263-0031
PN-AAG-589

The Budgetary System in the Arab Republic of Egypt Its Role in Local Government Development

APR 05 1978

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USAID/CAIRO
DEVELOPMENT
INFORMATION
CENTER

August, 1977

Contract No. AID/NE-C-1365

Agency for International Development
Washington, D.C.

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PREFACE

Introductory Conclusions and Recommendations

This report is based upon an eight-week field trip to the Arab Republic of Egypt in June and July 1977. Professor James B. Mayfield, who has been conducting extensive research on the local government and rural development problems of Egypt for over 10 years, visited some 24 village units in the districts of Qawisna in Minufia governorate, Badrashin in Giza governorate, and Tema in Sohag governorate. Face-to-face interviews were conducted with the chairmen of the three districts, members of their staff, members of the three district councils, chairman of the 24 village units in these three districts, members of executive committees in these villages, chairmen and elected members of the village councils and representative leaders and citizens from the village units.

Based upon a mutual agreement between the Ministry of Local Government and the Agency for International Development (AID) mission in Cairo, Egypt, Dr. Mayfield's scope of work was to be as follows:

1. To prepare a detailed report describing all the existing financial mechanisms linking village and markaz (district) councils to other agencies of the Government of Egypt. This report is to serve as a manual for both design and implementation of the Development Decentralization Project, and will give particular emphasis to three areas:

   a. The apparatus and cycle of budgeting and disbursing local council funds. (See Chapter II of this report.)

   b. Existing lending and credit arrangements available to local councils including village banks and municipal development loans. (See Chapter III of this report.)

   c. The procedures and regulations governing local council management, allocation, and expenditures of all council revenues whether centrally funded or autonomously generated. (See Chapter I and the Appendices.)

The Arab Republic of Egypt is divided into twenty-four governorates, twenty-one in the Nile Valley and three in the desert areas. Each governorate is further divided into some 150 districts (markaz), usually consisting of one major town and several (5 to 7) village council areas. Each village council area will have several smaller satellite villages. A typical district will have a population of between 150,000 and 200,000 people.

Under Public Law 52 enacted in 1975 local councils are to be elected at each of the three levels of the governmental hierarchy--the governorate, the district, and the village council area. At the district level eight individuals are to be elected by the citizens in the district capital and four individuals are to be elected by the citizens from each of the village council areas. For example, in the Qawisna District where there are seven village council areas, the district council includes eight members from the town of Qawisna and twenty-eight members from the seven village council areas for a total of thirty-six.

Each village council area has a main village which will have at least four representatives, and a series of satellite villages with at least one representative each. The local village council must have at least sixteen members. In Table 1 is a list of the governorates in Egypt with the number of councils established at each level.

Based upon this research project the following general conclusions and recommendations are presented.

Conclusions

1. The Egyptian government appears committed to allowing the directly elected councils at the governorate, district, and village levels to play some role in the development of budgets. Although the outward appearance of this process would seem to suggest that much of the activity of the councils has little substantial impact on the final budget approved by the National Assembly, nevertheless, it cannot be denied that these council discussions can be learning experiences in socializing these often very unsophisticated council members into the difficult and frequently technical aspects of the budgetary process.

2. It is important to remember that the local government units are still dependent for 75 percent or more of the budgets in the form of grants-in-aid from the central government. Local councils are allowed to develop budget requests which may exceed the amounts allocated for local government activity by the Ministry of Finance. This opportunity for local councils to develop their budgets plays a functional role possibly in two ways: (a) the very opportunity by which council members are encouraged to consider alternative budget options should strengthen their awareness as to the possibilities of effective government action at their level of concern; (b) the present tendency for the central government to cut back local council budget requests on the basis of revenue availability should sensitize these council members to their responsibilities if and when additional revenues were to be made available to them.

3. Public Law 52 provides for a new source of revenues for the local councils, unique to the traditional system of Egyptian finance, which potentially may become the basis for a truly independent local government system. By articles 37, 43, 54, and 70 local councils may establish an "account for local services and development." This "special account" is completely separate from the central budget and does not

NUMBER OF LOCAL COUNCILS
(September 1976)

	Governorate Councils	Village Councils	Town Councils	District Councils	Metropolitan District Councils
Rural					
Ismailia	1	7	4	4	
Qalyubia	1	38	9	7	
Minufia	1	61	9	8	
Gharbia	1	52	8	8	
Kafr al-Shaykh	1	38	8	7	
Sharkia	1	65	12	10	
Dakahlia	1	65	10	9	
Dumyat	1	20	5	3	
al-Buheira	1	62	14	12	
Giza	1	38	7	5	3
al-Faiyum	1	34	5	5	
Beni Suef	1	38	7	7	
al-Minya	1	57	9	9	
Asyut	1	47	10	10	
Sohag	1	50	11	11	
Qena	1	44	9	9	
Aswan	1	22	5	4	
New Valley	1	10	2	2	
Matruh	1	7	5	2	
Red Sea	1		4		
Urban					
Cairo	1				7
Alexandria	1				4
Port Said	1				
Suez	1				
Total	24	755	153	132	14

devolve to the public treasury (central government) if it is not spent. Although the amount of money available from the "special account" is presently a very small percentage of a local's budget, it at least provides the mechanism for the eventual development of some financial autonomy for local councils in Egypt.

4. The present local government's financial system continues to be dominated by the traditional objectives of control and accountability. The system of record keeping, posting and disbursement procedures which ensure control over all aspects of the local collection, disbursement, and auditing functions are incredibly detailed and comprehensive. However, one can easily identify specific characteristics which may be dysfunctional to the proper utilization of an effective budget document. Fiscal procedures too often place obstacles in the way of complete disbursement of all funds available to a local government unit. Often the local budget, especially the investment capital section, does not define specific projects or programs in a way which facilitates their evaluation or monitoring. Usually set amounts are allocated in the budget but no consistent effort is made to outline project goals or expectations.

5. In the long run most responsible officials in Egypt hope to see some type of program budgeting process implemented which would provide for the more effective establishment of local goals and identification of local needs, a more comprehensive collection of data and information concerning the programs that are being implemented and administered, and finally a more rational system of monitoring, follow-up and evaluation of all the programs and projects being funded in the local areas of Egypt. While it is quite true that the local units in Egypt have few staff with a background in economics and experience in program development, implementation, and evaluation, it may be possible to utilize some staff personnel from ORDEV in the Ministry of Local Government to begin this type of program budgeting process in a limited number of village projects.

Recommendations

1. The Egyptian government's commitment to develop the economic, social, physical, and administrative systems of local government units in rural Egypt should be strongly encouraged by the U.S. government with appropriate technical, administrative, and financial support. The strategy of village development designed by ORDEV provides a method which (a) encourages a variety of self help activities, (b) helps generate surplus income in the rural areas at a time when Egypt's sources of development resources are limited, (c) strengthens the private sector in Rural Egypt, and (d) provides local government councils with autonomous funds which can be used to finance services and projects not otherwise available through the central government's resources.

2. Specifically the AID mission in Cairo, Egypt should be encouraged to provide supplemental financial support to the ORDEV development fund which would be used to help finance "income-producing"

projects in the rural areas of Egypt. As a means of ensuring that these funds are used only for financing "income-producing" projects in the rural areas of Egypt, it is strongly recommended that any agreement concerning such funds would be negotiated directly with the Ministry of Local Government with a specific agreement that such funds would only be allocated for project development costs at the village level. The Egyptian government has made a strong commitment to cover all overhead and administrative costs for such projects. AID's support should be for specific capital investment and current expenditure costs.

3. It is recommended that the present budgetary system in Egypt be used for all planning, disbursing, posting, and auditing activities associated with such AID monies as they are allocated for village projects. Also it is hoped that some type of preliminary program budget system will be encouraged in ORDEV through some special training in this budgeting technique. (See Chapter IV for details.) Close cooperation between the AID mission in Cairo, Egypt and ORDEV should facilitate the development of the necessary evaluation procedures which would provide some critical judgments as to the effectiveness of the projects being funded. Such an evaluation system is absolutely crucial for any follow-up decisions on future support programs.

CHAPTER I

A GENERAL INTRODUCTION TO THE BUDGETARY PROCESS IN EGYPT

Public finance management, one of the most important aspects of stable government, determines where great sums of money came from, the purposes for which this money is spent, and how it is managed and accounted for. Broadly defined, it includes taxation and taxing policies, as well as debt management, budgeting, accounting, and auditing.

Egypt, like most nations of the world, is faced with the dilemma in which the rising cost of government frequently exceeds government's ability to pay for numerous and expanding programs. A careful analysis of the budgetary process functioning in Egypt is necessary if one is to understand the role of the central government in Cairo and the relationship that exists between it and the local government system that functions in the governorates, districts, towns, and villages of rural Egypt.

The Egyptian local government budget is divided into four categories: salaries (Bab[1] 1), current expenditures (Bab 2), capital investments (Bab 3), and capital transfers (Bab 4). The major emphasis of this budgetary system is oriented toward objects of expenditures (salaries, bonuses, new positions, utilities, office supplies, tools, training, and new investment projects), and organizational responsibility for expenditure (identifying the appropriate level of accountability for each type of disbursement). Such a system does facilitate control which ensures that the proper amount is spent for the proper reason, and which identifies the hierarchy of responsibility by which disbursements are made legitimate and binding. A budget structured in this manner, however, provides little information about the government's objectives and its programs and makes the evaluation of alternative expenditure activities particularly difficult.

A general discussion with responsible officials at the governorate, district and village levels leads to one conclusion. The emphasis on control and accountability influences the criteria that are employed for making budget decisions. Questions on the use of public resources for the specific inputs of salaries, stationery, travel, or utilities clearly take precedence over questions of program content, contributions to specific development objectives, and examination of alternatives. A related feature of the control orientation of the budget is the role of incremental budgeting. Previous levels of expenditure are generally accepted as given, and too often only requests for additional categories of expenditures are examined.

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[1] Bab is the Arabic word for section in the Egyptian budget system.

Fairly rigid procedures of fiscal management are common and seem to take precedence over the evaluation of expenditures ("how" rather than "why" decisions are made is the important consideration) thus causing delays which adversely affect the implementation of program and projects. There was an almost universal complaint from officials in the villages and districts of Egypt that the present budgeting disbursement procedures are so cumbersome and time-consuming that many obviously needed and already approved projects were unnecessarily delayed.

My own observations of the Egyptian budgetary system leads me to the conclusion that with program performance (schools, health units, social services, etc.) usually measured exclusively in financial terms (how much was spent) and by objects of expenditure (what was it spent for), it is difficult to determine the results, effects, and benefits of a government's program. The tendency for concern over accountability also influences the choice of personnel who staff the budgeting offices at the governorate and district levels. Accountants, clerks, and the typical financial officers are trained and oriented to control, and not to exercise the management functions of planning, monitoring, or evaluation.

In any budgeting system, program performance should serve as a guide for subsequent allocation decisions, annual or otherwise, and as an information input for effecting the implementation of current allocations. Performance, of course, can be measured at different levels. The easiest and least informative is financial performance (how much money was spent for each part of the budget). From Table 1-1 below it is apparent that in 1976 nearly 400,000,000 E£[1] (389,707,500 E£) was spent for local government services. By far the largest component of this budget was for wages and salaries of teachers in the cities, towns, and villages of Egypt. In fact, if the cost of education is added to the local government personnel salaries and wages the total is over 50 percent of the entire budget. This type of information is very useful in analyzing the amount of money being spent for different services, the priorities the central government gives to each type of service, and the percentage of the total budget allocated for wages, salaries, and fringe benefits (Bab 1), for current expenses and expenditures (Bab 2), for capital investment projects (Bab 3), and for capital transfers (Bab 4). Given the strong commitment to financial control and accountability, it is understandable that in Egypt the measurement of performance is made almost solely in financial terms and on the basis of a governoate's or district's ability to meet accounting and auditing requirements.

A second type of performance measurement is in physical terms, or work units (examinations given, amount of medicine dispensed, kilometers of road constructed, social units constructed). In Egypt these types of data are being collected more and more as the Ministry of Finance has begun to insist that some type of documentation for capital investment must be provided. There is still a tendency to measure the physical results of ministerial programs in terms of Egyptian pounds

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[1] E£ signifies Egyptian pound which is presently worth roughly $1.40.

Table 1-1

General Budget* for the Local Government System in Egypt

	Wages and Salaries Bab 1		Current Expenditures and Transfers Bab 2		Investment Capital Bab 3		Capital Transfers Bab 4		Totals	
	1976	1975	1976	1975	1976	1975	1976	1975	1976	1975
Executive Staff and Local Councils	58,957,451	46,183,000	38,338,600	41,387,430	12,158,000	13,714,000	4,041,600	8,147,000	113,435,651	109,431,430
Education Services	168,346,249	127,000,000	10,763,700	8,291,300	--	10,267,600	--	45,700	179,109,949	149,604,600
Health Services	42,341,000	37,937,000	17,827,000	15,459,000	33,600,000	5,000,000	--	--	63,528,000	58,396,000
Housing and Construction Services	4,552,000	4,336,000	1,274,430	1,202,700	--	40,000	--	--	5,826,430	5,578,700
Social Affairs Services	5,602,000	5,047,000	3,300,300	5,294,000	301,300	480,000	--	--	9,203,600	10,821,000
Supplies Services	1,914,000	2,045,000	182,000	142,000	--	--	--	--	2,096,000	2,187,000
Agriculture Services	13,322,000	11,049,000	935,000	898,000	--	45,500	--	--	14,257,000	11,992,700
Labor Force Services	1,874,000	1,972,000	165,300	133,500	--	--	--	--	2,039,300	2,105,500
Regional Planning for Aswan Government	217,000	190,000	64,570	64,570	70,000	100,000	--	--	351,570	356,570
Totals	297,125,700	235,759,000	72,855,900	72,874,700	15,889,300	29,647,100	4,041,600	8,192,700	389,907,500	346,473,500

*Includes revenues collected in local areas and grants-in-aid from central government.

spent rather than specific goals achieved. In recent years, however, there have been some significant efforts to encourage performance measurements more in physical than financial terms, but much more could be done. Accomplishments rather than expenditures should be stressed.

The most informative level of performance measurement deals with the effects or benefits of a specific program, which constitute the purpose of the expenditure in the first place and therefore should determine the basis for subsequent budgetary decisions. But measurement of program performance in these terms is difficult and is seldom pursued systematically in any local government organization, either in developed or in underdeveloped countries.

The analysis of programs and projects being implemented in the villages and districts of Egypt has not been systematically encouraged. This is understandable, since various ministerial programs and projects often are not clearly identified and well defined, and thus the performance of many rural projects is difficult to measure; also, responsibility for program evaluation either does not exist at all, or is not clear to Egyptian local government officials.

The Egyptian Budget Today

In 1975, some 312, 133, 746 Egyptian pounds (E£) was allocated for local government expenses (Bab 1--wages) and (Bab 2--current expenditures). A careful review of Table 1-2 below demonstrates how the local governorates are dependent upon central government grants-in-aid for most of the funds to defray their expenses. Only Alexandria, with extensive sources of local import and export taxes and assessments, has local financial resources which cover over 50 percent of its annual expenditures. In contrast, among the rural governorates, nearly 90 percent of all expenditures are financed by central government resources. The figure goes up to 93 percent in Qena and Aswan.

The total Egyptian government budget in 1976 was roughly six billion Egyptian pounds (approximately $9 billion). The chief sources of revenue were various taxes--on income, corporation, sales, imports-exports, land--and loans, etc. Out of this six-billion-pound budget, roughly 390 million was allocated for local administration--roughly 6.5 percent of the total budget. Of great significance is the fact that local administration councils have access to additional financial resources which total approximately 90 million Egyptian pounds, as opposed to only 54 million in 1975. This money is collected at the local level. Thus 23 percent of the local administration budget was covered by revenues assigned by law to the local government, which is a significant increase from the 17 percent available in 1975. The other 77 percent of the local administration budget is allocated in the form of grants-in-aid from the central government. Again a significant drop from the 82.7 percent current in 1975.

One clear indication of Egypt's commitment to local autonomy and the eventual development of decentralized local government institutions will be the degree to which local councils in the present

Table 1-2

1975 Local Government Budget (Bab 1 and Bab 2)
(in Egyptian pounds)

	Total Expenditures	Grants-in-Aid	Percent of Total Expenditures Covered by Central Government Funds
Urban Governorates			
Cairo	54,878,567	36,342,567	66.2%
Alexandria	21,742,083	10,603,083	48.7%
Port Said	4,678,850	4,090,850	87.4%
Ismailia	3,316,204	2,827,204	85.2%
Suez	2,993,496	2,354,496	78.6%
Rural Governorates			
Qalyubia	13,448,058	12,413,513	92.3%
Sharkia	19,217,010	17,233,906	90.1%
Dakhalia	25,159,825	17,488,018	69.5%
Dumyat	8,215,490	7,528,165	91.6%
Minufia	14,953,143	13,866,557	92.7%
Gharbia	18,315,369	16,232,762	88.6%
Kafr al-Shaykh	10,093,206	9,175,784	90.9%
al-Buheira	15,006,708	12,840,546	85.5%
Giza	16,824,925	15,227,509	90.5%
al-Faiyum	8,563,771	7,734,850	90.3%
Beni Suef	9,130,801	8,283,677	90.7%
al-Minya	12,908,940	11,428,863	88.5%
Asyut	11,670,649	10,776,580	92.3%
Sohag	13,470,556	12,276,910	91.9
Qena	13,521,314	12,694,269	93.8%
Aswan	9,263,993	8,679,293	93.6%
Matruh	2,492,202	2,022,702	81.1%
Wadi Gadid	2,901,836	2,504,836	86.3%
Red Sea	2,404,530	1,710,830	71.1%
Sinai	1,961,720	1,751,720	89.3%
Total	312,133,746	258,179,500	82.7%

administration are or can be financially independent of central government resources. There seems to be some trend to increase local sources of revenue for local government units in Egypt, discussed below.

Governorate Financial Resources

Under Public Law 124, the first law dealing with local administration passed in 1960, all governorates were allowed a share of a special add-on tax placed on all import-and-export taxes. Under Public Law 52 passed in 1975 all governorates were given additional sources of revenue in the form of an add-on tax for "movable properties" (stocks, bonds, shares, etc.). There is also a similar additional tax on all industrial and commercial profits taxes. The add-on tax is collected by central government representatives functioning in the local areas.

The percentage of these taxes that goes to the local administration system is somewhat flexible. However, the rate for the import-export add-on tax cannot exceed 3 percent; for movable property, it cannot exceed 5 percent; and for industrial and commercial profits the rate is generally between 10 and 15 percent. These special add-on taxes are levied by a decree from the Ministry of Local Government and with the approval of the relevant governorate council. Special add-on taxes over 5 percent but not more than 15 percent can only be levied by a decree of the Ministerial Committee of Local Governments[1] and with the approval of the relevant governorate council. The amount collected from these add-on taxes was roughly 20 million Egyptian pounds during the 1976 fiscal period. Half of the 20 million went into the budgets of the governorates where the import-export, movable property, industrial, and commercial taxes were collected. Therefore, some 80 percent of these monies go to the Cairo, Alexandria, Port Said, Suez and Aswan governorates. The other half of the 20 million pounds is allocated as follows: nine million is divided on some pro-rated basis among all the governorates and one million goes directly to the Ministry of Local Government. Although this Ministry would like to use this 10 million pounds for special development projects across all the governorates, the present arrangement with the Ministry of Finance is to allow one million pounds to be used for special developmental projects while the other nine million goes into the Ministry of Local Government's budget under the category, "Share of the Joint Revenues."

Each year the Ministry of Local Administration receives a letter from the Ministry of Finance, reminding the Ministry of Local Administration of the agreement by which only one million of these joint revenues can be used for special developmental projects. Efforts in recent years have been made to direct a larger share of these joint revenues to special development projects. The Ministry of Finance within the past year (1976) has agreed to increase these special projects funds up to four million pounds on condition that the Ministry of Planning gives prior approval for the projects on which it will be spent.

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[1] The Ministerial Committee of Local Government consists of the key members of the cabinet responsible for local government services i.e., the Ministers of Local Government, Health Education, Social Affairs, Interior, etc.

It appears that the Ministry of Finance has traditionally discouraged the creation of any financial budgetary system at the local level that would be independent of the central government's overall plans. Some sources in the Ministry of Local Administration have indicated that the passage of Public Law 52 reflects the commitment of the highest levels of government to establish eventually a more autonomous and independent local government system.

As these special project monies become available, governorates are encouraged by the Ministry of Local Government to submit their proposals for local development projects. The guidelines, so far announced, suggest that the proposals should reflect costs of between 20,000 and 60,000 Egyptian pounds--depending upon the size and importance of the governorate.

Other revenues available to the governorates include:

1. One quarter of the land tax and one quarter of the add-on land tax which by law is fixed at 15 percent of the original land tax. At present the total land tax and add-on tax is roughly 14 million Egyptian pounds. One quarter of that tax goes to the governorate and the other three quarters to the towns and villages.

2. All taxes collected on motor cars, motorbikes, carts, and bicycles.

3. The governorate receives 37.5 percent of all revenues generated from the sale of public buildings. Another 37.5 percent goes to the town or village where the public building was located. The final 25 percent goes to the Ministry of Housing as a part of the public housing fund (Sakan Shaabi).

4. Receipts from allocation of the funds invested by the governorate and all the revenues from utilities controlled by the governorate.

5. Other taxes and duties imposed by the governorate.

6. Government grants-in-aid, already mentioned, total presently 75 percent of all governorate revenues. The fact that three-fourths of the governorate's financial needs still come from the central government precludes any meaningful system of autonomy or local initiative from being established in the short run.

District (Markaz) Financial Resources

Of all the local government units, the district level has the most loosely defined set of revenue sources. It is clearly the most dependent level of government in the local administration system. General sources of revenue for the markaz include:

1. Sources assigned by the governorate council.

2. Revenues from all utilities under the direction of the district.

3. Government grants-in-aid.

4. Loans contracted by the district council.

Article 43 of Public Law 52 allows the district council to establish a "special account" for development projects. The law is not clear as to the source of monies for this "special account." If the district is to play a more significant role in local government administration, specific sources of revenue will have to be identified.

Town Financial Resources

General sources of revenue for town councils consist of:

1. Taxes on buildings located within the jurisdiction of the town.

2. Seventy-five percent of the land tax and add-on land tax collected within its area of jurisdiction.

3. Revenues from sources assigned from the governorate council to the town council.

4. Duties imposed by the town council to include: birth certificates; licenses for quarries, mines, fishing rights; business licenses; animal and slaughterhouse registrations; public market, water, electricity, and gas taxes, etc.

5. Thirty-seven and a half percent of the sale price on all public buildings sold within the town.

6. Government grants-in-aid.

Article 54 allows the town council, like the district council, to establish its "special account" for development projects in the town. The law is not clear as to the source of monies for this "special account."

Village Financial Resources

General sources of revenue for village councils are:

1. Seventy-five percent of the land tax and the add-on land tax for all lands within the jurisdiction of the village council area. Peasants who have three feddan (feddan = 1 acre) of land or less do not pay land taxes. Since a significant portion of the peasants own less than three feddan of land, this restriction greatly reduces the tax base for each village.

2. Taxes and duties of a local character imposed by the village council.

3. Revenues from utilities managed by the village.

4. Sources of revenue assigned to the village council from the governorate council.

5. Central government grants-in-aid.

6. Loans contracted by the village council.

Article 70 states that "a special account for local services and development is to be instituted in every village." Whereas these "special accounts" are optional for governorate, district, and town councils, Public Law 52 specifically requires that every village council must have a "special account" for development projects. The Ministry of Local Government hopes this "special account" will motivate village councils to take a more active role in defining, planning, and establishing local village projects. Providing these village councils with some independent sources of revenue should increase the importance and activity of the village council members.

At this point let us identify specifically the sources of revenue available to and collected by local government units. Based upon forms presently utilized by the Ministry of Local Government there are four basic categories of revenue collected:

I. State Revenues

II. Current Revenues

III. Capital Revenues

IV. Loans and Credit Facilities

Category I. State Revenues

Section 1. Land taxes

a. Taxes on land

b. Additional tax on land (15 percent of tax on land)

Section 2. Building taxes

Section 3. Amusement taxes

Section 4. Automobile licenses

Section 5. Shares in the Joint Revenues

Section 6. Shares in the Common Fund

There is an additional tax on imports and exports, moveable wealth, and industrial and commercial profits. Fifty percent of these monies, which goes to the governorate where these monies are collected, makes up the joint fund in section five above. Forty-five percent of these monies (which is divided among all the other governorates) and 5 percent (which goes to the Ministry of Local Government) together make up the common fund in section six.

Category II. Current Revenues

Section 1. Public utilities revenues

a. Water

b. Electricity

c. Sewage

d. Health works

e. Rent from government housing

Section 2. Local taxes and fees

a. Commercial shops

b. Clubs and special organizations (unions)

c. Individual stores and handicraft activities

d. Wagons, carts, bicycles, dogs, domestic animal fees

e. Boats for transportation, fishing and recreation

f. Slaughterhouses

g. Beaches

h. Surveying of land

i. Public gardens

j. Additional fees on petroleum products (gasoline)

k. Special tax on hotel users

l. Birth and death certificates and other health procedures

m. Licenses for hunting and gun permits

n. Licenses on improvements for houses or streets

o. Renters' tax (those who pay more than 4 E£ rent)

p. Fertilizer stores (owners' fees in rural areas)

q. Markets (private sector owners of markets)

r. Other assessments

Section 3. Miscellaneous revenues

a. Governmental markets (collected from users of these markets)

b. Other taxes

Section 4. Quarries

Category III. Capital Revenues

Sales of buildings and land

Category IV. Loans and Credit Facilities

Section 1. Loans

Section 2. Credit facility (Eastern Bloc loans)

Estimated and Actual Revenues Collected in Cairo Governorate (1975)

Table 1-3 below lists the categories of revenue collected in 1975 by the governorate of Cairo. While this governorate, as the capital of Egypt, is not typical of most other governorates, especially in the rural areas, it does provide some insight into the problems and procedures of revenue collection in Egyptian local government.

It is interesting to note that over 50 percent (52.4%) of all revenue collected by the central government in Cairo came from two sources: (a) taxes on automobiles and (b) the Joint Fund. This, of course, does not include income and corporate taxes which are excluded from the local government tax structure completely. A careful review and comparison of the differences between estimated and actual revenues reveals some discrepancies. According to sources in the Ministry of Local Government, only 55 percent of the estimated land tax was collected in Cairo because of three factors: (1) investors are buying up much of the available land for construction of buildings thus freeing themselves from having to pay the agricultural land tax; (2) there is gross negligence in collecting this tax--estimated at 20 percent below what could have been collected; and (3) the presidential decree which exempted all landowners who have less than three acres from paying land taxes. This loss of tax revenue is estimated to be 25 percent of what could have

Table 1-3

Estimated and Actual Revenues Collected in Cairo Governorate (1975)
(in Egyptian pounds)

Category	Estimated collection	Actual collection	Actual percentage of estimates	Percentage of the total amount collected
I. State taxes				
Land tax	18,000	9,919	55.3	.1%
Building tax	2,500,000	2,280,622	91.8	13.4%
Amusement tax	880,000	1,174,538	132.4	6.8%
Automobile tax	5,800,000	4,474,851	77.6	26.3%
Joint revenues	4,775,000	4,431,007	99.0	26.1%
Total	13,973,000	12,370,937	90.2	
II. Current revenue				
Utilities	1,300,000	1,211,454	93.1	7.2%
Local taxes	1,313,000	1,615,051	115.9	9.5%
Other revenues	1,410,000	1,206,548	85.5	7.1%
Quarries	160,000	138,705	86.0	.8%
Total	4,263,000	4,171,758	97.8	
III. Capital revenues (selling land)	300,000	473,317	157.7	2.7%
Total	18,536,000	17,016,011	91.7	100.0%

The amusement tax, which was 132 percent above the estimates, reflects the rapid growth of the tourist industry in Cairo. Both the faster-than-expected growth of night clubs and tourist shows and the willingness of the owners of these places of amusement to pay their fees and assessments in order to stay in business led to this large discrepancy between expected and actual.

The estimated budget for Cairo in 1975 was 54,878,567 E£. Since the estimated revenue to be collected was 18,536,000 E£, this necessitated a grant-in-aid of 36,342,567 from the central government, or nearly 66.6 percent of the total estimated expenditures. When only 17,016,011 E£ was actually collected from local revenue sources and actual expenditures reached 56,213,319 E£, the central government made up the difference with a subsidy of 39,197,308. This type of central government financing is typical of the entire Egyptian local government system.

At the district level in a rural area the sources of revenue are considerably different from those in huge metropolitan Cairo. In the capitalof the Qawisna district, the town (Qawisna) obtains roughly 41 percent of its local revenue from the collection of fees from utilities and only 7 percent from the land tax. However, in villages anywhere from 40 to 80 percent of the local revenue collected comes from land taxes. Note that regardless of the amount or the source of local revenues, central government grants-in-aid still make up over 80-90 percent of these local government budgets. (See Table 1-4).

Table 1-4

Qawisna District Estimated Revenues (1977)
(in Egyptian pounds)

	Qawisna Town	Bigayrim	Mit Birah	Om Khinan	Abnahs	Shubra Bikhum	Arab al-Raml	Tah Shubra
Land Tax	6,085	13,905	7,470	13,480	15,480	6,175	5,740	10,700
Additional Land Tax	915	2,095	1,120	2,020	2,320	925	860	1,600
Building	1,500	--	--	--	--	--	--	--
Amusements	100	--	--	--	--	--	--	--
Water	9,500	600	750	800	700	450	450	350
Electricity	27,100	3,300	3,450	2,700	3,900	3,500	3,600	4,400
Health Works	700	--	--	--	--	--	--	--
Government Housing	4,300	--	1,100	--	--	--	--	--
Commercial Stores	1,600	400	400	900	400	300	800	200
Industrial Stores	3,000	--	4,000	--	--	--	--	--
Slaughterhouse	3,300	--	400	--	--	300	--	--
Municipality Tax	2,200	--	400	--	--	--	--	--
Birth and Death Certificates	10,000	--	--	--	--	--	--	--
Private Market Tax	1,500	--	--	500	500	--	--	--
Government Market Tax	1,900	--	--	--	--	500	100	--
Other Revenues	1,200	160	60	20	--	30	180	350
Cleaning Tax	3,600	--	--	--	--	--	--	--
Development Fund	15,500	300	300	3,500	300	3,000	200	2,000
Total	94,600	20,760	19,350	23,420	23,600	15,230	11,930	19,600
Grant-in-Aid	762,718	70,739	109,172	92,639	113,646	103,352	98,946	107,160
(Percentage of Total)	88.9%	77.3%	84.9%	69.8%	82.8%	87.1%	89.2%	84.4%
Total Estimated Budget	857,318	91,499	128,522	116,059	137,246	118,582	110,876	126,860

Below in Table 1-5 is an outline of revenues and expenditures in the small village of Saqqara in the district of Badrashin, governorate of Giza. Note how the revenues and expenditures are made to balance out by the end of 1976 by the inclusion of some 33,788 E£ in grant-in-aid support from the central government which is 74.6 percent of the total budget. Land taxes make up 73 percent of the local revenues collected, excluding the grant-in-aid from Cairo.

Table 1-5

Revenues and Expenditures of the Village of Saqqara (1976)

Revenues		Expenditures		
I. State Revenues		Local Government Unit and Wages	Bab 1 (Wages)	Bab 2 (Current expenses)
Land tax	7,250			
Additional tax	1,085			
Total Land Tax	8,335			
II. Current Revenues		Expenses	5,720	9,059
Water	105	Schools	17,940	615
Electricity	3,050	Health	6,905	3,220
Total Utility Revenues	3,155	Social Unit	1,422	
		Local Council		417
III. Miscellaneous	20	Total Expenses	31,987	13,311
Total Collected	11,510			
IV. Grant-in-Aid (74.6% of Total Revenue)	33,788		Bab 1	31,987
			Bab 2	13,311
Total Revenues	45,298	Total Expenditures		45,298

Below in Table 1-6 are the sources of revenue estimated to be collected in some of the villages of Badrashin district. Again the same pattern of central government dominance is apparent.

Table 1-6

Estimated Budgets for Bahrashin District Villages (1977)
(in Egyptian pounds)

	Saqqara	Mit Rahina	Dashur	Shūbah Garbi	Marazik
Total Budget	52,067	63,969	69,693	69,300	99,716
Grants from Central Government	39,424	53,406	52,385	55,822	79,498
Collected Revenues from Village Area	12,643	10,563	17,308	13,478	20,218
Sources of Revenue (Estimated for 1977)					
Taxes - Land	7,670	5,010	13,155	6,125	10,230
Addition 15%	1,155	895	1,990	925	1,545
Water	200	200	100	150	500
Electricity	3,500	2,500	1,500	5,800	7,500
Rents	350	750	--	--	--
Miscellaneous	20	75	185	75	50

Revenue Collection Schedules in Rural Egypt

In an attempt to clarify and demonstrate the schedule of local revenue collections in the towns and villages of Egypt the two following tables are included. The major collections months (in order of amounts collected) in rural Egypt are December, November, October, August, June, and March. Of great significance is the fact that the Ministry of Local Government has identified some 32 separate broad types of revenue available for local government units (see page 73 above), yet only 12 of these types were being collected in the villages and only 14 of these types were being collected in the towns. While some types of revenue may not be relevant to these rural areas, interviews with many local officials suggest that a much greater amount of revenue would be available in the rural areas if a more systematic and consistent collection effort were made. (See Tables 1-7 and 1-8).

Since the land tax appears to be the major source of local revenue for the villages it should be interesting to follow its collection schedule. Table 1-9 shows that December and November are the two months when the land tax is usually paid. The next big collection of land taxes is in August following the summer harvest. April comes fourth which confirms the assumption that most land taxes would be paid following the three major harvest times of spring, late summer, and late fall.

Table 1-7

Schedule of Local Revenue Collections (1976)
Qawisna Town

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Land Tax	—	--	--	7	24	18	--	--	44	--	376	3,084	3,553
Taxes on Buildings	--	—	153	170	175	13	--	--	18	10	--	262	801
Amusement Tax	—	--	--	—	--	--	--	9	35	29	15	--	88
Water	234	416	729	574	675	704	599	464	427	575	986	1,073	7,456
Electricity	579	1,486	1,839	1,492	2,025	2,316	2,412	1,649	1,338	3,709	5,521	2,883	27,249
Health Works (Sewage)	30	54	82	64	70	62	237	84	60	81	107	93	1,024
Commercial Stores	21	67	303	232	518	253	344	169	50	79	97	49	2,182
Land Surveys	161	243	163	190	211	226	256	166	80	221	237	269	2,423
Wagons and Bicycles	—	—	--	--	--	--	--	--	--	--	—	124	124
Slaughterhouses	210	292	250	249	339	216	276	257	219	313	458	378	3,457
Birth and Death Certificates	--	—	--	--	--	--	--	--	--	--	--	533	533
Private Sector Markets	--	--	2,500	--	--	2,500	—	--	--	2,500	4	2,500	10,004
Other Assessments	34	78	31	32	128	115	138	158	71	155	37	49	1,026
Other Incomes	31	46	69	59	86	75	88	159	48	258	73	624	1,616
Total	1,445	2,971	6,401	3,322	4,568	6,889	4,440	3,543	2.790	8,493	8,490	12,879	

Table 1-8

Schedule of Local Revenue Collections (1976)
Mit Birah

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Land Tax	--	--	--	77	68	111	--	274	14	129	1,151	4,541	6,365
Additional Land Tax (15%)	--	--	--	--	--	--	--	--	--	--	--	955	955
Water	8	17	50	18	56	8	61	32	29	21	59	85	494
Electricity	122	132	592	--	626	7	325	240	271	22	475	649	3,461
Health Works	--	2	6	--	6	--	2	3	4	--	1	8	32
Rent from Government Housing	21	36	261	4	178	4	46	88	119	4	188	238	1,187
Commercial Stores	--	--	--	--	--	--	--	--	--	--	182	79	261
Small Industries (Handicraft)	--	276	2	--	--	--	--	--	--	--	--	2,681	2,959
Land Surveys	14	--	57	--	46	--	36	20	27	--	53	56	309
Slaughterhouse	46	5	71	--	66	--	24	33	29	--	62	72	408
Other Assessments	--	--	--	--	1	--	1	--	--	--	--	--	2
Other Revenues	3	--	13	--	--	2	2	--	2	--	11	26	59
Total	214	468	1,052	99	1,047	132	497	690	495	176	2,182	9,390	

Table 1-9

Land Tax Collection Schedule in Qawisna District (1976)
(in Egyptian pounds)

	Om Khinan	Bigayrim	Arab al-Raml	Tah Shubra	Abnahs	Mit Birah	Shubra Bikhum
January	—	—	—	—	—	—	—
February	—	—	—	—	—	—	—
March	—	—	—	—	—	—	—
April	193	184	33	313	109	77	6
May	107	161	31	59	98	68	484
June	50	82	30	108	238	111	185
July	—	—	—	—	—	—	—
August	212	52	89	132	319	274	116
September	43	21	36	58	60	14	18
October	121	35	13	16	208	129	14
November	2,196	1,200	689	1,393	1,186	1,151	217
December	9,780	10,541	3,859	7,534	12,421	4,541	4,146

Local Government Expenditures in Egypt

As has already been documented, all local government units (governorate, district, town, and village) are heavily subsidized by the central government. As a means of better understanding the expenditure side of the budget (as opposed to the revenue side) let us briefly outline the broad categories of expenditures for a governorate, a district (town) and several villages.

One problem faced by all local government units is the never ending shortage of funds. One of the dilemmas imposed by Public Law 52 is the commitment to greater participation, citizen input, local council articulation of needs, etc. With this growth in participation, involvement, and local council activity comes a dramatic growth in expectations, desires, and demands for greater government services--all of which puts great additional pressure on an already pressured budget. Out of the interviews with local government officials comes the continual complaint that the needs identified by the local councils are often many times greater than the funds allocated by the Ministry of Finance. Below are three examples of this problem:

(A) The governorate of Giza (1975):

	Expenditures Requested by Local Councils (E£)	Expenditures Funded by the Budget (E£)	Allocations from which Funds were Disbursed (E£)
Bab 1 (Wages)	2,360,810	2,111,500	2,136,029
Bab 2 (Current Expenditures)	1,841,000	1,292,482	1,601,785
Bab 3 (Capital Investment)	6,713,365	1,042,000	871,714
Bab 4 (Transfer Capital)	690,591	691,591	691,521

1976	Requested	Budgeted	1977	Requested	Budgeted
Bab 1	3,028,900	2,560,000	Bab 1	4,029,296	2,920,000
Bab 2	2,326,616	2,279,218	Bab 2	3,790,151	2,897,791
Bab 3	30,457,260	515,500	Bab 3	19,853,340	969,300
Bab 4	615,338	274,975	Bab 4	309,531	209,755

Note that both Bab 1 (Wages) and Bab 2 (Current Expenditures) in 1975 were given some supplementary funds beyond the amount specifically allocated in the budget. The major gap is clearly in the Bab 3 (Capital Investment) category. Local councils continually make huge demands for schools, clinics, roads, water and electricity projects which just cannot be funded. In 1976 the requests for capital investments reached over 30 million E£ and only half a million Egyptian pounds were allocated for projects of this kind. This is a classic example of the problem--in which institutions are being encouraged to make demands in a fiscal environment characterized by a paucity of financial resources.

(B) The Budget of Badrashin District (in E£) 1976:

	Requested	Budgeted	Dispersed
Bab 1	60,000	53,600	44,138
Bab 2	60,000	46,734	64,309
Bab 3	80,000	22,686	22,686

During the middle of the year Bab 2 (Current Expenditures), budgeted for 46,734 E£, was supplemented by 18,000 E£ when the district leader (rais markaz) requested additional funds for a new car, office supplies, some electrical equipment, and some new sewage treatment equipment. Such supplements are generally not available; hence the acquisition of these additional funds is clearly a function of the local government leader's political skills.

The requests for 80,000EL for capital investments broke down as follows:

	Requested	Budgeted
Road Paving	40,000	8,890
Street Cleaning Equipment	10,000	1,796
New Cars	15,000	9,000 (sewage truck)
New Electric Equipment	8,000	3,000
Extended Water Pipeline	7,000	--
	80,000	22,686

(C) Budget Requests for ORDEV:[1]

	1974 Requested	Budgeted	1975 Requested	Budgeted
Bab 1	80,733	113,000	45,000	45,0
Bab 2	90,900	50,000	50,000	50,000
Bab 3	1,000,000	300,000	1,180,000	1,180,000

	1976 Requested	Budgeted	1977 Requested	Budgeted
Bab 1	120,000	60,000	120,000	63,000
Bab 2	63,900	58,000	69,450	47,000
Bab 3	15,000,000	2,697,000	5,000,000	2,534,500

This same pattern emerges in the ORDEV budgets. Except for 1975 when no requests were solicited and thus the request and the budget were the same, all years were characterized by a significant discrepancy between requests and budgets--especially for Bab 3 (Capital Investments). The continued existence of this discrepancy makes it necessary to help local councils identify and develop new sources of revenue as a means of reinforcing the trend toward decentralization and greater local autonomy, but also as a means of generating new sources of revenue to finance the ever-growing needs of new projects and programs.

Various Categories of Expenses for the Qawisna District

A brief descriptive outline of the expenses for the four categories of the Qawisna district budget reveals some interesting data on the types of expenses presently being funded in the rural areas of Egypt.[2]

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[1]ORDEV signifies Organization for the Reconstruction and Development of Egyptian Villages. This organization, which plays a significant role in developing the economic, social, and political life of rural Egypt, will be described in much greater detail in Chapter III below.

[2]For a full and complete list of all types of expenses presently being funded in Egyptian Local Government see Appendix A.

Table 1-10

Administrative Expenses for the Qawisna District*
(in Egyptian Pounds)

Bab 1 (Wages and Salaries)	1977	1976
(1) Permanent Degree Salaries — sub total	154,772	152,379
(2) Bonuses for Employees		
1. for unusual efforts	617	45
2. for working on Fridays	--	--
3. for people transferred from daily work to permanent basis	--	--
4. of encouragement	171	70
5. for other jobs	112	--
6. for Chairman of Village and City Chairman	215	315
sub total	1,215	430
(3) Salary Supplements		
1. Added salaries for sick leave	--	--
2. Hazardous duty pay for x-rays	321	321
3. Inducement pay for engineers not to work outside	1,071	990
4. Transfers from high dam area	25	25
5. Special salaries for cashiers	18	28
6. Hearing aid	27	27
7. Other special	23	27
8. Transportation Allowance	20	20
sub total	1,505	1,424
(4) Fringe Benefits		
1. Benefits in kind (clothing, bus tickets, etc.)	35	35
2. Benefits in cash	23,216	24,380
3. Cost of living increase	19,000	11,000
4. Injury compensation	1,548	--
GRAND TOTAL	198,536	187,759

*For an example of the budgetary records maintained in the rural areas of Egypt see Appendix A at the end of the report.

Table 1-11

City Budget of Qawisna and Village Units (1977)
(in Egyptian pounds)

Bab II (Current Expenditures)	Qawisna	Shubra Bikhum	Mit Birah	Om Khinan	Abnahs	Bigayrim	Arab al-Raml	Tah Shubra
I. Community Requirements								
1. Raw Materials	790	250	250	50	25	15	10	10
2. Fuels/Energy	1,350	30	30	25	15	15	15	15
3. Greasing/Oils	230	20	20	20	20	20	20	20
4. Other Oils	10	4	4	4	4	3	3	3
Sub total	2,380	304	304	49	64	53	48	48
5. Spare Parts	300	15	10	15	15	5	5	5
6. Appliances, Equipment	300	15	10	20	15	5	5	5
Sub total	600	30	20	35	30	10	10	10
Books and Stationery								
7. Pens/Pencils	400	90	90	90	55	90	40	50
8. Books/Magazines	15	2	2	2	2	1	1	1
9. Stationery	150	60	60	60	51	65	35	35
10. Others	25	3	3	2	2	2	2	2
Sub total	590	155	155	154	110	158	78	88
Total	3,570	489	479	318	204	221	136	146
II. Electricity to be Sold								
Total	31,420	4,815	1,531	10,295	1,101	--	--	9,576
III. Services Requirements/Maintenance								
1. Repair Buildings	400	85	75	75	45	45	45	120
2. Utilities	930	70	70	45	35	40	40	40
3. Roads/Bridges	300	14	14	15	5	3	4	4
4. Machinery	230	3	3	3	2	2	2	2

continued

Table I-11 continued

	Qawisna	Shubra Bikhum	Mit Birah	Om Khinan	Abnahs	Bigayrim	Arab al-Raml	Tah Shubra
5. Transport Vehicles	800	20	20	10	10	10	10	10
6. Furniture	35	40	40	40	30	15	15	20
7. Other	20	5	5	2	2	1	1	2
Total	2,715	237	227	190	129	116	117	198
IV. Publications and Public Relations								
1. Publications	50	10	5	5	5	2	2	3
2. Public Relations	50	10	10	10	10	3	3	7
Sub total	100	20	15	15	15	5	5	10
3. Printing Expenses	250	75	75	100	75	50	50	75
4. Subscription to Magazines	15	2	2	2	2	2	2	2
5. Printing Books	5	2	2	2	1	1	1	1
Total	270	79	79	104	78	53	53	78
V. Transportation								
1. Railroad Equipment	10	5	5	5	5	3	2	5
2. General Transportation by Railway	100	10	10	10	10	10	10	10
3. Other Transportation	95	25	25	30	15	10	15	10
4. Transport Allowance	110	7	7	7	4	4	3	3
5. Telephone	150	30	30	30	30	10	5	15
6. Telegraph	5	5	5	5	5	2	3	5
7. Postage	175	25	25	30	20	15	15	15
Total	645	107	107	117	89	54	53	63
VI. Cost of Services of Departments and Establishments								
1. Fire Station	7,823	--	--	--	--	--	--	--
2. Electricity Org (cost)	3,570	803	1,588	1,732	1,651	1,021	1,905	1,596
Total	11,393	803	1,588	1,732	1,651	1,021	1,905	1,596

continued

Table 1-11 continued

	Qawisna	Shubra Bikhum	Mit Birah	Om Khinan	Abnahs	Bigayrim	Arab al-Raml	Tah Shubra
VII. Services Expenses for Other than Employee								
1. Bonuses	25	--	--	--	--	--	--	--
2. Cost of training	20	5	5	5	5	5	5	5
Total	45	5	5	5	5	5	5	5
VIII. Diverse Services								
1. Holidays Expenses	10	2	2	2	1	1	1	1
2. Implementing Laws	50	--	--	--	--	--	--	--
3. Burial Expenses	25	5	6	6	2	2	2	2
4. Other Services	10	5	2	2	1	1	1	2
5. Illiteracy	40	--	--	--	--	--	--	--
Total	135	12	10	10	4	4	4	5
IX. Current Transfer Expens								
1. Rents of Buildings and Garages	400	160	40	--	--	--	--	15
2. Committed Current Transfer Exams (Welfare) Other for Cooperatives	--	--	--	--	400	400	--	--
3. Cleaning	3,600	--	--	--	--	--	--	--
Services Fund	15,500	3,000	300	3,000	300	300	200	2,000
Total	19,500	3,160	340	3,000	700	700	200	2,015
GRAND TOTAL*	59,793	9,727	12,381	16,246	12,784	7,809	13,898	13,692

*The grand total figures are correct. However, some of the sub totals may be incorrect because the figures in the original source were unclear in several places.

CHAPTER II

BUDGET CYCLE IN EGYPT

The procedure for preparing the budget for the Egyptian local government system is fairly structured by legal statutes [Law 53 (1973), General Budget Preparation Law; Law 70 (1973), Planning and Development Law; and Law 52 (1975), Local Government Law], but political and economic demands still influence the behavior of those responsible for developing and implementing the budget.

The "budget cycle" in Egypt is a continuous process involving four overlapping phases, which are: ministerial formulation and submission of the budget to the National Assembly; National Assembly authorization and appropriation; budget implementation and control; and final audit. And, at any one time the agencies and departments of each ministry may be operating under one budget, seeking to justify the following fiscal year's budget requirements to the next higher echelon, and beginning to prepare estimates for revenues and expenditures for a budget which will go into effect one year or more later.

The budgetary process is largely a policy-making procedure involving completing priorities in ministerial programs. The budget itself represents a yearly summation of public income and expenses. The purpose of the budget is to enable decision-makers in the various ministries to gain a sharp picture of sources of revenue, cash flow, expenditures, and reserves. Insofar as it also serves as an outline for public policy, it is a continuous process.

Detailed instructions for the preparation of a budget are issued by the Minister of Finance. This document, called a manshur, or set of guidelines for budget preparation, is sent to the Financial Department of each governorate, and serves as a basis for a similar governorate manshur which is sent to its local councils. Each of these must formulate its budget in accordance with these detailed instructions.

The 1977 manshur of the Giza governorate in a paraphrased, summarized translation, with annotations in brackets, is given here as a typical example.

We enclose herewith the special regulations related to the preparation of the budget for the fiscal year 1978. You must be accurate and realistic in estimating revenues and uses so as to ensure that these estimates will be factual.

The financial department is asking the concerned organizations to observe some care in identifying spending needs, and seek to reduce expenditures in a way that does not detract from an effective delivery of

services. Some effort should be made to motivate the collectors to collect as much revenue as possible as you seek to prepare the 1978 budget.

I. The steps to be taken during the preparation of the budget are as follows:

A. Budgets of Local Units: Localities (villages), towns, and districts

1. Each local unit is to prepare a suggested budget for the fiscal year 1978 in accordance with the forms prepared by the financial department for this purpose and which were previously sent with the pamphlet on how to prepare the suggested budget for 1977.

2. The chairman of the local unit and the chairmen of the various service departments are to participate in the preparation of the suggested budget.

3. The recommendations for Bab (section) 1 (salaries) must be prepared in coordination with the personnel department of the governorate.

4. The recommendations for Bab 3 (investment) must be prepared in coordination with the General Comptroller for planning in the executive staff of the governorate.

5. The opinion of the local council chairman must be considered in preparing the budget for the council he is heading.

6. When all these procedures are completed then the suggested budget for 1978 for the local unit is to be submitted to the concerned local council for its endorsement before sending it to the financial department [of the governorate]

7. The district unit or the town in which the boundaries of the village exists is to help prepare the suggested budget for the village in accordance with what was mentioned above.

B. The General Executive Council of the Governorate

1. The budget department [of the governorate], in coordination with the planning and control department, the personnel department, and the organization and accounts department, is to prepare the suggested budget for the [governorate-level] executive staff and local council budgets. [These local council budgets are distinct from the local unit budgets described in A above. These council budgets are only a small fraction of the total local unit budget.

2. The departments of sports, youth, and real estate tax are to prepare their suggested budgets and send them to the general executive staff of the governorate (budget department).

3. The opinion of the chairman of the Governorate Council is to be considered in regard to the suggested budgets for local councils.

4. The budget department of the general executive staff of the governorate is to gather all previous suggested budgets of local units in the governorate.

Services Branches

1. The representative of each central ministerial service in coordination with its local representative is to prepare a suggested service budget for all its levels on the condition that he return to the concerned ministry for appropriate guidance on the amount of funds to be available at each level. He is to be guided in establishing the needs of all units at all levels by meeting with the heads of the units and chairmen of the councils to ascertain the wishes of the local population in regard to the service he represents. A completed [consolidated] governorate budget incorporating all the local budgets is to be sent to the budget department of the governorate.

II. The dates for sending the suggested budgets

The suggested budget is to be studied by the budget department, submitted to the general executive staff and then to the governorate local council for endorsement, and then sent to the Ministry of Finance and the concerned departments within the appropriate time. Article 34 of the Law of General Budget of the State stipulates that if a suggested budget, the final accounts, with detailed data is not submitted, is incomplete, or is late, it is in violation of the financial law. Therefore, the Financial Department requires all departments to submit all their suggested budgets on the following dates:

(1) Budgets of Branch I--the general executive council and the local councils of all the local units by a date no later than June 4, 1977.

(2) Budgets of various services on the level of the executive council of the service branch and all the local units by a date no later than June 18, 1977.

In order to implement this request, the budget department will put all its researchers and staff on call by any department to give technical advice and help so that the suggested budgets will be prepared on time.

Bab 1

Wages, Salaries and Fringe Benefits

(1) The departments are to submit their suggested budgets based on the 1977 budget, separating the necessary amendments from the new recommendations, which must be consistent with the organizational regulations already adopted. They must estimate the cost of the necessary amendments on a yearly basis. [Amendments refer to those increases in salary and fringe benefits as required by law; i.e., persons who have served at a given grade for a specified number of years must be given a salary increase.]

(2) Each department must attach to its suggested budget an organizational chart for each unit of local government (the general executive staff with its various sections--the markaz, the towns, the suburbs, and the villages). If an organizational chart does not exist they are to prepare one in cooperation with the personnel department of the governorate.

(3) The need for any position included in the budget must be justified and officially authorized for the unit involved.

(4) All additional positions must be limited to those which are absolutely essential. If there have been increases in work load then requests for some additions may be permitted.

(5) No suggestions for additional positions are to be submitted if this results in an extra financial burden--except in lower grades, or hiring new university graduates. No requests will be accepted except for these two categories.

Rules for Estimating Bab 1 Items

(a) Permanent jobs - estimates should be based upon actual wages, adding the necessary increases. The estimate of the difference between the two wages will be in conformity with the attached form. There must be attached a detailed statement about the empty grades as of May 31, 1977.

(b) Salaried personnel (Not permanent employees with a grade) The estimate of this item will be on the basis of the contract for those employed; their appointment will be renewed in the next year only if they are needed. The estimate of the necessary costs will be based on what was paid at the end of May 1977. An attached statement must show the number presently employed and their monthly remuneration.

(c) Bonuses - No one is to seek any increase in incentive or encouragement bonuses--but all bonuses will be based upon the schedules used in the 1977 budget.

(d) Salary supplements and allowances - The procedure used above for estimating wages and allowances is to be used here. Expenditures should be based upon level of 1976, adding only the necessary increases listed in section (a) above.

(e) Fringe benefits - No increases will be considered.

The following new regulations, procedures, and costs will apply for the 1978 budget.

1. All administrative duties, funds, and employees below grade 3 in all service ministries will be transferred to the governorates. This new delegation of administrative control to the governorate easily includes 80 percent of the personnel functioning in the local units. [This delegation of authority from the central government to the governorates is a clear indication of Egypt's commitment to decentralized local government.] These positions which have been transferred include:

   (a) Administrative and organizational positions related to administrative and financial affairs
   (b) Clerical positions
   (c) Technical positions
   (d) Assistant services positions
   (e) Primary educational positions up to the 3rd grade in the civil service.

2. All decisions concerning salary increases will be transferred to the governorate level.

3. Costs of special positions defined by the labor force ministerial committee and cost of engineers who are to work at the unit level should be included.

4. Costs of special positions filled by those who are released from the military should be included.

5. Costs of upgrading the ranks and grades in accordance with the Civil Service Law of 1974--by which all who were in a certain grade for a certain time (7 years or more) are to be upgraded should be included.

6. Costs of executing Law 48 (1974) which increases minimum monthly wages from 9E£ to 12E£ should be included.

7. Costs of executing Law 78 (1972) which provides older employees with a pension on retirement should be included.

8. Establishment of new grades for excess manpower in companies and general military industries identified in other executive orders.

Bab 2

Current Expenditures

When allocating the funds for this Section (Bab) it is necessary to be very conservative to keep general expenses at a minimum. The averages of past consumption of commodities are to be used in estimating the costs to be incurred next year. The estimate of Bab 2 should be as follows:

Group 1 - Commodities Requirements

The financial department has previously published its book #1472 (26 April 1977) of special regulations for determining annual needs for these items. It also defined the basis for determining these needs. It fixed 15 May 1977 as the last day to submit these needed expenditures for review and to integrate them into the general budget of each local unit. These needs must be defined and the estimates for 1978 carefully prepared in accordance with the regulations.

A. Raw Materials - Each department will determine the funds needed to obtain its necessary raw materials on the basis of actual expenses incurred in 1976 and the previous year. It must study the inventory of each type needed; and to ensure that strategic items are available at the governatorial level in ample supply, it must state what raw materials it no longer needs and eliminate them, as long as this does not affect the good performance of the work.

Bab 3

Investment Capital

Each department is to take into consideration, when estimating its Bab 3 needs, the volume of investment for 1978--the third year of the five-year plan. It must also take into consideration when selecting projects, that the following must be given priority as listed:

First: Investment projects which are near completion so as to invest this year's capital in a most productive way.

Second: Projects which have been agreed on, with foreign or Arab sources of income, and which have been approved for completion.

Third: New projects which should be executed. The most important are: those supporting utilities (water, electricity) which have been neglected or have not been renewed in recent years.

Fourth: Investments necessary to raise the agricultural production level and projects which provide supplies of food commodities which are presently being imported, in order to reduce our dependence on imports.

Fifth: Projects of agricultural and industrial development which are needed in the long run to achieve the level of increased production needed to insure supplies for an increasing population.

Sixth: Infrastructure projects which will enable other productive projects to be implemented (such as education, training programs, etc.).

We hope each department will complete this special section on investments as stipulated in Planning Law 70 (1973): they are to prepare their estimates on each project and specify its geographical location, its nature, total cost, stage of execution of work, the suggested investments for it in 1978, and the method of financing. In addition, a study must be prepared about the economic side of these new projects--making sure that these projects are within the framework of the whole five-year plan. These suggestions should be submitted to the department of general planning and follow-up of the governorate for its study and consolidation into one budget. These rules must be observed:

1. Any luxurious or very expensive supplies or materials are not to be entered into the estimate of this investment section unless other items are unavailable and/or these are absolutely necessary.

2. It is forbidden to import large luxurious cars as mentioned in the general manshur #1 of 1976. You should buy in general locally produced cars, or if they are not available, a similar foreign-make.

Bab 4

Capital Transfers

The estimates under Bab 4 are to be in accordance with the usual divisions of the budget. Prepare the estimates on the basis of actual liabilities which are due to be settled in 1978. This is to ensure installment payments on contract dates.

1. The housing installment loan.

2. The city mapping and surveys.

3. The general insurance and pension bonds issued to help pay for insurance and pension programs.

This detailed set of instructions provides the basis for establishing each section of the total Giza budget. In Table 1-1 below the Giza General Budget is outlined. The four sections of the budget (Bab 1, wages and salaries; Bab 2, current expenditures; Bab 3, capital investments; Bab 4, capital transfers) for 1976 are compared with those for 1975 within the eight general areas of the service ministries. Over 8 million E£ of the

total budget of 14,772,000E£ in Bab 1 goes for the salaries and wages of school teachers and administrators. It is my impression that this ratio is typical of all rural governorates in Egypt.

The Ministry of Local Government is basically responsible for establishing guidelines for the executive staff and local council expenses. The other seven services areas (education, health, housing, social affairs, supplies, agriculture, and labor) are each individually structured by guidelines from the concerned ministry. As might be expected, the three major ministries involved in this process are Education, Health, and Local Government. The budgets of these three ministries include over 90 percent of Bab 1 (wages) and Bab 2 (current expenditures) for the whole governorate budget of Giza. Wages in 1976 (14,772,000E£) are roughly 75 percent of the total budget of 19,694,027, leaving the other 25 percent for current expenditures and capital investments.

In Table 2-2 below is a standard balance sheet which demonstrates how expenditures and revenues are balanced largely through central government grants-in-aid. State revenues (taxes) and current revenues (assessments) the Giza governorate, for example, make up only 20 percent of the total estimated expenditures for 1976. In 1975 these local revenues made up 22.1 percent of the budget--suggesting the financial difficulty local government in Egypt faces as it seeks to develop a decentralized and autonomous system of local councils and government units.

The process involved in preparing the budget and carrying it through its multiple phases begins in March, and theoretically is completed with its ultimate approval before the end of the year. Frequently, however, this is not the case. Although the budgetary cycle appears fairly rational and logical, it must be remembered that most officials interviewed, especially at the local levels of government, complained that they were never given enough time to develop their budgets, and that unreasonable timetables were the norm rather than the exception. Thus while the timetable described is fairly accurate, many activities listed are sometimes as much as three and four weeks late in being performed. As these delays become cumulative from the lower levels upward, the whole process can be put forward as much as several months. Yet in general the process described below on a month-by-month basis gives a fairly representative view of the budget cycle.

March-April

In March and April the Ministry of Finance evaluates projected estimates of revenues to be available for the budget of the next calendar year (which coincides with the fiscal year) and establishes a set of guidelines and specific procedures to be used by the various levels of local government and the different ministries in developing their individual budgets.

May

During May two types of activities are performed: First, the Minister of Finance's detailed procedures for developing a budget, the

Table 2-1

Giza General Budget
(in Egyptian pounds)

	Bab 1		Bab 2		Bab 3		Bab 4		Totals	
	1976	1975	1976	1975	1976	1975	1976	1975	1976	1975
Executive Staff and Local Council	2,518,000	211,500	2,279,218	1,822,482	515,500	1,042,000	274,975	691,591	5,581,693	5,667,573
Education	8,447,000	7,266,000	537,180	432,400	—	694,495	—	—	8,984,180	8,392,895
Health	2,334,000	2,229,000	998,000	870,000	—	—	—	—	3,332,000	2,999,000
Housing	230,000	215,800	49,815	41,385	—	40,000	—	—	279,815	297,185
Social Affairs	414,000	382,000	205,109	323,056	6,300	—	—	—	625,409	705,056
Supplies	59,000	91,000	8,430	6,700	—	—	—	—	67,430	97,700
Agriculture	675,000	556,000	41,700	41,100	—	—	—	—	716,700	597,100
Labor Force	95,000	100,000	5,800	5,000	—	—	—	—	100,800	105,000
Totals	14,772,000	12,851,300	4,125,252	3,542,123	521,800	1,776,495	274,975	691,591	19,694,027	18,861,509

Table 2-2

Giza Budget - Revenues and Expenditures
(in Egyptian pounds)

Current Budget	1976	1975	Revenues	1976	1975
General Expenses			**General Revenues**		
Bab 1 (wages)	14,772,000	12,851,300	1. State Revenues	2,347,200	2,218,000
Bab 2 (current expenses)	4,125,252	3,542,123	2. Current Revenues	1,516,700	1,416,000
			3. Grants-in-Aid (State Services)	15,033,352	12,759,423
Capital Budgets			**Capital Revenues**		
Bab 3 (capital investments)	521,800	1,776,495	Financial Investments	521,800	1,776,495
			1. Diverse Capital Revenues		
			2. Grants-in-Aid for Capital State Services		
Bab 4 (capital transfers)	274,975	691,591	**Capital Transfer Revenues**		
			1. Self Financing		
			2. Capital Transfers Revenues	1,300	
			3. Grants-in-Aid for State Capital Services	273,675	691,591
Totals	19,694,027	18,861,509		19,694,027	18,861,509

manshur, is sent to the financial department of each governorate which then formulates its own manshur and sends it to each of its local councils. Second, the general controller of the planning and follow-up department in each governorate also sends out a specific form on which each local council lists all investment projects (Bab 3) needed for the next year. All Bab 3 recommendations for villages, towns, and districts are made at the governorate level.

June

During June each village council studies and develops its budget for the coming year for Bab 1 (wages) and Bab 2 (current expenditures). This usually involves the following procedure: Upon receiving a copy of the governorate manshur the local unit leader, i.e., the governorate's official representative at the village level (rais wahda) and the district leader (rais markaz), begin to meet with representatives of their respective financial departments. Village leaders appear to work closely with the district finance department and the district leaders work with the governorate finance department. Based upon some extensive interviewing of officials at these two levels, it seems that the upper echelon in the hierarchy plays a dominant role in determining the structure, the priorities, and the amounts of the different sections of the budget. Once the draft budget for each local area has been established, it is submitted to its local council for study and endorsement. All village council area budgets are then submitted to the governorate finance office before the end of June.

July

During July, the governorate finance department receives all draft budgets from its different local council areas. This department, which is part of the governor's executive staff, still works closely with the Ministry of Finance. The head of this finance department, as the governor's chief financial counselor, puts all the draft budgets in proper form and incorporates them into one budget called "The General Draft Budget of the Governorate." This document is then submitted to the executive committee, which includes representatives from the governor's staff and from the governorate council. Although the law specifically states that no amendments are possible at this level, various sources in different ministries have indicated that this committee has been known to make changes. The governor then submits the draft budget to the governorate council for its discussion and endorsment. This body, too, has been criticized for adding requests, especially for Bab 3 projects, which eventually have to be cut at the ministerial level. Generally a governor finds it politically advantageous to submit all budget requests as endorsed--thus forcing the Ministry of Finance or the Ministry of Local Government to perform the unpleasant task of cutting or trimming projects requested by local councils. There is much evidence to suggest that the Ministry of Local Government during this period coordinates the budgetary activities of the various governorates, establishing priorities, negotiating compromises, and presenting recommendations.

August

Generally near the middle of August each governorate will submit copies of its draft budget to both the Ministry of Finance and the Ministry of Local Government. In addition, one extra copy of Bab 1 (wages and salaries) goes to the Central Agency for Administration and Organization and an extra copy of Bab 3 (capital investment) goes to the Ministry of Planning.

September-October

During the latter part of August, most of September and part of October the Ministry of Finance discusses and often negotiates these draft budgets with all of the ministries. The Minister of Finance eventually must reduce the amounts requested by the elected councils to a level consistent with estimated revenues for the total country. If serious conflicts emerge the final level of appeal is the Prime Minister in most cases. Next the Minister of Finance then prepares a final draft budget which is submitted to the Ministerial Committee for Planning to ensure it general consistency with Egypt's five-year plan.

By the middle of October the Minister of Finance usually has reached a final draft budget with most recommendations, amendments and changes included. This is then published and submitted to the Cabinet for final discussion and negotiation.

November-December

Now the draft budget is presented to the National Assembly for its approval. In recent years the various parliamentary committees have waged significant opposition to various budgetary allocations, and some compromises and adjustments have been made. When the "draft budget" is approved it becomes the "State Budget." Although this process is supposed to be completed prior to January 1, the beginning of the Egyptian fiscal year, it is not uncommon for the National Assembly to delay approval of the State Budget, sometimes into February. The Ministry of Finance at this point communicates the final budget items to the governorate Departments of Finance. Based upon the recommendations of this body the governorate council then announces the distribution of funds for its villages and towns. It is the responsibility of the governor to inform the local councils of the actual funds available in each budget category.

Data Gained from Personal Interviews

In an attempt to obtain data on how the budgetary process actually functions in the local areas of Egypt, some 25 village unit leaders and officials (rais wahda) and 18 village council elected members from three different districts were interviewed, one in upper Egypt (Tema District in Sohag governorate), one in middle Egypt (Badrashin District in Giza governorate), and one in lower Egypt (Qawisna District in Minufiya governorate).

In order to elicit local village leaders' ability to define the process by which their village budget is determined an open-ended question was asked each person: "In your own words please describe the process by which the village budget is determined in your village."

Some interesting patterns of perception were encountered. The following specific types of comments have been identified from an analysis of the responses.

1. The district (markaz) accounting office appears to play a key role in informing the village leader (rais wahda) of what his budget will probably be. Generally this office prepares a tentative budget for each village based upon (a) the previous year's budget; (b) estimated revenues for the coming year; and (c) instructions from the governorate budget office.

2. Some respondents acknowledged that Bab 1 (wages) is fairly well set by the personnel office at the governorate level and Bab 2 (current expenditures) is based upon figures suggested by the district accounting office. There appears to be some negotiating possible between the village leader and the district accounting office for Bab 2--with the district leader moderating these negotiations when necessary. Many respondents suggested Bab 2 was never enough to run their operation properly.

3. It must be remembered that the open-ended question was asked as a means of determining the words and concepts the respondents (both local government officials and village council members) would use in describing the budgetary process in their own villages. A significant proportion (14 of 25) of the local government representatives acknowledged that the district accounting office intervened at least once during the development of their budgets. Only 1 of 18 village council members specifically mentioned the district office as an intervening agency in the process. This should not be interpreted to suggest that the council members are necessarily unaware of the role played by this office, but merely that in an open-ended discussion of the budgetary process the district was not mentioned by people who are not part of the local administrative system. The meaning and significance of this requires additional research.

Although the village budget does include three separate sections, less than one-fourth (6 of 25) of the government officials specifically mentioned Bab 1, Bab 2, or Bab 3, and none of the 18 village council members used these terms. However, 7 of 18 village council members did describe the projects of water, electricity, roads or schools which they hoped would be funded by the next year's budget. Bab 3 is specifically related to these kinds of new capital investment projects. It is interesting to note that 5 of the 6 government officials who mentioned Bab 3 also indicated that Bab 3 projects are almost always rejected by higher officials in the local government system. A certain amount of cynicism about Bab 3 projects was apparent.

A. Village Leader (Rais Wahda) Mentioned First (14 officials and 1 council member)

Those who mention the rais wahda first tend to emphasize the importance of the district accounting office in identifying the guidelines and limitations within which the village budget must be developed. Although one rais wahda specifically indicated that he sets up the budget himself and then presents it to the village council for their consideration and approval, six of the 14 village leaders acknowledged that they relied heavily on the district accounting office in setting up the budget before it was presented to the village council. One described the process in these terms: "Based upon information supplied by the markaz accounting office I compare our previous budget of last year, check out how much we actually spent last year, seek advice and counsel from the village council, the executive committee (Maktab Tanfizi) and other influentials in the village and the district and then write up the budget to be presented to the village council for their approval." Two other village leaders and one village council member suggested that the rais wahda seeks the views of important people in the village and the district and then sets up a prioritized list of projects which is first shown to the executive committee and then the village council. Three other village leaders described the process as an "open discussion" between the rais wahda and the village council as a whole and then the budget as sent forward to the markaz leader.

B. Executive Committee (Maktab Tanfizi) and/or Village Administrators Mentioned First (4 officials and 5 council members)

Two village officials stated that the decisions concerning the budget really began in the executive committee which includes both village officials and village council committee chairmen (chairmen of the council's committees on health, education, agriculture, social affairs, etc.). After this executive committee has discussed and agreed upon the budget it is submitted to the village council for approval. Two other village officials and five village council members tended to see the discussion concerning the budget as beginning with the "village officials." After appropriate discussions had taken place it would then be sent to the village council for approval.

C. Village Council and/or Villagers Mentioned First (7 officials and 12 council members)

Six council members described the process as a series of discussions which begins with the people, then goes to the village council whose members discuss the projects needed in the village with the appropriate village officials (rais wahda and/or the maktab tanfizi). Five village leaders and five village council members saw the process as beginning with a general discussion between the villagers and the rais wahda about the projects that were needed. Three of these five leaders, however, suggested that after there had been open discussion, their listed projects were presented to the district accounting office for a check and then the budget went to the village council for final approval.

Although all three patterns are similar in the sense that the village council is described as "approving" the budget before it goes forward, this process of approving appears to be fairly perfunctory since most of the Bab 1 and Bab 2 items have already been defined at a higher echelon. Bab 3 does generate a great deal of informal discussion and interaction which generally takes place before it ever reaches the village council for "approval"--which is a foregone conclusion. In the long run it is important, if this process is to become legitimate in the eyes of the villagers, that after real needs are identified through this budgetary process strong efforts be made by the central government to fund some projects each year as a means of making the whole process worthwhile. Given the severe limitations that exist for local government projects this will be a crucial problem to face in the years to come.

The Planning Process in the Villages of Egypt

The purpose of local government planning as defined in Law 52 (1975) is to use the limited resources available to the villages in a manner that will best enable those village societies to achieve their goals and meet their needs.

The formulation of objectives especially at the local government level should be an iterative process. Though objectives are the point of departure in the early planning process, they should be re-examined, questioned, and modified in light of the resources available and the information that might emerge from a good program of evaluation. All too often village councils seek to formulate projects (objectives) without regard to the likely availability of funds and resources, with the result that the objectives are unrealistic in terms of availability of funds and therefore poor guides to the budgeting decisions that should be made.

Though probably the most important element in the planning process, the setting of objectives for a village or district area is an extremely difficult task and is seldom done with the precision that good program analysis requires. This is partly explained by the necessary role of the village council (elected representatives of the villagers) in determining needs, goals, and objectives of the whole village. The officials in the village, especially the chief administrator (rais wahda), also have a role in this process, which is to identify and trace through the implications of various alternative sets of goals and projects. The rais wahda has the difficult responsibility of telling the elected council members what the consequences of one choice will be compared to those of another. But, according to Law 52, the village council clearly has the prerogative to make the choices, to make the demands, to push for service projects which are politically attractive and to play down the economic projects which the administrator may seek to encourage.[1] In practice this

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[1]Economic projects are defined as those projects implemented specifically to generate surplus income or profit which would go into the village's special account. Service projects include the installation of water and electricity, construction of roads, the building of a classroom, etc.

interaction between village council members and representatives of Egypt's bureaucracy in the village is seldom consistent or logical. Often the villagers are not overly concerned with the need for setting objectives or do not understand the significance of the task of preparing a plan, or the annual budget. Village officials may feel obliged to coerce the villagers into accepting the officials' priorities which often are based upon some technical expertise--or foible. Yet this coercion may destroy the sense of participation and commitment needed if the project is to succeed in this village environment. It would be helpful, according to many village leaders, if the Ministry of Local Government could provide some precise and acceptable guidelines for setting up village goals. The absence of such guidelines greatly reduces the effectiveness of village council participation in a rational planning process. A careful evaluation of the comments from village leaders on the reasons why projects succeed or fail suggests that very few village councils have the ability or the opportunity to identify the real problems of their village, to establish some priority of goals or objectives, to consider alternative programs or projects to meet these goals, to discuss what specific obstacles and problems exist, and to plan ways by which the project could best be started and implemented. Not only do these village units lack the skills to make adequate plans, but what is even more tragic, they generally lack the time--that is, from the moment they receive some indication of what their budget for the next year might be until the date when it has to be submitted. Of course, some of the more aggressive village leaders have been known to plan and develop projects prior to budget-time on the assumption that the village that has a concrete plan, carefully documented, is more apt to be funded by the government. Unfortunately, such prior planning is the exception in Egyptian local government. It is my express opinion that as village councils have access to greater sources of income through their own special funds, external grants-in-aid, and increased private sector activity, such planning will become much more common in rural Egypt.

CHAPTER III

EGYPTIAN VILLAGE DEVELOPMENT: THE ROLE AND IMPACT OF ORDEV

Over the past twenty-five years the Egyptian government has developed a series of strategies designed to improve the social, economic, and political life of the Egyptian peasants. Nearly all of the service ministries have had a share in the attempts to develop the rural villages: schools, health clinics, social welfare projects, community development associations, village councils, combined units, land reform and many other approaches, institutions, and strategies have been suggested and tried.

ORDEV

In July 1973, President Anwar Sadat issued Republican Decree 891 establishing the Organization for Reconstruction Development of Egyptian Villages (ORDEV).[1] This new organization was a reflection of President Sadat's desire to improve the quality of life of the Egyptian fellahin. By this decree the Ministerial Committee for Local Government was charged with the responsibility to develop a "general policy and plan of reconstructing and developing Egyptian villages economically, socially and constitutionally within the frame of the State's general policy." As described by the organization's Director General, Ahmed Fathi El-Defrawy, ORDEV's strategy of action is fourfold:

First: Human beings are both the ultimate object of development and its tools. Economic change should be accompanied by a parallel social change, in order to enable villagers to maintain pace with the whole society. Consequently, the economic development process must be consistent with the social potential which is in a constant state of evolution. Any effort exerted in this connection which is not build upon the masses' support and response is wasted effort and squandered money.

Second: Planning for rural society should be carried out within the overall and comprehensive national planning as it is conceptually impossible to separate rural and urban development because both combined they represent one national society. They both influence one another and the existence of a gap between them undoubtedly creates contradictions in the national society.

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[1] See Appendix B for a translated copy of this decree.

Third: Integration of all types of activities is expedient to bring about their effectiveness in social development. Integration does not mean the mere grouping of service and utility units, but rather the institutionalized inter-reaction among them so that they may work in harmony and each one complements the functions of the others. It is conspicuous that a village's problems are interdependent and therefore development programs should similarly be interdependent.

Fourth: The local government system is the effective means of integrated development. The objective of local government is the realization of administrative and political decentralization and entrusting to the masses the practicing of planning, executing and supervising local projects and local organizations.

Based upon some twenty to thirty years of experience in rural development, the leadership of ORDEV has sought to devise a strategy of change which incorporates (1) citizen participation and self-help initiatives from the villagers themselves; (2) the establishment of effective relationships between governmental officials working in the village and local village leaders living there; and (3) integrating a wide variety of approaches which include physical and environmental reconstruction, social services, activities and training, and economic growth and development.

ORDEV has consistently sought a development strategy based upon the following three approaches:

1. Physical: A complete physical map of the village, identifying all houses, buildings, roads and other physical features must first be drafted by a trained surveyor. Second, a plan must be developed which describes the village as it might become--new wider streets, open marketing areas, location of new schools, clinics, local government offices, post office, fire station, and even housing for employees as a means of encouraging these officials actually to live in the village. This physical approach emphasizes new roads, better communication and movement in the village area, and at least the beginning of some long-range planning for village growth.

2. Social: This approach assumes that economic growth will take place only to the extent that there is individual and social development in the village. Utilizing a wide variety of training and vocational opportunities, villagers are introduced to a new set of social and vocational skills which provides them with alternative ways to improve their own standard of living.

ORDEV has sought to provide training centers for specific skills in carpentry, mechanics, electrical work, weaving, sewing, knitting, animal husbandry, and other types of training both to diversify the work skills available in the village, and to lay the foundation for the development of new employment opportunities in the village.

3. Economic: This approach seeks to provide capital investment funds which can be used to develop various types of productive employment in handicrafts, small industries, plant nurseries, poultry projects, beehives, farm mechanization, silkworm projects, animal feeding, duck raising, carpet making, rug weaving, etc. Based upon the assumption that villagers are seeking alternatives ways to generate income and new sources of food production, but merely lack the capital and technical inputs to start such endeavors, ORDEV during the past several years has not only financed such projects but has provided the technical and managerial staff to ensure their success. This third approach may prove to be the most important dimension of ORDEV's activities in the village.

The process by which such funds are made available to the rural areas of Egypt is as follows: In early June--sometimes sooner--ORDEV sends a letter (see Appendix C) to each rural governorate requesting the governorate council working in conjunction with the governor and his staff to select at least two villages from each district (markaz--usually there are 5 to 7 districts in each governorate) and to use the following criteria in their selection:

1. They must be villages that were not selected for an ORDEV project in the past.

2. They should be scattered throughout the entire governorate and not concentrated in one or two areas.

3. One third of the villages selected should have full services (defined as a village with a combined unit[1]); one third should have medium services (schools, health units and social units); and one third must have low services (schools only).

As soon as the selection has been made, an extensive survey of each village must be completed which gathers the following types of information:

1. Distance of village from governorate or district capital.

2. Population, and area in feddans (acres).

3. Existence of a combined unit.

4. Educational services: number and types of schools and classes.

5. Social services which include: social unit, development association, nursery school, vocational workshop for girls, training center, women's club, family planning center, and social center.

6. Health services which include: health center, rural health unit, first aid center, child care center, dental unit.

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[1]A combined unit is a multiservice complex which includes a school, clinic, social unit, agricultural unit, and nursery. Over 300 such combined units have been built since the early 1960s.

7. Religious institutions which include: government and private mosques, Koranic studies associations, churches, religious association.

8. Cultural services which include: youth center, cinema cultural center, library.

9. Economic services which include: agricultural section, pest control unit, veterinarian unit, sub-veterinarian clinic, agricultural cooperative, agricultural reclamation association, dairy collection point, extension farm (in feddans), dairy manufacturing, pressing and drying of fruits, drying and packing of vegetables, olive pickling, plant distribution.

10. Environmental crafts which include: carpentry workshop; carpentry, wool weaving, palm date production, concrete, and leather manufacturing units.

11. Agricultural implements: kinds and number, maintenance workshop.

12. Other agricultural projects: beehives, artificial insemination, animal breeding, chicken breeding, hatching pens, egg production, duck raising, rabbit breeding, fisheries.

13. Other: police station, omdah (mayor), bus stop, railway station, government or private post office or telegraph office, cooperative society, cooperative grocery, village council building, water supply, fire tap, fire unit, electricity, slaughterhouse, market place, sanitary drainage, block of flats (housing for officials), public WC, grain yard and village hall.

A report must be developed identifying and describing in some detail the specific projects desired in the three areas: physical, social and economic. Efforts should be made to consult the district leaders when planning these projects to eliminate duplication of services, and to seek a better integration and dispersion of projects in each district. Examples of these three types of projects are as follows:

1. Physical Development Projects: Village planning, residential building, construction zoning, paving roads, housing planning, rest houses, telephone, telegraph and post offices, village council building, electricity and water extension into construction zones, fire brigade, slaughterhouses, commercial market, improving the environment, and W.C.

2. Social Development Projects:

   a. Programs for Women and Children: nurseries, workshops for girls, women's vocational centers

   b. Youth Services: vocational center, cultural unit, sports unit

3. Economic Development Projects:

a. Local Industries: rugs, carpentry, leather, wood and palms products, pottery

b. Agricultural Industries: fruit and vegetable drying, juices, dairy products, nurseries, beehives, silkworms poultry, animals, fisheries

c. Agricultural Mechanization: tractors, maintenance unit

The rais wahda is expected to study the needs and problems of his village through appropriate discussions and meetings with village leaders and other residents. Efforts should be made to determine the existing situation in education, health, economic development, water and electricity. From his contacts with the villagers, the village leader fills out what is called ORDEV's Form A in which he lists a series of projects and/or needs for his village. This form goes to the ORDEV office in the governorate and is used as the basis for the governorate's selection of villages.

From the two villages selected in each district, ORDEV will choose one, which will then be given substantial funding for the projects previously identified.

ORDEV Budget Priorities

In 1972, seventeen villages in fifteen governorates were selected by the Ministry of Local Government for an experimental project. Roughly one million Egyptian pounds was allocated for this early project which tended to focus on physical development rather than economic or social development. ORDEV was established the next year, but because of the war, its funding was limited to 400,000E£ to be allocated over only a five-month period. In 1974 ORDEV continued with the same villages, providing only 300,000E£ for the continuation of the projects already established. In analyzing the trends of ORDEV's investment budget (Bab 3) note how the requests have usually been far more than the funds available to meet them.

Table 3-2

ORDEV Budgets 1974-77
(in Egyptian pounds)

	1974	1975	1976	1977
Funds Requested	1 million	1,130,000	*4,862,000	3,000,000
Funds Budgeted	300,000	1,130,000	2,697,000	2,534,000
Funds Spent	300,000	1,130,000	2,697,000	--

*ORDEV sources indicated to the author that in 1976, 15 million E£ was requested. The Ministry suggested to the Ministerial Committee for Local Administration that 4,862,000E£ was a more appropriate request. However, when the budget was finally agreed upon, only 2,697,000E£ was budgeted for ORDEV.

It appears that ORDEV has been very efficient in using the funds allocated to it in the budget. It is assumed that ORDEV will spend all 2,534,500EL in 1977. ORDEV officials have been led to believe that the Egyptian government has committed some 36 million EL for village development projects between 1974 and 1980. This would suggest an annual budget of at least 6 million per year. On this basis ORDEV is requesting 5-6 million EL for 1978 but it is expected that its 1978 budget will be similar to 1977's (2.5 million).

As a means of projecting future ORDEV investment priorities let us first list its investment priorities during the past several years:

Table 3-3

ORDEV Project Categories
(in Egyptian pounds)

	1972-74	1975	1976	1977
Economic Projects	186,824	892,340	1,497,258	1,631,050
Social Projects	440,732	84,040	247,208	305,450
Physical Projects	814,846	116,272	828,484	550,000
Training Center	—	60,000	66,300	48,000
Transportation (Vehicles)	—	17,670	57,750	—
Pilot Projects in 17 Villages	300,000	9,678	—	—
Total Budget	1,742,402	1,180,000	2,697,000	2,534,500
Number of Villages Funded	17	111	145	145

Three items should be noted from these figures:

1. Although physical projects were strongly encouraged in the first period, 1972-74, this trend has since been reversed and economic projects now clearly have top priority. This, in my opinion, reflects the Egyptian government's greater awareness that while social and physical projects are important, the real growth of Egypt's rural areas must be tied to their economic development--in terms of providing greater employment opportunities and generating less dependency on the agricultural sector as traditionally defined.

2. Starting in 1975, ORDEV's budget included a substantial allocation for a training center. As will be seen in a later section of this report, much of the success or failure of these productive projects depends upon the quality of the people

who plan, develop, implement, supervise, monitor, and follow-up. Training is clearly an important part of this whole approach to rural development.

3. An analysis of ORDEV's budget over the past four years substantiates both the opportunities for development if funding were available and the problems ORDEV faces as it seeks to plan and implement projects within a fairly limited budget.

Some indication of ORDEV's priorities over the next few years for village development projects can be determined by reviewing its five year plan for 1976-1980.

Table 3-4

ORDEV Five Year Plan

Type of Project	Projected Costs Per Year Per Project	Number of Projects Planned					Number of Projects Actually Completed	
		1976	1977	1978	1979	1980	1975	1976
	(in £E)							
Wool Spinning	22,000	2	—	—	1	—	1	1
Wool Rugs and Blankets	2,800	3	4	15	12	7	17	3
Linen Fiber Extractor	11,500	1	—	—	—	—	—	2
Fishing Nets	3,000	1	—	—	2	—	1	—
Date Palm Factory (Boxes)	5,000	7	3	6	10	11	4	6
Carpentry Shop	5,500	6	26	11	26	21	20	6
Leather Shop	2,300	—	—	1	1	1	1	—
Pottery	9,000	—	—	2	—	—	—	—
Tile Shop	3,600	7	—	1	—	—	2	—
Dairy Project (cheese, butter)	5,600	—	—	3	2	2	5	—
Juices and Jams	11,000	—	—	—	2	2	1	—
Drying Fruits	4,000	1	—	2	2	1	—	—
Drying Vegetables	5,000	—	—	2	2	—	3	—
Perfume-Oil	11,500	1	—	—	1	1	1	—
Seed Oil	10,000	1	—	—	—	—	—	—
Agricultural Tractors	7,000	119	136	131	123	91	57	131

continued

Table 3-4 - continued

Type of Project	Projected Costs Per Year Per Project (in E£)	Number of Projects Planned					Number of Projects Actually Completed	
		1976	1977	1978	1979	1980	1975	1976
Maintenance Shop	3,300	—	—	—	—	1	—	—
Plant Nursery	1,200	17	17	40	32	30	8	13
Beekeeping	4,250	24	32	51	32	24	23	22
Wax Producer	31,000	—	—	—	—	1	1	—
Silkworm	1,000	3	—	—	—	—	—	2
Poultry Farm	320,000	—	1	3	3	3	—	—
Breeding House	6,750	70	—	47	45	41	—	57
Fisheries	5,000	5	—	3	3	—	1	2

NOTE: The order of projects listed follows that of the document from which the information is drawn.

In Table 3-5 is a list of village projects in four governorates in Egypt. The information for this table was obtained from the ORDEV department of planning, follow-up and evaluation. It is assumed that these village projects were selected for the following reasons: (1) they are representative of successful projects which are presently being implemented in rural Egypt, (2) the data provide some indication of the costs, expenses and revenues which emerge from these types of projects, and (3) all the projects do show a profit. It must be recognized that not all projects do make a profit as defined by the criteria used in ORDEV. There is no available data on the percentages of profitable and non-profitable projects. It is my impression that most (a majority?) projects do generate some surplus. However, it must be noted that if depreciation, loan costs, and certain labor costs were included the number of profitable projects would be less.

Table 3-5

PROJECTS OF THE ORDEV PLAN OF 1975
(work completed by December 31, 1976)
(in Egyptian pounds)

Governorate	Village	Project	Estimated Costs	Actual Costs	One Year's Work		
					Expenses	Production (income)	Profit
Minufia	Tukh Delka	Tractor	5,700	5,700	208	1,206	998
	Mit Birah	Bikini Ducks	7,000	7,000	2,427	3,230	803
	Dargil	Chicken Project	7,450	7,900	2,730	6,077	2,357
	Shubra Bakhum	Tractor		6,500	48	173 (2 months)	104
	Abnahs	Chicken Project		12,000	10,304	13,760	2,555
	Taha Shubra	Tractor		6,805	527	1,557 (10 months)	1,121
	Mit Birah	Ducks		6,698	4,927	7,200	2,273
	Om Khinan	Tractor		6,500	143	271 (1 month)	128
Beni Suef	Al-Fint	Beehives (100 hives)	8,000	6,133	1,861	2,346	485
	Mariut	Chicken Project	6,750	5,440	4,984	5,730	746
	Asmant	Tractor	6,500	5,775	643	1,689	1,046
Sohag	Shandyil	Carpentry	6,000	5,500	1,293	2,817	1,524
	al-Birba	Chicken Project	6,750	6,750	2,756	4,762	2,006
	al-Khayam	Drying & Canning Vegetables	5,000	3,000	202	1,725	1.523

Special Fund in the Local Councils

Concomitant with the development of ORDEV has been the on-going commitment of the Egyptian government to establish a more decentralized system of local government which would not only accurately reflect the needs and aspirations of the people, but would also establish institutions in the villages and rural towns better equipped to initiate, evolve, and implement development plans.

Law 52 not only establishes the first autonomous elected village councils which appear more accurately to reflect the legitimate power structure of the villages, but it also provides these councils with legislatively mandated powers to develop various productive projects which can supply these councils with their own sources of income. Suddenly faced with the opportunity to develop autonomous projects whose surpluses remain in the village for use as the village council sees fit, many local communities have actively sought financial support and/or investment capital from a variety of sources including ORDEV.

Public Law 52 provides for a new source of revenue, unique in the traditional system of Egyptian finance, which potentially may become the basis for a truly independent local government system. Under Article 37 for governorate councils, and Article 43 for district councils, each may establish an "account for services and development."[1] And under Article 70, each village council is mandated to establish such an account. The Ministry of Local Government hopes that this "special account" will motivate village councils to take a more active role in defining, planning, and establishing local village projects. This special fund is completely separate from the central budget and does not devolve to the public treasury (central government) if it is not spent. Over the years this fund could grow to be a significant part of a local council's budget revenue. The revenue which goes into this "special account" come from three sources:

1. Special local duties on various crops and foodstuffs produced in the cooperatives. (See Table 3-6 below.) This includes 50 percent of social services' shares in the agricultural cooperatives. The other 50 percent goes to the Ministry of Social Insurance.

2. Profits and/or surpluses which may come from productive projects financed by this special fund.

3. Donations, contributions and support from local, national and international sources.

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[1] See translated copy of Decree #8 dated July 1976 which describes this special fund in some detail, in Appendix D.

Table 3-6

Potential Assessments and Fees
Available for the Special Fund

Source of Tax	Maximum range	Category	Who pays
Raw cotton	10 piasters	per kantar	producer
Rice	10 piasters	per darbia	producer
Onions	1 piaster	per kantar	producer
Sugar cane	1/10 piaster	per kantar	producer
Peanuts	5 piasters	per irdab	producer
Beans	5 piasters	per irdab	producer
Sesame seeds	10 piasters	per irdab	producer
Vegetable gardens	50 piasters	per feddan	producer
Fruit gardens	1 EL	per feddan	producer
Desert trees	2 piasters	On each palm tree annually	producer
Potatoes	10 piasters	per ton	producer
Medical plants	1 EL	per feddan	producer
Chemical fertilizer	1/10 piaster	per kilogram	consumer
Animal & poultry food	1/2 milliame	per kilogram	producer
Agricultural loans	1/2 milliame	per value of loan (included in contract)	person receiving loan
Beehives	20 piasters	per European beehive	producer
Beehives	10 piasters	per local beehive	producer
Pigeon houses	50 piasters	per pigeon house	producer
Animal raising	1 EL	Each place which has more than five head yearly	owner
Fishery	1 piaster	per kilo	producer
Electricity and water invoices	1 piaster	per invoice	consumer, governmental departments excluded
Hotel residents	2.0% of bill	permanent	resident
Hotel residents	10 milliemes	per invoice	resident
Cinema tickets	10 milliemes	per ticket which is below 50 milliemes	show goer
Cinema tickets	20 milliemes	per ticket which is over 50 milliemes	show goer

Although the amount of money available from this "special account" is obviously a very small percentage of the local council's budget (see section below on the local councils' budget system), it at least provides the mechanism for the eventual development of some financial autonomy for local village councils.

Article 70 states that a "special account for local services and development is to be instituted in every village."

A review of several village councils in Upper and Lower Egypt does suggest that providing them with some independent sources of revenue has increased the importance and activity of the village councils. For example, during the summer of 1976, I was unable to locate a single village council that had a functional "special account." In the three districts surveyed this year (1977), all the village councils visited had at least some funds in their accounts.

Table 3-7

Amount of the Special Fund in Villages of Egypt
(in Egyptian pounds)

Badrashin (Central Egypt)		Qawisna (Lower Egypt)		Tema (Upper Egypt)	
Mit Rahina	7,000	Mit Birah	2,722	Al-Rayina	1,327
Saqqara	3,968	Tah Shubra	700	Salamon	750
		Arab al-Raml	600	Madmar	1,095
		Shubra Bikhum	2,000	Om Doma	350
		Obnahs	400	Mashta	900
		Om Khinan	700	Tema City	450
				Neida	7,111

Obviously some villages have been more active than others. Seven of the fifteen villages have accounts in excess of 1,000EL. The towns are often less active in developing "special accounts" because town and governorate councils are not required to open them as are the villagers.

Decree #8 specifies that the executive committee (maktab tanfizi) of the village (which includes the village leader or rais wahda, the chief officials in the village representing the ministries of education, health, social affairs, agriculture, etc., and the chairmen of the village council committees) is responsible for the development of a plan and a budget for the use of these funds and then must submit the documentation to the village council for endorsement. This endorsed report then goes to the district and governorate councils for their comments and "opinions." If no response is issued by these higher councils the recommended plan and budget stand

as submitted. The decree appears to suggest that the village council has final authority in the development and implementation of the project. Although this may not be entirely true. Most village leaders interviewed suggested that a great deal of technical and administrative support is given from the higher echelons of the governorate.

In an attempt to determine the perceptions of the village leaders concerning the process by which the decision is made as to how these special funds are spent, some 43 leaders from some 24 different villages in three governorates (Giza, Minufia, and Sohag) were interviewed. The broad categories of responses that were given are shown in Table 3-8.

Table 3-8

Opinions on How the Special Fund Disbursement is Determined

	Village Leaders (*rais wahda* and officials)	Village Council Members
1. The village council has the power to decide how the funds will be spent.	—	2
2. The executive committee (*maktab tanfizi*) develops the plan, presents it to the village council for approval, and then it is endorsed by the district council.	12	8
3. The executive committee presents some ideas and the village council decides after some discussions.	2	—
4. Both the executive committee and the village council decide how to use the funds by discussing the matter together.	8	2
5. The village leader (*rais wahda*) presents the ideas to the village council for their approval.	3	2
6. The village leader meets with the village council after coming to some agreement. Their decision is presented to the *Markaz* Council for endorsement.	—	4
Total	25	18

The vast majority of both village officials and elected council members appear to recognize that the executive committee is the planning instrument for the utilization of these funds. A careful review of Decree 78 shows that while the funds do belong to the village, its plans and budgets

Table 3-10

If you had some choice in using the production output (chicks, ducks, cows) of your projects, would you:

a. sell at a low price to the villagers?
b. sell at the market price for a profit?

Responses	Village Leaders and Officials	Village Council Members
1. sell the products at a low price to villagers	5	7
2. sell most of the products at a low price to villagers	2	2
3. sell half for a profit and half at low prices to villagers	10	4
4. sell most of the products for a profit	3	2
5. sell all the products for a profit	5	3
Total	25	18

There is a slight tendency for village officials to perceive the special fund as a mechanism for generating surplus income and profit while the village council members themselves are most more apt to feel that the special account funds should be used to extend services and to provide low-priced food to the villagers. This interesting dichotomy may generate some conflict in the village but there appears to be some willingness to divide the fund into both productive projects and extended services.

Table 3-11

Example of a Village Account Statement (1975) (Saqqara)
(in Egyptian pounds)

Bank account balance (December 1974)	2,966 Egyptian pounds		
Cash on hand (safe)	27 milliemes		
	Expenditures	Revenues	Surplus or Loss
1. Village Council Owned Land (2 1/2 feddans)	311	800	+489
2. Electricity Project	8,808	9,184	+376
3. Duck Project	661	817	+156
4. Stores (rented)	32	54	+ 22
5. Garbage Collection	263	13	-250
6. Nursery (child)	295	31	-264
7. Water Projects	159	49	-110
8. Nursery (plant)	159	--	-159
9. Youth Center	224	--	-224
10. Miscellaneous Bank Charges	66	--	- 66
11. Fiscal Fees on Expenditures	123	--	-123
12. Fiscal Fees on Revenues	21	--	- 21
13. Grants to the Council Budget	400	--	-400
14. Expenses from Previous Year	(1,244)		
15. Unreconciled Checks	(1,734)		
Total Revenues (1975)		13,226	
Total Expenditures (1975)	12,222		
Bank Balance (December 1975)			3,968

*One millieme is one thousandeth of an Egyptian pound.

Administering a Special AID-ORDEV Program

Some tentative recommendations for utilizing special account funds for productive projects appear appropriate after having observed and reviewed the financial and budgetary system in rural Egypt. It is hoped that these recommendations will be helpful in facilitating the negotiations presently being conducted between the Ministry of Local Government and AID, Cairo. It is hoped that these negotiations will lead to the U.S. financially supporting ORDEV efforts to develop economic projects in the villages of Egypt.

At the present time it is anticipated that AID will provide one million dollars a year for the next five years to supplement the ORDEV's present efforts to fund various economic projects which should generate some surplus. These dollars will be spent only on village level projects. Each village council which receives AID funds will be expected to pay these funds with a reasonable amount of interest back to a special fund to be established in the Ministry of Local Government. Such a fund would be an autonomous source of investment capital for the Ministry of Local Government to use in funding economic projects in the villages of Egypt.

The present budget system tends to emphasize control and accountability. There is little evidence that this financial system is structured to provide an effective monitoring, follow-up, or evaluation of the individual projects being implemented in the villages. There is strong evidence to suggest that many local government projects are not as successful as they might be if a more formalized system of monitoring and evaluation were to be implemented in the villages. This would demand trained personnel who are at a premium in rural Egypt; therefore some effort should be made to consider the following strategy:

There are presently about 60 or 70 ORDEV staff people working in the rural governorates of Egypt. It is my impression that at least 10 to 15 of them have had remarkable success in identifying, designing, and implementing very successful projects. It would be advantageous to use these people as much as possible in the first year's program to ensure that any U.S. funded projects would be as successful as possible. Officials in ORDEV admit that most of their staff people still need extensive training; hence their request for USAID to help support an ORDEV Training Center in Saqqara.

During the first year of funding, it is recommended that some type of training for 10 to 15 ORDEV staff be provided to ensure that by the beginning of the second year of funding this group will be adequately prepared to work on the second year's projects. This process of training a similar number of ORDEV personnel each year prior to the implementation phase of each project is especially crucial in the early stages of this USAID program when the Saqqara Training Center has not yet been made operational.

A careful analysis of all the reasons given as to why projects succeed and fail in rural Egypt should be made. Some type of check-list of procedures, techniques, and strategies should then be developed for village councils, village officials, district officials, ORDEV officials, and AID support personnel. In general, projects appear to succeed or fail for the reasons listed in Table 3-12 (in order of importance):

Table 3-12

Perceived Reasons for Projects Succeeding and Failing in Egyptian Villages

Succeed	Fail
1. Village support for project	1. Lack of competent supervision and leadership
2. Highly trained and committed workers	2. Lack of adequate funding
3. Good supervisors and managers	3. Lack of village (popular) support
4. Careful planning	4. Lack of appropriate markets
5. Adequate funding	5. Lack of raw materials and necessary supplies
6. Appropriate market	6. Red tape and inefficient bureaucrats
7. Reasonably available raw materials	7. Lack of trained and committed workers
	8. No appropriate planning

Before outlining in greater detail the reasons for success or failure it should be noted that the village leaders who were interviewed were asked to identify one or two projects that they felt had been especially successful and one or two that had been less than successful. It is important to recognize from the lists presented below that there is much overlap between the successful and the unsuccessful--suggesting that practically any project may be perceived as a success or failure depending upon other factors, usually exterior to the project itself.

Table 3-13

Projects Perceived by Villagers to be Successful and Unsuccessful

Successful	Less Successful
1. Carpentry	1. Poultry project
2. Duck farm	2. Dairy project*
3. Poultry breeding	3. Animal breeding*
4. Agriculture machinery (tractor)	4. Animal feeding*
5. Beehives	5. Handicraft
6. Animal feeding projects*	6. Carpets and rugs*
7. Carpets and rugs*	7. Fish farm*
8. Handicraft shop	8. Combined unit farm
9. Animal breeding*	9. Irrigation drainage
10. Leather shop	10. Beehives
11. Dairy farm*	11. Tractor
12. Consumer cooperative	
13. Nursery	
14. Electrical shop	
15. Cement project	
16. Sand bricks	

continued

Table 3-13 continued

Successful	Less Successful
17. Food production	
18. Agro Industries	
19. Knitting project	
20. Cheese unit	

*Projects which appear in both lists

In interviewing 43 village leaders in 24 different villages in three different districts where ORDEV projects have been funded the following reasons were suggested as to why income-producing projects succeed or fail in rural Egypt.

I. Reasons for Success of Income Producing Projects

	Number of Responses for Each Item
A. The villagers themselves strongly approved and supported the project	39
1. People themselves wanted the project	(12)
2. The idea for the project came from the people themselves	(7)
3. The idea for the project came from the village council	(4)
4. The project was perceived by the villagers as meeting a real need	(6)
5. The peasants were interested in the project from the very beginning	(3)
6. The peasants felt it was their project because it benefited them	(7)
B. Workers responsible for the project were trained, efficient, and dedicated	20
1. The workers in the project were well trained	(13)
2. The workers in the project were efficient	(3)
3. The workers in the project were dedicated	(1)
4. There were production incentives which motivated the workers	(3)
C. The project had good management, supervision and expertise	16
1. The project had a good manager--dedicated and motivated	(9)
2. The responsible supervisors were efficient and knowledgeable	(2)
3. Technical experts were available to set up and monitor the project	(4)
4. The manager was willing to ignore and even fight bureaucratic red tape	(1)

	Number of Responses for Each Item
D. The project had careful planning	12
1. The project was carefully planned in detail	(10)
2. The real needs were evaluated and a plan to meet the needs was developed	(1)
3. The project was planned and evaluated by the ORDEV staff	(1)
E. The project had adequate funding to make it succeed	11
1. The project had adequate funding	(7)
2. The project had sufficient capital	(2)
3. The budget was large enough to take care of raw material cost increases due to inflation	(1)
4. Project was self-sufficient and thus generated its own revenue	(1)
F. There was an adequate market for its products	8
1. There was an adequate demand for its products	(5)
2. The product was marketable	(1)
3. There were good roads to the market	(1)
4. The project provided low price food or services and everybody wanted these services	(1)
G. There were adequate raw materials and tools	7
1. There was always available raw materials	(5)
2. The raw materials were reasonably priced	(1)
3. The project had the tools it needs	(1)
Total Reasons Given	113

II. Reasons for Failure of Income-Producing Projects

A. Lack of competent supervision and management in the project	26
1. Negligence and apathy of the supervisors	(8)
2. There was no consistent follow-up or monitoring of the project	(7)
3. Management of the project was incompetant	(6)
4. The leaders of the project did not take their responsibility seriously	(3)
5. The village unit leader (*rais wahda*) was transferred and his successor never worked with the project	(1)
6. There was lack of cooperation between officials and village leaders	(1)

	Number of Responses for Each Item
B. Lack of adequate funding	25
1. There was a continual lack of sufficient funds	(13)
2. The amount budgeted was never enough	(11)
3. The amount budgeted for materials proved to be too low because of inflation	(1)
C. Lack of appropriate support from the villagers	15
1. The project was forced upon the villagers by the officials	(6)
2. The project was not suited to the area, or to people's needs	(5)
3. The villagers were never really committed to the project	(3)
4. The villagers did not like the project	(1)
D. Lack of market for the products of the project	12
1. There was no real market for products	(3)
2. No means of transportation to the market area	(3)
3. There were no marketing facilities available	(2)
4. The roads to the market are very bad	(2)
5. The good markets are too far from our village	(1)
6. There is a saturation of the same project in our area	(1)
E. Lack of Raw Materials and Needed Inputs	8
1. We continually had a shortage of raw materials	(3)
2. We could not get the feed for our chickens	(2)
3. Lack of medicines for our veterinarian	(2)
4. Lack of correct tools	(1)
F. Red tape, regulations and slow decision-making	6
1. Redtape and regulations made the project impossible to implement	(3)
2. The regulations led to slow-ups in getting needed materials	(2)
3. The system is too highly centralized and decisions are show in coming	(1)
G. Lack of trained and skilled workers	5
1. Lack of trained workers	(2)
2. We had no skilled workers	(1)
3. Our employees were not trained	(1)
4. Our employees received no incentive	(1)
5. Many problems in implementing the project because of bad workers	(1)

	Number of Responses for Each Item
H. <u>No appropriate planning was conducted</u>	4
1. Lack of any kind of feasibility study	(2)
2. Everybody just agreed on the project without really studying its potential	(1)
3. No market study was ever made	(1)
Total Reasons Given	**101**

CHAPTER IV

PROBLEMS AND PROSPECTS FOR THE BUDGETARY SYSTEM IN THE ARAB REPUBLIC OF EGYPT

There are a significant number of officials in the Egyptian local government system who are concerned with the transformation of the present budgeting system in Egypt into a more effective instrument for the allocation of public-sector resources. (Some of the innovations in Egypt's villages, and district-level experience in budget reform may prove useful to other countries who are in the process of intensive development.)

With few exceptions social scientists have generally ignored the budgeting system of a local government system as an instrument for project evaluation, program monitoring, or resource allocation. One of Egypt's recent changes in budgetary system allows individual councils to begin to accumulate financial resources in a "special fund" which is essentially independent of the traditional budgeting system and is the result of local government officials interacting with elected members of rural councils as they seek to implement income-producing projects. Not only did the impetus for this change come from within the Ministry of Local Government, but there was as well a conscious effort to design these changes so that they can function within the existing system. Change must of necessity be gradual.

The Egyptian government appears committed to the establishment of a decentralized system despite the fact that Egypt's administrative system has historically been very centralized. The new Public Law 52 is worded to imply that such a decentralized system is now being established when in fact it appears that local autonomy is still far in the future. Consequently, it is important to distinguish between what the law says and what still exists in practice. This gap between the two should not be described in purely cynical terms for most knowledgeable observers recognize that Egypt is in a transitional period. The central government still plays the dominant role in all fiscal and budgetary matters, yet there is sifficient evidence to suggest that procedures are being activated which at least have the potential for establishing a more decentralized system of budgeting and finance in the rural areas. The national government appears committed to the gradual establishment of a truly local government system in which local councils will have access to their own separate revenues and resources.

Those Egyptian officials who are personally committed to decentralized local government have been concerned with helping local councils obtain some financial autonomy. Such financial independence

requires both an increase in the amount of funds available for local development and also a decrease in central government supervision and control.

We have endeavored to describe Egypt's present local government budgeting system, identifying its characteristics and the innovations introduced since the enactment of Law 52 in 1975. It is now our purpose to designate some specific ways in which additional changes could be introduced by which the Egyptian budget-makers could play a much more comprehensive role in resource allocation, planning, and program evaluation. I have no illusions about the need for careful planning and discussion among Egyptian officials before such reforms might be introduced.

The local government's financial system continues to be dominated by the traditional objectives of control and accountability. The system of record keeping, posting, and disbursement procedures which ensure control over all aspects of the local collection, disbursement, and auditing functions are incredibly detailed and comprehensive. Further, one can easily identify specific characteristics which may be dysfunctional to the proper utilization of an effective budget document. Fiscal procedures too often place obstacles in the way of complete disbursement of all funds available to a local government unit. Often the local budget, especially the investment capital section (Bab 3), does not define specific projects or programs in a way which facilitates their evaluation or monitoring. Usually set amounts are allocated in the budget but no consistent effort is made to outline project goals or expectations.

Another inherent conflict exists between the local councils which seek to identify their needs and plan programs and projects to meet them and the local executive committees which must reflect the concerns and budgetary limitations imposed by the various central ministries. The causes of this conflict are several, though it is not entirely clear which are the most important ones. Part of the explanation lies in different attitudes toward public spending: the bureaucracy stresses the traditional budget functions of control and accountability; the locally elected councils, interested in meeting the needs of their constituents, stress accelerating public expenditures. The local councils are concerned with the immediate needs of their area, while the ministerial representatives are continually plagued by the long-term demand to keep costs down and to remain within the budget. Although the law is not clear on the budgetary and planning roles of the elected councils and the executive committees, both are essentially concerned with allocating resources, a situation which continually leads to conflict as each group maneuvers to make its decisions the accepted ones. This maneuvering is often exacerbated by the considerable authority that the governorate-level representative of the Ministry of Finance has over budget decisions and expenditure releases, which enables the central government to act independently of the local councils and their decisions.

Decisions on the allocation of commodities which are in short supply are also affected by this council-bureaucracy conflict. Decisions

tend to emerge from negotiation rather than from an analysis of the merits of the proposed expenditures, as departments play one ministry against the other and as these ministries are compelled to resolve their differences through the arbitration of the Minister of Finance or the Prime Minister. Many program officers in Egypt argue that it is wasted effort to devote time and staff to analysis of specific programs if the final decision is likely to be a negotiated one anyway. In addition there is a tendency in Egypt for the Ministry of Planning to be concerned with the development of the capital investment portion of the budget (Bab 3), leaving the preparation of the salaries (Bab 1) and current expenditures (Bab 2) portions to the Ministry of Finance. As a result, the future expenditure requirements of current decisions are neglected and the relationship between expenditures for current projects and new ones is seldom recognized.

I have tried to describe accurately the characteristics of the Egyptian local government budgetary process, both positive and negative. While some of my comments may appear too generalized, overly critical, or perhaps even insensitive to the many positive reforms and changes that have already taken place, my sole purpose has been to challenge the thinking and assumptions of those responsible for the budget in Egyptian local government in order to encourage those officials at least to consider alternatives to the present system that have proved useful in other countries.

Economic planning, long an important part of Egypt's system of government, cannot substitute for the budgeting process. First, the success of economic planning is itself dependent on a budgeting system that can effectively incorporate decisions of the plan and provide a financial basis for their implementation. Economic planning, as defined in the Ministry of Planning, traditionally has been concerned with the aggregate (macroeconomic) aspects of the Egyptian economy: national development objective formulation and selection of broad investment patterns among sect determination of the role of the private sector, and long-term proje of resources and expenditures.

There remains, however, the major task of translating the comprehensive, multi-sector, multi-year plans into specific program and project decisions on an annual basis and doing so in such a manner that these specific decisions made the maximum contribution to Egypt's rational development plan's objective. One very appropriate mechanism for this translation is the budget. But, by the very nature of its objectives and systematic characteristics, the traditional budgeting system in the local areas of Egypt is generally ill-suited to perform this translation effectively. One, of course, should not really expect that the budget would be a reasonable representation of Egypt's national plan when the objectives of planning and traditional budgeting, the structure of the plan and the budget, the informational inputs, and the criteria for evaluating expenditure all differ. These fundamental differences are often accentuated by the fact that responsibilities for planning and budgeting in Egypt invariably lie with separate ministries staffed by persons with different perspectives.

Anyone who has studied the Egyptian budget in any detail recognizes that in practice it is the basic expression of the Egyptian government's development program and policy decisions. Planning is a process of formulating national development objectives, selecting broad investment patterns, determining the role of the private sector, and making long-term projections of resources and expenditures. At its core, economic planning involves the long-run allocation of Egypt's resources. Budgeting, on the other hand, is viewed as a process of detailed decision-making on the immediate use of resources (how many new administrative positions, how much gasoline for cars, how much furniture, stationery, etc.), of managing expenditure so that it is consistent with the resources available, and of control, to ensure that people and organizations spend the government's money as the budget specifies and as government regulations stipulate.

However, in my judgment, the distinction between planning and budgeting is largely artificial. The budget, like the national plan, performs an allocative function and hence is also a plan in its own right, though by tradition in Egypt, it is only for one year and, by reason of the need for financial control it is often expressed in terms of specific accounting procedures.

Egyptian government officials responsible for the budget have considered a variety of ways to improve the budgeting system: improvements in the control function, more efficient and expeditious release of funds, more accurate and timely accounting, and better auditing have all been discussed at one time or another.

One timely new focus relates to the management function. The role of the budget in clarifying and enhancing the public management capabilities of the local government system has only recently been given some attention in Egypt, which bodes well for its more effective local use. Suggestions which argue for a budgeting system which aims at designing appropriate measures of program performance, and introducing an information system that permits a timely monitoring of budget implementation, and measures and controls the efficiency of budget expenditure, may perhaps now be tested in the "special fund" mechanism being encouraged in local government units.

Performance budgeting, while perhaps somewhat premature for the Egyptian local government, should still be considered--especially in some of its more simple forms. Performance budgeting is considered essential when assessing the effectiveness of government sponsored activities, such as a local council income-producing project, and measuring their performance in physical as well as financial terms. In its more sophisticated format, performance budgeting focuses on the design of activity classification, work units, and measures of efficiency for evaluating performance. As a basic public management tool it may well provide a useful framework for identifying operationalized goals which can be empirically verified. Such a simplified system of program evaluation would be especially useful to the ORDEV organization in making evaluations of the effectiveness or ineffectiveness of various development projects in rural Egypt.

Budget Reform Opportunities in Egyptian Local Government

Inherent in the 1975 Law 52 are a series of new mechanisms by which some changes in the budgetary process in Egyptian local government might be possible. A careful restructuring of this process should provide for the more effective establishment of local goals and identification of local needs, a more comprehensive collection of data and information concerning the programs that are being implemented and administered, and finally a more rational system of monitoring, follow-up and evaluation of all the programs and projects being funded in the local areas of Egypt.

While it is impossible to introduce a complete revamping of the budgetary system in Egypt, there are a few innovations in Law 52 which might be susceptible to a more effective program evaluation approach. It provides for the establishment of special funds in which surplus income can be accumulated and then used for specific projects which the local people want but which cannot be funded through the national budget. Since the resources available to these special funds are so small, it is especially important that every effort should be made to ensure that the projects or programs they finance are effective in achieving the goals desired. While it is quite true that the local units in Egypt have few staff with a background in economics and experience in program development, implementation, and evaluation, it may be possible to utilize some staff personnel from ORDEV in the Ministry of Local Government to begin this process in a limited number of village projects. Several of ORDEV's staff are sensitive to the fact that Egypt's lack of basic information, especially in the rural areas, is very acute. The rudimentary data on all costs incurred in developing a program, on all incomes generated, on all expenditures required to implement the program, on all surplusses or losses developed from the project, and on the benefits of the program need to be collected on a regular and systematic basis.

ORDEV has several objectives: to bring about accelerated economic growth in the villages, diversification of small industries and income producing projects, new employment opportunities, improved distribution of income and welfare, planning and change in the villages' physical appearance and structure, removal of social inequalities, and increased services and opportunities for the lower income peasants in the village. Since not all of these objectives can be achieved simultaneously, it will be necessary to identify priorities. Because accelerated economic growth in terms of increased, diversified, and improved productivity is the basis or precondition for the achievement of other objectives, this should be given top priority.

Some type of careful project evaluation or "program analysis" is the key to any long-range development program. It would introduce a formalized system of feedback into the budget decision-making process of the local government system and is the most appropriate mechanism for improving the utilization of the resources available for village projects.

In its simplest terms, program analysis is intended to assess the desirability of a particular income-generating project by comparing the project's full development costs, running expenditure, generated income (revenues), amount of multiplier affect and overall success of the project, with the costs, expenditures, and income of feasible alternative projects. Gradually, with some experience, as those projects that have the largest net impact are selected, scarce financial resources should be allocated in such a way as to make the greatest contribution to the rural areas' economic development goals.

The quality of this type of analysis will be largely dependent on three factors: the time available to do the analysis, the competence and number of staff, and the adequacy of information. All three tend to be scarce in Egypt. Limited time is partly a function of the other two constraints and partly a function of the budgeting cycle as described above, while the other two factors can be attributed to the state of underdevelopment of local government itself. Yet there is evidence that ORDEV's staff is not only committed to the collection of these types of data but has the staff to implement such an evaluation system within some limited parameters.

It is my impression that ORDEV's support for a limited number of village projects provides an opportunity for some program evaluation at a higher level of sophistication than has been used up to this time. Thus the initial efforts at village project analysis should concentrate on the following aspects: a better estimate of the full program (project) costs over time--including depreciation, loan repayment, and other expenses often overlooked; a systematic identification of goals or of benefits to be derived from the project, even if only descriptive, outlining the circumstances (other than financial) that would have a bearing on its success or failure; the consideration of program alternatives--with empirical data on the relative effectiveness of different programs or projects to achieve goals; and finally, some attempt to analyze the interrelationships among programs and projects being implemented in the same local areas.

It is recommended that some type of program budgeting process be introduced into the ORDEV system of budgeting procedures. Program budgeting is generally defined in terms of (1) setting objectives and/or goals for each project; (2) a continuous system of monitoring and follow-up activities; and (3) a rigorous system of evaluation and information gathering. Although each of these components has distinct features they are all closely related. Program evaluation is completely dependent upon careful and adequate collection of accurate information. The relevancy and quality of this information is directly dependent on the precision with which objectives are formulated and stated and the consistency with which the program is monitored and reviewed. Throughout the course of the project new objectives and goals may be introduced as monitoring and evaluation are completed.

The present budgetary system of ORDEV appears capable of providing the framework through which project planning, development, implementation, and evaluation could be performed.

Step 1: Identification and Description of a Village Project

The executive committee (representatives of the various ministries in the village) headed by the village unit leader (who is an employee of the Ministry of Local Government and usually fairly capable) consults and discusses with the village council (elected representatives of the village dwellers) to identify problems, needs, and projects. The initiative in these interactions may come from the council members, but often starts with the executive committee members who, because of their education and experience, are in a better position to know what projects are needed to solve the problems identified and proposed by the village council members who are often illiterate and inexperienced in project development and planning.

Step 2: Development and Structuring of a Village Project

It is becoming more and more evident that Egyptian village councils are beginning to request capital investment project monies far beyond the ability of the GOE to finance. This places a fair amount of pressure on the governorate not only to distinguish between wants and needs in these village budget requests, but also to establish priorities in some rational way to ensure an evenly distributed and integrated plan of development throughout its jurisdiction. At the present time there is an ORDEV representative in each governorate. In several, the ORDEV representative has been coopted into the governorate hierarchy as "the Director of Village (or Rural) Development." It appears quite reqsonable to assume that this ORDEV representative would be ideally suited to recommend the projects listed in the village budgets that have the best potential for becoming income-producing. His role might be to encourage specific village council chairmen to develop requests that would fit within the criteria of the possible AID ORDEV assistance. It is strongly recommended that efforts be made to ensure that the initial impetus for a village project begin in the village itself--with a fair amount of interaction between villagers, village council members, and the village executive committee. Some technical assistance may be available at the district and governorate level for the design and implementation of the project but the idea for the project should, whenever possible, come from the village itself. In most ways this second step (the project development phase) is already operational in the Egyptian local government system. Some efforts should be made to upgrade the quality of interaction, consultation, and support that ORDEV personnel may provide in the rural areas of Egypt. Training in alternative small industries projects such as is presently being given in South and Southeast Asia, should be given also to key people in ORDEV. There would be some value in having fairly well-trained ORDEV personnel assigned in all the Districts of Egypt as soon as possible. Mr. Labib Zamzam, Deputy Minister of Local Government informed the writer, Dr. Jim Mayfield, on June 25, 1977, that such district-level ORDEV personnel should be functioning by the end of August 1977 in all 130 rural districts of Egypt.

Discussion with various other officials of ORDEV lead me to believe that this projection is overly optimistic. There has been no

consistent training program in ORDEV during the past six months, nor is there likelihood that a full training program can be operated until the training center in Saqqara is completed.

Step 3: Project Implementation

The actual plans for each project with specific costs, dimensions, material needed, architectural or equipment specifications, will most likely be developed by ORDEV in Cairo in cooperation with technical experts from the ministry or agency most closely tied to the project being funded.

Funding should be through village council accounts maintained in village-level or district-level banks, whichever are more readily available. It is assumed that orders for the disbursement of these funds will require the signature of the rais wahda and probably the accountant in the village. There may be some value in having the chairman of the Village Council also sign, or at least be informed about, all checks.

Step 4: Project Accounting

The Egyptian system of accounting and control for funds available to a local government unit is prescribed in some detail by central government regulations. These funding procedures are geared to providing control but do not provide the flexibility needed for program evaluation. At this point it seems reasonable that the accounting system presently being used in Egypt--its controls, balancing, and auditing procedures--should be continued, for two reasons: (1) the present system is relatively effective in maintaining appropriate accounting procedures and records of the funds being spent, and (2) were it disrupted it would inordinately delay the implementation of this AID project.

Step 5: Project Evaluation

Since the main goal of these rural development projects is to provide funds for village councils to spend as they like, special care must be made to evaluate them on a fairly regular basis. Such evaluations should be made on an annual basis and must help allow the ORDEV staff to make critical judgements as to the effectiveness of the projects being funded.

An effective evaluation program requires the following kinds of information:

1. How was the project idea first developed? Whose idea was it?

2. What problems did the village encounter in developing a detailed plan for the project, in implementing the plan, and ensuring that the funds were spent for the project in the way specified in the plan?

3. How much actual income was generated from this project during the previous calendar year? How is income defined in the village? Is this definition consistent with reasonable business accounting procedures?

4. What were the costs and expenses associated with the projects? How are costs and expenses defined? Do they include such costs as depreciation, loan repayment requirements, interest payments? It is important that such project costs be clearly defined so that there are no illusions about the actual costs and the expenditures required to make such a project clearly self-supporting. To ignore such costs is, in the long run, to delude local government units with unrealistic expectations about what resources are truly available to them should outside funding later become unavailable.

5. What surplus (profit) has been generated during the year from the funded project? Can some surplus-initial investment ratios be developed for all funded projects? Should such ratios be the only criteria of success? Should other criteria be considered?

6. Utilizing sampling techniques a reasonable number of projects need to be evaluated each year in some detail. What factors appear crucial for success or failure? Can we learn from past mistakes and past successes? How do we best use this evaluation information to improve future selection and control of projects.

Egypt, much more than most third world countries, has a very comprehensive budget-making procedure which extends from the central government down to the 25 governorates, the 132 districts--even down to the 755 village council areas. Although the quality of accounting and budgeting expertise varies from area to area, the governorates and even most districts have a cadre of experienced accounting staff personnel who can and often do collect and maintain much basic information on the revenues and expenditures of local government. A general review of the recording facilities of the seven governorates and the nine districts visited confirmed the fact that the local governments maintain detailed financial records on income collected and expenditures disbursed. While there is much room, from an accounting point of view, for improvement in the format and categories of these records--one cannot fault the present system for having procedures which facilitate control and accountability. And although some clerks, especially at the village and district levels, did acknowledge a great need for additional experienced personnel and admitted that not all records were kept in the best order, still over all, the present system does function as an appropriate mechanism for control, establishing responsibility, and ensuring good auditing procedures.

APPENDICES

Appendix A

Categories of Revenues

Category	Estimations for yr 19__	Amended Estimation	Current Month	Previous Months Cumulative Totals	Total	Excess	Deficits
A) States Revenues							
1. Real Estate Taxes and Assessments							
2. Taxes on Land							
3. Original Taxes							
4. Additional Taxes							
Total							
B) Taxes on Buildings							
Total States Revenues							
C) Services Revenues							
1. Local Revenues							
2. Amusement Taxes							
D) Revenues of Utilities managed by the Councils							
1. Water							
2. Electricity							
3. Health Works							
4. Rents of Economics Housings							
Total							
E. Local Taxes and Assessments							
1. Assessments on Registration of Births and Deaths							
2. Assessments on Public Places (Night Clubs)							
3. Assessments on Industrial Stores and Commercial Activities							
4. Assessments on Municipaleties							
5. Slaughter House Assessments							
6. Assessments on Real-Estate which benefit from Public Projects							
7. Assessments on Cars and Bicycles							
8. Assessments on Market to permit private individual to manage the							
9. Other various Assessments							
Total							
F. Various Revenues							
1. Market Revenues							
2. Penalties on Buildings							
3. Other various Revenues							
Total							
Gross Total							

Categories	Total Budget	Amended Budget	Current Month	Previous Months Cumulative Total	Total	Savings	Deficits
I. A. Wages in Cash and Allowances							
1. Permanent Grades							
2. Inclusive Remunerations							
3. Remuneration for National and Forei							
4. Remuneration for National Experts							
B. Remunerations							
1. Compensation and Remunerations of E							
2. Employees compensation for unusual							
3. Encouragement Remunerations							
B. Remuneration for other Works							
1. Remuneration for teaching, training, and supervising							
2. Other Remunerations (for Chairman of local units)							
Total							
C. Salaries and Allowances							
1. Salary for the nature of work (Doctors)							
2. Supplemental Salaries (Doctors, and Nurses) used to work in other jobs							
3. Hazardous Work pay (X-ray)							
4. Supplemental Salaries (Engineers) used to work in other jobs							
5. Military Salaries and Allowances							
6. Supplemental Salaries (Cashiers and Tax Collectors)							
7. Supplemental Salaries (Hearing Aids)							
8. Other Technical Salaries							
9. Other Technical and Professional Salaries							
10. Supplementary Salary for living in far away districts and isolated areas							
11. Supplementary Salary for PhD or MA degree							
12. Allowance for Food							
13. Allowance for Clothing							
14. Fixed Cash Transportation Allowance							
15. Various other Salaries and Allowance							
Total							
Total of First Group above							
I. A. Fringe Benefits in Cash and Kind							
1. Benefits in Kind							
2. Cost of Employee's Food							
3. Cost of Employee's Clothes							
Total							
B. Benefits in Cash							
1. Government's share in insurance and pensions							

2. Workers compensation for Accidents
3. Increase in Cost of Living
Total
Total of Second Groups

Gross Total of Bab 1
Excluded or excempted Categories

Net Total of Bab 1

(Bab 2) Current Expenditures

	Categories	Total Budget	Amen Budg	rrent nth	Previous Month Cumulati Total	Total	Savings	Deficits
I.	A. Current Expenses							
	1. Commodities Requirements							
	2. Raw Materials							
	3. Assisting Raw Materials							
	Sub Total							
	B. Fuel-Oils-Energy and Power							
	1. Petroleum Materials							
	2. Oiling Materials and Greasing							
	3. Other materials							
	Sub Total							
	C. Spare Parts and Equipment							
	1. Spare Parts and Maintenance Materials							
	2. Various Appliances and Equipments							
	Sub Total							
	D. Stationeries and Book							
	1. Writing Materials							
	2. Books, Magazines and other Documents							
	3. Ledgers and Stationery							
	4. Other Printing Materials							
	Total							
	E. Water and Electricity							
	1. Water							
	2. Electricity							
	Total							
	F. Appliances and Small Equipment							
	1. Furniture							

(Bab 1 con't)

2. Stationery Materials
3. Iron Safes
4. Filing Cabinets
5. Survey and Engineering Material
6. Statistical and Accounting Equipment
7. Cooling and Heating Equipment
8. Materials for Gardens
9. Fire Extinguishers
10. Medical Equipment
11. Buds and Animals
12. Various other Equipments

Total

Total of the First Group

II. Electricity Purchased in Order to Sell it

III. A. Services Requirements

1. Maintenance Expenditures
2. Maintenance and Enforcement of Buildings
3. Maintenance of Utilities and Networks
4. Maintenance of Roads and Bridges
5. Maintenance of Machines and Equipment
6. Maintenance of Transportation Means
7. Maintenance of Furniture and Office Equipment
8. Maintenance Expenditures (Other)

Total

B. Publication and Public Relations

1. Expenses for Publications and Advertising
2. Expenses for Public Relations and Letters

Sub Total

C. Printing Expenses

1. Cost of Printing
2. Subscriptions for Magazines and Newspapers
3. Cost of Publishing Books

Sub Total

D. Transportation

1. Transport of Materials by Railway
2. General Transportation by Railway
3. Transportation by other Means
4. Transportation Allowance
5. Telephone
6. Telegraph
7. Post

Sub Total

E. Leasing Equipment and Means of Transportation

1. Leasing Means of Transportation

F. Cost of Department Services

(Bab 2 con't)

G. Cost of Ministry of Interior (Guards)

H. Cost of Fire Station

I. Cost of Electricity Organization

J. Other Various Costs
Sub Total

K. Services Expenses for Others than Employees

1. Social and Sport Activities Expenses
2. Remunerations for non-employees for service rendered
Sub Total

L. Cost of Vocational Training

1. Cost of Vactional Training

M. Various Services Expenses

1. Commission and Insurance Expenses
2. Feasts (Holiday) Expenses
3. Execution of Law Expenses
4. Burial Expenses for the Poor
5. Other Various Services Expenses
Sub Total
Total of Third Group

IV. A. Current Transfer Expenses

1. Rents
2. Rents of Buildings Stores and Garages

V. A. Current Specialized Transfer Expenses

1. Grants for Others
Total
Total of the Five Groups

Total of Bab 2

حافظة للوثائق

الوحدة المحلية المركزية

إيرادات ——— عن سنة ١٩ ——— ١٩

ميزانية أصلية بالمبلغ ١٩٠

نوع	بيان	تحصيلات ١٩	التقدير للسنة	التقدير للشهر الجاري		الشهر الماضي		الجملة		تنقص		جملة	
		ب	ب	م	ب	م	ب	م	ب	م	ب	م	ب
	الإيرادات السيادية												
	الضرائب والرسوم المباشرة												
	الضرائب على الأطيان												
	الضرائب الأميرية												
	« الإضافية												
	جملة بند												
	ضرائب على المباني												
	جملة الإيرادات السيادية												
	الإيرادات الخدمية												
	إيرادات عقارية												
	ضريبة الملاهي												
	إيرادات الدوائر التي تديرها المجالس												
	إيرادات البناء												
	« الإنشاء												
	« الأعمال الصحية												
	« إيجار المساكن الإقتصادية												
	جملة بند												
	ضرائب ورسوم ذات صلة عقيمة												
	رسوم كسب التراخيص والوثائق												
	« المحال العامة والنقلة المرخصة												
	« الصناعية وانشاء الطرق												
	« التنظيم												
	« ذبح												
	« نشارات التي اتصلت بمشروعات العامة												
	« الشربات والمراجات												
	« الأسواق المرخص في ادارتها للأفراد												
	« الغرامات متنوعة												
	جملة بند												
	إيرادات متنوعة												
	إيرادات الأسواق												
	غرامة المباني												
	إيرادات أخرى متنوعة												
	جملة بند												
	إجمالي الإيرادات												

المفتش — رئيس المحاسبات — رئيس مركز فرسطا

ج	بند	نوع	بيان	الربط	الربط المعدل	الفعلي الأول	الفعلي الثاني	الفعلي الثالث	الفعلي الرابع	الفعلي الخامس	الفعلي السادس	الفعلي السابع	الفعلي الثامن	الفعلي التاسع	الفعلي العاشر
				جـ	جـ	جـ	جـ	جـ	جـ	جـ	جـ	جـ	جـ	جـ	جـ
			أجور نقدية وبدلات												
			أجرات إضافية												
			المكافآت الشاملة												
			مكافآت خبراء وطنيين وأجانب												
			(أ) مكافآت خبراء وطنيين												
			المكافآت												
			(أ) تعويض ومكافآت المدعوين												
			تعويض العاملين عن جهود غير عادية												
			للمكافآت التشجيعية												
			(ب) مكافآت عن أعمال أخرى												
			مكافآت تدريس وتدريب وأعمال												
			مكافآت أخرى (وزعت على الوحدات الفنية)												
			جملة بند												
			الرواتب والبدلات												
			راتب ضبيطة أصل للأطباء												
			« صرفان للصيادلة والحكيمات												
			« ممرضين وفنيين من الأشعة												
			« تمريض المرضى												
			رواتب وبدلات عسكرية												
			رواتب ضبيطة العمل												
			راتب صيانة وتحصيل												
			راتب خاصة												
			رواتب مهنية وفنية أخرى												
			راتب أئمة بجمعات الكتاب وبعض الكاتب												
			راتب طبيب وكتورة												
			بدل الفسحة												
			بدل سلاليس												
			بدل انتقال نقدي ثابت												
			رواتب وبدلات عقدية												
			جملة بند												
			جملة فصل الأول												
			مزايا عينية وخدمية												
			المزايا العينية												
			تكاليف أغذية للعاملين												
			« ملابس للعاملين												
			جملة بند												
			المزايا النقدية												
			مساهمة الحكومة في التأمينات والمعاشات												
			إعانة العمل												
			غلاء المعيشة												
			جملة بند												
			جملة المجموعة الثانية												
			جملة الباب الأول												
			مصلحة الأمن العام صرف												
			صافي الباب الأول												

الفحص — رئيس الحسابات — رئيس مركز الوحدة

ح	بند	نوع	بيان	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد	رصيد
			المصروفات الجارية														
			المشتريات السلعية														
			خدمات														
			نفقات مساعدة														
			جملة بند														
			وقود وزيوت وقوى محركة														
			مواد بترولية														
			مواد زيت وشحوم														
			مواد أخرى														
			جملة بند														
			قطع غيار وصيانة														
			قطع غيار ومواد الصيانة														
			مواد وصيانة متنوعة														
			جملة بند														
			أدوات كتابية وكتب														
			أدوات كتابية														
			كتب ومجلات ووثائق أخرى														
			كراسات ودفاتر														
			مطبوعات أخرى														
			جملة بند														
			مياه وإنارة														
			مياه														
			إنارة														
			جملة بند														
			تجهيزات ومعدات صغيرة														
			أثاث														
			أدوات مكتبية														
			خزائن حديد ودواليب صلب														
			آلات هندسية ومساحية														
			آلات حسابية وإحصائية														
			أجهزة تدفئة وتبريد														
			أدوات تنظيم الحدائق														
			أجهزة الوقاية من الحريق														
			أجهزة طبية														
			دواليب وصناديق														
			تجهيزات أخرى متنوعة														
			جملة بند														
			جملة المجموعة الأولى														
			مشتريات سلعية بغرض البيع (كهرباء)														
			المصروفات الخدمية														
			مصروفات صيانة														
			صيانة وتجديد مبانى														
			« مرافق وشبكات														
			« طرق وجسور وكبارى														
			« آلات ومعدات														
			« وسائل النقل														

نفقات نشر واعلان

- الشئون والعلاقات العامة

جملة [illegible]

مصروفات طبع

مطبوعات طبع

اشتراك في مجلات وجرائد

مصروفات استاركتس

جملة [illegible]

نقل واتصالات عامة ومواصلات

نقل مهمات بالسكك الحديد

اتصالات عامة بالسكك الحديد

نقل واتصالات عامة بوسائل أخرى

بدل اتصال

تليفون

تلغراف

بريد

جملة [illegible]

تأجير معدات ووسائل نقل

تأجير وسائل النقل

تكليف خدمات قضائية

تكليف وزارة الداخلية (خفراء)

- فرقة المطافئ
- مؤسسة الكهرباء
- أخرى متنوعة

جملة [illegible]

مصروفات خدمية لغير العاملين

مصروفات نشاط رياضي واجتماعي

مكافآت لغير العاملين عن خدمات مؤداة

جملة [illegible]

تكليف برامج التدريب

تكليف برامج التدريب

مصروفات خدمية متنوعة

مصروفات تأمين وحراسة

- الأعياد والمواسم
- تنفيذ الأحكام القضائية

مصروفات دفن

- خدمية أخرى متنوعة

جملة [illegible]

جملة المجموعة الثالثة

مصروفات تعويضية جزئية

الإيجارات

إيجار مباني ومخازن وجراجات

مصروفات تعويضية جزئية خصوصية

إعانات تشجيع

جملة [illegible]

جملة المجموعة الخامسة

بيان	الربط	الشهر الجارى		الشهور السابقة		الجملة	
باب ٩ ـ الضرائب والرسوم العقارية							
بند ١ نوع ١ ـ الضريبة الأصلية للأطيان							
« ٢ ـ « الاضافية للاطيان							
جملة بنـــد (١) —							
بند ٢ ضرائب على المبانى							
جملة باب (٩) —							
باب ١٢ إيرادات محليـــة							
بند ١ ضرائب الملاهى							
بند ٤ ـ إيرادات الرافـــق							
نوع ١ ـ إيرادات المياه							
« ٢ « الإنارة							
« ٣ « المجارى							
« ٤ « إيرادات الأعمال الصحية							
« ٥ إيجار المساكن الاقتصادية							
جملة بنـــد ٤ —							
بند ٥ ـ الرسوم المحليـــة							
نوع ٢ رسوم محليـــة							
« ٣ رسوم المحال العامة							
« ٤ رسوم التنظيم							
« ٥ رسوم التبييض							
« ١٣ رسوم المربات والدراجات							
« ١٦ رسوم محلية متنوعة							
جملة بنـــد ٥ —							
بند ٦ إيرادات متنوعة							
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نوع ٥ إيرادات أخرى متنوعة							
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جملة باب ١٢ —							
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إعانة الموازنة							
الجملة بما فيها إعانة الموازنة —							
إيرادات مجلس المدينة							
إيرادات المجالس القروية							
إيرادات الخدمات							
إجمالى الإيرادات							
	مليم	ج					

المفقود من الإيرادات

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بند ١ نوع ١ ـ الضريبة الأصلية للأ
« ٢ ـ « الاضافية ا
جملة بنـــد (١)
بند ٢ ضرائب على المبانى
جملة باب (٩)
باب ١٢ إيرادات محليـــ
بند ١ ضرائب الملاهى
بند ٤ ـ إيرادات الرافـــق
نوع ١ ـ إيرادات المياه
« ٢ « الإنارة
« ٣ « المجارى
« ٤ « إيرادات الأ
« ٥ إيجار المساكن ا
جملة بنـــد ٤
بند ٥ ـ الرسوم المحليـــ
نوع ٢ رسوم محليـــة
« ٣ رسوم المحال العامة
« ٤ رسوم التنظيم
« ٥ رسوم التبييض
« ١٣ رسوم المربات والـ
« ١٦ رسوم محلية متنوعة
جملة بنـــد ٥
بند ٦ إيرادات متنوعة
نوع ١ إيرادات الأسواق
نوع ٥ إيرادات أخرى
جملة بنـــد ٦
جملة باب ١٢
جملة الإيرادات
إعانة الموازنة
الجملة بما فيها إعانة الـ
إيرادات مجلس المدينة
إيرادات المجالس القروية
إيرادات الخدمات
إجمالى الإيرادات
ج

بيان	الربط	الربط المعدل	الشهر الجارى		الشهور السابقة		الجملة	
الباب الاول								
أجور نقدية وبدلات								
بند ١ درجات دائمة								
بند ٢ مكافآت شاملة								
بند ٥ الاكانات								
بند ٦ رواتب وبدلات								
مزايا عينية ونقدية								
بند ١ مزايا عينيه								
بند ٢ مزايا نقدية								
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الباب الثانى								
بند ١ خامات								
« ٢ وقود وزيوت وادوى محركة								
« ٣ قطع غيار ومهمات								
« ٤ مواد تعبئة وتغليف								
« ٥ أدوات كتابية وكتب								
« ٦ مياه وإنارة								
« ٧ تجهيزات ومعدات صغيرة								
« ٢ كهرباء								
« ١ مصروفات الصيانة								
« ٤ نشر وإعلان وطبع ودعاية								
« ٥ نقل واتصالات عامه								
« ٦ تأجير معدات ووسائل النقل								
« ٧ تكاليف خدمات المصالح								
« ٨ مصروفات خدمية متنوعة								
« ٣ إيجار مبانى ومخازن								
« ١ تبرعات								
« ٢ إعانات للغير								
جمله مصروفات الباب الثانى								
جمله المصروفات								

بيان	الر
الباب الاول	
أجور نقدية وبدلات	
بند ١ درجات دائمة	
بند ٢ مكافآت شامله	
بند ٥ الاكانات	
بند ٦ رواتب وبدلات	
مزايا عينية ونقدية	
بند ١ مزايا عينيه	
بند ٢ مزايا نقدية	
جمله مصروفات الباب الأول	
الباب الثانى	
بند ١ خامات	
« ٢ وقود وزيوت وادوى محركة	
« ٣ قطع غيار ومهمات	
« ٤ مواد تعبئة وتغليف	
« ٥ أدوات كتابية وكتب	
« ٦ مياه وإنارة	
« ٧ تجهيزات ومعدات صغيرة	
« ٢ كهرباء	
« ١ مصروفات الصيانة	
« ٤ نشر وإعلان وطبع ودعايه	
« ٥ نقل واتصالات عامه	
« ٦ تأجير معدات ووسائل النقل	
« ٧ تكاليف خدمات المصالح	
« ٨ مصروفات خدمية متنوعة	
« ٣ إيجار مبانى ومخازن	
« ١ تبرعات	
« ٢ إعانات للغير	
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جمله المصروفات	

الإيرادات	المردودات	الجملة
2 حساب إيرادات الشهر الجاري		
3 مجلس التسوية		
4 مجلس التسوى		
5 المردودات		
6 الجملة		
7 جارى دائن :		
8 جارى التأمينات الوقتية		
9 جارى التأمينات الدائمة		
10 جارى التأمينات		
11 مياه		
12 إنارة		
13 تأمينات متنوعة		
14 جارى الأيام الثلاثة تحت التسوية (مستحقات		
15 • • • • (عمومى)		
16 جارى المرتبات		
17 جارى الإعانات		
18 الجملة		
19 جارى مدين :		
20 جارى الأمانة الدائمة مقدما		
21 جارى المبالغ المدينة تحت التسوية		
22 جارى السلف المدينة		
23 الجملة		
24 حسابات جارية :		
25 حساب الشركات		
26 حساب الحوالات		
27 حساب الشركات		
28 حساب الحوالات الآلية تحت التحصيل		
29 حساب النقدية		
30 حساب المحلات		
31 حساب جارى بنك		
32 حساب جارى البنك المركزى المصرى		
33 حساب مشروعات مجلس التسوى		
34 الجملة		
35 الحسابات النظامية :		
36 الدفوع مقدما		
37 الدفوع مقدما مستحقات		
38 الأعمال المدفوع عنها مقدما		
39 الأعمال المدفوع عنها سلف مؤقتة		
40 الديون المتحققة المحكومة		
41 تقوية مخصصات المحكومة		
42 الجملة		
43 الجملة العمومية		

المصروفات	المردودات	الجملة
1 حساب مصروفات الشهر الجارى		
مجلس التسوية		
مجلس التسوى		
المردودات		
الجملة		
جارى دائن :		
جارى التأمينات الوقتية		
جارى التأمينات الدائمة		
جارى التأمينات		
مياه		
إنارة		
تأمينات متنوعة		
جارى الأيام الثلاثة تحت التسوية (مستحقات		
• • • • (عمومى)		
جارى المرتبات		
جارى الإعانات		
الجملة		
جارى مدين :		
جارى الأمانة الدائمة مقدما		
جارى المبالغ المدينة تحت التسوية		
جارى السلف المدينة		
الجملة		
حسابات جارية :		
حساب الشركات		
حساب المحلات		
حساب الشركات		
حساب الحوالات الآلية تحت التحصيل		
حساب النقدية		
حساب المحلات		
حساب جارى بنك		
حساب جارى البنك المركزى المصرى		
حساب مشروعات مجلس التسوى		
الجملة		
الحسابات النظامية :		
الدفوع مقدما		
الدفوع مقدما مستحقات		
الأعمال المدفوع عنها مقدما		
الأعمال المدفوع عنها سلف مؤقتة		
الديون المتحققة المحكومة		
تقوية مخصصات المحكومة		
الجملة		
الجملة العمومية		

حسابات التسوية	مذكرات عن بدء الشهر الماضي				الشهر الجاري			
	منه		له		منه		له	
	مدين	دائن	مدين	دائن	مدين	دائن	مدين	دائن
1 الحسابات الدائنة :								
1 جاري التأمينات المؤقتة								
2 " " الدائنون								
3 " " التأمينات								
4 مياه								
5 إنارة								
6 مشروعات								
7 جاري المبالغ الدائنة تحت التسوية (مستحقات								
8 جاري المبالغ الدائنة تحت التسوية (عرض)								
9 جاري الغرامات								
10 جاري المعاشات								
11 جملة الحسابات الدائنة								
12 الحسابات المدينة :								
13 جاري الأمانة المدفوعة مقدما								
14 جاري المبالغ المدينة تحت التسوية								
15 جاري السلف المستديمة								
16 جملة الحسابات المدينة								
17 الحسابات الجارية :								
18 حساب الشيكات								
19 حساب الحوالات								
20 حساب الكمبيالات								
21 حساب الحوالات المالية تحت التحصيل								
22 حساب النقدية								
23 حساب الجزاءات								
24 حساب جاري بنك ( )								
25 حساب جاري البنك المركزي المصري								
26 حساب مشروعات المجالس الدورية								
27 جملة الحسابات الجارية								
28 الحسابات النظامية :								
29 المدفوع مقدما								
30 المدفوع مقدما كسلف								
31 الأموال المدفوع عنها سلفا								
32 الأموال المدفوع عنها سلف مؤقتة								
33 الديون المشتبه تحصيلها								
34 تسوية مطلوبات الحكومة								
35 جملة الحسابات النظامية								

Appendix B

Republican Decree # 391 of 1973
Establishing the Organization for Reconstruction
Development of Egyptian Villages "ORDEV"

The President of the Republic

Considering the constitution;

And law # 124 of 1960 pertaining to the local government system and its amending laws;

And law # 57 of 1971 concerning local governments;

And law # 58 of 1971 concerning the State civil servants;

And Republican Decree # 2420 of 1971 reorganizing the Government machinery;

And Republican Decree # 409 of 1973 forming the cabinet;

Article 1: The Ministerial Committee for Local Governments shall exercise the following functions respecting the reconstruction and development of Egyptian villages:

A) Lay down the general policy and plan of reconstructing and developing Egyptian villages economically, socially and constructionally within the frame of the State's general policy, and present it to the Council of Ministers for its approval.

B) Approve the schedule for the plan's implementation and determine the joint system of work for all the institutions concerned with Egyptian villages in a manner that would realize their coordination and integration.

(Appendix B con't)

C) Approve distribution of the scheme's appropriations and determine the various sources of financing as well as the self-efforts required for the plan's execution.

D) Evaluate and follow-up implementation of the general policy and plan as well as the execution's schedule and submit the outcome to the Council of Ministers.

Article 2: An Organization for Reconstruction and Development of Egyptian Villages "ORDEV" shall be set up to be attached to the Minister of State for Local Governments' Secretariat and People's Organizations.

Article 3: ORDEV shall undertake implementation of the general policy and program approved by the Ministerial Committee for Local Governments regarding reconstruction and development of Egyptian villages in coordination with the Ministries and local institutions concerned in a manner that would bring about the scheme's integration. It is also authorized:

A) To propose ORDEV's general plan and present it to the Minister of State for the Local Governments' Secretariat and People's Organizations for its approval by the Ministerial Committee for Local Governments.

B) Work for execution of the plan in conformity with the schedule approved by the Ministerial Committee for Local Governments.

C) Follow-up the steps of the scheme's execution and submit regular reports to the Minister of State for the Local Government's Secretariat and People's Organizations, as well as purpose the solutions adequate to surmount obstacles obstructing the scheme's

D) Evaluate the local governments' units available potential and determine their strengthening requirements whether financially or by technical experts.

E) Carry out studies and researches related to the scheme from the social, economic, constructional and technical aspects with the institutions concerned and the experts concerned.

F) Prepare and carry out the information and training programs and the like which are expedient for implementation of the plan of reconstructing villages.

Article 4: ORDEV may, for the purpose of discharging its functions, set up standing or temporary committees from among its personnel and experienced externals. The Minister of State for the Local Governments Secretariat and People's Organizations shall issue an Order setting up such committees and fixing their duties.

Article 5: ORDEV may contact all the State institutions as well as the public Sector's and local governments' units with a view to procurement of the details, statistics and reports available at their ends. The aforementioned institutions are hereby charged with assisting ORDEV in carrying out the studies and researches exigent for its work.

Article 6: The State institutions as well as the public sector's and local governments' units each within its jurisdiction are hereby charged with execution of the general policy and plan as laid down by the Ministerial Committee for Local Governments and approved by the Council of Ministers regarding the reconstruction and development of villages. The aforementioned institutions shall send regular reports on their activities in this connection for submission to

(Appendix B con't)

the Ministerial Committee for Local Governments.

Article 7: ORDEV shall have a chief whose appointment shall be in virtue of a Republican Decree. It shall also have a director general as well as an adequate number of personnel in conformity with the administrative regulation to be covered by an Order to be issued by the Minister of State for Local Governments' Secretariat and People's Organizations.

Article 8: ORDEV's appropriations shall be entered in a special section of the Local Governments' Secretariat General's budget.

Article 9: This Decree shall be published in the Official Journal and shall become operative as from the date of its publication.

(June 16, 1973)
(Anwar El Sadat)

Copy to: The Minister of State for the Local Governments' Secretariat and People's Organizations

The Council of Ministers' General Secretary
(Signed Ahmed Salah El Din Affifi)

Explanatory Note of the Draft
Republican Decree # (891)
of 1973

Establishing an Organization for Reconstruction
and Development of Egyptian Villages

The State is interested in the villages reconstruction scheme, considering it a national scheme which has a special priority and an objective that would change life on Egyptian soil.

In a desire to give this scheme an impetus and a strong push while determining and fixing responsiblities as well as the course of action and its execution, it was held and maintained to set up an organization to undertake this task.

This Organization is closely connected with local institutions, and the Local Governments Law # 57 of 1971 entrusts the Ministerial Committee for Local Governments with coordination of projects undertaken by local councils and governmental projects in a manner that would realize cooperation in their execution among the various ministries, government departments and councils representing local units.

And in view of the special importance the State attaches to the scheme, it is therefore expedient that an organization be set up that would dedicate its time and effort to suggestion of the organization's general plan, lay down the execution schedule, follow-up its execution steps, draw up its regulative rules, responsibilities, the work progress and evaluate the potential available with local institutions, determine its cementing and reinforcing requirements and moblize self-efforts, as well as

present regular reports in respect thereof to the Ministerial Committee for Local Governments. This is over and above preparation of the studies and researches, carrying out the scientific and information programs exigent for execution of the plans and programs of reconstructing villages and contacting the institutions concerned for the purpose of exchanging data and experience in this domain, in addition to carrying out all that the Ministerial Committee for Local Governments entrusts to this Organization.

Therefore, the Organization for Reconstruction and Development of Egyptian Villages was founded to be attached to the Minister of State for the Local Governments' Secretariat and People's Organizations. It shall function in accordance with the plan, and programs to be approved by the Ministerial Committee for Local Governments.

The Draft Republican Decree in this respect is prepared and attached herewith, for its issuance in the event of its approval.

Minister of State
for Local Governments Secretariat
and People's Organizations

(Signed) Fouad Mohi El Din

Appendix C

Example of the Letter Sent to Each Governor
From ORDEV to Develop Projects
in the Villages

Dear Governor,

We would like to inform you that the ORDEV office in your governorate is to coordinate with the village councils and the concerned departments in the preparation of the suggested projects for the 1976 plan.

The following items must be taken in consideration in developing these projects:

1. Each year's plan must be developed within the framework of the five year plan (1976 - 1980) in terms of the distribution of villages as defined. They must select one fifth of the villages each year and in selecting villages - make certain that one-third have complete services, the second one-third have average services, and the final one-third have less services. Make certain that the villages are fairly distributed throughout the governorate. The projects to be selected must be consistent with projects listed in the five year. All projects must be substantial through a proper study and written report.

2. In each village selected an extensive survey (see attached form A) must be completed.

3. The suggested projects which will be financed by ORDEV must be described in conformity with the attached form 2.

4. The projects should be developed in proper coordination with the concerned ministerial representatives at the governorate level.

Would please notify the appropriate individual to prepare the proposed list of projects for the plan of 1976 and forward it to us through the manager of ORDEV in your governorate and the selected

(Appendix C con't)

village chairman to discuss it on June 1975 prior to being submitted to the Ministry of Planning and the Ministry of Finance so that the necessary funds can be allocated in the 1976 budget

Appendix D

Ministerial Decree #8 (1976)

For Organizing the Accounts for Service and Local Development

The sources of estimation

Item 1: Sources of revenues for the special fund of the local units.

Governorate:

A) Assessment imposed by the Local Council of the Governorate for the benefit of this account on the sources of taxes and within the limits of each category as in the attached table.

B) The profits of productive projects which are financed by the account.

C) Grants, Endowments and Wills which the local council of the governorate agrees to accept.

Markaz:

A) Assessment imposed by the Local Council of the Markaz for the benefit of this account on the sources of taxes and within the limits of each category as in the attached table.

B) The profits of productive projects which are financed by the account.

C) Grants, Endowments and Wills which the local council of the governorate agrees to accept.

A) Assessment imposed by the Local Council of the Town for the benefit of this account on the sources of taxes and within the limits of each category as in the attached table.

B) The profits of productive projects which are financed by the account.

C) Grants, Endowments and Wills which the local council of the governorate agrees to accept.

D) Rents of residential buildings and utilities which have been financed by this account.

E) The share of the social services from the profit of the cooperative societies located within the boundaries of the city.

Village:

A) 75 percent of the collected assessments imposed for the benefit of this account in accordance with the rates of article 37 of the law and which is collected within the boundaries of the village.

B) The project's money which is circulated on the basis of the capital circulating within the boundaries of the village (The monies earned from the reinvestment of the fund's profits in the productive projects.)

C) The monies collected from selling buildings which are constructed through funds from this special account.

D) Rents from residential buildings and utilities financed by this local account.

E) The share of the social services in the profits of the agricultural cooperatives in the village.

F) Grants, Endowments and Wills.

G) Grants from international organizations.

Item 2: Uses of this Special Account

The resources of this special fund must be used as follows:

Governorate:

A) Financing the productive projects and the local services in accordance with a local plan where these projects are distributed The funds should be allocated to be consistent with the State's general plan.

B) To complete the projects which are in the general plan of the governorate's budget but which do not have adequate financial funds to complete the projects.

C) To establish projects which are dependent upon self efforts.

D) To raise the standard of the general local services performance.

E) To spend on the urgent and essential local services.

Markaz:

A) Financing the productive projects and the local services in accordance with a local plan where these projects are distributed. The funds should be allocated to be consistent with the State's general plan.

B) To complete the projects which are in the general plan of the governorate's budget but which do not have adequate financial funds to complete the projects.

C) To establish projects which are dependent upon self efforts.

D) To raise the standard of the general local services performance.

E) To spend on the urgent and essential local services.

Town:

A) Financing the productive projects and the local services in accordance with a local plan where these projects are distributed. The funds should be allocated to be consistent with the State's general plan.

B) To complete the projects which are in the general plan of the governorate's budget.

C) To establish projects which are dependent upon self efforts.

D) To raise the standard of the general local services performance.

E) To spend on the urgent and essential local services.

Village:

A) Financing the productive projects and the local services in accordance with a local plan where these projects are distributed.

The funds should be allocated to be consistent with the State's general plan.

B) To complete the projects which are in the general plan of the governorate's budget but which do not have adequate financial funds to complete the projects.

C) To establish projects which are dependent upon self efforts.

D) To raise the standard of the general local services performance.

THE ADMINISTRATION OF THE SPECIAL FUND

Each local unit will administer this fund within the limits of its authority as follows:

A) Governor

1) A committee is formed by a decree issued by the governor as follows:

a) The Governor is the Chairman

b) The General Secretary of the Governorate

c) One of the members of the Governorate Council (chosen by the council)

d) The manager of the financial department

e) The manager of the planning and follow-up department

f) The manager of the budget department

g) The manager of Governorate ORDEV

2) This committee is the authority which governs the financial affairs and develops the procedures it is to follow. It must issue what it considers necessary in the form of regulations and procedures to achieve its goals.

3) The chairman of the committee is to execute the decisions of the committee and to manage its affairs on the basis of the procedures established by the committee. If the Chairman is absent, the General Secretary is to head the committee.

4) The committee is to meet at least once each month or according to the Chairman's desire. The meeting of this committee will only be valied if the majority of the members attend. The decisions must be voted by a majority vote of those attending. If it is a tie the Chairman's

5) The committee may form one or more subcommittees from among its members to study some of the subjects submitted to the committee. Such subcommitteecan submit reports to the whole committee.

6) The local council of the Governorate can propose amendments to sources of assessments or taxes which can be imposed for the benefit of this fund. Other tax sources can be levied on the condition that the concerned ministry representative in the local government approves it and the ministerial committee on Local Government endorses it

7) 70 percent of the collected assessments imposed for the benefit of this fund is to be allocated, in accordance to item 1, par. A of this decree, to the account of Village Council's Special Fund.

3) The committee is to prepare a plan for the projects which can be implemented from the funds of this special account. It must estimate the total cost of each project and the basis by which these costs were estimated within the framework of the State's general plan. The plan is to be endorsed by the executive committee of the govenorate after being approved by the local convial of the Governorate.

9) The fund is to have a budget - this proposed budget will be provided by the committee and submitted to the local council at least 2 months before the beginning of the financial year.

10) This budget is issued by a decree of the Governor after being approved by the local council of the Governorate. A copy of this budget is to be sent to the treasurer of

the local government unit. The financial year for the fund begins at the same time as the Governorate's budget.

11) The money of the fund is to be deposited in a special account at the central bank. The name of this account is: The Account for Services and Local Development.

12) The Financial Department in the executive staff of the Governorate is to keep the accounts of this special fund. The ledger of this account will include:

a) Resources collected, b) monies spent, in addition to a regular accounting system (profit - loss statements, etc.)

13) The various departments are to collect taxes, the local assessments, and the assessments imposed for the benefit of this fund.

The departments who are to collect money for the benefit of this fund are to deposit this money at the end of each month in the special account in the central bank, and they are to inform the committee of the details of this collected money.

15) Disbursement of Funds - This is to be endorsed by the Chairman of the committee or whoever has been deputized to sign. The payment will be by check signed by the General Secretary of the Governorate and the head of the financial department.

16) The disbursement of money is limited by the amount estimated in the budget. They cannot disperse more than what is allocated in the budget unless they receive permission as follows:

a) A permit to exceed the budget item which comes from savings from other items in the same section of the budget.

The Chairman of the committee must approve this.

b) A permit to exceed the budget item which comes from savings from items in other sections of the budget will require the approval of the committee and the endorsement of the local council of the Governorate.

17) A balance sheet for revenues and expenses will be prepared in the first week of each month. This will be for the revenues and expenses of the previous month. It is to follow standard accounting procedures and must be submitted to the committee for their endorsement.

B) Village

The executive committee of the village in accordance with article 73 of Law 52 (1975) is to manage the special fund. This committee is to be considered the higher authority which controls the affairs of this fund. It establishes the procedures and policies of the fund and must ensure that all appropriate procedures and laws are carried out including the following:

A) To prepare a plan for the projects which they would like to finance through the collection of the fund in accordance to the defined objectives. The following should be considered in developing the plan:

(1) They should make a study of the general budget of the local unit of the village and the budgets of the district's and governorate councils and determine what has been allocated for the various projects in these budgets to determine the broad plan of the governorate. (2) To estimate the sources which could be allocated for the projects of this fund. (3) To determine the projects which should be implemented in view of

A and B above. (4) To prepare the suggested yearly budget of the fund within the framework of the general policy of ORDEV. (5) The surplus of the projects must be used to finance or develop similar projects which are established for the same objectives as already defined.

B) The executive commi tee must submit the suggested plan and budget of the fund to the village local council to endorse it within a month after the date of informing the general budget department.

C) Following the endorsement of the village council of the plan and budget they are to inform the local councils of the district and governorate, the ORDEV representative to take their opinions. The plan and budget are considered final if there is no objections to it within the 15 days following it being submitted to these higher authorities. If there are comments forwarded down to the village council during this fixed (2 week) period the local village council will study these comments and then make their own decision which will be considered final.

D) The village leader (Rais Wahda) is to implement the decisions of the village council in accordance with the rules and regulations as stated by the executive committee of the village.

) The financial year of this fund begins and ends in the same time as the budget of the village unit.

F) An account for this special fund of the village unit is to be opened in one of the commercial banks. Disbursement of money is to be by check signed by the village leader (Rais Wahda) or deputy and also the head of financial department in the village

(or if none exists) the financial accountant in the Markaz.)

G) The Financial Department of the town (capitol of Markaz) is to keep the accounts of this fund, to register collections and disbursements, and all accounting books which are necessary for good records.

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