THE AID TRIANGLE
Developing Countries, Aid Organizations, Consultants

by
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ABSTRACT

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by G. J. LeRoux

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Western development aid to the Third World has as one of its main functions dependency building of the Third World on the West. The purpose of aid is to structure political and economic advantages for the West's influence and expansion over the Third World. The mechanisms used for structuring this dependency are economic ties and credit facilities which bind the aid receiving country to the donor. It is common in aid agreements to include a component involving technical assistance which reinforces dependency by making use of Western development theory and Western technology transfer. The process raises the question of the usefulness and relevance of the consultant's work to the aid receiving country.

In this thesis, within the framework described above, three main objectives have been reached.

1. By examining the historical development of Egypt and comparing it to a model structured around dependency and its origins and the role debt plays in this dependency, it has been determined that Egypt follows a typical pattern, somewhat exaggerated because of its strategic importance to the West. Egypt is becoming more reliant on the West and credit facilities bind it to the West for the foreseeable future.
2. By studying a U.S.A.I.D. program being carried out in Egypt using M.I.T. as consultant it is argued that this program reinforces the structuring of Egypt's dependency on the U.S.A. However, problem areas within the program raise the question of the full usefulness of the program to Egypt.

3. It is in fact the relationships between the three main actors; donor, aid receiver and consultant, with their varying interests and goals, differences of opinion, some basic contradictions and a strong need for compromise; that distract the product from its full usefulness. I have called this the Aid Triangle.

The process in Egypt has prepared her for a major role in the Middle East, supportive of the West's interests there.
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INTRODUCTION

A. THESIS OUTLINE AND STRUCTURE

By critically examining an aid program with respect to the role of the consultant and the general set of conditions
existing in the aid receiving country a fuller understanding of the problems and goals of aid is achieved. Development aid to the Third World involves more than a mutually beneficial relationship between the West and the developing nations. It is argued that by constructing dependencies of the developing world on the West a relationship is structured in favor of the West's continued expansion and gives it both political influence and economic advantages over the Third World. The project chosen and the receiving country are to be examined against a model based on the writings of G. Kay (1975), C. Payer (1974), J. White (1974), and W.G. Zeyistra (1975) with support from various sources as indicated in the text. As a separate issue but running concurrently within the sphere of the above statement, the product and process of consultants in aid in relationships to the quality and usefulness of their work to the Third World is also examined. By combining the two areas examined, an aid triangle is formed involving the three main actors, the donor organization, the receiving country and the consultant and it is argued that in many cases it is the differences of goals and interests of each of these
actors that often result in poor products and questionable usefulness of this work to the Third World. It is understood that the subject of foreign aid is an extremely broad one, often unclear where it leaves off and other issues overlap, that it is loosely defined as dealing with development of Third World nations and/or regions, and that, like foreign policy it can shift and change its purpose over time. It is therefore important to state that military aid is not included in the scope of this document and that while the aid donor is sometimes discussed in general terms specific reference is placed on the U.S. Agency for International Development (U.S.A.I.D.). The difficult task of defining a developing country has not been attempted. The words "developing country" describe the relationship of one country to another, or to the world as a whole. It is a continuum, changing over time, between the two poles, under-developed and over-developed. This document assumes that if a country is receiving aid, it has been defined by the donor in this act as a developing country. The donor has decided a country is in need of aid in the donors terms.
The Process

The subject of aid is complex and sometimes vague and in the readings I have found many contradictory opinions and stands, usually backed by statistics or "proofs." It therefore became obvious that I required (a) a model to test programs against and (b) a particular program to test. The model has been structured to examine dependency and the reasons for the massive debt growth in the Third World.

Out of the various programs that were available to me I purposely chose one in progress at M.I.T. There are three reasons for this. Firstly, I am studying at M.I.T. and it has given me an opportunity to examine the workings of a program in a technical institute. Secondly, because of its academic structure and internationally known technical reputation, M.I.T. is supposed to produce a special kind of product often involving high technology and well developed specialization and theory. It is involved with many projects in the Third World bringing to them technology transfer, sophisticated modeling and process oriented recommendations. And thirdly, it is the skills learned at the Institute which I will be using in my future and a self evaluation of these
NOTE: These events include 1) the signing of a peace treaty between Israel and Egypt, 2) the Iranian revolution, 3) U.S.A. hostages, 4) Arab reaction to peace treaty, 5) massive new aid to Egypt, 6) increase in oil prices by O.P.E.C.

NOTE: The questionnaire is included in Appendix C.

skills is to my benefit.

The particular case chosen has relevance for three reasons. Firstly, it involves two planning related components (a) transportation and (b) housing and construction. Secondly, it is structured under a standard form of contract with the donor and thirdly, because it involves multidisciplinary team structures. I am interested in, housing as a component of development, the standard form of contract, and I consider multidisciplinary teams as an important part of my planning future. Egypt was not important to me at the time of choice of the case but the extraordinary set of events that have occurred involving the Middle East generally and Egypt in particular since December 1978 have both added to my interest in the case and distracted me in the structuring of this document as might be imagined.

The project is in progress and this has caused some difficulty in obtaining written information. No final report is yet available and changes to the defined scope of work have occurred. I therefore, with the assistance of Professor Phil Clay structured a questionnaire for project directors and made use of a series of interviews with people
working in the program.

**Problem areas**

1) The broadness of the subject matter has been a constant hindrance to rapid progress and decisions as to the relevance of information.

2) The closeness of people actually working in the program has had some negative impact in the sense of working relations and responses. One person considered the subject irrelevant and criticism of practices or theory have not always been followed up with the people concerned due to the time constraint. This will be done.

3) The problem of moving from the specific (the case) to the general or vice versa has been a constant discussion for the last four months and was only recently settled.

**Outline**

Chapter One deals with Egypt's history, the model and the fit between the two, and sets the framework for Chapter Two.

Chapter Two has two foci. The first deals with the case chosen giving the background, details of the contract, problem areas and a brief comparison with another project,
Chapter Two discusses the usefulness of the consultant to the Third World and how this relates to the Egypt program.

Chapter Three sets out the relationships between Chapters One and Two, thus forming the "triangle" of aid and attempts to formulate the problems Egypt is likely to face in the future.

An Epilogue is added in which the changing mood of the West is suggested and where the problems within the aid triangle are most likely to occur.

**B. A PERSONAL INTEREST IN AID**

Every nation apparently strives after development.
It is an objective that most people take for granted. This development involves more than just economic growth. It deals with social and political changes and their growth as well. It is a multidimensional process involving reorganization and orientation of social and economic structures and institutions, and can affect international social and economic systems. When developed nations became concerned about the poorer nations of the world, after the Second World War, it took time for the technocrats to establish a method with which to analyze the process of economic growth in largely peasant, agrarian societies with no "modern" economic base. They, wisely or not, divided the world into the underdeveloped regions, hence developing section, and called it the Third World, and the developed regions, the Western World.

In the United Nations report (1951) on "Measures for the Economic Development of Underdeveloped Countries" the main standard to be used to measure economic development was to be the level of per capita real income. $500 per
year was a kind of arbitrary line drawn between developed and underdeveloped nations and by so doing the world was divided into potential donor and receiving countries. The concept of aid developed, becoming more complex with each success or failure and with the shift from the "Stages of Growth" to a broader approach encompassing frameworks and the growing importance of social factors of development, it is in essence still the same. It involves money and advice, and it's not for free.

There is disagreement between the various parties involved over the success or failure of aid and no agreed method of evaluating aid. Even at project level where donors might consider a project successful, aid receivers might not. At the consultant level "success" might be the completion of a final report which will never be implemented. Each actor has his/her own interpretation of what they consider progress along the road to development is and within the complexity of aid, varying interests, uncoordinated policies meeting from different sources and the long term nature of overall development, it is perhaps not surprising that some confusion is apparent to an unbiased observer.

My personal interest in development aid stems from the
real possibility that I will be working in various aid projects in Africa in the role of an environmental planner. I therefore see this as an opportunity to build up an understanding of the workings of aid and some of the problems encountered.

C. THE PROJECT

M.I.T. is directly involved in research projects and consultancy work for many organizations; U.S. Government departments and agencies, private companies and foundations and multi-national organizations. This research ($120 million in 1978, up 19% from 1977 figures) forms an important part of its yearly budget of approximately $300 million. Besides the many aid projects worked on by its professors over the last thirty years it has at least, on three occasions been instrumental in aid policies and aid objec-

REFERENCE: M.I.T., Respot on Sponsored Research, Fiscal Year 1978.
In the later 1950's M.I.T. produced a series of reports on which President Kennedy, combining these with the recommendations of the Brookings Institute, based his aid reforms of the early 1960's. M.I.T. was part instigator of A.I.D. and strongly supported the Alliance for Progress policies of the Kennedy administration. Economists from M.I.T. and Harvard; Rostow, Galbraith, and Lincoln Gordon served on Kennedy's interrogation task force on foreign economic affairs. Others like Bell and Mason had advising and administrative capacities to various government agencies. (Bell became director of A.I.D.) These people refused to acknowledge Communism as the "cause for world problems" or that free enterprise was its cure. Rather they located the causes of revolution, and the attractiveness of Communism, in the process of social and economic modernization. In the 1960 M.I.T. report for the Senate Foreign Relations Committee they explained, "Particularly in the early stages of the transition process, when leadership groups centered among themselves for power, and central governments are apt to be weak, societies are acutely vulnerable to invasion or civil war.... The American interest is opposed to the
heightening of tensions anywhere. Men who are close to violence cannot direct their full energies to building stable effective societies." M.I.T. recommended deeper military involvement in economic and social activities in developing countries to control and reduce these tensions. This military strength could be used for road building, dam construction, development of communication systems, irrigation construction, and land reclamation and surveying projects. Military training time could also be used for teaching peasant soldiers the basic skills of reading and writing.

In 1961 M.I.T. was instrumental in forming a consortium of institutions in the U.S.A. to assist the development of an Institute of Technology in Kanpur, India. This involved U.S. aid for its development.

And in 1970 M.I.T. produced a study directed by Caroll L. Wilson concerning the environmental problems created by man related to the biosphere. In 1971 the Club of Rome published a preliminary report based on results of a system analysis study carried out at M.I.T., directed by D.L. Meadows and models by J.W. Forrester which predicted
the combined interdependent influences of expected changes in world population, pollution, natural resources, and investment over the next one hundred and thirty years. Both these reports had a major impact on world organizations and at the U.N. Conference in Stockholm (1972) brought in to focus the qualitative image of development; to be treated as a political rather than economic concept.

M.I.T. is at the present involved in a development program in Egypt, organized by the U.S. Agency for International Development. It is this project which will be used to study the role of the consultant and how he/she supports the overall structure and aims in Western aid to a Third World country.

In January 1974, following the Egyptian/Israel disengagement in the Sinai Peninsula, the U.S.A.I.D. granted a $250 million loan to Egypt for development purposes. Egypt was looked at in a new light and as a result of significant political and social transformations, the Government of Egypt had been faced with increased responsibility to plan and execute programs contributing to national development. The commitments to substantial, long term
economic assistance from the United States and other external sources has been a major force on the government ministries responsible for these programs. The lack of adequate Egyptian infrastructures to perform these activities has hindered the achievement of improved development planning. To this end U.S.A.I.D. funded Phase I of the C.U./M.I.T. Technological Planning Program in which M.I.T. and Cairo University organized a set of research teams, investigating, in collaboration with ministry personnel, problems of current concern to the ministries.

The main objective of the C.U./M.I.T. Technological Planning Program centered on assisting Cairo University to develop capabilities which would contribute to the formulation and implementation of science and technology related policies. Three specific objectives were identified:

1. Mobilization of academic interest in applied research on specific development plans;
2. Organization of technical research in collaboration with Egyptian government ministries;
3. Establishment of an institutional framework through which permanent applied research and training could be organized.
In January of 1977 a formal agreement between Cairo University and M.I.T. establishing a Technological Planning Program was signed by Walter A. Rosenblith, Provost of M.I.T. and Soufi Abou Taleb, President of Cairo University. In addition an Administrative Agreement between Cairo University and M.I.T. was signed to define the administrative arrangements between the Technological Planning Program at Cairo University and the Technology Adaptation Program at M.I.T.

Diagram Number 5 in Chapter Two indicates the progress of this program and the various actors involved. The program has defined thirteen projects from varying disciplines including Hydraulic Engineering, Planning and Architecture, Transportation planning, Economics and Social Sciences.

As of June 1979 the program management has been transferred to Cairo from M.I.T. It is envisaged that within the next two years the new Institute will be running itself without outside U.S.A.I.D. help. The first independent research project has already been formalized and negotiations are taking place. It involves, not unnaturally, the Egyptian New Towns program initiated by President Sadat,
an attempt to deal with the urban growth problems of Egypt
and the continued eroding of fertile land by this growth.
In this chapter I will show that through an historical analysis of aid and a comparison to Egypt's own history that Egypt, due to the nature of its development, has become a "typical" Third World country following the standard pattern of progress by Third World countries. It has unintentionally plotted its course into what Cheryl Payer refers to as the "Debt Trap" with all the conditions attached to aid. These conditions structure a dependency of Egypt to the West through special trade agreements, foreign exchange requirements, fiscal and social policies, technical assistance and technology transfer purposes of economic and political con-
trol over Egypt. The exception from most other Third World countries is that Egypt has more value to the West strategically than in terms of any special resource although her cotton production is of importance. Egypt had two opportunities to break this dependency but on both occasions she has missed the chance by disregarding the importance of making major social changes within a restructured economic base.
This was not always the objective. Before Keynes' theories and treaties in economics, little thought was given to underdevelopment as something to study and analyze. The march of progress was somehow considered to be selective, and economic progress was taken for granted. There was no room for a concept of development aid. At the end of the 1940's aid, other than that used for the reconstruction of Europe, was practiced as a political instrument, or on an ad hoc basis and infrequently. It was only once progress was conceived as a product of purposely directed human effort that aid could be tied to development. In the U.S.A. President Truman's "Point Four" (1950) simply assumed this meant that economic development could be promoted by U.S. technical assistance. It wasn't until Walter Rostow, in 1956, provided politicians with a suitable development theory and goal, that of self sustaining growth, that aid effort was limited towards a definite end and for a practical political purpose. Since this theory and debate developed in the U.S.A. it is not surprising that up to 1959 most aid originated from here. By 1960 aid programs had started in
the U.S.S.R. and Europe. Few people considered these efforts as contributions to a common cause. They were mostly bilateral agreements. It was the United Nations, having declared the 1960's the first development decade, which implied that all donors should recognize their common responsibility. West Germany, Italy and Japan became new aid donors and with the U.S.A., U.S.S.R., France and Great Britain continued the process of pursuing aid programs for political and national interests. Multilateral aid had its start however.

Aid in Egypt is part of this process, and attached to each agreement a set of conditions that reinforce the donor's interests.

1.4 EGYPT'S BACKGROUND

Egypt consists of 386,000 miles of which only 10,000 square miles is cultivated, in a ribbon along the banks of the Nile river and its wide delta. The rest of the country
EGYPT

Area: 380,000 sq. mi.
Capital: Cairo (8.4 million)
Population: 38 million (1974 est.)
Density: 95 per sq. mi.
G.D.P.: $9.200 million
Per capita G.D.P.: $242
Growth rate: Not available

500 m. contour
Areas below sea level
Spot heights in meters
is desert. 99% of the 38 million (1974 estimate) Egyptians live in this narrow band of country. Located in northeast Africa it is bounded on the north by the Mediterranean Sea, on the west by Libya, on the south by the Sudan and on the east by the Red Sea and Israel. It has a warm, arid climate with the only major rainfall occurring along the north coast (eight inches per year). Its main agricultural products, all coming from the fertile land along the Nile, are cotton, wheat, rice, and corn. Only 11% of the labor force is involved in industry compared to Zambia 15%, and Kenya 13%. The average per capita income in 1974 was $240. Egyptians are a homogeneous group of Hamitic origin, a single people sharing a common ancestry and culture. Indigenous minorities include Copts (10%) and Bedouins (2%).

1.1.1 EGYPT'S HISTORY

Precolonial

Egypt has been an unbroken unity for over six thousand years which has resulted in the remarkable homogeneity of the population. For some 3000 years, and within varying boundaries Egypt ruled itself until about 300 B.C. after which she was constantly under foreign domination. Starting
with the Romans and followed by various groups including
the Moslem Arabs who invaded Egypt and Africa in the Seventh Century bringing Islam to Egypt. They in turn were
followed by Ayyubid and Mamluk dynasties (1169-1517) which
centered in Egypt and made Cairo the center of gravity in
the Arabic and Islamic World. The Turks defeated the Mamluks in 1517 and Egypt fell under the rule of the Ottoman
Empire up to 1832 when an Army Officer, appointed Viceroy
of Egypt in 1805, and his son, broke away from the empire
by routing the Turkish armies in Syria that year. The new
ruler, Mohammed Ali, interested in modernizing his country
along Western lines and in control of a feudal system with
the support of its landlords made it relatively easy for
Europe to exploit Egypt's cotton production which increased
by some 500% over a few years. A small but strong group of
foreign businessmen and traders established itself there.

The short time between being controlled by the Turks
and later the British, did not allow merchant capital time
to exploit Egypt fully. What is more fundamental is that
due to Europe's experience elsewhere a process was in place
for colonization. Egypt did have some strategic importance
NOTE: Khedives spent E.P. 2 million in entertaining European royalty for the opening of the Suez Canal in 1869.

to Europe in the effort of containing Russia's expansion but with industrialization and the technical ability of building a canal joining the Mediterranean Sea with the Red Sea and hence the Far East, Europe and particularly the French became more interested in its relationship with Egypt. The Suez Canal was built and Egypt and Europe became bound.

Due to the fall in cotton prices soon after the American Civil War, the U.S. producing cotton again on the European market, and a new King Khedives' personal extravagance plus a growing national debt, this king was forced to sell his shares in the Suez Canal Company to Britain. Britain joined France with vested interests in the region.

Colonial History

In 1882 Egypt became the first country in the Middle East to be occupied and ruled by a European power, Britain. Her interests in staying in Egypt were (a) the rush for colonies by Europe and the desire for an all British route from the Cape to Cairo, (b) control of the Suez Canal and the strategic importance of holding territory close to it, and (c) the exploitation of cotton crops and grains which were grown in the fertile Nile Valley. A colonial adminis-
tration was introduced with Britain supporting a king and aligning her interests with the powerful landowner elite. However, as early as this there was already a desire on the part of this elite, represented by the "Wafd," to become independent. But because of the unity of its people and their respect for a single authority, developed thousands of years before, various governors had been able to command and obtain loyalty and obedience of their subjects once established in power. The struggle for independence from the British, with the unwritten support of their King over the 19th and early 20th Centuries finally produced Egypt's independence as a separate country and a unified nation. It was a nationalist struggle and was not identified with Arabism, or Arab unity.

Independence

In 1922 Egypt became a monarchy under King Fuad I. The British, however, retained extensive powers as well as a major military presence in the Suez Canal Zone, which was used as a major allied base of operations during this time. The rest of the Middle East was not so fortunate. Conflict and tension appear to have been endemic to the region due
to the sectorial and fragmented nature of the society and failure of the region to gain its political equilibrium following the demise of the Ottoman Empire. King Farouk took over the throne in 1936 at the age of 17. He was more aware than most of the "Arabness" of the continued struggle against the British still intrenched in the Middle East. But the King had two major faults which were (a) his exercising of arbitrary power and (b) his scandalous, dissolute private life, and these slowly changed the Egyptians respect for their King over time. He quarrelled with the powerful Wafd and in 1942, when the British forced the King to accept their suggested government, he lost faith in the people and ruled in isolation from them. Under the monarchy the uneven distribution of land and wealth, abject poverty, degradation of the peasant farmer and labor were constant problems receiving no attention. Cultivable land increased by some 20% from 1882 to 1936 but the population tripled, more people sharing less land. The large majority of landowners found it difficult to subsist due to the division of land into smaller and smaller parcels through the inheritance system. In 1952, of the 14.5 million farmers, less than a
fifth owned land. 2100 landlords (0.1% of the population) owned 19% of the land. The ratio of one or less acres per person to 200 acres per person divided up the landowners into a group of specially favored people (organization from the previous dynasties) to which belonged the political leadership, and the masses. Men of modest means were not prevented from "moving up" but few ever succeeded. The Army became more accessible to the poor.

The Second World War brought a large foreign military presence to Egypt and soon after this conflict was settled the Palestinian War took place (1948) and Egypt suffered her first defeat against Israel. A group of young officers, frustrated by this defeat, blaming old out-dated equipment, lazy Generals working out of Cairo, and mistrust of the ruling Wafd, took up the main thrust of the national movement. Their purpose was to break the ties with Britain and change the course of Egypt's future. Within this resistance there was no overriding common ideology. The officers were partly resentful of a "foreign" King but denounced him as corrupt and not tyrannical. In 1950 the Wafd party was still strong enough though to win an election (228 out of 319 seats), but
on January the 26th, 1952, known as "Black Saturday" police failed to prevent a violent riot organized by the now underground Muslim Bretheren, socialists and communists. The action discredited the Palace and the Wafd, and the end results of the riots were the dismissal of the Cabinet and Martial Law.

The Revolution

This well organized riot encouraged the "free officers" committee to prepare for a takeover. They were a small group of military men, including Sadat and Nasser, who had formed a team soon after the 1948 Palastinian War. They were from middle and lower middle class backgrounds of farmers and government employees whose class interests were different from the ruling elite. Nasser, already their leader had a clear belief that the ruling regime had to be destroyed to achieve liberation for Egypt and that the army was to do the job. A series of events then set the stage
for the coup. The government changes after Black Saturday, the weakness of the political parties and the dissolution of the Officers Club Board, soon after the Free Officers had won an election there coupled with the approaching appointment of a new War Minister (opposed to the Free Officers) decided them to act on July 23rd 1952. Between midnight and three a.m. that morning they, together with 3000 soldiers, siezed control of the army, occupied Army Headquarters and arrested the higher commanding officers meeting at that time to discuss the pending revolution, and secured control of communications. Two soldiers were killed and two were wounded and before the dawn General Naguib was appointed Commander in Chief of the armed forces to lead the movement. The coup was deceptive in its moderation.

"...The first communique about the coup, apparently written by Amer, was broadcast at 7 A.M. (July 23) by Anwar Sadat in the name of General Naguib. Its text had been communicated earlier to the press. It neither proclaimed a revolution, nor did it say that a coup d'etat had just been carried out against the old regime of King Farouk, whose name it did not even mention. The statement was an apology for the military takeover and showed primarily the military motives behind the officers' action and their concern about the army's reputation. It spoke of the bribery, corruption, and government
instability that had a great influence on the army and contributed to defeat in the Palestine War. The statement reassured the people that the 'entire army is today working for the interests of the fatherland within the constitution and without any designs of its own,' and gave assurances to the foreign residents, 'our brothers,' about the safety of their lives and property. The declaration, according to Sadat, was part of a maneuver intended, first, to avert foreign intervention before the king was expelled, and second, to make the king believe for a while that the only goal of the coup was the determination of the army to purge its ranks."

It was on the 26th of July that the King was granted a cordial departure into exile. The Free Officers had as a guide for their revolution the six principals they had agreed upon before the Coup.

"...The six principles contained clearly the seeds and directives of a revolution and included: The destruction of imperialism and its treacherous Egyptian agents; the abolition of feudalism; the ending of monopolies and of the domination of the government by capital; the establishment of social justice; the building of a powerful national army; and the establishment of a sound democratic system. In this light one should therefore regard the statements in the Philosophy of the Revolution about Nasser's disappointment with the masses and with the leaders of opinion after the coup as mere apologies for taking over the government and for justifying his conclusion: 'I realized that the task of the vanguard, far from being completed, had only begun.'"
Nasser in Egypt

The struggle for power quickly developed between Naguib and Nasser. It revolved around three main factors. (a) Both saw the role Naguib was to play differently. (b) There was disagreement over Naguib's intention of disengaging the military from power and, (c) both had a different outlook as to the speed with which changes were to be made. There followed a series of semi-coups and counter-coups, riots and behind the door politicing until Nasser finally won the battle for power.

"The success of the second coup against Naguib at the end of March 1954 is a most significant event in the modern history of Egypt and the Arab world. It meant the end of that spirit of moderation and compromise that had hitherto characterized all Arab military regimes. It also meant the decisive defeat of the attempts to restore freedom and parliamentary government in Egypt. The military dictatorship under Nasser, in the absence of any successful oppositions, felt free to carry Egypt and with it other Arab states on a revolutionary course whose benefits and achievements have remained doubtful."

Censorship was reintroduced and political parties were abolished. Nasser became Prime Minister in April 1954 and the Muslim Brotherhood sealed their fate when they attempted to assassinate Nasser that same year. He wiped them
(and his only real opposition) out as a result. A constitution for the republic was ratified in a referendum in 1956 and Nasser was elected President.

Nasser is probably best known for his move away from the West in order to pursue his revolution and goal of Arab unity. The Communists approved of Egypt's move toward "Scientific Socialism" which revised religious norms and enabled Nasser to define Islam as the first religion to proclaim socialism. The polarization of much of the world between the two superpowers, the U.S.A. and the U.S.S.R. during the 1950's did not directly effect the Middle East until Nasser in 1955, perceiving the competitive nature of a bipolar global system began to structure the Egyptian policy of "Positive Neutralism." He avoided rigid alignments with the great powers by manipulating the conflict to the Arabs advantage. The U.S.A. up to this point had not played a major role in the Middle East considering it to be the responsibility of Europe but, when Nasser managed to negotiate the Czech arms deal in 1955 after the U.S. had refused his request for arms, and having taken Egypt to the Bandung Conference thus defining his non-align-
ment policy, the U.S. was thrown into competition with the U.S.S.R. over Egypt's development. Nasser was successfully able to play the one superpower against the other as can be illustrated by the obtaining of funding for the Aswan Dam in 1955. The junta's decision to build the dam, planned from the first year of the revolution was presented as the symbol of a new dynamic industrialized Egypt, to irrigate 125 million acres of land and provide electricity for industrialization. The U.S., Britain and the World Bank offered to assist Egypt, but the loan contained conditions, including the supervision of Egypt's budget and her balance of payments. Nasser hesitated to allow the control of the Egyptian economy to fall into Western hands. His hesitation was interpreted by Eden and Dulles as a surreptitious effort to negotiate a separate deal with the U.S.S.R. Dulles, therefore, withdrew the U.S. offer. Nasser retaliated. In a major speech a week later he declared that Egypt would nationalize the Suez Canal Company thus to be able to pay for the dam itself. Britain and France using the Israeli attack on the Sinai as an excuse, as prearranged, attempted to take over the canal for "safety purposes." But the
initiative slowly came to a halt without U.S. support and Eden and Mollet were forced to capitulate. The final outcome was victory for Egypt. The British and French were unable to topple Nasser, the canal remained in Egyptian control and the U.S.S.R. offered aid for the dam soon afterwards.

The Western influence already established in the Middle East through France and Britain was increased with the Baghdad pact of 1955, designed to form a nucleus of a Middle East defense alliance directed against the U.S.S.R., but Egypt read this as a move to isolate her politically and strategically from the region. As mentioned above the U.S.S.R. had already entered the Middle East arena with the Czech arms deal, followed by its assistance to Nasser for funding of the Aswan dam.

The response from the West was the "Eisenhower Doctrine." It pledged U.S. assistance, including armed forces, to any Arab nation requesting U.S. help "against the overt armed aggression from any nation controlled by international communism."

At the same time however, during the late fifties and early sixties the World arena underwent gradual change.
The increasing power of China and Japan and the beginnings of the E.E.C. allowed them to move away from their earlier dependence on the superpowers, decolonization had created states, who when banding together formed new alignments, the African bloc, Arab bloc, etc. with growing influence in world organizations like the United Nations. Within the two superpowers there developed an understanding that ideological polarity need not produce military confrontation. They were both free to meddle in the Middle East as elsewhere without the threat of total war.

"Conversely, ... Egypt's chronic dependence upon the two great powers for military and economic aid constituted a clear constraint on the formulation and implementation of her policies. However, the polarisation of the global system meant that the operational effects of this constraint on Egypt's decision-makers was not crucial. Thus, the refusal of the United States and Britain to meet Egypt's demands for arms was the primary, if not the only reason for the Czech arms deal. Similarly, the competitive nature of the global system enabled the Egyptian leaders to turn to a new patron, in the form of the Soviet Union, when confronted with Dulles's withdrawal of aid for the Aswan Dam. On the other side of the coin, the rupture between Nasser and the Russians over the Iraqi and Syrian Communists in 1959 merely resulted in Egypt's acceptance of American economic aid. Nevertheless, while the constraint was by no means crucial, it certainly was not significant. Egypt's gradual dependence on the Soviet Union for her industrial and military expansion, particularly in the post-1967
period, certainly affected her freedom of manoeuvrability in the international arena. Furthermore, Egypt's lack of vital raw materials, especially wheat, meant that at times her very existence was dependent on outside aid."

Nasser was also directly involved in the concept of "Arabism" an amorphous concept based on emotional and sentimental attachments to a perceived entity called "The Arab Nation." There are two distinct yet interrelated perspectives of how this influenced Egypt. One was the Arab, Israeli conflict and the other was the intra-Arab relations of the region. In both spheres Egypt was the central leading actor. In its relations with Arab countries, Nasserism was both aggressive and domineering. Egypt failed to achieve what it told the Arab people it would give them, Arab unity, and the restoration of Arab rights in Palestine. Instead Egypt created division, between what it called the liberated states and the reactionary and within each state division between the radical socialist supporters, "the real patriots," and the liberal democrats and various elites who were described as traitors and imperial agents. This can be illustrated in the successful formulation of the U.A.R., Egypt and Syria, in 1957 and its break up in 1961. Nasser then soon abandoned his early
policy of co-existence with the non-revolutionary Arab countries. He was infuriated by Saudi Arabia's King Faisal and his attempts at forming Muslim solidarity, clearly intended to rally opposition to the revolutionary socialist system. Nasser claimed that only socialists were good Arab Nationalists and that non-socialist Muslim states were reactionary and servants of imperialism.

"While government machinery was represented as the instrument of the popular will, the rulers refused to share power with the people under the pretext, expressed by Sadat, that 'the leadership of the revolution defines what it thinks the interests and needs of the people are.' Certain similarities have been found between the one party organization in the Egyptian system and the Communist Party in the Soviet Union. In both, the one party organization is an officially recognized entity and its leaders are high state officials. But, whereas in Russia the Soviet State was a creature of the Communist Party and served as its instrument, in Egypt the one party organization - The Socialist Union - is the creature of the State and is subservient to it."

The first set of laws the new government introduced to the country were aimed at achieving social justice and preventing exploitation of the peasant and the worker. The Agrarian Reform Law Number 178 set a limit for amounts of land landlords could own, the state expropriating and re-distributing lands in excess of this. Two objectives were
NOTE: Haddad suggests that the U.S. gave advice in structuring these laws.

thus reached. One was an attempt at breaking the feudal pattern of the landlord, tenant relationship. The second was to establish more peasants as landowners, increase state control and modernize agriculture through cooperatives and at the same time force landlords to invest capital into industry. Other decrees, involving expansion of education facilities, reduction in freedom of expression, and discriminatory practices against Egyptian foreigners and the wealthy Copts were also practiced in an attempt to close the gap in living standards. Land redistribution only allowed about one million out of the six million peasants to actually gain land and while tenants received a 50% reduction in rents the laborers did not benefit. While foreign investment was encouraged the restrictive laws of fixed prices, ceiling on profits, etc. kept them away and by 1956, frustrated by the lack of foreign investment and the flight of capital out of the country the Nasser regime moved to State Capital control. His first action was to nationalize the Suez Canal and foreign banks and by 1961 Nasser had issued his socialist laws and restructured the government to one of virtual dictatorship. His National Charter had three basic aims, freedom, socialism, and unity under his
"Scientific Socialism" and it included "...the alliance of the peoples forces representing the working people who include farmers, the laborers, the soldiers, the intelligentsia, and National capital."

The real beneficiaries of this policy were the new class of military and civilian bureaucrats in whose hands political and economic power was concentrated. While the gap between rich and poor was reduced it still existed. The G.N.P. of Egypt lagged behind countries like Jordan, Saudi Arabia, Iraq, and Lebanon. Farmers had to sell their crops at fixed prices to the government and labor, while allowed to organize were not allowed to strike. Egypt, for the first time, was suffering from shortages of basic food supplies.

The most striking feature of the Egyptian cabinet throughout Nasser's rule was its relative structural uniformity. The membership of officers or ex-officers in the cabinet averaged over 40% and the majority of these were the original Free Officers who had participated in the revolution of 1952.

The 1967 war against Israel turned out to be a disaster for the Egyptians. Nasser resigned but by popular demand
reinstated himself as head of the country. He immediately took over the functions of Prime Minister and Secretary General of the Socialist Union to consolidate his position but he had lost much of the support of his people. Riots and demonstrations followed and while he made concessions in his cabinet, including the appointment of Western educated people and university officials, the intellectuals did not consider he had gone far enough. They demanded freedom of the press and freedom for political parties. In the Arab world the myth about Nasser's striking force and his infallable wisdom came into question. He was also forced to modify his attitude towards Israel. He had to move his non-alignment policy to open dependence on the Soviet Union and its influence in his military establishment (from 500 advisors before the war to 1500 and more by 1968). By 1969, with new arms from the U.S.S.R., Egypt started its "War of Attrition" against Israel, a constant harassing of the Israelis along the canal zone.

"The Egyptian revolution has failed in the achievement of most of these positive goals. Experiments in government have been following one another at the rate of one every three years with nominal popular participation and with a one-party organization created and dominated by the government. Freedoms have consistently been suppressed. The essentially administrative-bureaucratic
nature of the state has been left intact. A new hierarchy useful for the policies of the new regime was set up with the military stratum at the top of the hierarchy and with every other group, even professionals and intellectuals, bureaucratized. The rising prosperous middle class was ruined and the old ruling elite was destroyed without bringing substantial material and more improvement to the condition of the low classes. Corruption has been widespread in the economic system, and the military officers and other favorites, mostly from the poorer classes, have availed themselves with impunity of the opportunity for accumulating wealth while they were executives of state-controlled corporations and projects. Economic development did not achieve what was expected, and many losing industrial projects had to be closed. The people in general, and the intellectuals, workers, and students in particular, were indoctrinated and regimented for the service of the socialist state, while the educational and academic standards have been degraded. The Egyptian revolution gave Egypt no military strength to stand in the face of Israel, and Israel was virtually the only justification for building up that strength."

But because of Nasser's policies, Egypt required more foreign aid. His insistence on building an army strong enough to crush Israel, his constant involvement and support for revolutionary forces in the Arab world, his venture into Black Africa and his desire to industrialize Egypt could only be supported by Egypt's cotton and wheat exports and the Suez Canal. They were unable to produce sufficient funds for these objectives. By 1969 Egypt's indebtedness was as high as $3600 million.
Sadat in Egypt

A ceasefire agreement was reached between Egypt and Israel in August 1970. Nasser died unexpectedly in September of that year at the age of 52. In spite of the setbacks the Arab World had suffered since the start of the 1967 war, he was still looked upon as the father of his people and a popular hero. The question of who was to be his successor and the future of the Nasser system had to be answered. Anwar Sadat became the acting president in terms of the constitution but it was unclear whether he was to stay. With pressure from the Russians to quickly appoint a new leader and some political manoeuvring on Sadat's part he was recommended for the position. He was close to Nasser and had been with him right from the beginning of the revolution, and he was likely to continue Nasser's policy. Sadat accepted and proclaimed his adherence to Nasser's policy for the achievement of the following goals: liberation of the occupied land and settlement for the Palestinian refugees, unity of the Arab countries, non-alignment between the power blocs, support for the national liberation movements and defense of the socialist gains. His appointment received support from
the Arab bloc.

Through a series of moves, his expulsion of 21000 Soviet personnel in 1972, the reshuffling of his cabinet in March 1973, and with Egypt's relative success in the October War, he was able to move out from under the shadow of Nasser and established himself as a decision-maker in his own right. He immediately embarked on an economic "liberalization" program opening the Egyptian economy to foreign investment and encouraged emergence of a vigorous private sector designed to work parallel to and in competition with the public sector. In foreign policy his reapproachment with the U.S.A. led to the decline in relations with the U.S.S.R. He delegated administration duties to his chief lieutenants giving them more say in developing policies. He moved Egypt's earlier goal of "Arab unity" to emphasis on Egyptian affairs with a more inwardly directed ideology. After the enormous costs in life and materials of the October War he felt they had made enough sacrifices for the Arab cause and the time had come to turn attention towards domestic reconstruction. Despite his break with Quadhafi of Libia over the F.A.R. (formed in 1971) and his occasional denunciation of the
Baath and the P.L.O. Sadat vigorously pursued the objective of Arab solidarity (not unity). Egypt's relations with the majority of Arab states grew in cordiality in contrast to Nasser's era and intra-Arab relations improved.

But it is "at home" where his biggest impact on and shift away from Nasser's policies are evident. In their effort to rectify the deteriorating economic situation the present Egyptian Government has increasingly liberalized the Nasserite economic structure. Since the October War the "open door" policy has been pursued. In 1974 enterprises investing in the Canal Zone were to be exempt from taxes and duties. In the rest of Egypt new enterprises would not be required to pay tax on profits for five to eight years. Business and investment banks were exempt from currency controls. By July 1975 Nasser's nationalization measures were effectively reversed. Import and export restrictions were reversed and the public sector had been decentralized. The Finance Minister, Ahmed Abu Ismail set it out clearly: "The government is set on the open door policy. One of the first priorities has been to dissolve the public institutions and

give individual economic units complete freedom to reform their administration and remove all obstacles and hindrances to the realization of this objective. Any unit failing to achieve these ends will be regarded as a burden and liquidated."

In 1974 the Highest Court of Appeals turned around the confiscation and sequestration of private property, and in 1976 Egypt agreed to compensate U.S. investors for claims dating back to 1952. Sadat has reshuffled his cabinet appointing Western trained ministers. This path to capitalist development has not been free of problems. Sadat has been challenged twice in 1971 and 1975 but survived both. He has had to cope with riots against his new measures and foreign investors have been slow to move into Egypt because of its poor infrastructure, ignored for years and fear that further nationalization is possible.

"...The conservative background, social orientations and political style of Sadat instinctively propels him towards a Western-type social and economic order. However, lacking the charismatic authority of Nasser, Sadat's efforts to achieve his political aspirations are constrained by the continuing persistence of his
predecessor's ideological and political imperatives and social direction. Indeed, as one of Nasser's main lieutenants, Sadat is himself inculcated with the general tenets of Nasserite ideology. Whether Sadat can succeed in completely extricating both Egypt and himself from the Nasserite past is open to conjecture. What is certain, however, is that this goal will not be achieved by the efforts to undermine Nasser's legacy through wholesale, anti-Nasser press campaigns. It can be achieved only by the consolidation of Sadat's own authority, which itself is dependent upon the people's perception of him as a successful and merit-orious leader."

4.2 EGYPT AND THE MODEL

The text presented here is based on the readings of Zeylstra, Kay, White and Payer with two main foci. They are the debt into which Third World countries fall and why, and the conscious structuring of dependencies of the developing countries on the Western World. One for the purposes of continued exploitation and the other for the purposes of tying a developing country both politically and economically into the western system.
1.2.1 HISTORY OF AID

To understand more about aid receiving countries we must examine their history to find the reasons for their lack of development and slowness to industrialize. As early as the 1500's confrontation took place between European and overseas civilizations which initiated the virtual European monopoly of world trade, considered to be the foundation of capitalism and the industrial revolution. Sea power and not material wealth was the deciding issue. Europe's power, it can be argued, arose out of the many conflicts that took place there in the centuries before, which gave it the capacity to organize war on a quasi-national base and to make use of sea power. Directly related to this is the development of merchant capital. The large commercial empires set up by Spain, Portugal, Britain, France, and Holland established the basis of our modern economy. Europe concentrated vast capital wealth while overthrowing and subjugating whole civilizations exploiting the potential labor resources of their colonies and oppressing any resistance. The
NOTE: More so than productive capital. Ten people selling the same goods in a market make less profit than one large stall. Competition weakens them.

foundations of modern development and underdevelopment were laid at this time. Merchants by their nature tend towards monoply structures. Merchant capital using Europe's sea power and knowledge and supported by governments, set out on a planned exploitive and highly profitable trade structure with the Third World. Because of its power it was partly responsible for the containment of industrial development in Europe. The purpose being to establish a strong market back home for goods and raw materials. The Industrial Revolution changed the historical form of merchant capital from the independent and only form of capital to only one aspect of industrial capital within the European areas. To retain its power outside Europe merchant capital discouraged any form of industrialization in the Third World and in fact industrial capital had no desire to interfere with this, seeing the Third World as a market for its goods.

"Even if industrial capital had wished to migrate to the underdeveloped world on any substantial scale, it would have found the environment unwelcoming because of the degree of social disruption brought about during the first phase

REFERENCE: G. Kay's Development and Underdevelopment, p. 103.
of mercantile development. In fact, the conditions which merchant capital had created throughout the underdeveloped world by the middle of the nineteenth century were absolutely unconducive to the full development of capitalism. But there is yet a further reason for its staying on the sidelines the importance of which is easy to underestimate: we have seen that the triumph of industrial capitalism involved a long struggle against merchant capital. By the middle of the nineteenth century industrial capital had won decisive victories in the metropoles but merchant capital remained powerful in the overseas empires. The result was an uneasy stalemate in which merchant capital was both winner and loser. It both lost and retained its independence and subsequently existed simultaneously in its two historical forms. The consequences were doubly depressing for the underdeveloped world: on the one side the tendency of merchant capital to repress general economic development in proportion to its own independent development; on the other the reorganisation of whole economics to the requirements of external economic interests.”

By the 1850's colonialism was the main force in determining the course of underdeveloped countries. The mother countries, taking over from the large merchantile companies, established a central political authority upholding private property and money and gained the support of local groups whose own power originated from the non-capitalist forms of that society. The colonialists established an administrative infrastructure to support
NOTE: The thesis states that (in simplified terms) the underdeveloped countries sell their commodities below value and buy others above value.

REFERENCE: G. Kay's *Development and Underdevelopment*, p. 124

regular and reliable trade which Europe demanded. In so doing they created a small elite for political control over these territories. They set out a policy which served a narrow set of interests, free trade between the European capital at "home" and European capital in the colonies. It is here that Emmanuel's thesis of "unequal exchange" is based. This situation continued through the nineteenth century but with increasing amounts of capital passing to the colonies.

"...capital could not wipe out its own history and begin as though nothing had happened previously: it was forced to operate in the conditions of underdevelopment which it had itself created: conditions that were quite different from those that prevailed in the developed countries in the eighteenth and nineteenth centuries. Thus when industrialisation finally started in the underdeveloped world in the 1930s and picked up steam in the post-war period, it was a process altogether different from that which had taken place earlier in the developed countries. It took place in conditions of deeply established underdevelopment which it could not overcome but only reinforce."

Between the two world wars colonial powers had accepted limited responsibility for the provision of resources to their colonies development but this was only an extension of their domestic politics. It was
only after the Second World War that aid as we know it today had its beginning. In April 1948 the Marshall Plan was put into practice. Its main function was to get Europe (and soon after the end of the war only Western Europe) back on its feet, by providing foreign exchange with which to import equipment and raw materials to reconstruct its industries. It must be remembered that Europe was not underdeveloped, but damaged after the war. The plan was a success. Within four years most of Europe had recovered from the effects of the war and was well on its way to achieving prosperity. Europe is today one side of the widening gap between rich and poor nations.

Four reasons which made this plan successful were:

(a) the volume of aid that was given, $3,000 million per year (from U.S.A.); (b) the limited and clear objectives - rebuild Europe; (c) the growing threat of communism to the West welded the political relationships between the recipients and donors; and (d) the belief that the U.S.A. and Europe held a common cultural heritage. In this plan the foundations for aid were structured.

"...the present rules of the system were established well before most developing countries had attained independence, and they reflect the views at the time of the countries that traditionally had commanded world trade—especially the United States and Great Britain. The broad outline of the current international payments system was laid down in 1944 in the Bretton Woods Agreement, which also established the International Monetary Fund as a lending institution and to police its rules. In 1947, this agreement was complemented by the General Agreement on Tariffs and Trade (GATT).

"At Bretton Woods rules were agreed upon intended to prevent recurrence of the cumulative disorders of the interwar period, when nations had resorted 'to measures destructive of national or international prosperity'. The purpose was 'to facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income'. The goal thus described in the Articles of Agreement of the IMF was considered to require fixed exchange rates and removal of artificial exchange restrictions on trade and other current payments. Trade movement in goods and services was to be as free and unfettered by controls as possible."

It must also be remembered that the developed world, at war, had great need for imports from the colonies but with little to trade except capital, the colonies ended up after the war with large amounts of foreign exchange, and claims on the future production of the industrialized states. During the 50's with the formation of colonial countries into newly independent
states these reserves were dissipated with a flood of imports sometimes as soon as three years. This consumer spending spree placed most of the underdeveloped world worse off than it was before the war, with a high demand for imports and fast dwindling foreign resources.

The U.S.A. basing its experience on the Marshall Plan attempted the same strategies in South Asia with the goal of keeping the communists out. Aid was provided under the Mutual Security Act (1952) with little regard to the different circumstances of Asia to Europe. Ten years later it was difficult to state that this program was a success. The U.S.S.R. on the other hand only reversed its isolationist policy in the mid-1950's with credits and trade agreements to Afghanistan and India. Previously the U.S.S.R. had pursued a policy of support for local communist parties and armed rebellion. The Bandung Conference of 1955 made it clear to the world that a group of Third World countries were able and willing to follow a doctrine of non-alignment. An area of competition was created between the U.S.A. and U.S.S.R. to win these countries favors.
By the end of the 1950's, with the large increase in volume of aid, governmental involvement and rapidly growing international trade, a new perspective was formed around aid. The emergence of the Soviet Union as an alternative aid source, the emergence of new candidates for aid in Africa and Latin America and an Indian foreign exchange crisis (1957-58) established a need for a fresh look at aid. The main components were as follows:

1. Diffusion of aid to a wide range of developing countries, and therefore a diminishing concentration by donors on a small group of selected client states.
2. A presumption on the part of developing countries that aid would be forthcoming, hence a closer integration of aid into their policy-making processes.
3. Specification of the end uses of aid and a growth in "tied aid."
4. Identification of these end uses in the form of support for development strategies. A shift from project to program aid.
5. The beginnings of a debate on alternative development strategies.

REFERENCE: This list was made up by combining information from two sources:
1. J. White's The Politics of Foreign Aid, and
2. C. Payer's The Debt Trap.
6. The development of the "consortium" technique in order to coordinate policies of several different aid-givers, and to encourage more countries to share the aid burden with the United States.

7. Increased use of loans instead of grants.

8. An increase in aid generally. 50% increase in I.M.F. quotas and therefore lending power.

9. The decision to rely on I.M.F. stand-by arrangements as a pilot for other aid programs.

10. The formation of the International Development Association (I.D.A.), an affiliate of the World Bank, which could administer lending of "soft" loans.

New aid organizations were formed during the 1960's. The Development Assistance Committee (D.A.C.) and the Organization for Economic Co-operation and Development (OECD) being two of them. The major shift was a leveling off of U.S. aid to the Third World.

Between 1965 and 1970 the main focus of aid shifted again. In these years the most important issues raised were:

1. The need for, and practice of, a more detailed
breakdown of the net flow of official resources so that inflated figures, by inclusion of peripheral expenditure items could be avoided.

2. An attempt to untie aid from the string of conditions attached to it. This failed since not all donors agreed to it (U.S.A. voting against). It is obvious that if one donor did untie its aid, that money could easily be used to pay for another donors imports.

At the beginning of the 1970's as has already been mentioned, there was some sense that aid had failed. It is difficult to imagine what was actually supposed to happen over a short ten years. The underdeveloped world was however not the same thing as a war-torn and damaged Europe. It is also true that while the target for aid financing was agreed by the various aid organizations, to be made up of 1% of the national income of all the countries involved, it did in fact drop from 0.95% to 0.75% of national incomes of donor countries over the 1960's. Population growth, higher than originally anticipated in the Third World also diminished the

REFERENCE: J. White's The Politics of Foreign Aid. He based his information on 'DAC Chairmans annual review' OECD, 1972 Table 8, p. 224.
potential of the actual growth rate achieved (5%). But the main reason for disillusionment lies in the fact that aid as it was given cannot be guaranteed to alleviate the circumstances of the poor, unless specifically designed to do this.

The real problem of aid for the 1970's has been to come to grips with the diversity of purposes of aid, the confusion between what aid givers were trying to do, and what they said they wanted to do, and what was actually done. Also, now with clearer statistical bases built up over the previous years, and with the awareness that aid has been foolishly given and received in the past and that the problem of development is complex, aid donors are developing a clearer set of objectives and goals. They are designing sets of strategies involving much more complex solutions and monitoring processes than before in the hopes of being able to improve over aid performances in the past.
Egypt and the History of Aid

1. Merchant Capital and Egypt

Merchant Capital did not get a chance to fully develop and exploit Egypt as with other parts of Africa because of four reasons.

(a) Access to Egypt by Europe only took place in the 19th Century whereas exploitation of other African countries had started 200 years before this.

(b) Besides cotton and some grain products which were exploited, Egypt had few resources of interest to Europe at the time.

(c) The influx of foreign businessmen and traders provided competition for what few products there were because of Egypt's relative closeness to Europe.

(d) European countries were already directly involved in the Third World. Although a company, the Suez Canal construction group had government interests involved. Local unskilled labor was used but the planning and implementation were controlled by the French.

The Egyptian elite and their King were building up ties to Europe. They brought and sought luxury goods and cultural
exchange with an industrializing West.

2. Colonialism

Egypt was occupied and not clearly a colony but the British aligned its interests with the ruling elite and allowed the King to continue his reign. Britain did provide a colonial administration structure for governing the people which included education policy, military training and organization, health standards and government. The main purpose of Britain's presence in Egypt was: (a) strategic importance and control of the Suez Canal; (b) the fulfillment of an all British route from the Cape to Cairo; (c) tourism from Europe and therefore protection, banks, hotels, etc.; and, (d) exploitation of crops for trade to Europe.

The British built roads and railways to improve the infrastructure of the country - again planned and built by British technical experts and cheap Egyptian labor.

3. Independence

Egypt obtained its independence early in colonial history and this was due to two factors.
1) The nationalist movement was organized by the landowner elite and they were prepared to compromise giving Britain continued control of the Suez Canal Zone and freedom of military movement if the necessity arose. They also wished to retain their ties to Europe.

2) Egypt did not have many resources and its masses were poor.

During the Second World War Egypt further strengthened her ties with Europe due to: (a) the large military presence in Egypt with the war reaching her "front door;" (b) her own army developed, trained and serving under the British control; (c) technology spin-off due to the war; (d) the flow of money buying power by the military and individual soldiers and growing ties with Europe's defense effort.

Before the revolution then Egypt had a poorly developed agricultural sector; few resources; reliance on foreign technical assistance and implementation of projects and military development; a colonial administration structure and an elite power group with strong ties to Europe.

4. The Revolution
The so-called socialist revolution was in fact a military takeover followed by state capitalism. The only factor that had really changed was that power had shifted from the landowner elite to the military. Nasser and his colleagues, through their development strategy became candidates for aid early on. Their desire to industrialize before developing their agricultural potential, Nasser's external interests in the Arab cause, the costs of a policy of destruction of Israel and the inherited reliance on foreign technical assistance and few resources to pay for this caused them to turn to aid. Nasser's non-alignment policy allowed Egypt to get aid from two sources, the U.S.A. and the U.S.S.R.

5. Egypt after the 50's

Egypt's growth in the reliance of aid can be shown by relating it to the ten points mentioned in the text above.

1) Egypt becomes one of many countries receiving aid.
2) Egypt plans on aid in its revolutionary development policy.
3) Aid becomes tied in Egypt.
4) Aid for development strategies like the Aswan Dam
and a shift from project aid to program aid takes place in Egypt. At the present both program and project aid are being used.

5) Alternative development strategies are illustrated by the two housing projects discussed in Chapter Two.

6) The consortium technique is used in Egypt. Example, the widening of the Suez Canal. (European, I.M.F. and G.A.D.E. money involved.)

7) Egypt makes use of loans and grants.

8) A massive increase in aid generally has taken place in Egypt over the last ten years.

9) Presumably I.M.F. standby arrangements to be used as a pilot for other aid program took place in Egypt (no research done).

10) Egypt gets soft loans.

Egypt has, through its historical progress, as with many Third World countries, moved towards a growing reliance on aid in its rush forward to full development.
NOTE: Specific examples of Third World countries becoming dependent on the Western World are described in literature like Payer's *The Debt Trap*, Lipton's *Why Poor People Stay Poor*, and Leys' *Underdevelopment in Kenya* to name a few.

NOTE: Brazil actually managed to finance itself on these alternatives in the 1960's when trying to break away from the I.M.F.'s

1.2.2 DEPENDENCY IN THE THIRD WORLD

The dependency theory, simplified, states that some countries are dependent on other countries for their continued development. The developed world used tied aid as one of the means of bringing this dependency about. The objective, not always apparent at first glance, is usually tied to import/export considerations and world markets for the developed world's goods. The Third World wants and needs the import of capital goods and sophisticated technology in order to raise the standards of its people. It uses aid for this purpose but most forms of aid are in fact debt repayments in the future. The debt burden of the Third World is growing and it is considered the main cause of most payments crises. Many aid organizations and particularly the I.M.F. seldom advise a country on how to reduce imports but rather coaches these countries on how to qualify for increased quantities of new credit. And so the wheel goes round. More credit (or aid) and more debt or obligations. When credit is short in the form of aid, supplier credits and commercial loans can sometimes fill the gap. This, of course, only adds
solution to its economic problems. But eventually the debt requirements forced it to comply with I.M.F. in order to obtain a loan to pay back its debts that had accrued.

to the debt owed at a later time.

Once countries have accepted the aid solution they find themselves unable to free themselves from debt service. In this process because of the 'special conditions' attached to aid, they usually suffer internal friction between the power elite and the rest of the population. This further weakens their ability to seek independence since aid expands to fill many parts of their power base. Military aid agreements, technical assistance, imports and trade agreements, food imports, etc. It can be argued that to guarantee a market (even if limited) and source of raw materials, the purpose of the donor is neither to collect the debt nor force an economic crisis, but rather to keep the dependent country bound, through its debt to the donor organization.

This relationship is monitored by two interlinking criteria. One is foreign exchange and the other is the balance of payments. Arising out of the Bretton Woods agreement a country's currency has to be valued and backed by gold for foreign currency uses. That is, the country has to make up the difference between supply
and demand for foreign exchange through its gold reserves. If supply and demand are consistently out of balance, say deficits in the balance of payments, a foreign exchange crisis follows. In the Third World it is usually this situation that exists.

When aid debts and a balance of payments crisis is close, a country can take different courses of action. What actions it takes and how well it survives this action will illustrate its independence.

1. A country can refuse to pay its debts. This will result in sanctions and trade blockades as for Cuba. Cuba, however, became dependent on the U.S.S.R.

2. A country can reschedule and refinance its debts. This is only a method of putting debt off with added interest. If anything, for a country to be able to do this it would have to be tied to another.

3. A country can obtain new foreign aid. (This is the most used technique). The situation is the same as point 2.

4. It can enforce foreign companies to reinvest
their profits back into the country. This will scare away new investment, and some companies might decide to close down their operations in that country. To survive the repercussions of this action, without having to give away something else is an indicator of a certain amount of independence. (South Africa)

5. It can, of course, nationalize foreign investment. This is likely to result in sanctions of international trade.

6. A country can reduce its imports bill and enhance earnings from its exports. This can be done by:

   (a) Exchange controls. Allows for corruption and misuse.

   (b) Devaluation or a floating exchange rate. This should give exports a boost but the problems are that on an open market there is no guarantee that imports will stop, at even higher prices. It could, however, reinforce the elite class since they would be encouraged to make higher profits to pay for the
the increased prices. If this is not coupled with foreign exchange limitations, foreign firms could in fact make higher profits, to be sent out of the country. The country might in fact lose money if they are already selling all they can produce of a particular product.

(c) Multiple exchange rates - better solution than (b).

(d) and import restrictions.

To be able to do any of these will indicate a certain amount of independence but it is unlikely to change the situation much. It could, in fact, make a country more dependent in a narrower field.

7. A country can follow a policy of deflation of monetary and fiscal policies by control of free foreign exchange market internally, increase taxes and decrease government spending. This is more likely to illustrate the strength of the government in power than to illustrate its independence from outside forces.

The concept of dualism helps define dependency, since it is the difference between nations that can make one reliant on another. The different sets of conditions make
NOTE: This is certainly true when examining the gap in G.N.P. per capita. See Todaro's Economics for a Developing World, Chapter 5.

the one "superior" and the other "inferior." The conditions of modern versus traditional methods of production, urban versus rural sectors, the co-existence of powerful wealthy nations with poor weak nations all make the one dependent on the other, and there is reason to believe this situation is chronic and not transitional. The gap between the developed world and the underdeveloped world is growing.

Dependency and Egypt

The beginning of Egypt's dependency on the West can be traced back to the construction of the Suez Canal but it is really during the colonial rule and the Second World War that this dependency is concretely put into place in Egypt. Colonial rule, or more accurately occupation, brought with it the administration that allowed Egypt to (a) understand and accept the Western system of power and economic development, (b) trained its army in the British tradition and, (c) built up its reliance on European technical assistance and technology transfer. The Second World War reinforced Egypt's dependence on the West and the creation of Israel about which it had little choice, further increased dependence on military equipment supplies and training for the purposes of
destroying that country. Nasser and the revolution presented an opportunity for decreasing dependency on the outside world and succeeded in breaking most ties to the West but his failure to mobilize the masses into production rather than support for his rhetoric, his impatience at industrializing the Egyptian economy, and his constant involvement in the Arab question drained what little economic potential his country had and while he was clever enough to play the U.S.S.R. with the West he lost sight of the real implications of this. The growing need for aid.


The balance of payments in Egypt can best be illustrated by the widening gap between exports and imports as shown in Diagram 3. Between 1968 and 1972, at great cost to Egypt, the gap was almost closed but with her swing to the West after 1973 and the oil price increases this balance had become a negative factor of almost $3,000 million. This state of affairs was further aggrevated by the fact that up to 1962 deficits had been financed largely through Egypt's gold reserves. From 1946 to 1962 $1,082 million in foreign exchange

REFERENCE: B. Hanson and G. Marzouk's Development and Economic Policy in the UAR,
EGYPT'S TRADE AND DEBT

DIAGRAM 4.

Source: 1952-1970 Trade Figures
UAR Statistical Handbook
1952-1964, Cairo.

Agency for Public Mobilization
and Statistics. 1965, p. 186;
1972, p. 244.

1971-1975 Trade Figures
UN Monthly Bulletin of
Statistics. June 1975,
pp. 112-113.

Debt Service Adel Hussein
had been bought with gold, depleting Egypt's gold reserves to -$20 million. This meant that after 1962 the annual deficit had to be made up by a mounting foreign indebtedness. A 1972 balance of payments crisis created the restrictive imports control and was partly responsible for the timing of the October War in 1973, an attempt to get the stagnating economy back on its feet. The 1976 payments crisis is discussed under item 2 point 3 in this section.

In 1969 Egypt's non-military foreign debt was $3,600 million but by 1975 this debt had increased to $6,900 million.

2. Dependence

To illustrate Egypt's dependence I will examine it against the criteria set out in the text above.

1) Default of debts. To my knowledge Egypt has not attempted this. The repercussions both internally and externally would be too severe for the existing government to retain control. It is therefore dependent on aid.

2) Reschedule debts. Egypt has done this with the obvious repercussions. Growing debt and dependency.
This was an attempt to draw Sadat away from his already growing interest in the West.

REFERENCE: Hammond and Alexander's Political Dynamics in the Middle East, Malcom Kerr's article "The United Arab Republic," page 208.

3) New foreign aid. Nasser was able to generate different sources of new aid by playing the West against the U.S.S.R. Sadat, on the other hand, was not able to carry out these political gymnastics, partly because he had chosen, after the 1973 War to align his interests with the West and partly because of the experience both the U.S. and the U.S.S.R. had had with Nasser. In the 1976 Egyptian economic crisis he tried a "stand off" with the I.M.F. but G.A.D.E. (under I.M.F. influence), the World Bank and the I.M.F. withheld loans unless:

(a) production controls were eliminated;
(b) public sector institutions were decentralized;
(c) food subsidies were reduced and the E.P. had to be freefloating;
(d) compensation for U.S. investments from 1952 had to be paid in full.

Sadat finally gave in to the demands and within two weeks G.A.D.E. provided a $250 million loan, the I.M.F. provided a $450 million loan over three years, and the U.S.A.I.D. grant, part of which was the M.I.T./C.U.
program, was okayed. New aid was available but conditions were attached. Egypt became more dependent on the West.

4) Forced reinvestment. Egypt has reversed policies after 1975 that now allow for foreign investment into Egypt and profits out.

5) Nationalize foreign investment. After the revolution, attempts at attracting foreign investment were made but the economic situation deteriorated. Nasser attempted to rescue Egypt by nationalizing all the financial institutions and heavy industry and hold direct control over external trade in the early 1960's. This increased the public sectors involvement in the G.D.P. and government spending in industry, finance, transport and communications grew from 11% of G.D.P. in 1953 to 55% in 1962. It did not work. The results were a growing bureaucracy and still a constant need for aid. Sadat has reversed these policies but is still left with an inefficient and corrupt bureaucracy and the original move to nationalize industry, banks, etc. has left Egypt with a double problem.
6) Import, Export controls.

(a) Exchange controls have been used, and misused in Egypt.

(b) Devaluation. Egypt has in the last ten years devalued at least twice and both occasions were related to conditions in aid grants. But it must be remembered that Egypt has to import resources so devaluation actually increases the costs of local industrial products. Cotton production, while not at its potential maximum supply, it is under present conditions unable to increase and therefore devaluation actually reduces foreign income from cotton.

(c) Multiple exchange rates (no research done).

(d) Import restrictions. In 1972 Egypt suffered from an impending financial crisis. In an attempt to cure its ills it introduced import limitations that severely hampered efficient use of existing agricultural and industrial capacity. The lack of imported pesticides and fertilizer has delayed the "Green Revolution" and industrial plant lies idle in some
cases due to the lack of spare parts and raw materials. Egypt's ability to earn foreign exchange for needed imports is circumscribed by its financial inability to import the necessary imports for export production. The 1976 financial crisis brought about new foreign aid with the conditions that import restrictions be totally lifted. This was done. To get aid it has to allow imports which it needs anyway.

Egypt's military spending, coupled with its overpopulation and the paucity of its basic raw materials and currency earning commodities, have made Egypt almost totally dependent on foreign aid for economic survival and solvency. In 1974 Egypt received $300 million in aid from Saudi Arabia, $84 million from France and $1,285 million in credits and assistance from the I.B.R.D. By mid-1975 Egypt's indebtedness to the West alone was approximately $3,000 million and the Soviet bloc loans for civilian projects was over $1,000 million. This debt has had to be paid by exports of cotton and earnings of
the Suez Canal which have reduced the hard currency earning capacity of the country. It is increasingly dependent on the West for its survival.

1.2.3 THE HELPING HAND. A RADICAL VIEW.

Putting aside for the moment the large multi-national organizations, it can be argued that capitalism does not require foreign relations to make it work. The external relations of a capitalist nation are subject to the logic and requirements of self reliant internal accumulation. Based on this assumption, three points illustrate the differences between a developed capitalist nation and a developing one.

1. The developed countries emerged from the gradual breaking up of the feudal modes of production. First the "Agricultural" revolution and then the "Industrial" revolution taking place.
2. The interrelationship between the new industrial dominant class and the ruling landowners was essential to form a mature and powerful nation state.

3. Subjection of the external economic and political relations to internal accumulation shaped the capitalist world.

None of these points hold true for the developing Third World as can be illustrated by looking at the stages of their evolution there.

Accumulation under the impetus from the developed world starts with the creation of the export sector. This is because raw materials and food will have lower production costs. The "backwardness" of an undeveloped country allows for cheap labor. The major difference at this stage is one of heterogeneous productive forces in the undeveloped world, advanced in the export sector and retarded in the rest of the economy, versus homogeneous productive forces in the developed world. The domestic market is distorted and the wealthy grow richer in the developed world, their consumption is based on the Third World production.

After a time the domestic market emerges but this is
for the few. Most of the capital for the export sector is foreign and returns often flow back to the developed world. A few people however do get some of it. This usually makes for a luxury goods demand, imports from the developed world. These few form the elite class and to keep labor costs low they strengthen their power over labor with the help of the developed world. The differences then are (a) the capitalist mode of production is introduced from "outside", (b) class alliances are international and not national, (c) external relations are not subject to the logic of internal development.

The three forces that might act on this situation are (a) the exploited, but small, proletariat, (b) the present masses and, (c) the national bourgeoisie who want a part in the economic base. Also, during this time it is usual that the Third World exports primary commodities and has to buy manufactured goods. They are not "allowed" to industrialize by the developed world. The national bourgeoisie compete with the proletariat for leadership and usually the bourgeoisie win. Because of their connections and class alliance with the developed world
they are able to industrialize. Industrialization acts as an import substitution for luxury goods, usually highly capital intensive and using scarce resources distorting the allocation of resources in favor of new products. As a result of this refocus of interests stagnation in the subsistence agriculture takes place and hence the marginalization of the masses.

Urbanization follows naturally, people move off the low productive land and this guarantees a labor source for the industrial areas. This migration is usually larger than the number of jobs available and the resulting unemployment guarantees a low minimum wage rate. Marginalization is the condition underlying the integration of the elite minority with the world system and confirms the social, cultural, ideological and political integration of the privileged class with the developed world.

The mechanisms of domination by transnational companies and dependance on the transfer of technology now are in place. The growing luxury goods sector requires capital intensive investments provided by these companies. A more complex form of ownership and economic management make their
appearance, often brought into being by the state. There is still no move towards self reliance or development of mass consumption. No agricultural revolution has yet taken place in spite of the introduction of land reforms. In fact the Third World becomes importers of food.

The dominant class soon has to spread its power to retain control. Its alignment with foreign influences has weakened its nationalistic attitude. Development still remains dependent on exports of raw materials and the rate of growth of the country is determined within the existing order of relationships. To avoid a crisis the dominant class demands the creation of a "new international order" by imposing increases in real prices of raw materials. Further resources thus gained coupled with the imported technology allows the Third World to finance a new stage in industrialization, with large scale exports back to the developed world.

Whether this situation allows for the development of political independence on this new economic base is debatable. The situation could be manipulated by international monopolies and not controlled by a Third World wanting self
reliance. One thing does happen however and that is the beginnings of the Fourth World. Theoretically, the stage reached should not require any interrelationships between Third World countries since its momentum would be achieved by exports back to the developed world. The Third World is very uneven in terms of economic development. A country with the abundance of raw material, political solidity and well developed links to the developed world could advance faster if it also had markets in the other less developed Third World and access to their raw materials at still cheaper prices.

**Egypt and the Helping Hand**

There has been no agricultural revolution in Egypt. There is still a landlord tenant relationship and while the landlords have lost political and economic power the revolution did not restructure the existing social relationships between landlord and peasant. External economic and political relations are not subject to internal accumulation. The Capitalist mode of production is being introduced from
the outside and class alliances are being structured at the international level. External relations are determining internal development.

The results of Egypt's growing dependency are obvious.

1) Trade agreements are bound up with aid agreements and Egypt is not free to seek out the "best prices" for its products.

2) Egypt imports capital goods, sophisticated technology and more recently, food.

3) Egypt suffers from growing internal frictions.

"The worsening economic situation has naturally resulted in much social discontent, particularly among industrial workers whose inadequate $30 a month wage packets have been further eroded by the soaring inflation. A number of strikes, demonstrations and riots have thus occurred during 1974 and 1975, which have manifested the growing impatience of this most 'Nasserite' sector of society with the economic and social policies of the present leadership. For example, on January 1, 1975, workers from the Helwan iron and steel complex rioted in downtown Cairo chanting: 'Ya batal al-Ulbur, feen al-futur,' which translates to 'hero of the (Canal) crossing, where is our breakfast?' Sadat responded to the demonstrations by announcing reallocations from the hard currency budget for imports of essentials like meat, tea, sugar and cheap cotton fabrics.

"The demands of the rioting crowd, however reflected a more general malaise than the mere concern over the rising cost of living. Chanting such slogans as 'Sadat,
your government are thieves and you are blind', and 'We work full-time and the government robs the country full-time,' the demonstrating workers and their student sympathisers were communicating to the leadership their disillusionment with the country's entire social structure. In present day Egypt, and particularly in Cairo, mass transport, sewage systems, water supplies, telephone communications, roads, hospitals and similar services are painfully inadequate. Government and bureaucratic corruption is rampant, and the gap between the rich few and the poor masses has, if anything, become greater as a result of the 'liberalisation measures.'

4) One thing Egypt does have is a potentially cheap labor force. Marginalization of the masses is apparent and a high rate of urbanization is in progress with resulting low minimum wages.

The one exception from the text above that Egypt has is that the West's interests in the area are not related to any resources Egypt might possess but rather in her strategic importance in the Middle East, both her physical relationship and the political importance she holds for the Arab world. Egypt is in debt "up to her ears" and her growing dependency on the West will provide those countries with the political leverage and economic "stick" they need in the Middle East to protect their interests in oil and maintain some form of equilibrium if not peace there.
Egypt then is a Third World country that has, through its desire to develop, accrued a large debt to the Western world and has progressively become more dependent on the West.

In this chapter I will show that the M.I.T./C.U. program is directly linked to U.S. foreign policy and that the U.S.A.I.D. has the power to define projects to be tackled. There is reaction to this by the Egyptian Government. M.I.T. has been used as a consultant body, presumably because of its reputation as a highly sophisticated technologically oriented school, and this is what is needed in Egypt to improve its
problem definition techniques and research capabilities. The problem areas, defined by M.I.T., are large and some background to the housing situation is included to illustrate this. The M.I.T./C.U. program, started in December 1977, has uncovered program complications, some general to all projects, others specific to a particular project as is illustrated with the Housing and Construction project. These complications suggest the complexity of the interrelationships between the three main actors, donor (the U.S.A.I.D.), the receiver (Egypt) and the consultant (M.I.T.). For comparison purposes another housing program being carried out in Egypt through aid is briefly discussed. It is shown that the two projects, dealing with Egypt's housing problem have a difference in approach.

Throughout the chapter two main factors become apparent: (a) that the M.I.T./C.U. program supports the aid donor's objective of increasing Western influence over Egypt at many levels. (b) That there is some doubt, due to the complications within the M.I.T./C.U. program, as to the true value of the program and its projects to Egypt. In conclusion then the consultant's role is examined in depth with reference to the M.I.T./C.U. program to reinforce this doubt.
Sadat's "open door" policy (Infitah) in the aftermath of the 1973 October War had two proclaimed aims. One political and the other economic. Rapproachment with the U.S.A. was supposed to permit a rapid solution of the Arab/Israel conflict, and by the same token extract Egypt from its state of war. Egypt also was to abandon the path of Nasserite "socialism" and take that of an openly capitalist development. With the move towards peace between Egypt and Israel and the restructuring of foreign policy, aid started to flow into Egypt. The M.I.T./C.U. program is part of that flow of aid.

2.4 THE MIT/CU PROGRAM

It is clear that this program is directly linked to U.S. foreign policy in the Middle East. It is stated in the contract that..."Egypt as the traditional leader of the Arab World, is the lynchpin in the U.S. diplomatic effort to structure a stable peace in the Middle East." This program makes up approximately 5% of the total U.S.A.I.D. loan to Egypt, negotiated in 1975, and is therefore only one part of a larger program with the same objective. It
has been discussed in Chapter One that the conditions attached to the overall loan are real and form a standard pattern in U.S. aid to the Third World. These conditions are not apparent within the M.I.T./C.U. program at first glance, but it will be shown that the program reinforces them.

In the opening discussions in early 1974 the U.S. Treasury Secretary Simon found a..."lack of array of acceptable projects for financing" and with the followup in November 1974 of the investigation by the U.S.A.I.D./Treasury Team it was established that what Egypt needed was the ability to define "acceptable projects" and that it was weak in research capability and project definition. The focus was to be process oriented and the product while important was not to be the only concern. The U.S.A.I.D. identified the agencies responsible for the execution and administration of development programs as the individual Ministries in the Egyptian Government. Any program then was to be aimed at upgrading the Ministries capabilities in project definition and evaluation and because U.S.A.I.D. considered that..."numerous advances (had) been made in the
methodologies and procedures for economic evaluation of development projects, and in several disciplines that focus on the transfer and adaptation of technology to developing regions...." it was obvious that U.S. expertise was to be included. The U.S.S.R. had provided economic as well as military aid to Egypt in the past but these projects were mostly "turnkey" operations and did not require the abilities of project evaluation and definition on the part of the Ministries involved. Nasser had also limited the power of the Ministries during his leadership.

Because this program had to deal with teaching and process building as well as actual projects and because of M.I.T.'s record and experience with projects in the Third World it is understandable that M.I.T. was approached for consultant services. The fact that individuals at M.I.T. had personal contact with the U.S.A.I.D. presumably assisted in the structuring and negotiations over the contract that was signed in December 1977. Cairo University was to be used as the local foundation for research development.

The first task was to define a number of projects under the main program within fixed areas as described by the
U.S.A.I.D. M.I.T. carried this task out making sure that it had the required expertise, that the Ministries were interested in, and concerned about the area of study and that Cairo University had the back up facilities. Thirteen project areas were defined (see Appendix A) and work began in 1978. The contract is between U.S.A.I.D. and M.I.T. and Cairo University became a third party subcontracted to M.I.T. The contract has been renewed three times and the latest development shifts most of the administration of the program to Cairo University. In parallel, program monitoring has been moved from U.S.A.I.D. in Washington to its offices in Cairo.

The program is to continue for five years (starting December 1977) at which time it is envisaged that an institute of research will be in place at Cairo University. U.S.A.I.D. funding will then stop and the institute will be required to fund its own work. Three scenarios for the future of M.I.T. as related to this institute are (a) either M.I.T. drops out of the program altogether, or (b) the contract is renewed for a further number of years, but not necessarily carrying all 13 projects, or (c) the most
MIT/CU PROGRAM

DIAGRAM 5

EGYPT REQUEST FOR AID (FROM USA)
NEGOCIATIONS FOR VARIOUS PROGRAMS AND CONDITIONS ATTACHED TO AID.

US AID/EGYPT DEVELOPMENT PROGRAM

FORMATION OF USAID OFFICES IN EGYPT.

VARIOUS PROGRAMS DEFINED AND INITIATED

DISCUSSIONS BETWEEN MIT/USAID,
BASIC STRUCTURE OF PROGRAM SET

A.I.D. EGYPT.  A.I.D. USA.  MIT  CAIRO UNIV.  MINISTRIES

INPUT  INPUT  INPUT  INPUT  INPUT

PROPOSAL

C.I.C. APROVAL
O.S.P. NEGOCIATES
T.A.P. FUNCTIONS

INPUT

APPROVAL

C.U. BECOMES 3RD PARTY TO CONTRACT

DEF. OF PROJECTS
WORK PROGRAM
MIT USA AND MIT CAIRO

EVALUATION OF PROGRAM AT POINTS THROUGHOUT PROGRAM TIME

NEW INSTITUTE FORMED

ADMIN. MOVES TO CAIRO

NORMAL LINKS

OTHER JOBS
WORK FROM OUTSIDE

ADMIN MOVES TO INSTITUTE

M.I.T. PROGRAM COMPLETE

M.I.T. PROGRAM COMPLETE
favored by the Technical Adaptation Program at M.I.T., that the institute, now in charge of its development will continue to use M.I.T. expertise within special contracts in particular programs.

Of the 13 projects, focus will be placed on the project dealing with the Housing and Construction development in Egypt.

Before describing this project a brief outline of the basic issues facing Egypt should be discussed. There is a complex set of interlinking factors which distract from Egypt's development potential. These have to be tackled if Egypt wishes to progress into the sphere of Western development. The U.S.A.I.D. defines the most critical as follows:

(a) An increasing deficit in balance of payments has to be turned around.

(b) Slow growth of domestic product has to be improved.

(c) The large foreign debt service and consequent debt service charges and lack of foreign exchange have to be dealt with.

(d) The skyrocketing cost of living subsidies, due to world-wide increase in food prices has to be steadied.

REFERENCE: Issues, as defined in Immediate Action Proposals for Housing in Egypt, the Joint Housing Team, June 1976.

NOTE: Some of these issues deal with world-wide problems. It is difficult to understand how Egypt is supposed to be able to solve the problems surrounding the issues by itself.
(e) Inflation (29% in 1975) has to be reduced.

(f) The skew income distribution has to be flattened out. The average income per capita is approximately U.S. $250.00 with the top 10% earning over U.S.$1600 and 40% below $200.00.

(g) Attention has to be payed to the massive increase in urban population. The national growth average of 2.5% can be compared with an urban population growth of 3.6% (and in Cairo 4%) with 40% of the population urbanized.

(h) Item (g) results in a series of urban problems that have to be tackled. There is a chronic shortage of housing and building materials and service infrastructures are being overloaded and breaking down. Water, sewerage and garbage disposal, electricity and transportation requirements all need attention.

(i) Population location causes conflicts of land use for major urban and farming expansion. Most Egyptians, both urban and rural, live in a tight band of land along the edges of the Nile. They cannot live in the nine-tenths of Egypt which is desert.
(j) And a set of legislative controls have to be changed which at present tend to retard rather than assist most areas of development.

A set of short term goals as well as long term strategies are required in Egypt both for political reasons for the power elite and for alleviation of the population from the problems that are approaching the critical level. The M.I.T./C.U. program does not attempt to tackle all these problems, nor define which are the most critical but simply carries out projects around which they have the expertise, and focus on the process of problem definition and evaluation.

2.1.1 THE HOUSING AND CONSTRUCTION PROJECT WITHIN THE M.I.T./C.U. PROGRAM

The Situation at Present.

There is an estimated present need for 1.5 million housing units in the urban areas of Egypt. It is likely this will double in the next ten years. While the people
of Egypt have experienced major advances in their living standards over the last 15 years many problems still remain such as, high rate of population increase, rapid urbanization, and a low level of income among large numbers of people. The economy has been heavily burned by the cost-ly military confrontations of the past decade, hopefully now to be reduced. One of the major challenges at present is the need to provide shelter and opportunities for advancement for its growing urban population. The poorest families spend 20% of their income on rents, twice that of the middle income group and a large floating population, not included in the above figures, probably spend more on shelter. Their cost of shelter per m² is higher than that of the middle income group. The informal sector accounts for over half of the current construction activity. Taking Cairo as an example it is not surprising to find that the housing problem is especially severe here. In 1970 only 44% of buildings in the Greater Cairo region were connected to public or private sewerage systems. Water served 50% of the buildings. Over 40% of buildings were not connected to any electricity network. Health services were poor, one
general clinic for every 180,000 people, and recreation facilities are scarce. Add to this rising land values, encroachment on agricultural land, imbalance in the distribution of housing and employment, traffic congestion, supply of public housing outstripped by demand, mounting densities, overcrowding and the proliferation of uncontrolled settlements (housing some 300,000 people per year) and one has some understanding of the breadth of the problem. These problems have been growing over a period of time and the Egyptian Government has already made several attempts at alleviating them. By introducing rent control, housing inflation was to be controlled and a demonstration of the governments egalitarian objectives was given. Rent was just to cover original costs, but this was 20 years ago. More recent construction had its rents rolled back to the original rates and therefore over time incentives for new housing diminished. This in turn created a demand with little or no supply of housing. "Key money" has become the practice, more regressive than market rents would be and resulting in a horizontal inequity, poor housing maintenance and slow turnover in the housing stock. In an attempt to
deal with the rising costs of housing, fixed rents and trade deficits, the government set prices and allocation of building materials. The prices were fixed below the international level. The reaction was the development of a black market in building materials with costs higher than international levels and bribing and corruption for allocations. Fearing a further reduction in private housing supply (which was correctly founded) the government instigated a large scale public housing program, taking advantage of the possibility to improve the average quality of existing housing with the result that even with huge subsidization, housing at this level was far too expensive for the poor.

With the assistance of economic development experts Egypt has now set itself a goal directed at a fast economic recovery and growth through a massive reconstruction and development program. Five objectives have been defined: (1) rapid recovery from the physical damages sustained in the Suez Canal region during the 1967 and 1973 wars. (2) diversion of population settlements from the crowded cities of Cairo and Alexandria, and the arrest of encroachment of urban growth into agricultural lands by developments
in the Suez Canal area, the coastal zones of the western and eastern deserts, the Sinai Peninsula, and the development of up to five satellite cities around Cairo.

(3) the development of massive desert reclamation projects for agro-industrial operations.

(4) the upgrading of the long neglected infrastructure system, particularly in the cities of Cairo and Alexandria.

(5) to develop the construction industry, through industrialization of the building sector and development of the construction materials industry to meet the increasing demands of the domestic market, and eventually to produce surplus material for export.

The Project Outline

The M.I.T./C.U. program (Housing and Construction project) defined three subprojects, only one of which considered the plight of the poor directly.

1. STUDY OF INSTITUTIONAL ASPECTS, PUBLIC POLICY AND ECONOMICS OF HOUSING.

"The Housing Economy Subproject has been developing a working simulation model of the Egyptian housing economy in order to study a range of policy issues of long range interest to the Ministries of Housing and New Communities."
"The relative roles of the public and private sectors in housing and construction are of particular interest, in terms of how to encourage the private sector's development and increase its contribution to the industry in line with Egypt's need for increased construction capacity. The long-term goal, then, is to develop specific and detailed recommendations entailing significant structural suggestions for change, identification of mechanisms for their achievement, and evaluation of their impacts on overall industry operations.

"The research was further extended as a result of the seminar on 'Development of New Approaches to Housing Policy and Production in Egypt', held in Cairo 21-24 January 1978, where the importance of organization and management was stressed. It was thus decided to include studies and investigations on actual practices of organization and on potential opportunities for the application of modern management tools and techniques to raise productivity in the traditional, prefabrication and informal types of building.

"The original plan was to start the study in one of the eleven prefabricated houses companies, and the Helwan Company was selected. But because of the delays in the operation of the Company, it was thought that undertaking the study on the traditional sector could be more useful. The development of methods, specifications and measurements in the traditional sector of building could lead to suggestions for adaptations in the prefabricated products and components in order to help the introduction of more mechanization and standardization to both the traditional and informal sectors of building. Furthermore, economies of cost and time of building could be achieved by cutting down the range and variety of designs and specifications of units and components produced. Thus, the advantages of tools like simplification, standardization and specialization could be of benefit."
2. HOUSING CONSTRUCTION SYSTEMS AND DESIGN NORMS: PREFABRICATION.

The initial aim was to evaluate the effectiveness and production capacity of the prefabrication factories imported to Egypt. For the reasons discussed above this has been shifted to work on "minimum" standards and norms, now conceived as trade-off functions and the "prefabrication" team has developed a set of proposals for a basic "support" system, along with suggestions for modular coordination and simplification of precast elements, based on the "Dunstone Formula" and the 10-20 cm tartan grid system developed by Professor N.J. Habraken's Stichting Architecten Research (SAR) methodology. The methodology does not aim at the "design" of specific plan solutions or "minimum" layouts, but provides dwelling "sites" of specific spatial and modular capacity to accommodate clearly defined ranges of variations of plans and layouts.

REFERENCE: Ibid.

3. HOUSING FOR THE LOW INCOME AND INFORMAL SECTOR.

"This research is directed toward development of alternative physical planning models to replace existing public housing practices. The 'informal development' process is the primary basis for devel-
opment of compact, urban models, but the investigation also includes the appropriate involvement of the private sector. Focus is on the physical planning (site development, utilities, and dwellings), but the research includes other directly related aspects which are being prepared by separate 'expertise groups': alternative materials and construction techniques, user needs, institutional/organizational parameters and economic impact of proposed alternative housing policies."

2.1.2 PROBLEM AREAS WITHIN THE OVERALL PROGRAM AREA

Through a series of interviews with various members of the program team and the use of a structured questionnaire I have been able to isolate out some problem areas. The questionnaire and the responses are reproduced in full in Appendix C. In the following sections reference will only be made to specific questions which can be followed up by reference to this Appendix. The Housing and Construction project has also contributed to this questionnaire and many of the problems apply to them as well as other project areas. A more detailed evaluation of the Housing and Construction project follows the general areas of concern.

Formal interviews were held with:

Dr. N. John Habraken (Housing and Construction)
Dr. William Wheaton (Housing and Construction)
NOTE: All questions and answers referred to in the text are included in Appendix C.

Dr. Ralph Gakenheimer (Urban Transportation)
Dr. Martin Weitzman (Energy)
Dr. Peter Eagleson (Water Resource Planning)
Professor Suzane Berger (Small Scale Industry)

These interviews were preceded with and followed by informal discussions with Habraken, Wheaton and Gakenheimer. Other informal interviews were held with Dr. Fred Moavenzadeh (Steering Committee Director), Kevin O'Toole (T.A.P., M.I.T.), Carol Van Aken (O.S.P., M.I.T.), and Nezar Al Sayyad (Research Assistant).

The issues which surfaced can be summarized as follows.

(A) **Questionable response of the Egyptian Government to the program.**

From the answers to Question 18 various team members are aware of some resistance to the program by the Egyptian Government. Question 14 indicates that Cairo University must also be aware of this. Question 15 reaffirms it "There is some resistance to the research" (response 2). It is also apparent that in the Progress Report, November 1978 while most

NOTE: Objectives (2) and (3) deal with the formulation of an Institute of project teams consider their relationships with the various Ministries as excellent a few have suggested that there is room for improvement. It is possible that this resentment has its origins in the relationship between the U.S.A.I.D. and the Egyptian Government. U.S.A.I.D. clearly stated that they were not in favor of supporting a "New Towns" policy of President Sadat. In terms of the actual M.I.T./C.U. program, there are no immediate results or actions to be taken which would demonstrate to the Egyptian people that progress is being made. Something the Egyptian Government had hoped for, especially in the light of the publicity given to the "Open door" policy with headlines in the government controlled newspaper like "Dollar Knocking on Egypt's Door."

(B) The Team Structure
This breaks down into two areas of criticism. The first deals with the isolation of the Steering Committee and the administration of the program (for reaching objectives (2) and (3) see Introduction) from the rest of the program, and the weak interrelationships
research in Cairo and improving the evaluation and definition capabilities of the Ministries. between the projects. Dr. Wheaton sees each project separated out and little attempt has been made at making inter-project connections to his disappointment. Drs. Gakenheimer and Habraken are also aware of this weak linkage in the overall program due in part to the "individualism" which prevails at M.I.T. (See also Question 9 response 4). Question 9 indicates that most people interviewed consider the cross discipline links and relationships between projects as satisfactory but Question 3 indicates to me, because of the varying answers, that other teams are not concerned about the Steering Committee or other projects beyond the necessary contacts demanded by the nature of the problem at hand.

The second team structure problem relates to the competence of team counterparts at Cairo University. Question 8 (C), 11 (A) responses 1, 3 and 6 and Question 12 (A) all indicate that M.I.T. is forced to accommodate the naivety and partially unsophisticated intellectual abilities of the people at Cairo University. The product therefore suffers
from a compromise on the part of the M.I.T. expert. There appears to be little problem within M.I.T. (Question 12 (B)).

In summary there is, at least for some of the people interviewed, a lack of overall program and cross team understanding and spirit with little attempt to integrate individual projects within the overall objectives of the program. This does not mean that these objectives are not being reached. There is also apparently some frustration with Cairo University counterparts in their inability to grasp the sophisticated level at which M.I.T. works. This is illustrated in physical terms by the problem some of the project areas are having in adapting their models to Cairo University's computer.

**Distance and Data Base**

In Question 23 five out of six people interviewed considered the distance between the two institutions as a limiting factor on the program. A poor Egyptian data base also appeared to be a consistent problem as illustrated by responses 2 and 4 to Question 11 (A).
Sustained Interest

Two people suggested that there was a possible problem of sustaining interest at the project level by M.I.T. members. M.I.T. wants to keep on the move. This is supported by responses to Question 8 (A) and Dr. Peter Eagleson's statement that he was now acting in a supervisory capacity with "other" people carrying out most of the work.

Open-ended Program Structure

Questions 4, 5 and 6 clearly indicate that project definition was open-ended, to be controlled and structured by M.I.T. with input from Cairo and the Ministries. There are two issues which a broadly defined program might generate. The first is that a particular project itself might be too loosely defined and therefore become unwieldy or too broad for practical purposes. This is evidently not a problem for all teams since only once in the interviews has anyone referred to the looseness of the program (Question 11 (A) response 6). The second issue is that within an open-ended structure it is extremely probable that a West-
ern educated professional will bring to the problem his/her own experience, Western theory and structure Western based solutions to that problem to "tighten" it up. It could be argued that this would happen anyway but the point here is that if a problem area is not specifically defined and limited it is more likely to happen and local factors are less likely to aid in the structuring of the problem, since the problem has to be defined before research can start. Whether the system is flexible enough to allow for refocusing is now being tested in the Housing and Construction project.

(F) Two issues not covered in the Questionnaire but require mention here are; Cultural Differences. It is obvious that the history, religion, language, arts, and social norms of a foreign country will have important impact on any program developed outside that country.

"Dr. Gödel then concentrated on explaining some of the characteristics of Islamic-Sharia Law, which is based on the Koran, and which embodies principles of law, often quite different from western codices. For example, according to Sharia Law, no interest is

REFERENCE: Marie Christine Aulas' Sadat's Egypt in The New Left Review, No. 98 (July/August 1976), page 85.

REFERENCE: Immediate Action Proposals for Housing in Egypt, June 1976 by the Joint Housing Team, page xii.

allowed on debts, and there is no time limits on deeds. There are equally different procedural rules, e.g., the witness of two Moslems automatically overrides that of a Christian, even in the case of legal documentation."

In the M.I.T./C.U. program this can be illustrated by the comment from a member of one of the teams, an Egyptian, that the final report when translated "would have to be worded slightly differently to make a more successful impact on the Minister concerned."

Realistic Goals of the Egyptian Government. The Egyptian Government is guilty of setting extremely high goals as is illustrated by an attempted growth rate of 12.6% over five years at the beginning of the 1976-80 five year plan. This has not been fulfilled. U.S.A.I.D. however considers a more realistic goal to be much lower than this.

"The Government of Egypt looks, with some justified optimism, on the potential of the national economy in the years ahead. Nonetheless, the growth target of 6.5 percent real growth in the economy to the year 2000 must be considered at the top range of possible performance as there are still many basic economic problems to be dealt with and, of course, unforeseen events may occur over such a long time period."
Program Administration Administration plays an excessively large role in the overall M.I.T./C.U. program because two of the three objectives (see Introduction) are concerned with the development of an institution, and awareness in problem definition and evaluation capabilities in the Ministries. The projects only reinforce these goals and are not directly responsible for their development. This means a large number of committees and departments are involved in structuring this aspect of the program. There are over twelve committees, departments and organizations not counting each Egyptian Ministry or the individual teams involved which are concerned with this project. There even is an administrator who decides what should go where and who should meet who. It becomes too large for full understanding at the individual project level. Three people interviewed, Carol Van Aken, Ralph Gakenheimer and one respondent (Question 11 (B) response 2) have made reference to the size of the bureaucracy involved.

The contract sum is made up of U.S. $790,000 and Egypt-
bursement Contract with Education Institution, No. NE-C-1291, December 1977 between M.I.T. and U.S. A.I.D.

ian Pounds E.P. 433,000. The actual exchange value is U.S. $5.5 to E.P. 3.3 (as of March 1979) while for the purposes of this contract a ratio of 1 to 1 is being used. It must also be noted that as part of the subcontract between M.I.T. and Cairo University, Cairo costs will be paid in E.P.'s presumably to reduce the flow of foreign exchange to Egypt.

Actual cost breakdowns per year (for 1978) are:

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>U.S.$</th>
<th>E.P.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration Services</td>
<td>332,000</td>
<td>154,400</td>
</tr>
<tr>
<td>Teams (before their own adminis-</td>
<td>314,000</td>
<td>123,700</td>
</tr>
<tr>
<td>tration costs have been taken off)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visits Fellows Program</td>
<td>98,000</td>
<td>5,600</td>
</tr>
<tr>
<td>Conferences and Seminars</td>
<td>4,000</td>
<td>74,400</td>
</tr>
<tr>
<td>Other</td>
<td>42,000</td>
<td>94,900</td>
</tr>
<tr>
<td></td>
<td>790,000</td>
<td>433,000</td>
</tr>
</tbody>
</table>

2.1.3 PROBLEM AREAS WITHIN THE HOUSING AND CONSTRUCTION PROJECT

As stated in the contract document it is obvious that the M.I.T./C.U. program is designed to work indirectly down to the people of Egypt from the top. This is further reinforced by the program's evaluation criteria. There is con-

NOTE: High costs of the administration, fellow visits obviously to U.S.A. and conferences to Egypt. Flow of Western knowledge and know-how reinforced.

trol and direction for the established projects but as indicated from responses to Questions 4, 5 and 6 this lies within a loose framework in which M.I.T. brings to bare its own abilities and Western theory. The Housing and Construction project illustrates this. With response to, and guidance from the Egyptian Ministry involved it has clearly brought a "theory" of space use and the likely construction methods of prefabrication to join with Egypt's interest in prefabrication and indirectly, its New Towns policy.

The Egyptian Government, despite the high costs of capital required, lower cost of its labor structure, and the scarcity of foreign exchange, in 1975 signed contracts with eleven prefabrication housing firms from Western and Eastern Europe. Each firm was to deliver and erect a prefabricated housing plant with capacities that varied from one to two thousand units annually. Some prototypes have been produced but none of the factories have yet been put into full operation. The high cost of prefabrication being the main limiting factor. This has been proven by Professor Wheaton (within the assumption that the model used
is a relatively accurate reflection of conditions in Egypt).


"Conclusions"

(1) The total cost per m$^2$ of floor space in a four story walk-up apartment, using 1978 market prices, varies between three building systems roughly as shown:

- Conventional load-bearing: 61LE
- Conventional skeleton: 67LE
- Large panel prefabrication: 84LE

(2) The large panel prefabrication system has the highest usage of cement and steel, while the load-bearing method has the least. In terms of wood and brick usage, the ranking is exactly the reverse. In both cases, conventional skeleton construction is the middle. The difference in total costs, between prefabrication and conventional skeleton, breaks down as follows:

- Material costs: +6LE
- Labor costs: +3LE
- Plant capital costs: +8LE
- Total: 18LE

(3) These results are reasonably sensitive to the particular input prices used. If the calculations are done with official Government materials prices then the material cost differential above approximately disappears. Similarly, if the current Government discount rate of 8% is used, the cost of plant capital in prefabrication will be half of the value above (which is based on estimates of the true opportunity cost of capital).

(4) These results run contrary to the conventional wisdom that prefabrication substitutes capital for labor. This wisdom is based on the assumption that factory labor is generally less expensive than the site of labor of conventional construc-
tion. In Egypt, the site labor displaced by the large panel prefabrication system is the least skilled, while factory labor is relatively more highly skilled.

(5) Based on the tentative conclusions, the wisdom of proceeding in the large panel prefabrication has to be questioned. Even if the plant and equipment costs are regarded as sunk, the variable costs of prefabrication (labor, materials) appear substantially higher than conventional systems."

The Egyptian government has been aware of the need to subsidize these factories but at the rates required to make this industry viable it would again be stretching its resources as with its own previous housing program.

"The Information concerning the organizational integration of the factories within the overall structure of the building industry in Egypt is not only ambiguous, but currently undecided.

"Currently, 9 of the 11 factories are nominally public sector companies, and 2 are 'independent,' but nevertheless supported by government loans and subsidies (Prefabricated Houses Co. and Rolan Co.). All factories are also nominally 'independent' in that they are expected to find their own markets for their products, their own clients, and their own sites. In view of the past European and North American experience, large scale prefabrication of housing has been effective only where:

a) The government(s) have provided capital (loans and/or subsidies) for plant and equipment. This condition has been met in Egypt.
b) Assured the plants of continuous large series production runs by providing prepared sites and projects to absorb production.
"The policy of 'independence' does not provide such an assurance of continuity of quantity production. On the other hand, there is a tacit understanding between the government and the factories that when sites will become available, the factories will have an opportunity to bid on large-scale housing projects, or to enter into contractual, fixed-cost agreements for a given number of units for a given site.

"However, based on discussions with the developers of Sadat City, no large-scale prefabrication of five-story dwellings (the standard product of all the eleven factories now installed in Egypt) for this new town is anticipated. Since Sadat City is high on the list of priorities for immediate implementation, and since at least 6 of the eleven factories are ready to assume full production, it is of more than academic interest where the output will eventually be allocated."

Added to this are the interest groups involved in construction and building materials, supply and manufacture, aware that a sophisticated construction industry will guarantee them work.

The U.S.A.I.D. has indicated the need for a broad approach to the housing and construction industry, working at both levels, government and with the people. However, major emphasis was placed on the situation of the poorer people in Egypt.

"During March and April 1976 A.I.D. funded a group of U.S. housing consultants which visited Egypt and worked jointly with Egyptian housing officials from the M.O.H.R. producing a report published in June 1976 titled 'Immediate Action Proposals for Housing in Egypt'.

"The report made major recommendations for shifting attention from middle and upper income housing to new programs directed at lower income groups. It was well received in Egypt and by A.I.D. The major recommendations of the 1976 report included (1) reducing the average cost of housing units by reducing the average size and improving design and construction techniques; (2) increasing the recovery of housing funds from completed dwelling units and reducing subsidies; (3) encouraging the private sector to play a larger role in housing production including mobilization of finance for housing, increasing production of building materials, and phasing out rent controls; (4) developing new emergency programs to focus on the needs of lowest income families who cannot afford regular housing programs; (5) continuing emphasis on training of skilled labor; (6) developing an operational land policy and procedures to reduce speculation and control costs; (7) developing an overall housing policy setting the framework for future projects."

This was followed up by the Joint Report, Housing and Community Upgrading for Low Income Egyptians, Draft May 1977 by the Ministry of Housing and Reconstruction, U.S.A.I.D. and F.C.H. which states its main objectives as identifying potential demonstration projects which would illustrate new approaches to providing shelter and community services for low income Egyptians in urban areas.
NOTE: Remembering the high costs involved in prefabrication.

The problems and restrictions of prefabrication and the attempt at integrating these with the S.A.R. method bridge all three subprojects. It is the common thread throughout the project. The problem then seems to be "if you have a prefabrication policy and are reluctant to give it up what is the most preferred way of moving towards solving the housing problem in Egypt." It appears unlikely that the M.I.T./C.U. Housing and Construction project will conclude that prefabrication; with the cost problems, with the need for the prefabrication industry to standardize products thus avoiding the present inflexibility in their methods; with low user participation in developing these prefab parts, and a supportive government involvement, should in fact be shelved.

To further complicate the present situation there has been a development within the Egyptian Government which has caused setbacks for this M.I.T. team.

"Relations with Ministries
Establishing strong working relations with the appropriate ministries has been the goal throughout the research. Particularly the attempt is to directly involve ministry personnel instead of them just being advisors to the research. Strong ties have been made with the Ministries of Housing
and Reconstruction (now split into two separate ministries), Planning, and the General Organization for Physical Planning. However, recent personnel changes may require re-establishment of relations in some instances. The longer term duration of the project has allowed a more productive collaborative effort.

"Difficulties Encountered:
A primary difficulty throughout has been the lack of continuity in the ministries, particularly in the top positions. The problem of rapid turnover of personnel and reorganization is a problem encountered in many countries, but nonetheless, it leads to shifts in government policies and an inability to develop longer term strategies and research schedules."

Two further complications must be added to the list of problems facing this project. The first, possibly obvious for a Third World country, but also due to the Western methods of problem solutions, is poor data base. All teams on the various projects had data base problems of some kind. In the Housing and Construction project they chose to supplement available data with a new survey on which some statistical analysis was based. It has been suggested by one of the team members that this new data is no better than the existing. The second factor, influencing to some degree the progress of the program, is the fact that institutional jobs are sought after by local professionals be-
cause of the stability and security they offer. They do not pay well but they are frequently used as a base source of income and private "outside" work is carried out to supplement incomes. Recent history in Egypt, mainly during Nasser's leadership, weakened the private sector considerably. The government is responsible for over 50% of the G.N.P at present. The West now clearly wants a reduction in big government allowing the private sector to grow, foreign investment to flow into Egypt and a freer market economy to be created. This does have repercussions amongst the small group of professionals. Presumably job opportunities will grow in the private sector and either the institutions will lose professionals or the "private" workload will increase, further reducing their time commitments to the institution and its own work.

In summary, the Housing and Construction project has concentrated its efforts to reinforce the Egyptian Government's interests in prefabrication rather than focus all its efforts on assisting the low income family's need for housing. It has retained close ties with the Ministries involved (which have recently changed) and used sophisticated, West-
ern methods for interpreting the status quo and setting up models for impact of future policy decisions. In the process it has built up research capabilities at Cairo University. It is fulfilling the requirements of the program as set out in the three main objectives (see Introduction) but has surfaced a major question about the efficiency of using prefabrication to solve the housing problem.

2.2 THE ALT. APPROACH TO HOUSING

Development within the Third World does not follow the West's historical growth patterns. It is occurring in a different time and place and in a vastly different social and economic environment. The question to ask is whether consultants can be of use to the Third World given the radical differences in the economic structure, political and social objectives and the cultural development between the two. Is Western professional skill parochial and therefore misleading and mostly irrelevant to developing countries? The consultant is responsible for the nature and
type of technology transfer required in his solution. This transfer of information and aid includes diagnostic and decision making techniques. To be able to understand these he must cushion them within his scope of Western knowledge gained. The techniques, economic, spatial, social, organizational, and even surveying and data gathering require a base of procedural definition, gained in the West. The production, testing and monitoring responsibilities for program evaluation are also Western, and rightly so since it is their money and skills being used. There is not much room, either in time or abilities on the part of the consultant, to evaluate from the developing countries' perspective what should be done before anything is done at all. It is all part of a dynamic relationship, the start of which lies in the histories of the respective participants, aid receiving countries, aid donors and consultants.

The M.I.T./C.U. program section, Housing and Construction, has surfaced a problem. M.I.T. is a world renowned technical institute. It is therefore not surprising that this project has made use of a highly developed set of technical skills and Western founded theory biased towards prefabrication in its approach to its objectives. The use
of sophisticated computer modeling and programs and a detailed method (S.A.R.) of defining space norms and use have been practiced. The project has also been supportive of the Egyptian Government's desire to develop an industrialized process for housing and its interest and development of New Towns. This support is bound up in its mandate to develop research capabilities in Egypt and to develop procedural methods and evaluation know-how at Ministry levels. This has brought the project into conflict with one of its objectives, housing the poor. The circumstances and skills of the team seemed to have shifted the project away from the real problem in Egypt. This does not mean that progress has not been made. They have managed to produce a model for purposes of testing policy decisions on the housing market. They have evaluated the cost differentials between different construction methods. They have advised in the methods required to improve the supply of building materials. They have defined a set of space norms that can be used by both site and services and completed housing projects. But they are not able to concentrate all their efforts on housing from "outside" the technical world.
"It seems clear that any centrally planned system of price and quantity allocations which runs contrary to individual interests, will require some form of enforcement. Individuals on their own accord will exchange commodities and achieve arbitrage unless the expected gains from this activity (relative to the official resource allocation) are less than the costs of some imposed sanctions."

This project is not the only aid program in progress in Egypt. Aid loans and projects have been supplied by the I.M.F., the World Bank, G.A.D.E., and from many organizations in Europe and the U.S.A. The World Bank (I.B.R.D.) alone has six projects in Egypt with four of these dealing with urban problems and two dealing with low cost housing. U.S.A.I.D. also has a series of programs in Egypt, one of which deals directly with low cost housing for the poor.

2.2.1 THE U.S. AID FOR HOUSING AND COMMUNITY UPGRADEING FOR LOW INCOME EGYPTIANS.

The main objective described in the text above is to identify potential demonstration projects which would illustrate new approaches to providing shelter and community services for low income Egyptians in urban areas. This program is based on the initial report published in June 1976 titled "Immediate Action Proposals for Housing in Egypt" (before the M.I.T./C.U. program was started) and was
produced by a joint team of the M.O.H.R. and a group of U.S. housing consultants.

"It can be concluded that the national context within which housing policy must be formulated is greatly constrained. The existing housing deficit of 1.5 million dwelling units is enormous. Population growth will create the demand for an additional 1.6 million dwelling units by the year 2000. The economy, although improving, cannot support the level of housing investment which can materially overcome the shortage or even keep up with the new demand in spite of the high priority given housing. The national urban strategy, while correct in concept, will be too time consuming and costly to meet needs in the short run. Therefore, the continued growth of existing centers and particularly Cairo is inevitable.

"There are no simple solutions for these problems. Housing will be an acute problem in Egypt, as in most countries of the world, throughout the remainder of this century. In the chapters which follow, the housing problem is analyzed and a series of recommendations are made which are aimed at optimizing the use of public and private resources in housing and in minimizing the human misery and hardships faced by the low-income people who are least equipped to compete for the scarce housing resources that are available."

Several steps were taken by the Egyptian Government as a result of the initial report.

(a) The budget for housing has remained high.

(b) A low-cost housing fund was established.

(c) Conversion of rental public housing units to ownership on a lease-purchase arrangement has
been started.

(d) And revision of the building code was made to improve design and allowing the use of new materials but not increase the cost of housing.

The new report, produced in May 1977, defines its recommendations within the demonstration projects as follows;

(a) Upgrading of existing "informal (squatter) settlements."

(b) Upgrading and rehabilitation in central Cairo.

(c) And the Development of a "growth pole" project in Minia or Qena in upper Egypt.

"In search of better ways to use the resources that are available, many governments are now taking a closer look at the positive aspects of the unauthorized self-help construction taking place in marginal areas. It is recognized that many of the houses constructed by families in marginal areas without outside help do meet the minimum standards of their occupants. Even the worst shack of scrap lumber and tin represents some investment of money and labor on the part of its owners and provides some shelter. The total number of dwelling units produced in this way far surpasses those produced by government housing programs. In several countries, programs are now being developed which seek to capitalize on the initiative of these families in trying to solve their own housing problems. Priorities are shifting from the construction of traditional standard housing with relatively high standards, serving only a few, to programs of encouraging and controlling the private construction efforts of families living in marginal areas. There

is also a growing interest in site-and-service programs to prevent the development of new uncontrolled settlements.

"There is a feeling that government efforts should be concentrated on things that cannot be done by private individuals and groups, such as land acquisition, overall planning and control, provision of community services, assistance in providing credit for housing and encouragement of job training and job-producing activities.

"The demonstration projects described in this chapter would allow testing of a number of ideas developed by the joint teams. The informal construction process ...(is) already making an important contribution to housing thousands of low and middle income Egyptians. The demonstration upgrading projects would seek to control and improve this process which already involves a maximum self-help effort by the residents and requires a minimum input of government financial and technical resources.

"The new community project in the Helwan area would demonstrate techniques for the construction of new housing designed to fit the economic capacity of lower income families while allowing for gradual expansion and improvement over time, and as their incomes increase.

"The upgrading project in old (Gamalia) Cairo could lead to a city-wide rehabilitation program in the future. The purpose would be to demonstrate that the upgrading process is a better approach to problem solving in older areas of Cairo than the demolition and reconstruction approach. The upgrading process should retain and enhance the positive, traditional character of the area while correcting the negative aspects, such as overcrowding, deterioration, congestion and poor sanitation.

"...During the project design phase each area would
be studied in detail to determine real needs and priorities of the residents. Cost estimates would be prepared, and time phased implementation plans would be developed."

The project components are made up of, social and economic factors, the neighborhood, health, employment, programs for women, credit facilities, university and community development, community participation and organization, and design and construction considerations.

Which is the better program is not to be evaluated here. That is a thesis in itself. It is true, if the low-cost housing program proceeds, that in the short run the low income people of Egypt will benefit the most. But if Egypt gets its economic growth moving at a high rate, in the long term it might well be that the government housing program will, in developing policy and an industrialized building method, provide a more enduring and better standard of housing for all Egyptians. It is obvious that the two programs discussed here have differences of approach, of purpose and that the end products are different. The consultants involved with these two programs have, by their approach to the problem, developed vastly differing atti-
tudes to tackling the same problem.

2.3 THE EFFICIENCY AND USEFULNESS OF CONSULTANTS

2.3.1 THE NEED FOR THE CONSULTANT

The West, through the use of aid, wishes to influence the Third World structure to the West's own ends. It will attempt this influence at both the top level, the government, and with the people if possible. Along with aid agreements is the understanding that because of a donor's experience it knows what and who will best be able to direct a country towards development. The developing country
realizes that if it wishes to proceed along this road of development as quickly as possible, for its own interests, it must accept this aid with the conditions attached. And so the need and usefulness of the "expert" is established. If these experts can obtain the support of the local professionals it makes the process easier. Because within the Third World countries power usually lies in the hands of a well educated, and often Western educated, elite group, the elements that constitute client and consultant are close entities. They are likely to have common goals and education, and political and ideological similarities. Add to this the weak skills of the nationals in higher education and it is understandable that this elite might easily accept outside consultants for advice. The donor has defined what is needed and who shall be used.

Within the structuring of the M.I.T./C.U. program it has been shown that in Western terms, Egypt needs the skills of the U.S. consultant. The program was originated around the U.S.'s perceived need for stability in the Middle East. By including Cairo University in the process a bond, based on Western know-how, has been created at the professional
level between Egypt and M.I.T. (see Question 16 and 17). Top level government has also been involved since it is here where part of the development skills are to be developed. The donor has defined what is needed and who shall be used.

2.3.2 THE CONSULTANT'S PERSPECTIVE

Having established the need for consultants the donor organization will encourage the "best" professionals at home to be used. These agents of knowledge bring with them a series of factors that reinforce Western attitudes and thinking. They are first of all an elite group serving society, and more accurately the leaders of that society. They are well paid and perform within their range of skills supposedly unbiased examinations and problem solving techniques for that society. But they are trained and practice in the donor country and have as a framework in which to work a Western oriented one (in the case of the U.S.A.). The professional within the capitalist world is interested in profit, experience and self perpetuation.

The consultant while he is performing his professional
skills and abilities brings with him certain "hidden" roles, whether he is aware of it or not, which also effect his client.

A. As an agent of professional knowledge. There is a degree of causation in the types of solutions or plans he produces. If "this" is the chosen course of action, then the solution will require "that" technology. Or, within time limitations, if "this" sequence of events should be properly followed then it will take "that" amount of time to bring about the desired change or solution. He also causes stratification between people who assist in implementing change and people who will resist that change. His training reflects for him how the work is defined socially, economically, politically, and technically in those societies in which his profession began and is developed. This creates the predisposition to elevate the ends of any strategy and conceive of the rest of the world in terms of the extent to which it impedes or facilitates these ends. Barriers are not appreciated as signals to reassess theory or as feed-
back, but something to overcome. Added to this is the preference to accept judgement of the quality of his work from peer groups and not those who have been affected by his work. The belief that true professionalism is anti-political also sets limitations on his work and narrows the real range of solutions which are anyway effected by political forces.

To illustrate further the anti-political connotations within the professions involved in development, and the need for political approaches it must be mentioned that in the 1950's few consultants played any role in the government of the developing country. They were thus able to debate the ideological differences between approaches and strategies within their work and theories of development, often being strong advocates of government ownership and control, and at the same time equally supportive of unbridled private enterprise. At the present many more consultants have influence in policy structure and decision making processes. More experience has brought about the greater pragmatism. Hopefully policies are defined...
as workable before they are considered as ideologically pure.

B. As an agent of a National Culture. The consultant draws his definitions of change and his standards of optimal conditions from the culture in which he lives. For example, a consultant from the U.S.A. considers automatically that the private sector is more efficient than the public sector, that there is a preference for individual achievement but a capacity for cooperation in groups, that graft and corruption have no function in a modern society, that timing is important, and that personal favors within kin groups are to be distrusted. Any of these issues might not be regarded in the same way in a developing, or any other, country.

C. As an agent of an Organization or Regime. With respect to the vast amount of variables within his scope of work but outside his professional control he seeks a circumstance where these variables are largely controlled by policy and "clout" or strength. Aid organizations and the conditions of aid solve some
of these while a strong ruling regime will solve others. It does not mean that the "best" solution is extremely difficult to define but that certain interest groups have influence over the control of some of the variables, which in turn leads to compromise.

D. As an agent of a Superior Power. The consultant, coming from a developed country, is confident that because he is from a developed country his solutions are the right ones and that he is technically more competent than the local technocrats. He has the right answer before the question is even asked.

E. As a specialist

E. In industrialized countries of the world, with the growth in technology and no guarantee of work as was the case in the colonies, professionals quickly converted their theories into practice and applied techniques and hence specialization. Within disciplines themselves specialization took place demanding team structures to deal with more complex situations. Planning was separated from implementation and in the Third World, implementing programs of development were often left up to the respective governments.
One condition often attached to aid is the required use of local professionals and training programs. These people often only perform service functions with the real decisions being made back "home." The product is also usually produced back "home" and the trained personnel are in the end left to deal with the problems of implementation. I am not suggesting that a particular program does not anticipate implementation problems but that it is up to the developing country to carry out the solution, and if they require further assistance in doing this another contract is to be drawn up, very possibly with a different group of specialists.

Financing even at program level is constructed to support the donor country. Expert salaries are to be paid back "home" and special requirements regarding local taxes, accommodation, administrative services, etc. are to be provided. These costs are, of course, included in the aid grant.
Within the M.I.T./C.U. program these issues are clear. Because of the loose framework in which M.I.T. has defined the projects to be undertaken, Western theories have been brought to bear on the problems to be solved. Cairo University has been considered as somewhat naive and there appears to have been little resistance to project definition by M.I.T. The Ministries, on the other hand, have defined the areas of their interests and M.I.T. has built on these. In the Housing and Construction project it has already been illustrated that advice has to be implemented by the Egyptian Government as is illustrated in the case of cement prices. Those were far below international prices and have now been raised by the Ministry involved.

Training and contact with local professionals through the link with Cairo University have been made. While the university has itself been more active in decision making, they have also been responsible for data collection and service functions. The reports are still produced at M.I.T. while Cairo de-bugs and adjusts programs so they can be used on that university's computer.

Financing of the project favors the U.S.A. as with all
U.S.A.I.D. contracts.

The expert then, with a Western background reinforces the donors influence over the receiving country.

2.3.3 THE NEED FOR TEAMS

"The tradition of professionalism in the modern West--the accent on technical task as a justification for exclusive jurisdiction--is pursued by hundreds of occupations in the rich countries; and indigenous experts in the underdeveloped nations have themselves been trained in schools of drawing on this tradition. The typical professional man--the export product under discussion here--thus suffers from the familiar limitations of the expert: a 'trained incapacity,' an intensity of focus that blinds the vision; he is likely to be unaware of the contributions of other experts (not to mention non-experts) and to be inflexible when he must apply his skills to new situations and strange places. So far, specialization, conservatism, and the device of the mystery combine to make the professional man irrelevant to the urgent tasks of development in poor countries."

The scale and nature of development problems in the Third World have not necessarily changed. It is the awareness of the complexity of these problems that has. It is now usual within the aid package to include a team of more than one discipline. Historically it was the economist who was looked upon as the main actor in development. With the failure of development economies to fully satisfy the re-
quirements of growth and the growing complexity in economic models which attempted to evaluate social and political forces within this growth it became obvious that a wider net of disciplines was required to fully understand and construct the path to development. The alternative was to avoid the complexities of aid and set highly restrictive assumptions so as to be able to proceed with models. There is no indication that "better" results have been reached by this method and most donor organizations agree that development is not an economic problem only. So while it might be the important base on which all societies are structured it is the interlinking of the economic base with the social and political factors in all societies that facilitate the possibilities of growth. The multidisciplinary team is therefore in a far better position to deal with this. It allows for specialization within a team objective and potentially provides a greater threshold of relevant knowledge and data about a particular problem and goal. If the team is working well it will also have a greater spread of influence and impact. There is however within the American system a contradiction between the belief in individualism, a
cherished social norm, and the self discipline required in the team. It can manifest itself from disagreement on relevant theory to petty professional jealousies.

Within the M.I.T./C.U. program the following issues are clear.

The problem is a broad one and a multidisciplinary team is required. The projects, structured by M.I.T., do not necessarily deal with the most critical issues in Egypt. For example, no project deals with agriculture and all its related problems. Where the specialized skills do not exist at M.I.T. neither does the project. Each project is developed separately and the advantage of crosslinking projects has to some extent been missed. One project can "die out" without affecting the others as has actually happened. Within the Housing and Construction project one theory has been imposed over the subgroups and a contradiction is developing between this theory, its application to prefabrication, and the realities of the housing problem in Egypt.

The problem is broad and multidisciplinary teams are
required, but within these teams and within the overview function of the Steering Committee, opportunities have been missed and the disadvantages of teams are apparent.

2.3.4 THE STRUCTURAL DIFFERENCES OF RECEIVING COUNTRIES

The Historical Precedent

Before World War II most developing countries had few trained personnel in the "Western World" sense. Those that they did have came out of Europe as colonialists and administrators or to complete a particular project. The colonial administration planned and implemented changes to the development of these countries bringing with the change their customs, technology and skills. There was a continuous close coordination between planning and implementation which later resulted in an acceptance of the role of the "expert" by the newly formed independent nations of the Third World. The new countries had, in spite of their often violent reactions to the colonialists, inherited an administrative capacity direct from colonial rule influencing education, health, planning and military development, in which the expert was used for both problem de-
fining and the implementation of solutions.

The demand for and use of consultants in developing countries increased after World War II. In the 1950's any experience in developing countries was an asset. There was little practice with development problems or economic policy and "learning from mistakes" while costly, was common. Trained economists had only started returning back to developing countries, and they were few. Government officials had only begun to shift from administrative to economic policy structures. The experts were therefore first used in governments and by larger, more rapidly growing firms. While the advice from consultants over these years could be associated with growth and expansion, it was not anticipated that aid would carry on indefinitely into the future. Professional aid advisors were considered to be a temporary phenomena and no specialization into this field was immediately apparent. So there were less people with the skills than needed and more plans with questionable usefulness. The consultant was both expected to be of useful service to the new countries and treated with suspicion. From his peers in these countries and administrative


NOTE: Between 1945 and 1972 some 1200 national development plans had been elaborated. 125 central planning offices had been established (both in developed and developing countries). 100 specialized training centers existed that provided courses in National and Regional Planning. Source: G. Benveniste's Agents of Change: Professionals in Developing Countries.
officials he was often received with indifference and resentment.

By the late 1960's the situation had improved. More experience was accumulated both within developing countries and aid organizations. More people had been trained to deal with development problems and people were more aware of these problems and their scale. However, there was, on the part of the developing countries, a weariness and disillusionment in the abilities of consultants that persists today and they had raised important questions about the true function of aid.

**Institutional and Government Structure**

"...leading university intellectuals, trade unionists, future high level government economists and other civil servants all get their training in developed country institutions where they are unwittingly served an unhealthy dose of alien concepts and models camouflaged by excessive sophistication and esoteric irrelevance. Having little or no really useful knowledge to enable them to come to grips in an effective way with real development problems, they often tend to become unknowing or reluctant apologists for the existing system of elitist policies and institutional structures. In university economics courses, for example, this typically entails the perpetuation of the teaching of inappropriate or irrelevant Western concepts and models, while in government policy discussion too much emphasis is placed on the notion
of capital-output ratios, savings and investment ratios and growth rates of G.N.P. As a result, desirable institutional and structural reforms... are neglected or given only cursory attention."

There is often a disagreement between what a Third World country plans to do with received aid and what the donor will allow that aid to be used for. This is especially true if a receiving country has already shown its inability to plan coherently towards growth using realistic goals. The Third World government usually needs to show to its people immediate and tangible changes once it has accepted aid. It needs the support of its intellectuals. Most aid programs involve long term economic structural changes which confuse the government and seldom demonstrate to the people any visible sign of progress. The power elite also often have to walk the tight rope between major changes and shifts in policy and social upheaval within their countries. Aid, because of the many conditions attached to it, might aggravate social unrest, not avoid it.

Egypt has, within the Housing and Construction project, attempted to influence the project to include its chosen development policy of both Sadat's New Towns and industrial building development, with no support from U.S.A.I.D. The newly
formed research institute's first "private" project has been initiated. It involves the New Towns program. Egypt has provided little evidence that it can implement a development program within realistic goals without Western assistance and advice. And Chapter Two will indicate that Egypt has a well established ruling elite and that its historic development allows for the easy accessibility of the expert to a position of power and influence in that country. It also faces social unrest over particular policy changes as is illustrated by the riots in 1977 over the removing of food subsidies.

2.4 AN OVERVIEW

All issues raised in this chapter have not been fully resolved. This will be attempted in Chapter Three but the two main issues: (a) the M.I.T./C.U. program as an extension of U.S.A.I.D. policy in aid and, (b) the real value of the consultant need to be summarized here.
U.S.A.I.D. had, with other donors, set conditions to be met by the Egyptian Government before any aid was to be arranged. Egypt fulfilled these requirements and aid contracts were negotiated (Chapter One). U.S.A.I.D. then defined what they considered the main problems in Egypt were and structured a program that would require Western expertise to be carried out. It also questioned the New Towns policy and Egypt's desire to industrialize before other developments had taken place. As one of their programs they then approached M.I.T. for consulting services and structured this program to include the interests of the various Ministries, which themselves were undergoing change in an attempt to reduce government involvement, in Egypt's production abilities. M.I.T. defined project areas and commenced work on these projects bringing to them sophisticated techniques and technology transfer. The problems chosen were complex and multidisciplinary teams were structured to handle them. Within this arrangement a number of complications have arisen. They include problems simple to understand, like poor data bases, and others far more complex, like cultural differences between client and consultant, or as has surfaced in the Housing and Construction
project, the dilemma of having to tell your client that his anticipated solution to part of the housing problem (prefabrication) might not be usable when contemplating housing for the poor. This, of course, raises other issues, like what role should the Egyptian Government be playing in the housing of its people anyway. If we add to these problems the structural differences between the U.S.A. and Egypt as discussed previously some doubt as to the eventual usefulness of the consultant to Egypt arises. Will the final report be trivial? One that does not alter any uncertainties. A statement about future events that will take place anyway, to be used to confirm a policy already considered as necessary by Egypt. Will the final report be utopian in the sense that it describes events that no one expects to see happen and therefore unlikely to effect behavior or decisions in Egypt? Will it be an "imperative" product? One that sets out plans and policies that are mandatory and that require an existing control structure which has the means of enforcing them.

It should be a useful document. A more reasonable product in the pragmatic sense setting out policy situations where existing control is insufficient to implement the plan.
but where it is possible to move toward this state of affairs with adjustments and agreements by all parties concerned.
In this chapter I will draw out from Chapters One and Two the main issues and show how, when considered together, these make up the "aid triangle." A list of the various conflicts and differences between the parties follows as an illustration of how complex these are, and how they impact on the effectiveness of the consultants work in aid programs using the M.I.T./C.U. program as an example. I then follow with a tentative discussion on one possible scenario for the future of Egypt, in my opinion the most likely, demonstrating that the confusion and complexity within aid does have possible direction, in this case preparing
Egypt for its role as a base for multi-national organizations and also as supportive of Western oriented countries interests in the Middle East.

3.4 THE DEBT TRAP AND DEPENDENCY

3.1.1 THE MACRO SCALE

From Chapter One I have shown that Egypt is dependent on the West for its development and that this dependency is tied with its growing debt. A few statistics would prove this however and so the question of why so much detail is given should be answered. The attempt to establish how this came about has led me to understand that it is due to Egypt's historical development. The first impact of the West taking place in the 1850's during which time Egypt showed curiosity and interest rather than dependence on the West. The Suez Canal and the exploitation of cotton followed and the beginnings of dependency were laid in trade and technology transfer. This, followed by "colonialism," structured an admin-
istration framework that is still visible today (military rank, government responsibility for telecommunications, etc.). Egypt's independence only facilitated the Egyptian elite's relations with Europe, and Nasser, after the revolution due to his foreign policy and desire to industrialize only shifted the source of dependency from one economic system to two. He never actually reduced it. With Sadat as the chief executive dependency has merely swung back to the West which was always highly probable considering Nasser's socialism never restructured Egypt's economic system completely. Egypt's dependency is built into its history which has defined it as a Third World Country.

It is obvious that the West's interest in structuring this dependency is related to oil supplies and the Middle East. Egypt's geographical location, relative stability and homogeneity of its people, the fact that it is considered as the center of the Arab World and the possibility of reaching a peace between the Arabs and Israeli have defined it as strategically important to the West.

The West, and the U.S.S.R. before it, uses aid as the tool to structure this dependency.
There is no doubt that heavy dependence on foreign aid constitutes a clear constraint on the recipient party's foreign policy. Indeed, it is a double-edged limitation. On the one hand, it is always a variable to be considered by the recipient decision-makers when formulating their policies, and on the other hand, it is a possible weapon for the donor state if it wishes to affect a specific reorientation in the domestic or foreign policy of the recipient country. For example, Heikal contends that during the rupture between Egypt and the Soviet Union over the Iraqi Communists in 1959, Krushchev wrote a letter to Nasser intimating that 'the present situation (may) give rise to complications for discharging our obligations under the agreement for the construction of the Aswan Dam.' Moreover, it was a conscious policy on the part of the Kennedy administration to extend generous aid facilities, particularly in much needed counterpart funds (i.e. surplus wheat, meat, etc.), to Egypt in the wake of the ensuing recriminations between Nasser and Khrushchev. More specifically, and for the opposite reason, there is some evidence which suggests that American aid was used by the Johnson administration to discourage Nasser from continuing his involvement in the Yemeni war. In May 1966, in response to increased Egyptian militancy, the United States deferred negotiation on an Egyptian request for $140 million worth of surplus food. At the same time, the International Monetary Fund refused to grant an Egyptian request for a loan of $195 million because of alleged dissatisfaction with the economic performance of Egypt through its costly commitments in the Yemen. Given the already mentioned Egyptian dependence on foreign aid for the success of its five-year plan, it is interesting to note that the reopening of the negotiations with the IMF in August 1966 was accompanied in the same month by a peace agreement (though short-lived) over the Yemen signed between Egyptian and Saudi representatives in Kuwait.
3.1.2 AID PROGRAMS

From Chapter Two I have argued that aid programs involving technical assistance reinforce this reliance of Egypt on the West. By prescribing Western solutions through Western experts, building up research capabilities and problem definition techniques very likely requiring further expertise in the future, Egypt is moved one step closer to the West. I do not wish to suggest that there is an evil calculated plot on the part of all consultants to bind Egypt's development with the U.S.A. or any other country but that very naturally given the economic structure of the West this occurs. For example, the scenario preferred by the administration of the M.I.T./C.U. program is one where a research institute in Egypt returns again and again to use M.I.T. expertise for consultant services.

3.2 THE TRIANGLE

During the course of this study one thing has become
more and more obvious to me and it relates to the performance of aid programs. The three main actors (in aid which involves technical assistance) have differing agendas, different objectives, they see the world from different perspectives, between them they have conflict of interests, they see their roles differently from each actor’s point of view, they are influenced by outside relationships not part of aid and usually in a relatively short time attempt to structure development strategies which will take years to be realized. It is not surprising to me that many aid programs might not be considered as successful by all three. I will attempt to set out just a few of the problem areas to illustrate this and show that the complex relationships in this triangle have as much to do with poor aid program results as other factors put forward by other studies.

1. Underdevelopment

The decision to divide the world up into developed, developing and underdeveloped countries is already in question by development theorists. Planning a country on the continuum between overdeveloped and underdeveloped can only be as accurate as the data and information available.
Underdevelopment is not an inferior degree of development but an independent phenomena. Its causes are rooted in history. There are development problems in all countries. The idea of development aid only makes sense if "poor" countries are supposed to be struggling with economic problems familiar to the donor and to which it has found a solution. There is no single theory or solution however and without this understanding a divergence of purposes, confusion and poor problem definition can occur.

Aid will not solve all the problems in a country. In fact while it might solve some it will create others. It is therefore extremely important that the field of objectives be understood by all parties involved and that the repercussions be evaluated. The time frame in aid programs is also important. Circumstances can change and alternative strategies might be required.

2. **Use of Aid**

The contradiction between the need for aid (and the resulting dependency structure), and a countries desire for self sufficiency causes the biggest problem between the donor and the receiver. It is unfortunately usual that aid financed operations are often the highest priority to the
developing countries. If developmental priorities could be separated from aid priorities, the aid receiver would be in a better position to negotiate the conditions of aid. There is an element of uncertainty in the operation of external controls and constraints which can frustrate the goals of the aid receiver. Aid is not to be used for anything. It has to be approved by the donor country and political bias influences this approval.

The basic problems facing Egypt in its course to development have been interpreted as aid issues.

3. The Real Purpose of Aid

If the real function of aid from the donor's point of view is to gain influence in the economic and political life of the aid receiver then it can be assumed that the success of aid programs is not absolutely vital to the donor. It is to the benefit of the donor if success is achieved but in getting to the point where program aid is being used, the receiver has already made important concessions to the donor and the donor's first level of influence might already be established.

This can be illustrated by noting that the U.S.A.I.D., in describing what Egypt has to achieve, points (a) to (j)
under 2.1 in Chapter Two in order to reach full development potential, are in some cases a direct contradiction to the process Egypt has to go through to obtain aid.

4. The Donor Organization

Aid organizations differ from each other. An aid donor might have a broad or narrow focus of interests in a country. There is likely to be a specific reason for this focus, a political bias or strategic importance of the aid receiver. Each donor has its own set of internal pressures, from within the country (or for multilateral donors, within its constituents), from within the organization itself, and from within the government structure under which it operates. The problem of aid donors and more specifically aid organizations as part of the government structure and their administrators, vary from, the fact that aid agencies are subject to pressures within their own societies, to the highly centralized nature of these agencies. The donor administration wishes to withdraw from the political arena to achieve more concrete but possibly highly topical strategies. But by the nature of the organization and its funding source, the tax payer, this is not possible. It has to state pub-
licitly the developmental character of aid and thus support particular policies and also avoid this being interpreted as dictating another nation's development policies.

5. Receiving Country

Developing countries face the dilemma of balancing the ruling elite and what it perceives as making up development with the will of its people. The consultant is caught in this dilemma as well. On the one side is the need for technology and increasing specialization, interdependence and expertise and all funneled through societal controls that for efficiency in the eyes of the elite rulers, reduce the accessibility of decision-makers to the public. On the other side is the perceived need by this elite for individual and group self expression and self determination with higher levels of political participation associated with modernization for the people.

6. Government Reaction

Country programming places a large burden on the U.S. aid machine and its relationships with the recipient govern-
ments. This relationship has become one in which Americans serving in both government and private capacities take the lead in promoting and organizing a host of initiatives at the macro level of broad development policies and at the micro level of individual capital investment and technical assistance projects. This approach inevitably causes resentment in the receiver country, further developed because the U.S. also represents the most powerful country in the world. It has a depressive effect on the initiative of the authorities in the receiving countries. In Egypt this can be illustrated by the lack of recognition of U.S.A.I.D. in Egypt's attempts to solve its problems with the New Towns policy. They have in fact refused to fund any program that supports the development of these towns directly. To be told your planned growth rate is unrealistically higher when it needs to be, and by so doing, undermining the perceived capabilities of the Egyptian Government, while possibly correct must leave some ruffled feathers. Within the M.I.T./C.U. Housing and Construction project U.S.A.I.D. has also questioned Egypt's obsession with industrialization as a tool to solve part of the housing crisis when local techniques
are very likely to be more possible and avoid added import requirements. The consultant, having surfaced this problem is left in between the other two parties struggle for the "correct" path to follow. And lastly there must be some resentment by the lower levels of the power elite who are likely to be directly effected by a reduction in and decentralization of government departments. In February 1974 Sadat was criticized as going too far in his systematic turn to the West by Hassanein Heykal, editor in chief of Al Ahram.

7. Government Administration

A project of this nature (Housing group) obviously generates new workloads and administrative requirements for the Ministries involved. In the light of the governments cutback in its attempts to encourage the private sector to grow and take on part of the development responsibilities there is presumably some pressure to reduce size and increase productivity. Of course it is understood that part of the development strategy will be focussed at moving the Ministries away from certain responsibilities but during this period of change, overlap and continuity are effected as illustrated

REFERENCE: Marie Christine Aulas' Sadat's Egypt from The New Left Review, Number 98 (July - August 1976), page 84.

NOTE: Hassanein Heykal was fired from his position the next day.
by the recent split of the Ministry of Housing and Reconstruction into two sections. This must effect the implementation strategies after M.I.T. has left the scene.

It must also be remembered that Egypt has created a huge bureaucracy which is not easy to dismantle. On the surface it might appear to be a slow but smooth running operation. This is not necessarily so. One department or one person in one department might easily have the power and desire to disrupt a program or, one department might be opposed to a particular project where as another might regard it as vital. The decisions to proceed under these circumstances are far away from the consultant's influence or reach.

8. Realistic Goals

As has been discussed in previous chapters Egypt has a strong desire to industrialize. The poor resources base retards its efforts at industrialization. For example, the steel plant, built by the Russians at Helwan has to import raw iron and coal. The coal is mined in the Ukraine, railed to Odessa, shipped to Alexandria, and trucked to the factory. Buying steel on the world market might be cheaper than this process. A similar situation surrounds the Egyptians desire to build prefabricated housing with imported materials and
NOTE: Egypt's main drain on its resources has been military spending, 13.7% of G.N.P. in 1967 and 34.1% in 1975.


Technology when traditional methods have been analyzed to be cheaper. Egypt's industrialization seems to carry political implications which overshadow economic rational. Egypt ties industrialization to modernization and the ability to have a military capability free from foreign powers. This policy has serious repercussions for other sectors of her economy. With growing domestic demand for her export crops, Egypt now needs $1,000 million per year just to feed her population, leaving little over for capital investment.

9. Technical Assistance

Technical assistance has a strong and defused impact on attitudes to aid in a recipient country. The expert can be considered to have little benefit if he/she is perceived as pre-empting jobs for locals. On the other hand, if local people around him/her derive benefit from the work performed he/she will be more readily accepted. Professional jealousy, frustration with progress and past experience are all factors which influence the relationship between consultant and local intelligentsia.

10. The M.I.T. Team Structure

Whatever its internal weaknesses are M.I.T. is in the process of making bonds between the ruling elite, the Egyptian
intelligentsia and the U.S. From the responses to Question Seven, Twenty-one and Twenty-two in the interviews (see Appendix C) it is clear to the M.I.T. people involved that the people to benefit the most from the project are (a) Cairo University, (b) the Egyptian Government, (c) A.I.D. and a weak (d) M.I.T., in that order. Under the category "People of Egypt" no one ventured to place any priority on a scale of one to four. From the text it is known that the government is isolated from the people and this program reinforces the elite groups with their already considerable power over the masses. Because of the nature of the projects (particularly the Housing and Construction project) there is little room left for contact with these masses directly. Wide scale participation is not possible. The Egyptian people are interested in housing, any type, where as this M.I.T./C.U. project is concerned about the housing policy and process and the role the government should and can play in this.

11. Implementation

The problems of implementation of the recommendations are of concern to the Egyptian Government once M.I.T. gets out of this program and into the "next one." The Egyptian
Government must decide to take action, or not to, if it is in its own interests to do so. It could, for example, "shelve" recommendations.

12. The M.I.T. Product

M.I.T. is providing a highly sophisticated technical approach to problem solving techniques. One hopes not too sophisticated for Egypt. I find little evidence of M.I.T. attempting to evaluate and interpret what each Ministry is actually capable of doing. One hopes carefully structured models are not ignored because few people can interpret results from them or that due to the lack of skills available, adjustments to models are not made to allow them to grow with the likely changes in input data.

Assuming the Egyptian Government recognizes the need for the industrialized building system factories to standardize production and move to an "open" set of prefab parts, to work within a predetermined structural system (S.A.R.), can it force them to do so when it is attempting to reduce controls? What further subsidies will these firms require to adjust their production lines?

The S.A.R. method, not under criticism here, is however a relatively sophisticated spatial system to be inserted in-
to a history ridden country. Presumably, if it is to be used on a large scale will it be by the government only, or will it be used through codes, regulations, etc. as a basis for all housing? If it is to be used as a guide only there is the possibility that granting of exceptions will become the rule. Its impact on housing and associated policy will only be carried out if it has strong support.

13. The Alternative Approach

The alternative project discussed in Chapter Two is sponsored by the same organization as the M.I.T./C.U. program, namely U.S.A.I.D. It has the same client, Egypt, and deals with the same subject matter, housing. This somewhat dual approach expresses clearly the confusing structure of aid.

In comparing the M.I.T./C.U. project (Housing group) with the Joint Report, Housing and Community Upgrading for Low Income Egyptians, the differences are obvious.
"Summary and Recommendations"

"The joint team recommends the development of several demonstration projects directed at improving the shelter and general well-being of low-income families. The program would include upgrading of existing 'informal (squatter) settlements' in the Greater Cairo area, upgrading and rehabilitation in central Cairo and the development of a 'growth pole' project in Minia or Qena in upper Egypt.

"The projects would be comprehensive in nature, including the provision of home improvement loans, water, sewer, electricity, schools, health centers, and other services of high priority to the residents. Vocational training and employment generating activities would be included, along with programs to improve nutrition, child care, and family planning services.

"A complementary program to the demonstration projects would include increasing the production of building materials to reduce imports, create jobs, and help stabilize prices.

"A technical exchange and training program would also be needed to strengthen the housing institutions while they are gaining experience in this new approach.

"The recommendations of the joint housing finance team and the joint land policy team would be considered and incorporated into the demonstration program.

"Successful completion of the demonstration projects should result in a shifting of national housing policy toward lower income groups while reducing the need for heavy government subsidies. By channeling a larger share of resources into upgrading projects instead of only constructing new standard apartment units, many more Egyptians should benefit from limited financial resources."
In terms of approach the one deals with the top, the government and works down to the people. The other starts with the problem where the people are and works up, defining the necessary government actions once the "pilot" programs have been evaluated.

In terms of their purpose the one restructures housing policy, provides a broad framework to maximize a method of dealing with housing and materials while the other provides means and methods of testing alternative housing in the field by the people who will live in them.

In terms of product the one produces legislation and controls as a basis for housing policy and the other produces actual living units.

I must again state that the purpose of this comparison is not to evaluate one procedure as "better" than the other but only that they are different, that they exist at the same time and that they are both likely at this stage to continue. It is imperative that the housing problem be approached from the policy level as well as the private sector, that "pilot" programs be carried out in the field as well as the development of recommendations for government participation.
14. **Continuity**

Most aid programs are not isolated occurrences in a receiving country. Aid agreements are likely to have existed before and will exist after a particular project. It is relevant to determine what previous aid agreements existed before, who benefited, and this relationship to new aid if any.

Hopefully this is occurring in Egypt but with the many aid projects being carried out there, there must be problems with continuity and overlap.

15. **Cultural Differences**

Although this factor is appreciated by the Housing group one cannot help but wonder what impact (for example) an Islamic revival might have on policies as has happened in Iran. The ease with which Western theory has penetrated the Egyptian system is no indication of its depth of acceptance.

16. **Poor Results from Aid**

The full usefulness of the consultant to Egypt, as a
total system, does come into question. Consultants, in their efforts to bring about change and development have produced many failures in the past. At the level of country planning for example, the U.S. at the end of the sixties, regarded aid to Pakistan as having been successful on the grounds that it had greatly assisted business activity in that country. It was admitted that the benefits of this had been very unevenly distributed, going largely to the rich in West Pakistan, not to the poor in East Pakistan, but it was agreed that some degree of social injustice was the inevitable price that one had to pay in the early stages of development. These same inequalities, however, in addition to stimulating rapid growth in the short run, also contributed to the tension and bitterness which resulted in, first the fall of President Ayub Khan and then in 1971 a descent into bloodshed. At the sectorial level, also in the sixties, America sent several hundred head of cattle to Chad, so improving its agricultural potential. What they did not realize was that the area receiving the cattle was a virtual desert and huge quantities of water reeds and underwater vegetation from the
only lake had to be "farmed" to keep the cattle alive. This not only disturbed the ecosystem of the surrounding region but took many man hours of labor away from the precious process of subsistance farming already well established but under stress. At the city level one need only be aware that no less than three master plans have been drawn up for the city of Baghdad only to be shelved. And at the project level, a multi-million dollar suspension bridge designed and constructed in 1969 by an international consortium, financed through aid grants, was built outside Abu Dhabi. The bridge itself was well thought out and worked perfectly. The only problem was that Abu Dhabi was not an island and in fact a perfectly adequate road existed under the bridge which linked the city with the surrounding country.

I do not wish to suggest that the M.I.T./C.U. program is destined to failure. If anything we have learned from these types of mistakes. There is no evidence to suggest that the M.I.T./C.U. program will produce a series of useless projects. I do wish to point out that any aid program involves a number of issues that similar programs within a country (internally funded) do not have. There is a balance
which has to be constantly readjusted between the desires of the receiving country and the goals of the donor. Aid programs are particularly sensitive to foreign policy and any interlinking developments can terminate aid in mid-stream, or more likely hold it up. As discussed in Chapter Two the consultant, whatever important skills he/she has developed, is only able to "advise" in most aid programs. This might well include strategies for implementation but follow-through procedures are not common. This means, coupled with the weaknesses and resistance already discussed, that any set of recommendations can be influenced one way or the other by local politics, economic developments or social changes in the receiving country. One of the ways to reinforce implementation is to institutionalize procedural measures but in a country like Egypt these very institutions which would do this are undergoing major changes. Actual physical projects like sites and services projects, or bridges, etc. have a more direct impact on the country receiving aid in the short term. Aid to Egypt is large however. By taking only the figures mentioned in Chapter One for 1974 (these do not account for European and other Arab countries) we arrive at
a figure of approximately $40 per capita of population in comparison to Vietnam in the late 1960's which received approximately $26 per capita. Aid to Egypt is therefore not being used to house poor people only, or build a needed bridge, but is aimed at restructuring the very economy of the country and its various policies. It is extremely complicated, with many actors involved and it is quite possible that some projects will succumb to the overall sway and change of life and development in Egypt. Within the M.I.T./C.U. program the three main parties involved will require perserverance, tolerance, understanding and above all contact with each other for this program to be a success in terms of all three.

Whatever the results of these programs might be in Egypt they and others are likely to proceed. The many variables in aided development also make it impossible to predict with any certainty how Egypt will adjust to its new role and what social impacts will occur due to the changes accompanying this adjustment. The M.I.T./C.U. program has been studied and the problem areas within it identified. It has been shown that other methods than those being pursued in the Housing and Construction project are possible
and are in fact in progress in Egypt. These programs do reinforce the influence of the West over Egypt and its political and economic development. On the macro scale Egypt has had to concede to foreign intervention in its domestic structure and external relations with the world. Egypt's dependency on the West grows with each new package of development aid and its indebtedness to the West will provide a long term link the West requires to be able to influence developments in the Middle East.

3.3 EGYPT AND THE FUTURE

Egypt is a "typical" Third World country enjoying the special interests of the super powers due to her strategic importance in the Middle East, both geographically and spiritually. Where then does Egypt stand now?

Egypt is undergoing major structural changes in its political and economic environment both internally and externally, as different from Nasser's Egypt as that was from the Monarchy before it. The government is being decentralized, to allow for the development of the private sector. Each ministry and department is gaining power to carry out its functions free from the totalitarian decrees
of one man. Incentives, subsidization and the removal of restrictions are aimed at building up an open, free enterprise sector hopefully with the participation of foreign investment and companies. For the first time since 1952 Egypt has held an election with more than one party (June 1979) and advances have been made in obtaining greater press freedom and a declaration of individual rights. In a referendum in May 1978 political activity by Communists, religious extremists and people who held office before 1952 was barred. And Egypt's effort at development is receiving massive amounts of aid from the West and the conservative Middle East nations. It is also no longer at war with Israel, which has now become an economic rival as well as possible future partner. Egypt also still has a vast majority of extremely low income people in relation to Western standards. Many of these people are living in marginal conditions both in the urban centers and on the land. The political power still lies with the established military and exmilitary elite and a small but growing upper and middle class.

"Category A: High officials, business owners, managers of modern establishments, practitioners in the high earning professions, university professors.

Category B: Upper echelon government employees, professionals, business owners and managers.

Category C: High level trade and service employees, supervisors, technicians, higher level teaching staff, skilled craftsmen, factory workers, trade bosses, head machinists, qualified butlers and head cooks, etc.

Category D: Semi-skilled labor in the construction trades, transport and manufacturing sectors, highly qualified clerical workers, experienced sales and service workers, middle level teachers.

Category E: Low skill employment in industry, commerce, government, services and construction, including clerks, elementary school teachers, cooks, waiters, salesmen, etc.

Category F: Unskilled labor of all types: household servants, office boys, apprentices, day laborers in construction, sales and services."

<table>
<thead>
<tr>
<th>&quot;Income/Occupation Category&quot;</th>
<th>1974 Income in Category in L.E. per year</th>
<th>Percent of Households in Category</th>
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</thead>
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<tr>
<td>D</td>
<td>400 - 550</td>
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<td>E</td>
<td>250 - 400</td>
<td>17</td>
</tr>
<tr>
<td>F</td>
<td>250 or less</td>
<td>34</td>
</tr>
</tbody>
</table>
Egypt still has a lopsided and poorly maintained industrial base as a result of raw material shortages and slow technology transfer aggravated by her balance of payments problems and she has not, as yet, been able to rationalize, and so improve, the agricultural production of her extremely fertile agricultural land. Egypt imports food so she can sell part of her own production of wheat and rice at higher prices to gain foreign currency.

The question is how far can Egypt, and Sadat, go or how far should they go in tying their future to the West. The West sees aid as a means of retaining the alliance of Egypt to itself for the security and stability of the Middle East. From the known influence the I.M.F. and the World Bank have over G.A.D.E. it can be assumed that by building up these ties to the West so that it becomes difficult for Egypt to break its contacts there, and by involving the more conservative Arab states (G.A.D.E.) in aid agreements with Egypt a bond is formed from the West, through Egypt to the Middle East and its oil. The leaver is the debt trap.

Cheryl Payer, in a recent article, considers balance of payments requirements as fictional. National imbalances have
DEFINITION: Peonage - involuntary servitude growing out of payment in work for debts incurred.

become persistent, structural and ineradicable, because powerful interest groups want things to stay that way. They wish to create a system of "Peonage." This could be applied to the relationship of Egypt to the West. Foreign loans appear to be available to Egypt and they are an attractive alternative to taxing her own people. They pay for imports and Egypt as in the past perhaps naively thinks her exports will increase and pay for the borrowing. If bankruptcy occurs there is still the possibility of rescheduling her debt.

3.3.1 THE REPERCUSSIONS

Egypt has the potential of improving her agricultural base but she still has focused her development efforts in an expanding industrial base. Unfortunately it appears that her only real resource might turn out to be cheap labor. If Egypt continues to improve her poor infrastructure she might find herself in the position of having a large supply of cheap labor, provisions of transport, communication, organization and new process technologies and therefore growing industrialization sponsored by foreign companies.
It depends on how she can manage these multi-national corporations since it has happened in other countries that they bring with them as many problems as they solve. They use the lowest wage earners, young women, and do not necessarily improve the employment problem much. The plants, forming parts of the final product are often located in different countries, one piece being made here, another there and assembled elsewhere, so a balanced technology transfer is not a natural repercussion to any one country. If cheap labor is the reason for location, there is no guarantee that education will necessarily follow. The plants can be designed to make use of basic skills, useless to the country without backup. This type of industry does not necessarily stimulate exports either. Special conditions in foreign aid allow profits out of the country back "home" and accounting can be organized to reflect multi-national profits where they want them. Only large organizations with big markets can carry this out and it is possible that they will avoid competition for the labor. It is extremely important that Egypt understand these "dangers" in her drive towards industrialization and development.
One further repercussion is the possible social reaction to the changing political and economic structure taking place in Egypt. In spite of Egypt's homogeneous population there have been various signs of social unrest in the last five years. Egypt has to both control violent opposition and free up the political strings developed in its immediate past. Its economy is still weak and it cannot guarantee the quick improvements, promised some seven years ago, to its poor. The developments in Iran should not be forgotten.
Two issues have come to my attention while working on this thesis which deserve mention. Little research has been carried out with respect to them and I have therefore included them in this epilogue. The first concerns the even larger arena of the Western world in the global context, part of which is Western aid to the Third World. The information base used to discuss this matter is sketchy and time might well prove my interpretation as only partially correct. The second issue relates to the options open to receiving countries for improving the performance of aid through the consultant.
NOTE: The O.E.C.D. countries include North America, Western Europe and Japan.

NOTE: Sources of information for this section come from various newspapers and T.V. Few have been checked and therefore their accuracy could be questioned. I do, however, consider these statistics to have rational base. Sources include:
- The Sunday Times (South Africa), December 9, 1979
- T.V. News, U.S.A. various dates
- Paul M. Sweeney's article on The Global Disorder in Monthly Review, April 1979, Volume 30 Number 11
- Oil and Gas Journal - World Wide Report, July 1976

4.1 THE CHANGING WORLD

There are approximately 17 million unemployed people in the O.E.C.D. countries, and unlike most of the Third World and its unemployed, these people are skilled, organized and politically capable of making their influence felt. Debt services cost the Third World an average of 15% of its exports and in Egypt this rises to approximately 50%. The Sudan spends 60% of its earnings from exports on repayments. The Third World has borrowed a staggering $400,000 million from the industrial countries. Inflation and the weakening of the Western monetary system is reflected in the increasing price of gold. It has been the result of an explosive increase in the global supply of money in the last decade, mainly to pay for oil. Inflation has undermined major
currencies and triggered a clamp down on credit. Interest rates are as high as 15% drying up the sources of money. If the West prints more money it aggravates inflation and if it tightens up money supply it moves economies towards recession. The cost of oil from the Middle East has increased from $1.80 per barrel in 1970 to $26.00 per barrel in 1980. If production of oil remains at the present level of 28 million barrels a day the Middle East will start running out of oil in thirty years taking the known reserves there at 360,000 million barrels. In the near future one of the biggest problems facing the world is going to be energy. If we add to all this the worsening relationships between the U.S.S.R. and the U.S.A. it is not surprising that there is evidence of a change in attitude of the West to the Third World. It takes little intelligence to perceive a clash of interests developing between the domestic affairs of the Western industrial powers and the credit hungry Third World. In Iran the stage has been set for a tougher line by the West, but it is not the "hostage" situation which reflects this. Iran has defaulted, by its own choice, on debts of $15000 million. Reaction is taking
place outside Iran, and not in the U.N., but in Germany where an American Bank is attempting to seize Iran's share in the Krupp factories there as payment for the outstanding debt. Western banks are getting nervous and the general situation is reaching crisis proportions in the opinion of Paul Sweezy. Western guilt for its colonial past is being replaced by Western irritation with people who repay "friendship" with anti-West intentions. The proportion of output which Western countries are prepared to devote to aid is declining. There is skepticism as the ability of some Third World countries to deliver any where near the full potential of their natural resources. The developed nations have attempted for many years to assist the underdeveloped countries but the gap between the two grows. Despite foreign aid, special programs and many different attempts to close this gap, the Third World countries still suffer from urban over population, rural stagnation, large numbers of unemployed people and growing inequalities in income.
The evidence presented here is thin, but there is presumably, as a result of the West's changing perspective, a possibility of a shift in attitude to aid. My speculations on this shift can be defined into three main sections:

1. The Tightening Up on Aid

The first obvious action is one of cutting back on aid. It must be remembered that aid makes up less than 0.75% of most Western countries' G.N.P. Any large cutback would not, in my opinion, make a major contribution to alleviating a particular country's troubles but would cause extreme hardship for aid receiving countries.

Another action a Western country could take is to be more selective about which countries receive aid. This would be an attempt at showing that by spending a lot of money in one country (and by doing this not providing aid to another), development is more likely to take place. The repercussions would be that the West would have to define, and agree on, which countries are to receive aid and which not. They do this to some extent already but to make it a declared policy would bring about many more questions from the Third World as to their motives.
The West could set higher priority on the conditions of aid and make these conditions more stringent. I consider this a likely strategy.

2. **Shift the Focus of Aid**

Whether the global problems would cause focus on domestic issues in the West and therefore possibly give aid organizations more leeway, or whether these problems would be seen as arising out of external factors and therefore placing more attention to foreign policy and aid is open to debate.

It is unlikely that private banks would be encouraged to lend more money to the Third World since they have already increased their loans to the developing countries ten times over the last six years.

What is likely, in my opinion, is an increase in military aid and military agreements in the near future.

3. **Testing Dependencies**

I also consider the developments in Iran and Afghanistan as a testing ground for the West's structuring of dependencies. A test of how much political influence they have bought with their aid and depending on the result, which at present appears to be favorable to the U.S.A. at least, a reevaluation
of the aid component in their policies.

Aid in Egypt however is unlikely to diminish in the near future. As I have already shown Egypt is getting more aid than ever before, an increase far above inflation. This is born out in the article form the New York Times as shown on the following page. The issue is not relevant to Egypt but rather to other Third World countries that do not enjoy the strategic advantages of that country for the West.

4.2 THE ENVIRONMENTAL PLANNER AND AID

Within this reflection of the state of the world, and assuming that the West is reevaluating its relationship to the rest of the world, aid presumably will continue in one form or another. There is still, for the aid receiver the important question of whether aid performance can be improved. In fact, more so if aid is going to be cut back, or conditions increased. There is little an environmental planner can do about the larger framework of aid into which he/she might
Dollar Diplomacy in the Middle East

As far as we can determine, the dowries that President Carter promised Egypt and Israel for their peace-making would cost the United States an additional $500 million a year for at least three years. Most of that will be gifts. The rest will generate huge loans for military purchases, largely in the United States, but these will be repaid with normal commercial interest. If peace can truly be served at these amounts, it's a bargain.

Only by adding the total loans and gifts for all three years do you reach the more commonly heard figure of $4.8 billion in new assistance for the two countries. That total can be made to sound even more impressive — or horrendous — by adding the prior levels of aid, which would continue: $1.8 billion a year for Israel and $970 million for Egypt. If Congress agrees, then the annual levels of support would climb to $2.8 billion for Israel, more than half of it in gifts or concessional loans that amount to the same thing, and $1.6 billion, two-thirds gift, for Egypt. (The subtotals of military support would be $2 billion a year for Israel and $500 million for Egypt.)

These are not trivial sums; they match those offered any single country by the Marshall Plan for Europe a generation ago. It is true that the United States would feel compelled to provide as much or more had there been no peace treaty, and with no comparable promise of diplomatic dividends. The treaty serves not only the security interests of Israel and Egypt but also the oil and strategic interests of the United States. But as heavy investors in the peace process, Americans are entitled to some special consideration.

Egypt and Israel are economically exhausted. However great their military needs, they have to demonstrate to their people that there are economic benefits in the peace process. Without such progress, neither Government will have the political strength to make the further concessions that real peace requires.

American officials contend that Egypt will be getting as much economic aid as it can possibly absorb. But the World Bank and other international agencies intend to sow the seeds for more wise investment. They will need deft political support. Special benefit would flow from projects that make Egyptians and Israelis mutually dependent. And while Israel and Egypt cannot be expected to sell out vital security interests for economic aid, they can be shown that American support is a crucial aspect of their security — at least as important as some issues over which they haggled bitterly in writing their recent agreements.

The American people also have a right to expect greater help from other nations. The governments of Western Europe and Japan have been shamefully timid even with rhetorical support for the Egyptian-Israeli peace treaty. The reason is obvious: dependence on oil and fear of the Arab oil producers that condemn the peace. But that very dependence highlights the value of American diplomacy to our allies. The present reticence is odd in allies that usually fret about the danger of the United States going it alone in the world.

More help needs to be demanded as well from conservative Arab nations, notably Saudi Arabia. There is no safety for Arab monarchs in policies that injure Egypt and erode American influence in the region. To appease Arab opponents of the peace treaty, the Saudis intend to cut off “new” aid for Egypt without blocking “old” aid or the more than $2 billion that Egyptian workers in Saudi Arabia send home each year. Still, if the net effect is to cheat Egypt of the added value of American assistance, Americans will have to draw some disturbing conclusions.

Dollars now define diplomacy in the Middle East. Americans should be grateful for the opportunity to risk money instead of troops. By noting who else chips in, they will recognize their true partners.
be placed. I do not believe any consultant would refuse to work in aid on the grounds that its real purpose is dependency building. But I do wonder what he/she can do about it at project level.

In an article in "The Planner" Journal of the Royal Town Planning Institute, Volume 65, Number 5 of September 1979, R. Stewart paraphrased an Egyptian client's views on what he looks for in a planning consultant as follows.

"1. humility - you are not only, nor the best planner who ever visited these shores! There might well be someone in the country who is as good, well motivated and active as you are!

"2. perspective of purpose - you are there to supplement what those in the country have done and are capable of, not necessarily to start again with new systems which are operational elsewhere or even only in your mind. Don't duplicate the efforts of others - your client can't afford it.

"3. objectivity - don't theorise about the political and social reality of the country. Go out and find out what the reality is, constantly seek information, constantly check and probe your observations. Also don't assume necessarily that awareness of latest thinking and techniques in your field doesn't exist in the country. It is often the case that it is known about and not deployed for some very practical reason.
"4. Willingness to collaborate - a client usually asks for local associates in a job for the very best reasons. The foreign consultant must recognise this and modify his attitude and often his programme and technical approach to ensure there is collaboration in reality. (Also where a number of foreign consultants are in harness together there is no sympathy from the client for professional jealousies - you are paid to help him at what is frequently to his government a very considerable amount of money.) Related to this is the simple point that after you leave, these chaps are the ones who will probably implement your proposals - if they are to be implemented at all.

"5. Realisation of worth - when measured by most local standards such as GNP per capita, the cost of the consultant in his villa or flat with his car and so forth is a very substantial investment indeed! (To drive home the point: one hour of a senior team member's time costs the same as the daily expenditure of 78 families of four on food and accommodation for one day in one country in which we have worked!)

"6. Quality and effort - maximum effort is required from consultants to produce well reasoned reports based upon thorough research related to the problems at hand. In the 1970's most developing countries have acquired senior bureaucrats with years of experience in supervising foreign consultants' work. Additionally, the senior personnel upon whom a firm's reputation is founded (and whose names feature strongly in the submission!) should be part of the team contributing to the work - junior professionals learning their craft are not good enough to man the job in a substantial sense. (Justify the description 'foreign expert!')

"7. Redundancy - the objective of the consultant must be to work himself out of a job and recognise that this is his objective! (even though he feels that foreign specialist advice may still be needed to support local professionals)."
Two aspects of the consultant's work in aid come to mind that can improve the product for the receiver of aid. One concerns the relationship between the consultant and the various people he/she comes into contact with in the aid receiving country during the course of the contract. There is a balance, still unstructured in my mind, between a close relationship of a team of foreign consultants and the people of the country being served with follow-up procedures, and consultants who might be looking to extend their roles or structure dependencies on their expertise. My immediate thoughts suggest for example, an orientation week at the beginning of a program, clearly designed to introduce the main actors to each other and to the problem and to follow through with further such meetings at various points during the contract. I do not wish to create the impression of a "presentation" but rather a participation oriented session.

The other aspect I consider extremely important is the proper functioning of a multidisciplinary team. We tend to ignore too often in Western society the important team maintenance functions. In planning we seldom stop the
process we are in and discuss it, the process. Within multi-
disciplinary teams there is likely to be the need for shift-
ing leadership as the program develops. Specialized skills
can be used within a general team objective and these skills
have to be integrated into the team process. The team
should also be aware of its limitations as for each person
and the team as a whole. Sustaining individual interest in
a program requires attention as does any time of stress, say
before a presentation. As agents of change in aid programs
the team must be aware of the full implications of the pro-
duct on the receiving country. Who are they serving, who
will benefit, who will suffer and at what costs. Lastly,
the team should have representation by the aid receiving
country at all times.

Aid continues to be a source of economic development
potential for the Third World and Egypt, and technical
assistance will continue while the "expert" is needed. The
planner will be part of that technical assistance while
urbanization and industrialization continue to be part of
development. Whether he/she will be able to improve the
performance of aid in general is doubtful but at the project
level there is an opportunity, by fully understanding the implications and repercussions of aid, to produce useful and relevant products for the receiving country. There is no doubt that compromise will be required and that moral decisions will have to be made as they relate to his/her beliefs and the purposes of the aid package.

Aid, in general, is a particularly complex institution with little evidence to suggest its main purpose is other than to assist foreign relations between donor and recipient and to influence the economy and political structure of the receiver to the benefit of the donor.
APPENDICES

The appendices are divided up as follows:

APPENDIX 'A'  The M.I.T./C.U. TECHNICAL PLANNING PROGRAM

from the Progress Report Volume I, November 1978, page 5

APPENDIX 'B'  A BRIEF SUMMARY OF THE HISTORY OF EGYPT FROM 1789

APPENDIX 'C'  INTERVIEWS

APPENDIX 'D'  EARLY DIAGRAMS OF THE AID TRIANGLE BY THE AUTHOR
APPENDIX 'E' SOME BACKGROUND TO WELL KNOWN DONORS

The U.S.A.
The I.M.F.
The I.B.R.D.
The U.N.
Britain
Canada
West Germany
France
The O.E.C.D. and D.A.C.
The Soviet Bloc
## APPENDIX A

### TABLE 2

**MIT/CAIRO UNIVERSITY TECHNOLOGICAL PLANNING PROGRAM**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>MIT</th>
<th>Cairo University</th>
<th>Ministry Supervisors</th>
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<tbody>
<tr>
<td>2. Stochastic Model of Nile Inflows to Lake Nasser</td>
<td>R. Bras/</td>
<td>I. Mobarek</td>
<td>H. Ibrahim</td>
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<td></td>
<td>P. Eagleson</td>
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<td>3. Regional Groundwater Studies</td>
<td>J. Wilson</td>
<td>A. Amer</td>
<td>K. Hefney</td>
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<td>4. Housing and Construction Industry</td>
<td>N.J. Habraken</td>
<td>A. El Erian</td>
<td>M. El Hefnawy</td>
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<td>5. Urban Transportation</td>
<td>R. Gakenheimer</td>
<td>M. El Hawary</td>
<td>A. Daghestany</td>
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<tr>
<td>6. Intercity Transportation Planning</td>
<td>F. Hovavizadeh</td>
<td>M. El Hawary</td>
<td>A. Daghestany</td>
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<td>7. Engineering Applications for the Plastics Industry</td>
<td>F. McGarry</td>
<td>S. Bayoumi</td>
<td>H. Amer</td>
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<td>8. Development of Improved Macroeconomic and Sectoral Planning Methods</td>
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<td>L. Taylor</td>
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<td>10. Egyptian Labor Migration</td>
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<td>11. Health Care Delivery Systems</td>
<td>H. Eckaus/</td>
<td>S. Shabbender</td>
<td>A. Mobarak</td>
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<td></td>
<td>L. Taylor/ J. Field</td>
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<td>A. Dessouki</td>
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<td></td>
<td>T. Fawzi</td>
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</table>
Included in the initial program but dropped after it was considered as irrelevant to the study is Item 13.
## APPENDIX B

### THE DEVELOPMENT OF EGYPT

#### POLITICAL

<table>
<thead>
<tr>
<th>Event</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1789</td>
<td>French invade Egypt.</td>
</tr>
<tr>
<td>1825-1849</td>
<td>Mohammad Ali introduces reforms for modernization following Western model.</td>
</tr>
<tr>
<td>1850-1859</td>
<td>Abbas, Mohammad's successor changes reforms.</td>
</tr>
<tr>
<td>1860-1879</td>
<td>British take over of Egypt.</td>
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</tbody>
</table>

#### INTERNAL

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#### EXTERNAL

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825-1849</td>
<td>Egypt struggles for independence from the Ottoman Empire. Sudan incorporated into Egypt.</td>
</tr>
<tr>
<td>1850-1859</td>
<td>Focus turns from France to England.</td>
</tr>
<tr>
<td>1869</td>
<td>Suez Canal opened</td>
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</tbody>
</table>

#### SOCIAL

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825-1849</td>
<td>Dispossession of landowners who stood between the state and the peasants.</td>
</tr>
<tr>
<td>1860-1879</td>
<td>Intellectual center. Arabs exiled gather in Egypt.</td>
</tr>
</tbody>
</table>

#### ECONOMIC

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825-1849</td>
<td>Increase in Jumel cotton production by 50%.</td>
</tr>
<tr>
<td>1860-1879</td>
<td>Further increase in Jumel cotton production by 40%.</td>
</tr>
<tr>
<td>1869</td>
<td>Cotton boom in Egypt (no cotton from States).</td>
</tr>
</tbody>
</table>

#### AID

<table>
<thead>
<tr>
<th>Period</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825-1849</td>
<td>French technical assistance.</td>
</tr>
</tbody>
</table>

### Economic

- Increase in Jumel cotton production by 50%.
- Further increase in Jumel cotton production by 40%.
- Cotton boom in Egypt (no cotton from States).

### Political

- French invade Egypt.
- Mohammad Ali introduces reforms for modernization following Western model.
- Abbas, Mohammad's successor changes reforms.
- British take over of Egypt.

### Social

- Dispossession of landowners who stood between the state and the peasants.
- Intellectual center. Arabs exiled gather in Egypt.

### External

- Egypt struggles for independence from the Ottoman Empire. Sudan incorporated into Egypt.
- Focus turns from France to England.
- Suez Canal opened in 1869.
1880-1944 (WORLD WARS) (INDUSTRIALIZATION SPREADS FROM EUROPE)
Egyptian struggle for independence.

1945-1951 (UNITED NATIONS FORMED) (COLD WAR)
King Faruk

1945-46 (JULY) Coup in Egypt (Monarchy abolished)
Egypt becomes a Republic.

1952
(JULY) Coup in Egypt (Monarchy abolished)
Egypt becomes a Republic.
(AUG.) Junta suppresses revolt of textile factory workers.

1953 (STALIN'S DEATH)
(JAN.) All political parties are dissolved.
(JULY) "Voice of the Arabs" radio station started.

1955
(JAN.) Baghdad pact (Iraq/Turkey).

1956
(JAN. to MARCH) Sudan independence. No ties with Egypt.

(JULY) Suez Canal Nationalized.

1957
(MARCH) Egypt/Syria alliance. Endorsed by Saudi Arabia and Yemen.

(AUG.) Israeli raids - Gaza strip and Al Auja.

1958
(DEC.) Syria & Iraq form United Arab Republic.

1959
(DEC.) Syria secedes from UAR.

1960
(JAN.) First Congress of the "League of Arab States"

1963
(JAN.) "Voice of the Arabs" radio station started. Used for local, and Arab world propaganda.

1967
(JULY) Israel invades Sinai.

1968
(JULY) U.S.A. refuses $27 million arms request from Egypt.

1969
(JULY) U.S.A., BRITAIN, WORLD BANK offer aid for Aswam Dam. Conditions include supervision of budget and balance of payments requirement. Egypt rejects.

15% of the G.D.P. is in Public Sector.

Exports $431.1 million
Imports $653.4 million
BALANCE -$222.4 million

Exports $419.0 million
Imports $536.6 million
BALANCE -$118.6 million


Some spin-off from Wars.

Increase in production. Agric. Co-ops and Workers Unions.

Exports $431.1 million
Imports $653.4 million
BALANCE -$222.4 million

Per Capita income $128 p.y.

U.S.A., BRITAIN, WORLD BANK offer aid for Aswam Dam. Conditions include supervision of budget and balance of payments requirement. Egypt rejects.


Exports $419.0 million
Imports $536.6 million
BALANCE -$118.6 million

Per Capita income $128 p.y.

1955

Egyptian intellectuals advocate isolationist policy. Nationalism over Arab unity.

Exports $419.0 million
Imports $536.6 million
BALANCE -$118.6 million

Social reform and Agrarian reforms.

Increase in production. Agric. Co-ops and Workers Unions.

Exports $431.1 million
Imports $653.4 million
BALANCE -$222.4 million

Per Capita income $128 p.y.

U.S.A., BRITAIN, WORLD BANK offer aid for Aswam Dam. Conditions include supervision of budget and balance of payments requirement. Egypt rejects.


Exports $419.0 million
Imports $536.6 million
BALANCE -$118.6 million

Per Capita income $128 p.y.
1957
(Early 1957)
Treaty of solidarity
Egypt, Syria, Jordan and
Saudi Arabia. King
Jussuf beats Nabuisi
(who gets Egypt support)
U.S.A. supports Saudi
Arabia move away from
Egypt.
Nabuisi arrests after
Dulles' statement.

(JUNE)
Egypt/Jordan break
relations.

(AUG.)
Turkish troops to Syrian
border. Anti-communist
move by U.S.A. Jordan/
Iraq/Saudi Arabia ask
U.S.A. to cool it.
Political stalemate in
Syria (3 parties dead
locked).

1958
(JAN.)
Syria sends delegation
to Egypt. Relations
improve.

(FEB.) U.A.R. formed.
Yemen form federation
with Egypt. Iraq/Jordan
from Arab Union Feder-
ation in reaction to
U.A.R.

(MAY)
Lebanon Civil War
(Christian/Moslim)

(JUNE)
Coop in Iraq, becomes
pro Egyptian Rep.
Lebanon settles down
with new pro Egyptian
Government.

(SEPT.)
First Arab League Meet-
ing. Tunisia attacks
Egypt at meeting.

(DEC.) Syrian Communists
squashed by Nasser.

1959
(MARCH)
Unsuccessful Egyptian
supported Shawaf revolt
in Iraq (their commu-
nists bitter against
Egypt).

(APRIL) Syria is unhappy
with land reforms and
single party policy from
Egypt.

(JUNE) Borders open be-
tween Syria/Jordan.
Syria and Iraq form
diplomatic relations.

Exports $477.9 million
Imports $689.4 million
BALANCE -$211.5 million
1958 Defense Budget
$211 million.

$70 million to Jordan
from the U.S.A.

Technical Assistance
and Development loans
from the U.S.A. to
Egypt.

Exports $477.9 million
Imports $689.4 million
BALANCE -$211.5 million
1958 Defense Budget
$211 million.

Technical Assistance
and Development loans
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Exports $477.9 million
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BALANCE -$211.5 million
1958 Defense Budget
$211 million.

Technical Assistance
and Development loans
from the U.S.A. to
Egypt.
1960

1961
(JUNE) Import, Export firms controlled by Government.

(JULY) Nationalization of Banks, Insurance Cos.

(SEPT.) Coup in Syria, breaks ties with Egypt.

1962
(MARCH) Egypt withdraws into Internal policy.

(AUG. to NOV.)

1963
(MARCH)

(JULY)

(SEPT.)

(NOV.)

(DEC.)

1960 Defense Budget $280 million. First five year plan.

Further land reforms. Resistance from Syrian landowners.

No income to exceed $14,350 p.y.

Exports $484.7 million Imports $699.7 million BALANCE -$215.0 million

"Fertile crescent" Iraq/Syria agreement.

Egypt breaks relations with K.wa.lf, Jordan attacks political structure of Saudi Arabia. Does not recognize New Syria Regime.

Arab League meeting.

Egypt accused of interference with Syria (spies caught). Yemen splits into North and South. North supported by Saudi Arabia, South by Egypt. Jordan joins Saudi Arabia support. Egypt bombs Yemen/Saudi Arabia border. Saudi Arabia breaks relations with Egypt and gets arms from Pakistan and also enlists U.S.A. and Iran support.

Coups in Syria/Iraq. Both realign with Egypt but get cool support.

Coup overthrown in Syria. Morocco/Algeria clash.

Egypt supports Algeria.

Coup overthrown in Iraq. Egypt supports new leaders in Iraq.

Israel plan to divert Jordan River. (Uniting influence in Arabs)

1960 Defense Budget $314 million.

Gold reserves drop -$20 million. Foreign indebtedness up 34% of G.D.P. in Public Sector.
1964
(JAN.) First Arab Summit in Cairo.

1964 Defense Budget $267 million
Exports $539.1 million
Imports $953.1 million
Balance $-414.0 million

1965
(MAY)
First Arab Summit Conference about Israel

1965
(JUNE)
More equitable income distribution reached. 22.2% Employment increase over 8 years.

1966
(JAN.)
Islamic Summit. Egypt suspicious.

1966 Defense Budget $425 million
U.S.A. defers $150 million food surplus to Egypt.
I.M.F. refuses $195 million loan to Egypt.

1966
(FEB.)
Coup in Syria (Marxist).

1966
(JULY)
Egypt refuses to attend Arab Summit. Pro-west Arab reactionaries is reason given.

1966
(SEPT.)
Inter Arab squabbles. Summit breaks down.

1966
(NOV.)
Israel attacks Jordan village, after P.L.O. splits Jordan/Saudi Arabia and Egypt/Syria.

1967
(FEB.)
JUNE WAR. Egypt/Syria/Jordan defeated. Egypt aligns with U.S.S.R.
P.L.O. gains impetus. Egypt breaks relations with U.S.A.
Nasser resigns after war but public pressure encourages him to stay in office. End of non-alliance.

1967
(AUG.) Egypt changes policy from Revolutionary Arab Leader to Arab Solidarity support. Move to right.

1967
Conscious effort to control Exports.
Exports $566.3 million
Imports $792.1 million
Balance $-225.8 million

1967
(JUNE) Egypt looses revenue from Suez Canal.

1968
(SAUDI ARABIA, KUWAIT, LIBIA) set up annual grants to Egypt $280 million and Jordan $100 million.

1968
Political and Economical concessions to the Bourgeoisie.
1968

(MARCH) First Marxist student/workers riot.

(JULY) P.L.O. inflict heavy losses on Israeli raid into Jordan. Coup in Iraq (right wing) Egypt cautious to support.

1969

(FEB.) Yasir Arafat becomes chairman of P.L.O. Egypt starts War of Attrition against Israel.

1970


(SEPT.) Nasser dies of heart attack. Sadat takes over. "Black September" isolationist policy begins from Arab world.

1971

(APRIL) More leftist riots. Political Isolation Decrees lifted allowing large land owners to run for office. (SEPT.) "Permanent Constitution" passed by referendum.

1972

(CHINA ACCEPTED INTO U.N.) Egypt forms new links with Syria/Saudi Arabia/Kuwait/iraq/Sudan/Algeria.

(JUNE) Exodus of U.S.S.R. military advisors from Egypt on Sadat's demand.

(SEPT.) Sadat visits Moscow. Advisors return.

1973

(WORLD RECESSION) (LAST U.S.A. SOLDIERS OUT OF VIETNAM) Egypt has to renegotiate U.S.S.R. use of her ports. Yom Kippur War. (Costs 40,000 million). After war "Infitah" rapprochement with the U.S.A. Abandonment of Nasserite Socialism Openly Capitalist Development.

1968 Defense Budget $506.9 million

Starting in 1969 western aid starts flowing into Egypt $12 million per year.

Cotton exports reach $276 million. Foreign indebtedness reaches $3,600 million.

Defense Budget $568 million. Exports $761.8 million Imports $784.3 million BALANCE -$22.5 million

Relaxation of private imports.
Rogers Plan accepted.

Egypt gets missiles and and pilots from U.S.S.R. Up to 1970 the U.S.S.R. has lent Egypt non-military aid of $1023 million.

Start of $10,000 million weapons sale to Iran from U.S.A.

Exports $1015 million Imports $1600 million BALANCE -$585 million Food bill, due to recession, increases by 40%.

U.S.S.R. supply of arms to Egypt and just be- before the war to Syria. Loans negotiated with Private Banks.

Starting in 1969 western aid starts flowing into Egypt $12 million per year.
1974 (OPEC INCREASES PRICE OF OIL FROM $3 TO $9 PER BARREL)

(JAN.) Refocus on Private Military disengagement between Egypt/Israel, highest Court of Appeals declares confiscation of private property illegal.


1975 (U.S.A. BECOMES BIGGEST ARMS SELLER TO WORLD $10,000 MILLION)

(JAN.) U.S.A./Egypt relations re-established. Syrian/Israeli disengagement.

(APRIL) New government installed. Workers riots in Cairo suppressed.

(SEPT.) Interim government between Egypt/Israel.

1976

(FEB.) Egypt has liquidity problems. U.S.S.R. out of Egypt.

(MAY) Egypt agrees to compensate U.S. investors for claims from 1952. Military Transport plans to Egypt from U.S.A. Sadat asks Gulf nations for loans.

(JUNE TO DEC.) Sadat re-shuffles cabinet. Ministers trained in West appointed.


1978

(AUG.) Negotiations for Egypt/Israeli peace agreement.

1979

(MARCH) Egypt/Israel peace agreement signed. U.S.A. sells $700 million in arms to Saudi Arabia.

1976-80 Five Year Plan.

Exports $2040 million A.I.D. aid program to Egypt $250 million.

Imports $5100 million BALANCE -$3060 million

 BALANCE $250 million

U.S.A. BECOMES BIGGEST ARMS SELLER TO WORLD $10,000 MILLION

Workers riots in Cairo suppressed.

Militia Transport plans to Egypt from U.S.A. Sadat asks Gulf nations for loans.

Sadat flys to Jerusalem.

West comes to Sadat's aid $137 million in "soft" loans.

Saudi Arabia buys $525 million in jets from U.S.A., originally for Egypt.

Per capita income $240 p.y. Canal Free Zones exempt from taxes and duties.

U.S.A. sells $700 million in arms to Saudi Arabia.

BALANCE $250 million

Export $2040 million A.I.D. aid program to Egypt $250 million.

Imports $5100 million BALANCE -$3060 million

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U.S.A. sells $700 million in arms to Saudi Arabia.

Export $2040 million A.I.D. aid program to Egypt $250 million.
NOTE: Professor Moavenzadeh was not convinced the thesis was of value as structured. He was also extremely busy and could not see me for a full interview. This was unfortunate since he is the chairman of the Steering Committee.

NOTE: It was made clear that the respondent should reply from his/her perspective, first as a member of this project and then in any other capacity they wished (e.g., as a member of a department, personally as an economist, etc.)

APPENDIX C

THE QUESTIONNAIRE

Appointments were made by telephone. Three people were too busy or put-off the interview. Two people could not be reached. The interviews took place in the offices of each respondent. A brief description of the thesis subject matter preceded the interview. Questions were followed in order (as below) but respondents were requested to volunteer any other information they felt was relevant or important. Only one out of the six respondents asked that anonymity be a condition of the interview.

Question One: Have you worked for the Department of State A.I.D. before?

Response: No 4, Yes 2 If yes, often? No 1, Yes 1

Question Two: Have you worked for other aid organizations?

Response: No 3, Yes 3

Information volunteered: 1) Consulted for others, World Bank, etc.

2) World Bank, Ford Foundation, many organizations in different capacities. As consultant to organizations and also to a particular country or city using aid.
NOTE: This program is the A.I.D. program in Egypt managed by M.I.T.

NOTE: There was some hesitation in answering this question. It is presumed that (A) People heading a particular part of the program did not manage the 'nuts and bolts' of it. (B) They were not too concerned about what happened to the reports.

Question Three: How is this program monitored?
Response: 1) Reports are written over the year which first go to the MIT Steering Committee, which then passes them all on to A.I.D. (1)
2) Six monthly progress reports are passed on to M.I.T. Committee. Papers also go to T.A.P. (1)
3) Reports are submitted to the M.I.T. Committee. (3)
4) Quarterly reports to T.A.P. They pass on info to A.I.D. (1)

Question Four: Were you provided with terms of reference?
Response: No 4, Yes 1 (No Reply 1, see Question 5)
1) (For the Yes response) Discussions with colleagues about area of research which respondent considered as a kind of terms of reference.

Question Five: (A) Did you formulate your own scope of work?
Response: No 1, Yes 5
1) (For the No response and 'no reply' in Question 4) You can't work with Cairo in areas where there is no counterpart available at the university there. Therefore A.I.D. is not only interested in education through links with Cairo. A.I.D. has had direct involvement with the program formulation in my case. Cairo University has been able to set up a counterpart at this stage.

(B) Did you work with Cairo University when drawing up your proposal?
Response: No 1, Yes 5
1) (See response (1) under Question 5 (A)).
2) Two members of the ministry involved with this section of the project (in Egypt) proposed the subject for research.

3) It is unusual (in general) for the first visit with a counterpart in Egypt to take place before proposals are submitted. This is what happened in this case.

**Question Six:** How open-ended is the scope of work?

Response: Restricted 1, Open-ended 5

**Question Six (A):** Have you changed focus on the area of your research since you started?

Response: No 2, Yes 4

1) This was no problem, unlike usual A.I.D. programs.

2) There were A.I.D. requirements for change which were only slight - due to the bureaucratic nature of that organization.

3) A T.A.P. project is open-ended in this sense.

4) The area of research was relatively tight and well defined. No need to change focus.

**Question Six (B):** Do you have to re-motivate your research each time with the extensions to the contract?

Response: No 0, Yes 6

1) Not sure but I think so. I do not handle the management side.

2) A decision by the Steering Committee has to be taken with respect to whether this piece of research should continue or not. If okay, then a proposal has to be re-submitted. The program is funded for five years but if an area of research is complete before then it will not continue.
NOTE: There was a general understanding that this worked within some idea of budget limitations.

Question Six (C): Does the budget determine the scale and nature of the research?
Response: No 4, Yes 1 (1 response was "Give and take")

Question Seven: Do you think this program has established a research capability in Egypt for your area of research?
Response: No 1, Yes 3 (No direct answer 2)
   1) More successfully than other parts of this program.
   2) (No answer) The problem to be solved is not yet clear. Difficult to evaluate.
   3) (No answer) If they wished to, yes. They have the capability but they probably wont.

Question Eight: Is this program progressing well;
Question Eight (A): in terms of your personal objectives?
Response: No 0, Yes 4 (No direct answer 2)
   1) In the middle. Not intellectually or financially.
   2) I am not learning anything new. This could be a factor in the overall program, whether M.I.T. can actually 'stick it out' or whether people will get bored with the project.

Question Eight (B): in terms of A.I.D. objectives (that you are aware of)?
Response: No 2, Yes 3 (No direct answer 1)
   1) (No direct answer) It is not important to me.
   2) Yes, because of their mandate to spend money.

Question Eight (C): in terms of Cairo University objectives?
Response: No 1, Yes 3 (No direct answer 2)
1) (No direct answer) In a soft sense, yes. Cairo has had to overcome its shyness. This is starting to happen.

2) (No direct answer) Difficult to say. There are some problems with the government ministry involved.

Question Nine: Do you consider interdisciplinary links at M.I.T. between various departments working on this program as:

Response:  (A) Not necessary 1  (B) Strong 5

1) Within the program it is strong where necessary.
2) Only where necessary.
3) Weak in general over all the parts of the program.
4) An opportunity has been missed to have intellectually loose inter-linking of disciplines, to discuss this program.

Question Ten: How many people do you have working on this research?

Response: 1) Two faculty (total time per year approximately one month). We could use a high level Research Assistant position.
2) Six people (two responses).
3) Two faculty and two full time Research Assistants.
4) Four faculty, three other Research Assistants and some students occasionally

Question Eleven: Can you name any specific constraints on this program:

Question Eleven (A): with respect to content of your research?

Response: 1) Major problem is follow through. The ministry (involved) has shown good response.
(3) to Question 7 and response (2) to Question 5.

2) Getting data without exorbitant costs has been difficult. Not that it hasn't been collected but because of interdepartmental resistance and red tape in Egypt.

3) Within the understanding of criticism of institutes, a new country cannot be too self critical and Egypt is in this position. There is room for improvement in many areas.

4) Availability of data. Exaggerated secrecy. Social development of Egypt causes a lowering of quality of the final product. Some compromise is required from our side.

5) None.

6) There is a problem with the 'mechanicalness' of Cairo's approach. The program is defined in a vague way.

Question Eleven (B): with respect to the management of the program?

2) There is a large amount of bureaucratic red tape.
3) Minimum interference.

Question Twelve: In terms of work accomplished and work method is the program progressing well:

Question Twelve (A): in terms of your links with Cairo?

Response: No 0, Yes 1, Moderately 4

1) Cairo people are not incompetent but they are not interested.
2) Most work is done here (M.I.T.). Could be altered with more contact.

Question Twelve (B): in terms of your links with M.I.T.?

Response: No 0, Yes 5, Moderately 1
Question Thirteen: How many people are working on this project in Cairo?

Response: 1) Three faculty and approximately four students.
2) Same number as here at M.I.T.
3) Five junior faculty. Twelve in all.
4) Six people.
5) Six senior and six junior staff. Group with M.I.T. and ministry work as a team together.
6) Two faculty plus some interviewers.

Question Fourteen: Do you consider your counterpart in Cairo responsive to Egypt's overall policies as they relate to this area of research?

Response: No 0, Yes 4 (No direct response 2)

1) (No direct response) They are as critical as M.I.T. about their government.
2) (No direct response) Moderately so.
3) He is sensitive to the political implications of this research.

Question Fifteen: Do you think you are breaking new ground within the ministry you are dealing with?

Response: No 1, Yes 5

1) Yes, but I am not sure they know it.
2) No, not yet. There is some resistance to the research.
3) Yes, they are more aware of problems. They still deal with the informal sector in a physical sense. (This specific to area of research.)

Question Sixteen: Where was your counterpart trained?

Response: 1) Cairo University.
2) U.S.A., all three of them.
3) Cairo then Aachem, West Germany.
4) Leeds University after Cairo.

NOTE: Same respondent answered Question 11 with response (4).
NOTE: It could be interpreted that they considered Egypt to still clearly be developing intellectually. This is reinforced by response (3) to Question 15 and response (4) to Question 11 (A). One respondent considered this a reflection of a developing country.

NOTE: Response (5) was a clear reference to Nasser's revolution, placing those 50 year olds at 25 years old at the time of the revolution.

Question Seventeen: To what social class does your counterpart belong?

Response: 1) Don't know. Probably middle class. (2 responses).
2) Upper class. The ministry people also upper class.
3) Affluent people.
4) Split; half upper class and half on the way up. This includes people from the ministry.
5) Upper class is still there. Those people in their 50's come from middle to lower middle class. New intelligencia apparent.

Question Eighteen: Are there any conflicts that you know of between Egyptian policies and this area of research?

Response: No 4, Yes 2

1) Yes, conflict between Egypt, A.I.D. and this program. Some resentment on part of Egyptian government to necessity of this type of program. They could do more with the money going directly to them.
2) No, but only because of the nature of this program. These bumps have already been ironed out.
3) No, but there is some apprehension on the part of the government to the area to be researched. They were hoping for technology, like getting a box of apples.
Question Nineteen: Related to this project, do you have direct contact with A.I.D.?

Question Nineteen (A): here in the U.S.A.?

Response: No 3, Yes 3

1) Yes, in similar types of projects. Contact is usually controlled through Fred (Professor Moavenzadeh).
2) Yes, also with the World Bank where people have been working on similar things. This has been useful.

Question Nineteen (B): in Cairo?

Response: No 2, Yes 4

1) Yes, as a courtesy.

Question Twenty: Is it true that university research projects in Egypt are restricted by government decree?

Response: No 2, Yes 0, Don't Know 4

Question Twenty-One: Who you you think will benefit most from your research?
Respondent:  A   B   C   D   E   F
Response:  A.I.D.      4th  3rd
Egyptian Government 1st  2nd  1st  2nd  2nd
People of Egypt
Cairo University  1st  1st  2nd  1st  1st
Others  MIT  3rd

1) (Respondent F) My counterpart in the short term, Cairo University in the long term and the government, hopefully, in the long term.

Question Twenty-Two: Is the response in Cairo to this research positive, negative or neutral:

<table>
<thead>
<tr>
<th></th>
<th>positive</th>
<th>negative</th>
<th>neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A) for A.I.D.</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>(B) for Cairo University</td>
<td>3</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>(C) for the Ministry involved</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
</tbody>
</table>

1) One person responded no answer to (A) since they had received no feedback as yet.

Question Twenty-Three: Do you consider the distance between Egypt and the U.S.A. as a limiting factor for the program as a whole?

Response: No 1, Yes 5

1) No, because program is well funded.

NOTE: One respondent did refer to the cultural and language barriers also being a limiting factor in the beginning. This person also gave response (1) to Question 16.
Question Twenty-Four: How often do you go to Egypt in a year?

Response: 1) Two times, 5 Do they come here? 5
2) More, 5 visits between two of us. The team in Cairo wants to meet more often. They come here too.
APPENDIX D

Diagram Number 1, an attempt to summerize the overview of aid and the various links between the main actors, was drawn in February 1979.

Diagram Number 2, with the same purpose in mind was drawn in March 1979.
DIAGRAM 1

EXTERNAL ECONOMIC POLITICAL GOALS

INTERNAL ECONOMIC POLITICAL GOALS

POLICY

ORGANIZATION OF MID.

AGREEMENT BETWEEN RECIPIENT AND GIVER

OTHER REQUIREMENTS

AID RECIPIENT

IMPLEMENTATION

MONITORING + FEEDBACK

CONSULTANTS TEAM ADVISORS RESEARCH

DYNAMIC RELATIONSHIP
Diagram 2

OUTSIDE FORCES: Economic / Political
- Within limited control
- No control
- From condition etc.

AGREEMENT: The way negotiation
- Involves prerequisites
- Economic leverage/power, leg rule
- What benefits, who gains (internally as well as internationally)
- Does agreement involve tech. assistance - how often.

AID SOURCE Nº 1
* Specific interests and objectives

CONSULTANT / TECH ADVISORS

AID SOURCE Nº 2

AID SOURCE Nº 3

Dynamic Relationship

Overview
APPENDIX E

SOME WELL KNOWN DONORS

A brief description of existing aid organizations is required to enlarge the understanding of the differences, and complexities of these agencies.

1. THE U.S.A.

Before 1945 the government owned Export Import Bank, established in 1934, was the only channel available for aid programs and the financing of them. With the end of the war and the beginning of the Marshall Plan most of the U.S. aid flowed to Western Europe with small scale bilateral aid going to other countries. The Truman doctrine which considered international aid to be the base needed to promote a suitable rate of growth in receiving countries,
Although aimed at Europe, became the prototype of modern development aid. The IBRD and the UNRRA were formed and used for this purpose. With the success of the Marshall Plan and the growing influence of other developed countries in these organizations, the U.S.A.'s control over them was reduced. It therefore, started to focus more on bilateral assistance, arguing it to be a temporary continuation of the postwar effort, and in the 1949 made it clear that bilateral aid was considered as normal policy.

At the beginning of the 1950's aid also started flowing through Europe to its colonies. The main purpose being to provide a continuous flow of raw materials for Europe's reconstructed industry.

By 1954, with Europe back on its feet, the U.S.A., to avoid a food glut, set up the PL480 program (Food for Peace) which enabled it to sell its growing agricultural surplus and influence Third World countries at the same time. During this same year the U.S.S.R. also started out on aid agreements, reinforcing the U.S.A.'s policy to win support for itself by the means of aid.

The growing number of independent countries over the
beginning of the 1960's resulted in a further increase of U.S.A. aid. Formally the exclusive political responsibility of the colonial powers, the U.S.A. argued that aid brought these new nations stability and created anti-communist allies.

In 1961 President Kennedy presented to Congress the Foreign Assistance Act out of which came A.I.D. with a more comprehensive set of goals and objectives than aid organizations had before. The Peace Corps Act was also passed in this year.

By 1964 there were 5,000 U.S.A. citizens and 9,000 nationals involved in aid programs. The first Family Planning programs under "aid" were started with half of the overall expenditure of $125 million going to the Third World.

Various refinements and adjustments have been made to the U.S.A. aid program (the formation of the tax exempt O.D.C., etc.) but at present the semi-autonomous agency within the State Department, A.I.D., is still its principal agent. Its main instruments are (a) direct aid, (b) Capital loans, (c) technology transfer and, (d) trade agreements.
Countries like Brazil, Mexico, Nigeria, South Korea, and Taiwan are officially considered to have attained "self sustaining growth."

Many agencies and acts were passed before the formation of A.I.D. From the Marshall Aid Program (1948/1952); Economic Cooperation Administration; the Mutual Security Agency (1951) that was replaced by the Foreign Operation Administration (1953) which in turn was merged with Technical Cooperation Administration - a project based loan fund; to the International Cooperation Administration and Development Program the focus of which was program aid to countries whose military operations against communism endangered their economies.

Whichever agency was used there is both an advantage and restriction in U.S. aid resulting out of the method by which it is practiced. The advantage is that U.S. aid is more adaptable to changes than many other donors because of the political system in which it operates. Separate agencies can be set up to deal with new problems and within the powers invested in these agencies as
defined by Congress they are relatively free to get on with the tasks they have at hand. The problem on the other hand consists of the complex process by which Congress votes aid funds. Expenditures must first be authorized, a policy decision, and then appropriated, the financial housekeeping by two appropriation committees. Thus the U.S.A. has to write two pieces of legislation and run through two processes handled by different committees. It must be remembered that aid involves public funds from taxes to finance the transfer of goods and services abroad for the objectives of foreign policy. Disenchantment with aid, as happened in the early 1970's, can result in changes of the level of U.S. aid by a series of compromises made on the part of all the parties involved. Because of Vietnam and the A.I.D. connection there a policy of 'low profile' was established that brought about the withdrawal of A.I.D. from deep involvement in economic planning in developing countries. A.I.D. funding was reduced.

From the start aid was considered both altruistic and in the national interest. The U.S.A. and the "American way of life" was considered a model for all countries. The
assistance the U.S.A. provided to countries 'resisting aggression' and the power politics involved was not considered to be Imperialism. It argued that by cutting itself free from class conflicts, unlike Europe and its colonies it was somehow different. The rational used was one of self protection against the forces of communism. The present forms of U.S.A. aid has been focused on the poorest countries and areas of special interest (Israel and Egypt). In return it is looking for an international economic system that runs well and in which mutual obligations are observed.

2. THE INTERNATIONAL MONITARY FUND (I.M.F.)

The I.M.F. was started in 1944 at the Bretton Woods conference. At its instigation the U.S.A. had the controlling voice since it was the largest partner in terms of contributions. Its main function was to act as the organizer of aid through the Marshall Plan and allow a form of control of domestic money supply that uncontrolled before, as between the World Wars, had caused immense problems in international trade. The I.M.F. used a par value system in which currencies were fixed in value but could be adjusted

NOTE: S.D.R.'s are discussed further in 2.4 of this chapter.

through controlled exchange rates. It was not used outside Europe during its first years of operation and was relatively low keyed compared to the U.S.A. aid budget. In 1956 its headquarters was established in Washington, D.C.

By 1959 I.M.F. quotas had increased by 50% and the I.D.A. was formed for setting up 'soft' loans. Also practiced by this time was the 'stand by arrangement' through which a country could temporarily increase its drawing rights by providing the I.M.F. with a letter of intent.

During the 1960's the dominance of the U.S.A. declined with the economic growth of Japan and Europe and towards the end of the 1960's the U.S.A. had become the biggest borrower from the fund to help the U.S.A.'s balance of payments problems.

By 1973 the Special Drawing Rights had been instigated giving the I.M.F. the power to create and international money (S.D.R.'s). Countries with the largest quotas, and therefore drawing rights, were the U.S.A., Britain, France, Germany, and India.
In reaction to the 1974 International monetary crisis, and with Henry Kissinger's advice, a liberalized compensatory financing facility was established allowing loans to flow to the primary producing countries of the world that suffered temporary shortfalls in export earnings. Soon after, in 1975, the I.M.F. started the Special Trust Fund which provided concessional balance of payments financing to the poorer developing countries allowing them to borrow money at low interest rates and liberal repayment schedules.

The I.M.F. holds about $30,000 million in various currencies of its members, and this is what it uses for loans and special agreements. The managing director is, by tradition and agreement, a European with a twenty member board. The I.M.F. is considered to be part of the U.N. system but it has its own constitution which does not work on the one nation one principal and vote format of the U.N. The control of the I.M.F. by member states is in proportion to their quota sizes. The U.S.A. quota was 36% at the start of the I.M.F and while this has been reduced over time to 22% the U.S.A. still has a veto power by virtue of there having to be an 80% majority for a decision.
The contributions by each country are made up of 25% paid in gold and the rest in the countries currency. If that country then requires foreign exchange it can borrow this up to 25% of its contribution. The next 25%, the First Credit Tranche, is conditional on the member making 'reasonable' attempts to resolve its balance of payments problems. If further credit is required a sound program of establishing and maintaining exchange stability has to be defined by that country. This program has a bias of specific kinds of solutions as set out by the most powerful members by virtue of their voting powers (e.g., U.S.A.). The standard prescription is a combination of devaluation of the particular country's currency with deflationery monetary and fiscal policies. With the stand by arrangement disbursements could be tied to specified performance criteria and the I.M.F., acting as coordinator in foreign debts, by setting up a rescheduling conference, could also decide whether an aid receiving country was credit worthy for extention of its debts. It is therefore a major force in aid agreements and often in bilateral aid negotiations that the I.M.F. support for aid agreements is sort.
"Although the details of each programme will vary, the I.M.F. standard of a desirable economic policy is uniform and predictable enough to allow us to sketch a model of it here. The basic components of any such programme are the following:

1. Abolition or liberalization of foreign exchange and import controls.
2. Devaluation of the exchange rate.
3. Domestic anti-inflationary programmes, including:
   a. Control of bank credit; higher interest rates and perhaps higher reserve requirements;
   b. Control of the government deficit; curbs on spending; increases in taxes and in prices charged by public enterprises; abolition of consumer subsidies;
   c. Control of wage rises, so far as within the government's power;
   d. Dismantling of price controls.
4. Greater hospitality to foreign investment.

The I.M.F. then was founded to supplement each member's reserves so that, by drawing on its quota each country could have 'breathing space' if a critical monetary situation arose. The objective was to create the widest possible freedom of play for market forces. That is, by providing this 'breathing space' the I.M.F. could insist that countries in payments crisis did not curtail imports.
3. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (I.B.R.D. or WORLD BANK)

The I.B.R.D. was formed with the I.M.F. in 1944 at Bretton Woods. Its main function was to provide countries with long term loans and for the first ten years of its existence it acted mainly as a financier for reconstruction in Europe after the war. By 1950 it had initiated a modest beginning with development loans and via British legislation, Britain's colonies gained access to borrowing powers, guaranteed by Britain.

In 1950 more funds were made available for countries outside Europe. $400 million, 86% of this from the U.S.A., was provided with the purpose of injecting new life into the technical aid programs that had already been started.

By 1958 the I.F.C. had been established, loans for private enterprise in Developing Countries, and the bank had formed its affiliate, the I.D.A. to be used for 'soft' loans to countries with a G.N.P. of under $375 per capita.

"In 1966 the Fund and the Bank agreed on the definition and delimitation of their respective spheres of responsibility and on the terms of their liaison:
It was agreed that the Fund has primary responsibility for exchange rates and restrictive systems, for adjustment of temporary balance.
of payment disequilibria, and for evaluating and assisting members to work out stabilization programmes as a sound basis for economic advance. On the matters thus identified, the staff of the Bank would inform themselves of the established views and position of the Fund and adopt these as a working basis for their own activities. On the other hand, the Bank was recognized as having primary responsibility for the composition and appropriateness of development programmes and project evaluation, including development priorities. On these matters, the Fund staff would adopt the views of the Bank. In spheres which were not the primary responsibility of either institution, such as the structure and functioning of financial institutions, the staff of the Fund would acquaint itself, before visiting a member country, with the views of the Bank; and vice versa."

In 1975 negotiations took place to increase its capital by $8,300 million to $40,800 million. The World Bank had also decided to provide balance of payments support.

Recently the World Bank has come under fire from the U.S. Congress. The allocation, that millions of dollars have been wasted and that the Bank operates like the large private corporations but with public money and therefore public accountability, has been made. The Bank, however, is a profit making organization and with its rather unwieldy bureaucratic structure and the probability of doubling its capital in the early 1980's it is unlikely that the
The first consortium was formed around India's balance of payments crisis of 1958.

U.S. Congress can make an important impact on its structure.

The I.B.R.D., part of the U.N. system has its headquarters, like the I.M.F. in Washington, D.C. The President of the World Bank is always an American, by tradition. Many of its board members are directors in both the I.M.F. and I.B.R.D. In fact, the annual general meetings for both are held jointly and they both publish the magazine "Finance and Development" together.

The I.B.R.D. is the largest source of multilateral financing and it borrows money on commercial terms and therefore commensurate interest rates are passed on to Developing Countries who borrow from it.

Most consortia (or consultative group) have been formed and organized by the World Bank so as to prevent one loan from being used to pay for imports to a developing country arising out of the conditions of a previous loan to that country.

The I.B.R.D. considers the expert to be the problem solver. The Bank's professionals are trained technical experts and at varying degrees of involvement make policy decisions for the Third World institutions. This process
The I.B.R.D. has a clearer and more defined set of rules for consultants to work in; as is described in the Terms of Reference prepared, often by consultants, or the Bank itself for other consultants to follow; with respect to a particular job to be carried out in a developing country. The goal structure and operating principals are strongly reflected in the organization of this institution. The Bank's growth has increased the costs of loans to the borrower and compounded the institutions

has been strengthened over time to a point where it now identifies and designs large parts, or all, of projects in the Third World prior to appraising and financing them. The degree of structured dependency on the expert has been intensified, and the local expert, as a token gesture, is allowed input into construction or implementation of a solution.

"The basis of the expert model is the trust in the legitimacy of someone planning for others by virtue of his education, training, experience, or status. The primary decision makers are experts of a body of knowledge of a field and its methods. Thus, the name 'expert model,' as opposed to participatory models where the legitimacy of such expertise is not recognized and non experts are the primary decision makers."

internal communications. There are at present one hundred and thirty-two governments who are shareholders in it, and the profit in 1978 was $238 million.

The I.B.R.D.'s major goal is rather ambiguous in that it attempts to attain both efficiency and equity. It provides economic analysis and policy recommendations as a basis for consortia discussions and through the I.F.C. it supplies venture capital to productive enterprises to stimulate the development of local markets and promote the flow of international private capital. As far as its interests in equity are concerned, while it practices sites and services solutions on the one hand it has also been used, in Latin America, to construct luxury housing projects.

4. UNITED NATIONS (U.N.)

The U.N. was founded in San Francisco in 1945. The I.M.F. and the I.B.R.D. were to be subordinated to the U.N. In 1948 the Technical Assistance Program (T.A.P.) was established. The more wealthy countries on the U.N. resisted efforts to further enlarge U.N. funds for development finance over the 1950's. It was only during the 1960's,

REFERENCE: This text, through to France is based on Chapters from G. Cunningham's The Management of Aid Agencies.
with the increase in member countries of approximately 50 newly independent nations that the U.N. could argue that the famous 1% of wealthy nations G.N.P. should be used to aid the developing world and called the 1960's the U.N. Development Decade. By 1964 the U.N. had 5,500 people working in aid positions throughout the world, but its stakes in economic development were still small. It started through its many subcommittees and branches to concentrate on those areas neglected or only indirectly covered by the larger aid donors. In 1970 for example it set out the 'World Plan of Action' for science and technology establishing thirty-one top priorities for areas of research.

The U.N. has many programs, W.H.O., U.N.E.S.C.O., U.N.C.T.A.D., F.A.O., etc. but the system around which it works is too loose for concrete operational issues. This is reflected in its charter, part of which reads "to achieve international cooperation in solving the international problems of an economic, social, cultural or humanitarian character." Member states have to pledge to assist the U.N. in furthering "...higher standards of living, full employment and conditions of economic and social progress"
and development." Add to this its commitment to its declaration of Human Rights and with countries as varied as the U.S.A., U.S.S.R. and Sweden it is no surprise that its impact on development is statistically low compared to other aid donors already described. It has however filled some of the gaps in other forms of aid and particularly in the areas of education and science.

5. OTHER AID ORGANIZATIONS

To go through, in detail, all the other aid organizations on the planet would take many pages. We therefore note them here so that their existence is made known but not the workings and objectives of each.

Most countries in the Western World have some form of aid policy. While their aid agency structures are similar there are distinct differences as will be observed in the few examples listed below. They form a small section of world aid in terms of volume and often have particular interest areas in terms of the countries they provide aid to.

A. Britain: Aid from Britain is administered by the Overseas Development Administration. Its aid policy
was changed during the 1960's with the creation of independent colonial powers. The different departments of government, coordinated and combined into the Department of Technical Cooperation (D.T.C.) worked together under O.D.A. Parliament must approve expenditures which are channelled into different categories: (a) administration costs of agency; (b) international overseas aid both bilateral and multilateral; (c) overseas aid general services, the use of aid varies from research institute assistance to pensions for retired Colonels; and, (d) Foreign Commonwealth Services, an area which includes a number of items all with political overtones.

British aid flows mostly to Africa and India but it is spread over a large number of countries (one hundred and twenty each year). Each country therefore receives a small share of the overall total, 260 million in 1973. About two thirds of the bilateral aid was concentrated into twenty countries in this year and the principle determining factor for distribution is the Commonwealth connection, 83% of 1973
aid going to those countries.

B. **Canada**: The C.I.D.A. (Canadian International Development Agency) controls Canada's aid program. Its functions are officially defined as: to operate and administer the economic assistance program; to insure coordination in the operations of other departments concerned with various aspects of these programs; to consult and cooperate as appropriate with international organizations and agencies and with Canadian voluntary agencies active in developing countries; and to coordinate Canadian efforts to provide emergency assistance. The C.I.D.A. has attempted to provide funding of up to the 1% of G.N.P. criteria as set out by the U.N. but it seldom manages to meet this limit.

The government has stated that it intends to allocate the major proportion of Canadian bilateral funds to selected countries of concentration, but it has also made available about 20% of these funds to other countries, mainly for education and technical assistance and for occasional capital projects of high development priority. The government defends its
'concentration' policy by arguing that it results in effectiveness if concentrated around a few countries and reduces the problems of administration.

C. West Germany: Uses the B.M.Z., or Ministry of Economic Cooperation to practice its aid policies. Most of Germany's aid has been bilateral, some 60% of its 2,660 million Marks in 1972, Germany also aims for the 1% of G.N.P. threshold. Under the wing of the U.S.A. after the war it was 'encouraged' to become a partner in the consortia used to program aid to India in the 1950's and soon after Pakistan and Turkey. It now provides varying degrees of aid to one hundred countries in the Third World.

D. France: France has always had a special relationship with her colonies which she continues to protect through aid agreements. There are five major agencies that deal with aid. The National Assembly votes funds to be shared between Technical Assistance Programs, budget support for her ex-colonies, costs of overseas aid missions and investments. France has also set out its priorities for aid very clearly. Priority one
goes to Europe and the Middle East, two is the French speaking world and, three is Latin America. Its aid is heavily concentrated in the technical assistance sector and deals mostly with education and the cultural field reinforcing French culture in other parts of the world.

E. The O.E.C.D. and D.A.C: Mention must also be made of these organizations here.

"The American authors of the Marshall Plan saw from the beginning that the policies of assistance they envisaged could not be realized autonomously. In his historic speech on June 5th, 1947, General Marshall declared: 'Before the United States Government can proceed much further in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government.' Left without choice, the European countries decided, though not without hesitation, to meet the American wishes as far as possible. The Europeans made an outward display of the unanimity expected by the Americans by entrusting their answer to Marshall's speech to an ad hoc 'Committee of European Economic Cooperation.' When the aid became a reality, they were forced to go a step further and to convert the C.E.E.D. into a permanent organ of co-operation, the O.E.E.C."

The formation of this organization, requiring the cooperation of European countries, helped to move
Europe's development away from direct U.S.A. influence through the necessary inter-Europe trade agreements. In 1960 the Development Assistance Committee (D.A.C.) was formed and the following year when the O.E.E.C. was converted to the O.E.C.D. (Organization for Cooperation and Development) with the addition of the United States and Canada as full members the D.A.C. became known as the 'donors club.' The D.A.C. functioned first as a collector of statistics and presented them on a consistent basis. It was soon to have many members, from the U.S.S.R. to Japan and Germany. As aid became more complex, over the late 1960's and early 1970's the D.A.C. became the one reliable source of statistics by streamlining and defining what could be included in aid and what not.

Two other sources of aid must be mentioned before going on to the more generalized objectives and types of aid.

6. THE SOVIET BLOC

The U.S.S.R. relied strongly on the West for aid and
NOTE: Of course U.S.S.R.'s internal abilities to concentrate its development needs had much to do with its development. The technical capabilities of the U.S.S.R. are founded in part by Western aid.

technical assistance before World War II. In spite of the imaginable difficulties, both politically and culturally this aid had assisted with the development of the U.S.S.R. to the point that by 1945 the Soviet Union ceased to be in debt to foreign countries. It was however only after the death of Stalin in 1953 that the U.S.S.R. started its venture into the area of aid by providing $1 million to the U.N.'s Technical Assistance Program.

With the Bandung Conference in 1955 and the announcement of a group of non-aligned Third World countries, the U.S.S.R. actively participated in aid, offering the Third World an alternative to the West. This is illustrated by the happenings in Egypt at this time. With Nasser's anti-western policies it is not surprising that the west was reluctant to provide Egypt with arms. With the Czech arms deal to Egypt, weakening the relations between the U.S.A. and Egypt, which in turn led to the withdrawal of U.S.A., British, and I.M.F. aid to construct the Aswan Dam, it is understandable that Nasser turned to the one guarantee of income in his grasp. He nationalized the Suez Canal. Soon after this the U.S.S.R. took over the
REFERENCE: Statistics from V. Vassilev's Policy in the Soviet Bloc on Aid to Developing Countries.

NOTE: It is difficult to obtain statistics related to Soviet aid. For example between 1958-1966 the UAR had a deficit of 93 million roubles, while it purchased capital equipment to the value of 560 million roubles. Egypt pays for this with cotton exports, but it must have enjoyed large Soviet credit loans as well to make this all balance.

REFERENCE: From Vassilev's Policy in the Soviet Bloc on Aid to Developing Countries, p. 54.

responsibility of the Aswan Dam construction.

Trade between the Soviet Bloc and the Third World grew rapidly after the 1950's. The number of independent countries, growing due to decolonialization, with, in many cases bitter resentment to the colonial powers, created an increased zone for U.S.S.R. trade.

The developing countries' share of the Soviet Bloc foreign trade increased from 5.2% in 1955 to 12.4% in 1968 and is still growing. The nature of Soviet foreign exports has also shifted from agricultural products to capital equipment, in the Third World used for building up new enterprises.

The U.S.S.R. placed higher priority on 'Turnkey' plants, especially in the early 1960's, than it does now.

"In the case of the Soviet Union, as for other countries in the Soviet bloc, such agreements seem designed to sell capital equipment to the developing countries on the strength of promises, apparently not always honoured, to purchase raw materials. This is the only explanation for the worsening of the under-developed countries' trade deficit vis-a-vis the U.S.S.R., especially since their decolonialisation in the sixties. Up to 1960, the balance was inclined to weigh in their favour, and against the countries in the Atlantic bloc. Since decolonialisation (1961), the position has been completely reversed, with a very rapid increase in
the overall volume of the Soviet side, and a permanent deficit in the trade balance of the Third Countries. At about the same time (1960), the U.S. S.R. acquired a permanent deficit in its trade balance with the countries in the Atlantic bloc. "The explanation can only lie in the policy pursued by the Soviets and the other countries in the Soviet bloc in order to earn foreign exchange by sales of capital equipment to the under-developed countries, then purchase with that exchange other capital equipment in the industrial countries which are members of the O.E.C.D. The countries in the Soviet bloc have succeeded in introducing this triangular trade system on a large scale in the world market. "The result of such a policy has been a yearly increase in the trade deficit of the countries in the Third World vis-a-vis the U.S.S.R., from 18.3 million roubles in 1961 to 317.1 million in 1966, and to over 1.5 billion for the period 1961 to 1966."

The U.S.S.R. having started later with aid programs than the West and with less resources, selected a small number of countries as politically feasible areas of concentration and selected projects.

The main institutions through which the Soviet bloc defines its policies are, the Warsaw Pact, and the Council for Mutual Economic Aid, known as C.O.M.E.C.O.N. C.O.M.E.C.O.N. is dominated by the U.S.S.R., with most of Eastern European countries being members. There is however no coordination of trade with the industrialized West or the Third World within C.O.M.E.C.O.N. Foreign
aid and trade is integrated with the national economic
plan of each country through the national accounting system
and foreign trade plans are prepared in the light of
targets set for the national economic plan. A distinction
is drawn between purely commercial operations and those
of an economic and technical assistance cooperation aspect.
Planning for this aid is complicated and is made up of
stages:
(a) Plan of study projects on construction abroad.
(b) The delivery plan for study projects.
(c) Plan for the supply of capital equipment.
(d) Plan for exports of capital equipment.
(e) Technical cooperation plans.

The U.S.S.R. often includes technical assistance with
aid as for example in 'Turnkey' operations. In 1966 there
were some 16,000 Soviet experts working in the Third World.
They included high level staff, overseers and specialized
workers.

The terms appear to be 'harder' than some Western aid.
A 2.5% interest rate payable over twelve years starting one
year after completion of a project, but repayments can be in

NOTE: Imports from the
Third World are often heav-
ily taxed, if they are con-
sidered unnecessary, to re-
duce consumption in the
Soviet home market.
the form of traditional exports or goods produced in newly built Soviet financed factories. Non-productive activities (such as feasibility studies, etc.) must be payed for out of the loan negotiated.

"Such aid is completely tied, as it is directed to specific objectives under the co-operation agreements. The benefiting country cannot use the credits allocated to purchase goods in a third country. On the other hand, in certain cases two or more countries in the Soviet bloc may to some extent co-operate in granting credit to a country of the Third World, for example for the construction of a large enterprise, where each creditor country provides a pre-agreed contribution. This is, in fact, a form of multilateral aid."

"If must be added that the Eastern European countries - especially the U.S.S.R. - participate in multilateral aid as practised through the medium of the United Nations' specialised agencies. Their contribution is not considerable, but at least it exists."

Economic aid is often backed with military aid and the U.S.A. Department of State put total socialist countries economic commitments to the Third World at $8,981 million with a further $5,510 million in military aid for the period 1954 to 1968.

There are two main differences between aid from the U.S.S.R. and aid from the U.S.A. The U.S.S.R., for political reasons does not exploit investments in the Third World by
repatriation of profits, and it avoids explicit conditions to its aid. It does however purchase goods from the Third World at market rates and can thus be considered to exploit these goods as the West is criticized of doing.
ABBREVIATIONS

D.A.C.    Development Assistance Committee
I.D.A.    International Development Association
I.F.C.    International Finance Corporation
I.I.T.    International Investment Trust
M.I.T./C.U. Massachusetts Institute of Technology and Cairo University Technological Planning Program
O.D.C.    Overseas Development Council
O.E.C.D.  Organization for Economic Co-operation and Development
O.E.E.C.  Organization for European Economic Co-operation
U.N.S.F.  United Nations Special Fund
U.R.R.A.  United Nations Relief and Rehabilitation Administration

U.S.A.I.D.  United States Agency for International Development
There are some sources of information used in this document which cannot be listed in the reference section.

They include:  
(a) U.S. Television Networks
(b) Lecture by Paulo Ceccarelli at M.I.T. (May 1979)
(c) A series of lectures by the Architectural Department at M.I.T. on New Towns in the Middle East (Spring Term 1979)
(d) Discussions with friends
(e) Fidel Castro's speech to the United Nations (November 1979)

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