### The Third Phase

#### 3. "Comprehensive Planning"

July 1960-

In March 1955, Law no. 144 was issued stipulating the formation of the "Planning Commission." The Planning Commission was entrusted with the task of drawing up comprehensive plans for the economic and social progress of the country. The Planning Commission has to assess the financial and physical resources of the country, and to study the various aspects of their utilization in investment and consumption in the public and private sectors, the possible means of financing and the various measures to be taken to save foreign exchange expenditure, and to stimulate receipts from abroad.

The formation of the Planning Commission - which was later transferred into the Ministry of Planning - could, thus, be looked at as the care of the establishment of a planning machinery<sup>1)</sup> for studying and organizing all the resources of the country with the aim of setting up Comprehensive Plans for all the activities of the community.

During the first five years of its inception - viz., March 1955 to March 1960 - the Planning Commission had been preoccupied with the preparation of the comprehensive first five-year plan. In the fifteenth of March, 1960, a draft plan of the five-year period, 1960-1965, was prepared and presented to the President.

The First Five-Year Plan was discussed at the General Conference of the National Union and then received the approval of the President; subsequently, the Plan has been put into execution from July 1960. The First Five-Year Plan is the first stage of a ten-year plan aiming at doubling the national income in the course of ten years, i.e., the national income should increase from L.E. 1,282 million in the base year 1959-60 to L.E. 1,795 million by the year 1964-65 (i.e., by 40 per cent compared with the base year) and L.E. 2,564 million by the end of the year 1969-1970.

1) Several Acts and Presidential Decrees have been enacted, since the establishment of the Planning Commission, to organize the task of planning in U.A.R.



### Outlays on the Industrial Sector

It has been observed that the overall target of the First Plan is to raise national income from L.E. 1,282 million in 1959/60 to L.E. 1,795 million in 1964/65, i.e., an increase of 40 per cent over the base year. Of the overall increase of national income of L.E. 513 million, L.E. 112 million is estimated to be accrued from agriculture, L.E. 267 million from electricity and industry, and the rest from the other sectors of the economy.

To attain this ambitious goal of raising national income, total production is scheduled to raise from L.E. 2,525 million in 1959/60 to L.E. 3,601 million in 1964/65, an increase of L.E. 1,076 million or 42.6 per cent, of which L.E. 720 million is to be contributed by industry and electricity, L.E. 162 million by the agricultural sector (including irrigation and the High Dam<sup>1)</sup> and L.E. 187 million by the services sector.

The First Five-Year Plan envisaged the investment of L.E. 1,697 million (or L.E. 339 million annually). Table 6 shows the sector-wise distribution of the total investments of the First Five-Year Plan. It will be seen that the projected provision allotted to industrial development amounted to L.E. 439.2 million, accounting for 25.5 per cent of the total outlays of the Plan. The projected sums needed for industrial development in the Plan is divided as follows : L.E. 286.3 in local currency and L.E. 152.9 million in foreign currency.<sup>1)</sup>

Table 7 shows the industry-wise distribution of the outlays on industrial development in the First Plan. It will be seen that investments in chemicals, petroleum products, and basic metallic industries amounted to L.E. 66.7, 66.2, and 46.9 million respectively. They accounted for nearly 41 percent of the total investment on industrial expansion. It is of importance to note that these three groups of industry belong to the category of intermediate-goods industries. Investments in capital-goods industries amounted to L.E. 55.7 million, i.e., 12.7 % of the total investment on industrial expansion (L.E. 11.3, 4.5,

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1) See Table 7



and 39.9 million in the manufacturing and repairing non-electric machines; manufacturing and repairing electric machines; manufacturing means of transportation respectively). Investment in Food industries (viz., food products; beverages; and tobacco industries) amounted to L.E. 31.7 million (7.2 % of the total investment on industrial expansion). Textiles and clothing groups of industry have been allotted L.E. 48.6 million, i.e., 11 per cent of the total investment on industrial expansion.



Table 6

Sector-wise Distribution of Total Investments  
of the First Five-Year Plan.

	L.E million	%
Agriculture ... ..	225.3	13.3
Irrigation and drainage ... ..	119.4	7.4
The High Dam .. ...	47.3	2.8
Industry .. ...	439.2	25.5
Electricity ... ..	139.5	8.2
Transportation, communications & storage	236.8	14.0
The Suez Canal ... ..	35.0	2.1
Dwellings ... ..	174.6	10.3
Public utilities ... ..	48.8	2.9
Services .. ...	111.0	6.5
Changes in stocks... ..	120.0	7.0
TOTAL ... ..	1696.9	100

Source: National Planning Committee, General Frame of the 5 - Years  
Plan for Economic & Social Development, July 1960 - June 1965,  
P. 23



Table 7

Industry-wise Distribution of Outlays  
on Industrial Development,  
First Five-Year Plan

	Foreign	Local	Total
Mining and petroleum & mining researches ...	32.0	21.0	53.0
Food, beverages and tobacco industries ....	16.0	15.7	31.7
Spinning, weaving and clothes ....	32.7	15.9	48.6
Wood and wood industries ...	0.8	0.4	1.2
Paper and its products, printing and publishing	12.4	8.2	20.6
Rubber ..	-	-	-
Chemical and drug industries ...	45.4	21.3	66.7
Petroleum products ...	46.7	19.5	66.2
Non-Metallic products ..	0.7	0.8	1.5
Basic metallic industries ...	29.8	17.1	46.9
Metallic products ..	1.0	0.7	1.7
Manufacturing & repairing non-electric machines	6.3	5.0	11.3
Manufacturing and repairing electric machines	2.7	1.8	4.5
Manufacturing means of transportation .	21.4	18.5	39.9
Other engineering industries ...	1.6	1.4	3.0
Rural industries ..	0.6	1.3	1.9
Vacational training and standardization ...	3.2	2.3	5.5
Renewals and Replacements ...	30.0	-	30.0
Military Factories ...	3.0	2.0	5.0
<b>TOTAL</b> ...	<b>286.3</b>	<b>152.9</b>	<b>439.2</b>

Source: National Planning Committee, General Frame of the 5 year Plan.  
P. 29.



It has been observed that outlays on the industrial sector, in the First Five-Year Plan, amounted to L.E. 439.2 million. Later, in June 1963, the Ministry of Industry issued a book entitled "Index of Industries". According to the data recorded in the book, outlays on the industrial sector in the First Five-Year Plan has increased to L.E. 788.1 million. We will refer to this book of the Ministry of Industry as the "Revised Five-Year Plan".

Table 8 shows the industry-wise distribution of the outlays on industrial development as recorded in the "Revised Five-Year Plan". It will be seen that chemicals and Pharmaceutical group of industry accounted for the largest share of outlays on industrial development viz., L.E. 183.5 million, representing 23.3 per cent of the total outlays on industrial development. Petroleum group of industry comes the second in importance, accounting for 15.5 p.c. of the total outlays on industrial development, viz., L.E. 122.1 million. The Spinning and Weaving group of industry ranked the third in importance, accounting for 15.3 per cent of the total outlays on industrial development, viz, L.E. 120.5 million. Outlays on the engineering group of industry amounted to L.E. 114.5 million, i.e. 14.5 per cent of the total outlays on industrial development. Table 8 indicates that cottage and handicraft industries have been allotted L.E. 7.3. million; i.e., a little less than 1 per cent of the total outlays on industrial development.



Table 8  
 Industry-wise Distribution of Outlays on  
 Industrial Development in the  
"Revised Five-Year Plan"

Industry	L.E. million
Petroleum	122.1
Mining	75.9
Chemicals & Pharmaceuticals	183.5
Food Products	83.3
Engineering	114.5
Metallurgical	70.6
Spinning & Weaving	120.5
Vocational Training	8.3
Cottage & Handicrafts	7.3
Standardization	2.3
Total	<u>788.3</u>

Source: Ministry of Industry, Index of Industries pp. 12-52.



#### 4. Summary and Conclusion

1. The New Regime in Egypt placed particular emphasis on industrial development. Several measures were taken by the Government to promote industrial progress. Industrial policy, in the early years of the Revolution, was designed to stimulate investment of national and foreign capital. Several laws were, therefore, enacted to foster a more favourable atmosphere for private investment. Nevertheless, new private investments in industry were rather small. Egyptian savings were, however, directed towards investment in building activities. Industries producing building materials showed, therefore, considerable expansion; production of cement increased by 43 per cent, of iron bars by 90 per cent (between 1952 and 1956), and of cast iron, used in the manufacture of sanitary wares by 175 per cent during the period 1954-1956.

The permanent Council for the Development of National Production, which was established in late 1952 to co-ordinate development projects in various fields, studied several major industrial projects. Some of these projects received the approval of the Government and were put into execution. The most important of these were: The Iron and Steel Plant, the Chemical Fertilizers Plant, and the Rubber Tyres Plant. In order to facilitate financing of industrial projects recommended by the National Production Council, the Government participated directly in the establishing of these projects. The Government, also, extended financial facilities to the Industrial Bank, during this stage of development, to enable the Bank to achieve rapid expansion; in particular, to participate in the establishing of the industrial projects recommended by the National Production Council.

Though the National Production Council, failed to submit a Plan for economic development, in compliance with Art II of its Law; yet, the studies carried out by the Council on various development projects were very valuable. Most of the industrial projects studied by the National Production Council were incorporated in the Industrial Programme which was announced by the Ministry of Industry later in 1957.



The period 1953-1956 could be considered, by and large, as an early attempt to formulating programmes of economic development. This period had also witnessed the expansion of the public sector, mainly in the erection of new major, large scale industrial projects.

2. The Ministry of Industry, which was established in June, 1956, managed to formulate a Programme of Industrial Development in 1957, which was put into operation at the end of 1957. It should be recalled that the Planning Commission was established in March 1955 with the task of drawing up comprehensive plans of economic and social development. The Programme of Industrial Development could, thus, be looked at as a Partial Plan.

The Programme of Industrial Development was very ambitious. It envisaged the investment of L.E. 330 million to be expended over a five and half year period. The Ministry of Industry did not, however, specify the resources of the Programme. The Ministry of Industry, on the other hand, succeeded in obtaining various credit facilities from many countries which helped in the establishing of the industrial projects. Almost all industrial projects established with the help of foreign credit facilities were State-owned. The Programme of Industrial Development has, therefore, heralded the expansion of the public sector.

The Programme of Industrial Development laid much stress on the expansion of consumer-goods and less on capital-goods industries. However, many of the consumer-goods industries enlisted in the Programme were for the production of import-substitutes and therefore they would eventually save foreign exchange.

The announcement of the Comprehensive First Five-Year Plan in June 1960, marked the end of the Programme of Industrial Development which would have lasted up till April 1963.

Actual investment in industrial projects enlisted in the Programme amounted to L.E. 142 million. Compared to the actual new investments in industry during the first phase of development (viz., 1953-1957), the actual new investments of the order of L.E. 142 million expended during the three years 1958-1960 reflected a significant industrial expansion indeed.



3. The inauguration of the Comprehensive First Five-Year Plan in June 1960, is a landmark in the economic development of Egypt. The First Five-Year Plan is the first stage of a General Plan aiming at doubling the national income in ten years. Outlays on industrial development in the First Five-Year Plan accounted for about one fourth of the total outlays of the Plan. In the process of implementing, the First Five-Year Plan, outlays on industrial development have increased from L.E. 439 million to L.E. 788 million. The Development of intermediate-goods industries has been given greater emphasis in the First Five-Year Plan.

The financing of the development plan has been largely provided by the State. Annual State budget incorporates the provisions allotted for achieving the development plan. This explains the ever-increasing budget expenditures. In other words, the public sector accounts for the major part of the development plan.