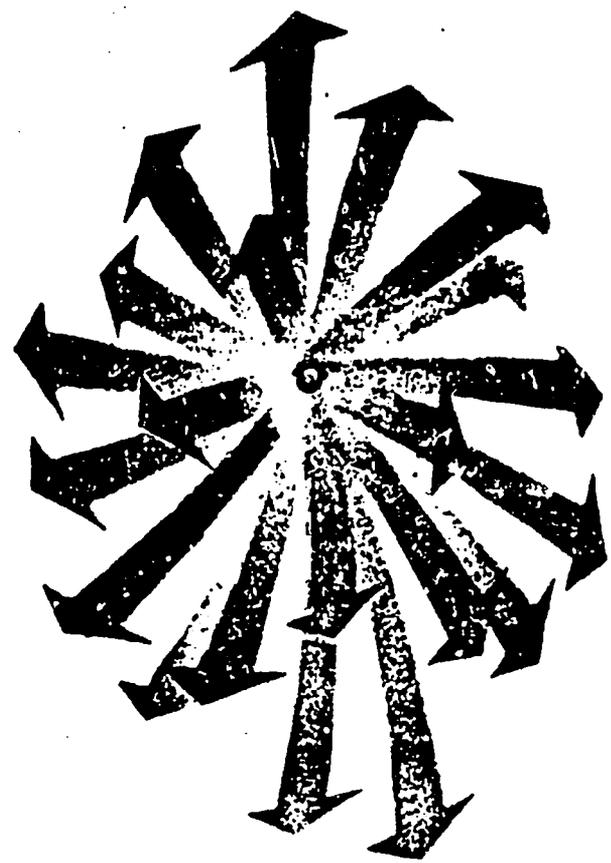


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THE DECENTRALIZATION OF LOCAL GOVERNMENT IN EGYPT.
A SPECIAL ASSESSMENT FOR USAID



**OFFICE OF
LOCAL ADMINISTRATION AND DEVELOPMENT,
DEVELOPMENT RESOURCES AND PROGRAM SUPPORT,
USAID/CAIRO.**

January, 1983.

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A SPECIAL ASSESSMENT FOR USAID

by

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ARABIC TRANSLATION OF EXECUTIVE SUMMARY.

Decentralization Sector Assessment: January 1983

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The team would like to thank the many officials of the Government of Egypt who discussed development, decentralization, budgeting, planning and local government, at length, with us. They also gave us access to many background records and copies of documents which illustrated the points made during the discussions.

The USAID members of the team are deeply indebted to their Egyptian colleagues who enabled US to fit together the myriad, individual pieces of information, collected during the assessment, into a meaningful mosaic, and develop a strategy for USAID, which addresses the major problems in the sector in realistic and useful ways.

Our thanks also go to Makram Guirguis of LAD, and Nevin Ibrahim, who translated many decrees, laws, records, and newspaper articles on very short notice, and to Mayar Farrag, formerly with the USAID Program Office, whose knowledge of and guidance through, the GOE budgets were invaluable.

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Decentralization Sector Assessment: January, 1983

Executive Summary

In August 1982 the five USAID decentralization projects were consolidated into one program and a new agreement signed with the Government of Egypt(GOE). The goal of the program is to assist the GOE in establishing a decentralized development planning and budgeting system. The GOE recognizes that the tasks of raising national production and standards of living are too large and locally varied to be achieved by a centralized bureaucracy. President Mubarak has stressed several times that overly centralized direction from Ministries in Cairo should not be allowed to inhibit local efforts to provide services and find effective solution to local development problems. Several recent events have indicated a broad interest among Egyptians in decentralization as a strategy for speeding up development throughout the nation.

The local government laws have evolved rapidly during the latter half of the 70's and all AID activities are well into their implementation phases. The time was appropriate for an assessment. A five person, multi-disciplinary team of Egyptian consultants and AID staff was assembled in November, 1982.

The specific purposes of the assessment were:

- a. Assess and document the status of GOE decentralization for local services and development.
- b. Assess GOE perceptions and intentions regarding the process.
- c. Identify the principal institutions involved in the process.
- d. Develop a strategy and agenda for reaching program goals.

The extent of decentralization was assessed along three dimensions; functional, political, and resource(money and staff). Information was collected from the GOE laws and regulations, the national and local budgets, the newspapers, lengthy interviews in Cairo and three governorates, and surveys of 128 local council members and 250 of their constituents.

With regard to administrative and functional decentralization the team found local elected and executive councils are increasingly involved in government, administering programs in their areas, and responsible for the provision of basic services. Policies for transferring responsibility to local units have been implemented. Executive functions have been transferred from central ministries to governorate directorates. Staff and wage budgets have also been reassigned to the local level. All staff in the directorates report directly to the local units, except the governorate directorate heads, who report to the central ministries and the governors -- but the governors write their efficiency reports. This functional decentralization has recently been implemented and those involved are still trying to sort out their roles and coordination problems still exist.

With regard to political decentralization the team found basic mechanisms of popular participation in place and local units are being provided greater access to the centres of power. The bargaining position of localities in relation to the resources they need is improving. The governors are full ministers and negotiate with cabinet ministers as equals. The Supreme Council for Local Government, which brings the chairmen of the governorate councils closer to the power center, will meet soon for the first time. The popularly elected councils are now responsible for setting development priorities and approving local unit budgets before they are submitted to the next higher level of government.

Though local mechanisms of popular participation are functioning, the local units' decisions are sometimes pre-empted by central ministries and subsequent lobbying and negotiation take place in Cairo. The effectiveness and quality of participation is also diluted by a high turnover rate among appointed officials.

The team found that resources to implement decisions and assume responsibilities are being dispersed among local units. They have more staff than they need, but insufficient with appropriate qualifications. More engineers, lawyers, planning and finance people are needed.

The financial analysis shows considerable expenditure decentralization but little revenue decentralization, and consequently a sizeable subsidy from the central government to the governorates. For services performed by both central and governorate units, the governorate current expense budget is four times the central budget and is growing more rapidly. The investment budget of local units is also growing much more rapidly than investment by the central ministries.

Local revenues, however, are growing much more slowly than central revenues. But there is one bright spot in the revenue picture -- local development funds have been established by the governorates in response to local demands. They are administered outside the national budget, (but are recorded in it), and, though still quite small, are growing rapidly.

The principal institutions involved in decentralization are; the governors, the governorate popular councils; the Supreme Council for Local Government, the Assembly Local Government Committee, the Ministries of Local Government, Finance, Planning, Manpower, Development and Housing, and Investment and International Cooperation, the Central Agency for Organization and Administration, and the National Investment Bank.

The GOE commitment to decentralization has been clearly demonstrated in all areas, except local revenue generation.

USAID has successfully coordinated a series of activities with this GOE commitment and action and has fed additional resources, especially money and technical assistance, into the process. Even though the activities are still very young, several thousand village projects have been started and ten of thousands of villagers involved in their conception and implementation. Approximately, \$150 million has been channeled directly to local units and allowed them to demonstrate the effectiveness of decentralization. Considerable capacity has been found in the local units to implement simple development projects.

The major constraints in the sector are policy development, local revenue generation and management skills. Elected council members and their executive colleagues often lack the skills to participate in the decentralized planning and management processes established by the laws.

There is a large gap between local development needs and financial resources. USAID is partially filling this gap at present. Future continuity, however, depends upon revenues being generated, kept and used in the local units, and increased flexibility in the administration of central government grants to local units.

Prior to the formation of the Sector Steering Committee USAID has not been involved with the GOE in developing policy to ensure achievements of mutually agreed goals. Those involved in policy are often unaware of activity achievements and those involved in project implementation had little to say concerning sector goals. These groups must communicate during the development of practical decentralization policy.

The USAID strategy will build upon the GOE commitments and GOE/USAID achievements, to ensure that decentralized development is firmly established and based upon local resources. It is based upon USAID's expertise in policy dialogue and institution-building. The strategy recognizes that AID's primary concerns in the sector are to; strengthen community participation and self-reliance; reduce local dependence on central government; and increase local revenue generation so that localities can assume recurrent and replacement costs. AID has made a long-term commitment "in order that sufficient opportunity is allowed for developing sustainable self-help capacity."(STATE 199220, 7/17/82).

The Sector Steering Committee should be broadened in membership and provided technical assistance so that it can become a major centre of policy development and discussion.

The committee will need to develop an evolving constituency, an increase in information among interested parties and an active and pertinent agenda of issues. New activities and adjustments to existing projects should be developed through the Steering Committee. New activities should be developed to address the major constraints and gaps in the sector program. For example, a "Town Services Activity" to build basic services in medium-sized towns, not eligible for existing activities, could incorporate a significant management development component, and be structured, financially, to encourage local resource generation and related policy reforms.

USAID's strategy is based on an Egyptian service delivery model that works and will concentrate upon:

1. Policy Discussions,
2. Addressing financial resource constraints,
3. Planning and Management Development.

GLOSSARY

- Bab** - Chapter or section of the Annual Budget of the Government of Egypt.
- B.V.S** - Basic Village Services: an USAID activity in the Decentralization Sector.
- C.A.O.A** - Central Agency for Organization and Administration.
- D.D.I.** - Development Decentralization I: an USAID activity in the Decentralization Sector.

Decentralization Laws: A series of local government laws: #124/1960, #57/1971, #52/1975, #43/1979, #50/1981, and associated executive regulations, amendments and Presidential and Ministerial Decrees.

Decentralization Sector Support Agreement: The sector agreement, signed on August 29, 1982, which encompasses all GOE/USAID Decentralization Activities: DDI, BVS, DSF, PCD, NUS.

- D.S.F.** - Decentralization Support Fund: an USAID activity in the Sector.
- Districts** - Units of Local Government between the governorate and village or neighborhood units. Called Marakez in rural areas and Hays in urban areas.
- G.O.E.** - Government of Egypt
- Hay** - Urban unit of local governments, equivalent to the district, between the governorate and the small neighborhood (Kism).
- Kism** - Smallest unit of local government in the urban areas; neighborhood, or precinct.

Local Unit, or Locality: Units of local government at the governorate, district or village level.

Local Elected or Popular Councils: Representative councils elected at governorate, district, or village levels.

Local Executive Councils: Councils comprising the heads of the executive departments of government in each local unit.

Markaz/Marakez: District(s) in rural governorates.

- M.L.G. - Ministry of Local Government
- M.O.P. - Ministry of Planning
- N.D.P. - National Democratic Party
- N.I.B. - National Investment Bank
- NOPWASD - National Organization for Potable Water and Sanitary Drainage
- N.U.S. - Neighborhood Urban Services, an USAID activity in the sector
- P.C.D. - Provincial Cities Development, an USAID activity in the sector.
- S.C.L.G. - Supreme Council of Local Government also known as Higher Council of Local Government.

Sector Steering Committee: The GOE policy committee coordinating at USAID decentralization activities.

I. THE CONTEXT OF THE ASSESSMENT

On August 29th, 1982, the Government of Egypt(GOE) and the Government of the United States signed the Decentralization Sector Support Agreement. The goal of the program is to assist the GOE in establishing the institutional capacity to plan for local development at the national, governorate, district and village levels, a national budgeting process allocating adequate funds for the plans, and an administrative process which allows decisions and responsibility to be assumed at the appropriate level in local government.

The GOE recognizes that the tasks of raising national production and standards of living are too large and locally varied to be achieved by a centralized bureaucracy and that overly centralized direction inhibits local efforts to provide basic services and find effective solutions to local development problems.

There has been, since 1960, a consistent effort to legislate change in the local government system. Authority has been decentralized and local elected and executive councils have been encouraged to take a more active role in Egypt's development. During the last two decades Egyptian local government has become, at least in law, a decentralized system.

Governorate councils are being allowed greater -- though still limited -- discretionary powers over funds which are allocated from central sources. Additional revenues are accruing in locally managed funds, providing a potentially important new source of financing for programs to meet local needs.

The GOE's decentralization policy coincides closely with USAID's development strategy which aims to build lasting development institutions and to increase participation by local people in their own development.

The Decentralization Sector Support program has placed five GOE/USAID decentralization activities under one Policy Steering Committee. These activities are:

- Development Decentralization I (DDI)
- Basic Village Services (BVS)
- Decentralization Support Fund (DSF)
- Neighborhood Urban Services (NUS)
- Provincial Cities Development (PCD).

The Steering Committee is charged with the direction of the entire program. The Committee will be assisted by a technical unit which will monitor the activities in the sector and collect data for periodic assessments.

Interest and concern with decentralization in Egypt goes well beyond the USAID program and its Steering Committee, as is shown by the following recent events:

- a. A series of statements from senior GOE officials encouraging local units of government to assume greater responsibility for the provision of services and economic development in their localities. The statements have ranged from those of the President in October '81, and January 1983, to one from the Prime Minister on December 21, 1982, and have included ones by members of the People's Assembly (December 4, 1982 and January 15, 1983).
- b. On December 28, 1982, the People's Assembly discussed; self-help efforts in community development; increasing the flexibility of laws concerning bids and tenders in order to encourage decisions at lower levels in government; and a report from the Local Government Committee concerning the training of leaders of local units in management and implementation.

- c. On consecutive Fridays in October and November, 1982, Al Ahram ran four full-page reports of a series of debates among national leaders from universities, government, the media, and banks, concerning the relative roles of local government units and central ministries in rural development.
- d. In December, 1982, the National Association of Administration Societies organized a three-day national conference, attended by 390 delegates. Papers concerning local government finance, self-help community development, planning and management of local development, and the rationalization of local government expenditures were presented. (The draft recommendations from the conference are translated in Appendix G).
- e. The Ministry of Planning presented a policy statement, concerning urban encroachment on agricultural land in Egypt, to a UN conference, and this was published in "Development", (1982:2, page 33), the journal of the Society for International Development. Several elements of the policy address the decentralization of service delivery and enhancing local participation in economic development.

These events indicate the saliency of decentralization issue. Together with the Local Government Laws, and the GOE/USAID program, they provide the background to the current assessment.

II. PURPOSE AND METHODS

The specific purposes of the assessment were:

(for more details see Appendix A)

- a. Assess present GOE perceptions and intentions regarding decentralization and identify the principal institutions involved in the process.
- b. Assess and document the status of GOE decentralization for local services and development.

- c. Develop a strategy and agenda for USAID to engage the GOE in policy discussions regarding decentralization.

A multidisciplinary team, comprising an economist/public finance specialist from AID/W, a political scientist/urban and regional planning advisor, and a rural sociologist/local administration advisor from USAID/Cairo, and two Egyptian consultants; a local government specialist from Mansoura University, and a political scientist from University of Cairo, was assembled in early November 1982.

The team analysed the national budgets from 1976 to 1982/83, with special emphasis on local government finance, reviewed the laws, decrees and regulations pertinent to local government, and visited the governorates of Menoufia, Giza and Qena, to collect details of local financial accounts, and interview local elected and executive officials. Several lengthy interviews were also conducted in Cairo with the central agencies concerned with local government and its finances. The team also analysed surveys of 128 local council members and 250 citizens in seven governorates. The surveys dealt with local government and the role of the elected councils.

In this report we discuss the dimensions of decentralization studied by the assessment team, describe the GOE's goals and intentions, identify the principal parties involved in the sector, assess the GOE's commitment to decentralization, discuss USAID's contribution to decentralization, and outline a strategy which should be followed by USAID and presented to the Sector Steering Committee. The draft of the report was presented to the Mission on January 20, 1983 and comments have been incorporated into the final report.

III. THE DIMENSIONS OF DECENTRALIZATION

Decentralization means many things to different people -- indeed one might say that its many perceptions and definitions are an inherent part of the basic concept. It has already been pointed out, "... decentralization is, and will remain, a loosely defined concept among Egyptian officials and that efforts to impose too rigid a structure or too precise an objective upon what is essentially an evolving and continuously changing process will be strongly resisted." (Development Alternatives Inc., "Decentralization in Egypt: The Pilot Project and Beyond." page 29, Washington, D.C. 1982).

We have underlined "process" to stress that decentralization is a method for reaching development goals; it is not a goal in itself. USAID is using this strategy because it coincides closely with the GOE's program of moving executive functions from central ministries to levels of government closer to the rural people and stimulating local initiatives for development. It also embodies AID's goals of enhancing popular participation in economic development, building development institutions in the localities, and maintaining services once they have been established. In these ways decentralization is a democratic process to provide better services and build lasting institutions, which in turn will raise national production and improve the quality of life of many Egyptians whose basic needs are barely being provided at present.

In this assessment we have focussed on three key dimensions of decentralization.

1. Functional Decentralization -- Location of responsibility for the functions of local government, concentrating on the delivery of basic human services.
2. Political Decentralization -- Extent and quality of local participation in planning and other decisions regarding the provision of basic services.

3. Resource Decentralization -- The location and sources of money and skilled staff needed to implement decisions and plans for basic services.

As decentralization is a process in a complex government system, the dimensions listed are not mutually exclusive as we would wish for ease of analysis and discussion. There is inevitably some overlap -- as indeed there should be in the real world.

With regard to the first dimension we looked for clear indications that the executive responsibility for delivering basic services has been removed from central ministries to departments located in the governorates, districts and villages. These basic services include water, sewage, education, health, housing, support for agriculture, etc..

The extent of local participation was assessed by studying the roles of village, markaz and governorate councils, both elected and executive, in the planning, execution and monitoring of service delivery. The relative weights of council decisions compared with those of central agencies was also studied. We looked for evidence that local elected councils participate in needs assessments and setting development priorities and that other elected representatives were involved in development decisions at the appropriate levels in the system. We also identified the key actors in the process and described their function and their commitment to the continuation of the decentralization process.

Our concern with resource decentralization was focussed upon money and personnel. Where were they coming from and who decided how they were to be used? We were interested to see the extent to which local services were provided with local funds and local skilled staff, and with similar resources supplied from outside the locality but controlled by the local community. Local resources were compared with resources supplied from central government and kept under its control.

IV. FINDINGS

IV A: THE STATUS OF DECENTRALIZATION IN EGYPT

In this section we present our major findings regarding the three dimensions of decentralization, the principal actors in the GOE and their commitment to the process.

The findings are based upon comprehensive reviews of the legal, administrative and fiscal aspects of decentralization. The reviews, assembled from GOE documents, previous "SAID consultant reports and interviews conducted by the team, are included in this report as appendices B,C,D.

1. Functional Decentralization:

In this area there have been several positive changes over the last twenty years. We find the basic framework of functional decentralization in place: local units are now responsible for providing basic services. There are problems in implementation, however.

The main points are as follows:

i. Responsibility for establishing, changing and administering local government units has been transferred to lower levels in the GOE, and elected councils increasingly involved in the process, as indicated in Table 2, Appendix B, page 20.

ii. Responsibility for providing basic services has been progressively transferred to local government units, as is shown in Table 1, Appendix B, page 15. Service directorates at appropriate levels in the local government system have been established as is shown in Figure 1, Appendix B, page 25.

iii. There is a clear policy of transferring executive responsibility for service implementation to the governorates, which has been implemented by the Central Agency for Organization and Administration (CAOA). This has resulted in the reorganization of several service ministries in the past three years. Ministers of service ministries, such as, health, education, supply, social affairs, agriculture, housing, have been designated "Ministers-without-Portfolio", and made responsible for policy, planning, research and follow-up. The executive staff of these ministries (40,000 persons) have all been transferred to the governorates. A comparison of the total budget for wages in the service ministries, reflecting the placement of staff over the years 1976-1982/83, shows a much larger and more rapidly growing budget for wages at the governorate level than at the central level. See Table XII, Appendix D, page 34.

The heads of departments in the governorates report to both the central ministry and the governor. The governor, however, writes the employee's evaluation and must be consulted regarding promotion and transfer. All more junior members of directorates are members of the governorate, markaz, or village staff and are responsible solely to the local units.

iv. A major problem noted by the team, in several areas where both central and local units have responsibility for service delivery, was the coordination of implementation. As in the case of water and sewerage, (discussed in Appendix B, page 13), the "governorates have little advanced knowledge of the investments planned by NOPWASD. In Ismailia, it was pointed out that several large scale industrial and housing estates are without water or sewers due to lack of coordination between central and local authorities".

During the implementation of USAID activities we have also noted this problem of coordination, as we discuss later in this report.

2. Political Decentralization

Here we are concerned with local participation in government, especially in the development planning and budgeting processes.

Our main findings are:

i. A system of elected representative councils was established in 1960 and has evolved steadily until 1979 (835 villages, 145 markazes, 172 towns and 26 governcrates) with the elected councils at each level now sharing power with executive councils. Major decisions at all levels, such as the development plans and budgets of the local unit, require the approval of the Selected Councils.

ii. The position of governor has been enhanced considerably. They now hold the full rank of minister, reporting to the President through the Prime Minister, and dealing with cabinet ministers as equals. They have increased access to the centre of power, and deal in it as one among equals.

iii. Similarly the local elected councils were upgraded in Law 50/1981, with the creation of the Supreme Council for Local Government. The Supreme Council comprises the Prime Minister, the Chairmen of the Governorate Elected Councils, the Governors, and the Minister for Local Government. This means that the people's elected representatives in local government have greater access to the centre and influence over decisions affecting local government. But, the Council has never met and so its potential has yet to be realized. The concept looks good, but implementation falls short of expectations. (Note: The Council is scheduled to meet in mid-February, 1983).

iv. Under the local government law, the elected councilors have the right to question and demand explanations regarding the implementation of their decisions from their respective executive councils.

v. The annual current budget (Bab I and II) and the investment budget (Bab III) for each village unit are prepared by the executive council in line with priorities and needs established by the elected council. After being approved by the elected council it is sent to the markaz and then to the governorate and eventually through the Regional Planning Office to the Ministry of Planning. Elected councils in the markaz and governorate approve the consolidated budgets.

Though the basic political framework looks good, there are some problems and serious issues as follows:

i. The Supreme Council for Local Government has not met, thus a policy instrument.. with local interests represented, has not been used, and opportunities to bring local government issues to national attention has not been taken.

ii. Local development decisions are still being pre-empted at the national level. Perhaps one of the greatest frustrations facing local councils and the governor is that concerning priority setting for investments in Bab III of the budget. Regional planning offices, as provided by Law 43/1979, are to assist local units in developing their investment budgets in all economic sectors. However, in practice this does not appear to be happening. Priorities which have been set locally are not effectively transmitted to central authorities via the regional offices. This often results in confusion at the local level and the changing of local priorities by the Ministry of Planning.

iii. The effectiveness of governors in carrying out their mandates, as well as chiefs of city councils and village councils, may be severely hampered by the high turnover in these positions. Between 1971 and 1980 there were 132 changes of governor in 24 governorates. The average tenure of a governor was 1 year 10 months during the 70s. (PADCO, 1982, Urban Growth and Data Report, page 471). Compared to elected officials who have a set time in office, appointed officials, such as the governor,

serve at the pleasure of the President and are subject to replacement at any time. Nevertheless, despite these handicaps, we found a strong commitment to decentralization in the governorates.

iv. The effectiveness of the local elected councils (LEC) depends upon the quality of people elected to serve and their motivation. Council members and citizens surveyed by the team gave LECs mixed grades. Although most members appear to be actively involved in local issues, approximately one half believed that their activities do not contribute in any significant way to local development. Moreover, there was an even split among members who either believed that powers vested in the LEC were less than appropriate or were more than appropriate.

3. Resource Decentralization

This involves the location and control over both monetary and personnel resources for implementing decisions and carrying out responsibilities for the delivery of services.

Our findings regarding personnel are as follows:

i. The local units are receiving more staff than they need and most do not have the qualifications required for their jobs.

ii. Staff with the required professional skills -- finance, engineering, economic planning, law, -- are not entering the civil service in sufficient numbers to fill the vacancies.

iii. Civil service pay is not high enough to attract and keep skilled staff. The team heard repeatedly of the need to train local staff and improve their skills. Several interviewees stressed that they did not need academic training, but problem-solving, action oriented, practical training as close to their jobs as possible, and that training should be accompanied by additional financial and professional incentives. (Actual quotes taken from interviews, are in Appendix F).

The main results of our financial analysis indicate that there is little revenue decentralization, but considerable expenditure decentralization is taking place at an ever increasing rate. (Details of the fiscal analysis are in Appendix D, and a guide to the structure and content of the budget is in Appendix I).

i. Between 1976 and 1982/83 total local government expenditures grew four times, compared with ten times for the central government expenditures.

ii. Expenditure decentralization for recurrent costs, however, can only be meaningfully assessed, by comparing the growth rate of expenditures for common services provided at both the national and local levels, as reflected in I and II of the budget. When this is done we find local current budgets grew nearly four times while the central government current budget only tripled. For the seven service directorates studied, we found that the local current budget was four times the size of the national current budget for those same directorates and was growing more rapidly. (Appendix D, Table XII).

iii. Decentralization of expenditures, primarily through a reallocation of resources from the center, also shows up in the investment budget in III. Local government investments grew 18 times (1760%) while national investment grew only four times between 1976 and 1982/83 (380%). Large transfers to the local level began in 1980 with the creation of the National Investment Bank (NIB). Decisions regarding the allocation of investment funds are still made jointly by the governorate and the Ministry of Planning. The funds are disbursed, after a clear demonstration of need, and expenditures are monitored carefully by another central agency, the NIB.

iv. The revenue picture is different. Growth in local revenues between 1976 and 1982/83 was modest (3 times) when compared with central government revenue growth (8 times). Our analysis indicates little revenue decentralization because the local tax base is inadequate as presently structured. The land and buildings taxes are based upon 1939

and 1964 appraisals, respectively, and have exemptions that eliminate half or more of tax liabilities on land. The surtax on imports and exports, an important source of local revenue, is controlled by central government. Revenues are dependent somewhat on levies on agricultural production which are very income inelastic and have not grown appreciably.

v. A further indicator of revenue decentralization is the proportion of local government expenditures paid from own source revenues. Between 1979 and 1981/82 this ratio grew well as revenues from business profits expanded rapidly. The ratio declined however, when the profits taxes were dropped in 1981/82 through a central government decision, and the transfer, within the budget, of central government worker's wages to the local government account took place, which markedly increased local expenditures.

vi. Per capita governorate revenues and expenditures were analysed to assess if funds are being disproportionately allocated to "central" governorates and also to look at the relationship, if any, between revenue generation and local expenditures. The comparison of per capita expenditures among governorates, in both 1976 and 1981/82, shows that current per capita expenditures are inversely related to size of governorate population. Funds are not targetted for the largest places in disproportionate amounts.

vii. The lack of significant growth in local revenues over the past seven years is particularly frustrating since analysis indicates a positive relationship between the amount of revenue generated by a governorate and the level of subsidy which it receives from central government. This suggests that if a governorate raises more revenue it is given more money by central government to spend.

viii. The bright spot in the area of revenue decentralization is in the local development funds which are administered outside the national budget. The interest in and activity of these funds are indicators of

the dynamism of decentralization. We found that some of the funds were created by governorate officials and elected councils in response to local demands and then were subsequently formalized in the local government laws.

The Local Development and Services Fund (LDSF) is the largest of these funds and its growth and activity are illustrative of the potential of these funds for development. Sizeable balances are carried forward each year and do not revert to the national treasury. Of the LE 5.2 million collected in 1981/82, more than LE 3.0 million was carried over at the end of the fiscal year in the three governorates studied by the team.

As the Local Development Funds have grown their uses have been diversified, and they are now being invested in economic enterprises, loans for private businesses, and in shares in governorate development banks. The income generated is recycled through the funds for further locally directed development activities.

ix. One of the major sources of revenue for the LDSF is 50% of the all revenues collected by the governorate, above the amount estimated at the beginning of the fiscal year in the GOE central budget. At the end of 1981/82 the three governorates, visited by the team, received checks totalling more than LE 2.08 million from this source. This mechanism has enabled local governments to demonstrate that they can collect substantial revenues locally for their own development initiatives.

x. Three of the local funds (LDSF, Low-Cost Housing, and Cleansing) are summed and included in both local revenues and local expenditures accounts of the general state budget. This provides national authorities with information about the size of the fund and raises two concerns. As the funds grow the national government may want to control their use, thereby reducing local autonomy. Also they may want to reduce national subsidies in governorates where the funds are large, thus reducing the central contribution to local development.

4. The Key Actors in the Process

One objective of the assessment was to identify the key GOE institutions involved in decentralization.

The pivotal institutions in the process of transferring functions and resources from the center to local units are the Governor and the Governorate Councils.

The roles of governors, councils, and their staff, their budgeting making authority, their authority for setting local priorities, and the relationship of this authority to central ministries, is subject to different interpretations. Decentralization laws indicate that "coordination" between local units of government and central ministries will take place in development planning, and budgeting. In practice, this seldom functions easily and considerable lobbying is required in central ministries by governorate staff to ensure that local priorities are heard.

It is true that status of the governor has changed. His hand has been strengthened by the change of his rank to full minister. This move has given more prestige to the office of the governor as representative of the President and improved his access and bargaining power at the center. It has not, however, provided him with better qualified staff, or with added control over local revenue generation, beyond the Local Services and Development Fund.

Members of the Executive Councils share many of the frustrations of the governor in determining local priorities, and in working with limited budgets and limited professional staff. One of the reasons cited for the shortage of professional staffs is that central organizations drain off the top quality professionals leaving the remainder to local units of government.

A large share of local decision making lies with the Local Elected Councils, but a significant proportion of their members and their constituents doubt their abilities to make its priorities felt and contribute to development in their areas.

At the center of government in Cairo, the principal institutions are; the Ministries of Local Government, Finance, Manpower, Planning, Housing and Investment and International Cooperation (MIIC), the National Investment Bank (NIB), the Central Agency for Organization and Administration (CAOA), the Local Government Committee of the People's Assembly, and (potentially) the Supreme Council for Local Government.

The Supreme Council was established by Law 50/1981 to provide policy guidance to the Local Government Sector in Egypt. Its role has yet to be established as it has not met.

The Local Government Committee of the People's Assembly is important because it represents another mechanism, for enhancing cooperation between the representatives, (elected in national not local government elections), and the executive ministries of government. The committee sets the agenda for debates on local government in the Assembly, meets to consider donor assistance to local government, provides guidance to the ministry, and sanctions their initiatives and actions ^{1/}.

1. During the final days of this assessment this Committee met and, according to press reports, discussed the Sector Agreement, training of technical staff for the activities, the allocation of GOE counterparts funds to meet project needs, cooperation between implementing ministries. They also approved a proposal for a follow-up and monitoring unit in the Ministry of Local Government.

The Ministry of Local Government is responsible for coordinating the implementation of the local government laws, promoting village development through ORDEV, coordinating activities and local government concerns between governorates, administering some local government financial resources, such as the joint-revenue fund and the gasoline surtax. The Secretariat of Local Government is, at present, the main coordinator of activities with USAID and chairs the Sector Steering Committee.

The Ministry of Manpower and the Central Agency for Organization and Administration (CAOA) both deal with personnel in the public sector. Manpower places graduates (college and high school) and trains them for vocational and technical positions. CAO A recruits for, and runs the civil service. It places people in administrative and clerical positions and is responsible for their subsequent training.

The government is the employer of last resort (every graduate is guaranteed a job). Manpower and CAO A are responsible for implementing the government's policy of "decentralizing" manpower and appointing "masses" of unskilled staff to the local government units each year. CAO A is responsible for setting all salaries, and administers 1 (wages) of the national budget.

II of the national budget (operating and maintenance costs) is administered by the Ministry of Finance, which also, plays a major role in formulating the total budget and making the allocations between the three BABs of the national budget.

With regard to economic planning, the Ministry of Planning is the key actor. In theory it is involved in the preparation of governorate annual plans through its eight Regional Planning Offices. The plans are reviewed by the Ministry when they make the III allocations to the

governorates and ministries. The disbursement of the funds and monitoring of investment expenditures is done by the National Investment Bank, an independent organization under the Minister of Planning.

The Ministry of Housing within the Ministry of Development, is charged with establishing general plans, programs and criteria for national housing development. Specifically, the Ministry supervises the design, construction and maintenance of public buildings, and of residential buildings earmarked for specific income target groups. The Ministry also directs and develops private sector activity in the field of construction according to state policy.

Its relationship with the local units, as they assume their housing functions, is still be worked out.

The Ministry of Investment and International Cooperation sits on the Sector Steering Committee and acts as overall coordinator between the GOE and USAID.

The process of decentralization is a concerted effort on the part of all these actors to encourage local economic development.

5. GOE Commitment to Decentralization

During the interviews the team found all respondents knowledgeable and familiar with the concepts of decentralization and support for local government units as methods of promoting local development.

The laws and regulations being implemented indicate a strong commitment to political and administrative decentralization, not only in theory, but also through the actions that have been and are being taken. Commitment to basic fiscal changes, however, is not as obvious. The political will is not there at present. Without fiscal decentralization and the mobilization of greater local financial support for the provision

of services and economic development, the administrative and political framework will have little impact on development in the long run. An indication from the GOE that it is interested in considering the decentralization of fiscal arrangements and local revenues sources would be a welcome move.

The National Conference on Local Government Finance made several appropriate recommendations in the fiscal area, but significant actions by the government have yet to follow.

IV B. USAID'S CONTRIBUTION TO THE SECTOR

There are five joint activities currently included in the program; Development Decentralization I (DDI); Basic Village Services (BVS); Provincial Cities Development (PCD); Decentralization Support Fund (DSF); and Neighborhood Urban Services (NUS). (For a fuller description of the GOE/USAID activities and their budgets see Appendix H).

DDI provides low-cost loans, training and technical assistance, through ORDEV's Local Development Fund, for village councils to start income producing enterprises. Profits are deposited in the village's local development fund and can be used, at the discretion of the councils, for new development projects or to provide basic services. Over 330 loans have been made in the last three years. More than 3,600 local governments personnel have received DDI training. Training and data processing equipment will be purchased for the Local Government Training Academy being built at Sal'kara. The DDI obligation is \$26.2 million through 1985, and \$12 million had been expended by 12/31/82.

BVS provides grants, through a central Inter-Agency Committee (IAC) and the governorates, to village councils for specific service projects whose plans have been approved by the IAC. Training and technical assistance is also provided in the villages, and involves some markaz and governorate staff. During 1982/83 all 20 of the rural governorates will

participate and over 3500 villages projects will have been undertaken by village councils -- primarily to improve water, roads and drainage. Ten of thousands of village councillors and their executive staff have been involved in selecting, planning, and implementing the projects. After the approval of the project plans by the IAC in Cairo, the funds are disbursed to the governorate which make the grants to each village. The governorate, through its ORDEV representative, also provides quarterly follow-up reports to the IAC. BVS authorization is US\$225 million (includes \$75 Title III) and has expended \$104 million (including \$43 million Title III) as of December 31, 1982.

PCD finances technical assistance, operating and maintenance costs, and the design and construction of water and sewerage projects -- initially in Fayoum, Beni Suef, and Minya cities. It is helping to expand decision-making capacity by providing local councils and staff with experience in allocating and using resources and in developing financial and other mechanisms for carrying out their development programs. The activity started in June 1982. The PCD authorization is US\$75 million and had spent \$3.1 million by December 31, 1982.

DSF provides grants to governorates, so that they can purchase large equipment for development activities after they have conducted detailed needs assessments. Again, the infusion of money and equipment and the experience gained through the planning and procurement process will strengthen decentralization. The first shipments of equipment arrived in the governorates in September, 1982, and will continue over the next two years. Training will be given in operation and maintenance of the heavy equipment. \$100 million is authorized for DSF and US\$21 had been spent by December 31, 1982.

NUS seeks to enhance urban local government in Greater Cairo and Alexandria, while addressing the unmet basic needs of the urban poor. Grants are provided, through an IAC and the governorates, to local councils and private voluntary organizations which have selected and drawn up plans for projects. Considerable technical assistance and training will be provided in this project which made its first grants in April, 1982. By December 31, 1982, NUS has spent US\$9.6 million of its total authorization of US\$89 million.

In all sector activities, approximately US\$150 million had been spent by December 30, 1982, but the expenditure will rise significantly in FY 1983; during the first quarter of the year \$ 26 million was spent.

Looking at the USAID activities in terms of our three dimensions we find significant contributions are being made. The activities are still very young but their assistance with building processes, which are already underway, is considerable. USAID activities have provided immediate assistance and services to the poor while, reinforcing functional, political and fiscal decentralization. They have enabled local entities to assume their responsibility for providing services and starting economic activities in support of their local development funds. With regard to decentralising decision-making we find that thousand of local elected councilors have often been involved in selecting and implementing projects -- with nearly 4000 being initiated at the local level. District and governorate units have also, to a limited extent and with difficulty at times, played a coordinating and technical assistance role in the process.

By far the most important contribution, however, is the money which has been made available, almost directly to the local units, with little interference from central government. This is providing a very useful demonstration of expenditure decentralization. In terms of programming these funds, the decision of the local unit is paramount and cannot be preempted by units higher up the local government hierarchy -- provided the selection is within the guidelines provided by the IAC. The primacy

of the funding is clearly apparent when we consider that the technical assistance and training would have little impact without the money to implement projects. The money oils the wheels of the process. Also it has enabled the localities to demonstrate quite clearly that considerable capacity does exist in local government to conduct development in a decentralized way.

It is also clear that the most severe constraint to continuity is the absence, at present, of sizeable amounts of money raised locally to supplement AID funds and replace them in the long-run.

Another aspect of the financing, which is very important in the governorates, is that the USAID grants provide access to foreign exchange with which heavy equipment can be purchased from the United States. Governors repeatedly mentioned during the Assessment that they have great difficulty securing the foreign exchange component of their BAB III budgets.

Another lesson from the USAID experience is that the implementation of the USAID activities has posed problems of coordination in some governorates. The planning of these activities was done relatively independently of each other, and consultation was inadequate in the governorates. We now have a policy committee in Cairo to set the overall direction of the sector. It must be remembered, however, that the coordinating, the planning, and the implementing of each activity still has to happen in each governorate, where mid-level management skills are needed. The sector program is not, at present, building intermediate management capacity in the districts and governorates -- long run viability of the process is dependent upon this.

During our interviews in the governorates it was mentioned several times that the Sector Program provides no money or technical assistance to the medium sized towns (50,000-100,000), many of which are markaz centers. This presents an opportunity which is discussed in the strategy section.

IV C: MAJOR CONSTRAINTS IN THE SECTOR

The assessment team found three main constraints which are delaying the progress towards more complete decentralization of local government. These are:

1. Policy Discussion Constraints,
2. Local Financial Constraints
3. Personnel Skill Constraints

1. Policy Discussion Constraints

In the past there has been relatively little discussion of the achievement of sector goals between USAID and appropriate parties in the GOE, and those who were involved in the development of our current activities have either retired from government service or moved to other positions. During the assessment we found those interviewees concerned with policy issues (goals) were often unaware of the achievements of sector activities, and those responsible for project implementation had little to say concerning sector goals -- with the exception of some very knowledgeable Governors.

Obviously the groups need to be brought together and the level of information about their respective roles in the process, activities, and concerns increased so that meaningful, action oriented discussions can take place.

2. Financial Resource Constraints

The second major constraint in the sector is the inability of the national and local governments to fund all the local needs for basic services. There is a large gap between requests from the local units for investment projects in their annual III plans and the money allocated by the Ministry of Planning in the national budget plus small amounts available from local sources.

USAID's funds are filling the gap, to some extent. The expenditure of an average of US \$60-80 million per annum equals one fourth of the III investment budget for local government units in 1982/83.

The discussions at the recent national conference on local government finance indicate a keen awareness of this problem among Egyptians, but the team was unable to discern any concrete steps that are being taken by the GOE at the local level, to continue the type and level of funding presently being provided by USAID. Increased allocations from the central treasury to local units' investment budgets are a step in the right direction, but the increases are dependent upon central decisions and do not enhance local self-reliance.

3. Personnel Skill Constraints

The quality of planning and management skills and the adequacy of support institutions at all levels of government, (central, regional, governorate, district and village), are vital ingredients for the full implementation of decentralization laws. The Team found that one of the most significant contributions of USAID sector assistance has been to give local units of government, first in the villages and more recently in the major urban city level, greater opportunities to plan, budget, and execute projects through program support. However, the ability and opportunity to broadly carry out these processes and functions beyond USAID funded activities is still limited.

New functions and tasks of local government planners and managers under recent decentralization laws have not been redefined to reflect new responsibilities. These new roles now require local planning initiatives and the ability to mobilize and manage resources beyond those provided by central government. Moreover, serious constraints hinder full participation of local elected councils and non-governmental groups in the planning processes mandated under decentralization laws. Elected council members often lack the necessary skills to meaningfully participate in the identification and review of planning and project options. They cannot translate such options to their constituencies and consequently leaves this service directorates working in isolation without adequate local interaction.

V. THE STRATEGY FOR USAID

This strategy is presented by the Assessment Team as a basis for opening discussions between USAID and the Decentralization Sector Committee. The final strategy will be the result of these discussions.

This strategy addresses the constraints discussed in the previous section and is derived from recent guidance issued by AID in Washington. Our recommended strategy is based on AID/W policy responses "to the economic development problem",^{1/} and guidelines concerning assistance to local government".

The strategy stresses policy dialogue and institution-building: two areas of economic assistance where AID has special expertise. It also addresses AID's concern with developing local private enterprise and providing for recurrent costs in the future.

The policy discussions must recognize that despite the many factors which are external to Egypt's economy "... over the longer term, the recipient countries' own economic and social policies on the dominant influence on its economic growth"(a). The strategy must be "collaborative, not adversarial".(a)

The strategy will address the need to build skills and human capacity in crucial organizations to ensure the continuation of the decentralization process and its contribution to improving the quality of life for many of Egypt's poor. "The development of human resource -- in other words "human capital" -- is vital to the growth of overall productivity and the efficient use of physical capital. While the accumulation of physical capital resources is essential to economic growth, it is the people that shape and energize a nation's development ... It is clear that investment in a

^{1/} Quotes in the following paragraphs taken from; (a), Remarks by M. Peter Macpherson, Administrator, AID, to the Committee for Economic Development, New York, 11/10/82, and (b), STATE 199220, 7/17/82, AID Support for Local Governments Programs, (complete cable in Appendix J).

country's human capital is strongly correlated with ... rural and urban development ..."(a).

USAID's past strategy has, and future strategy will, recognize that the Administrator's "primary concern is that AID assistance strengthen, not weaken, the independent capacity of local government at the local level, and that our assistance positively encourage, not discourage greater community participation and self-reliance, including the growth of private, non-governmental organizations at the local level."(b) And that:

- i. If funds are administered through a central government hierarchy, (or local governments linked to central government), this support should not increase dependency on central government initiative, but rather strengthen local capacity to promote local development.
- ii. Programs should increase local revenue raising capacity so that local communities can assume operating, maintenance and replacement costs. Effective assumption is a crucial test of decentralization.
- iii. When local units of government are found desirable for assistance, "... support should be viewed as a long-term institution building process which requires an AID commitment to a long time frame in order that sufficient opportunity is allowed for developing sustainable self-help capacity."(b)

Several activities with specific purposes are recommended by the Assessment team to address the constraints identified in the previous section. They are designed to build on, and complement the existing sector activities.

Policy Discussions

With regard to policy discussions we suggest that the strategy encompass the following purposes:

- A. To support and enhance institutions involved in policy making in the sector.
- B. To develop an evolving constituency and a growing network of institutions concerned with decentralization policy, and increase awareness of decentralization goals and activities among all parties.

Preliminary suggestions are made regarding activities to accomplish each purpose

Purpose A: To support and enhance those institutions involved in policy making in the sector.

Activity A: Assist the Sector Steering Committee, formed in November, 1982, to become a center of thinking and action and a vital support to the Supreme Council for Local Government and the Local Government Committee of the People's Assembly.

Discussion:

In the GOE, the main instruments for conducting the decentralization dialogue are the Supreme Council for Local Government (Prime Minister, Governors, Governorate Popular Council Chairmen, Minister for Local Government, and other Ministers as requested) and the Committee for Local Government of the People's Assembly. The former has never met since its legal definition in Law 50/1981. On the other hand, the Assembly Committee is very active. It collects and reports information from villages, districts, governorates and from the Assembly's Central Auditing Office. Using this information the Committee writes its own reports. The Council and the Committee are responsible for developing local government policy and assessing its implementation. The fact that the Supreme Council has not met is a missed opportunity for decentralization. It is symptomatic of the problems of implementing policy and establishing new institutions.

USAID should encourage the GOE to establish a schedule for the Council meetings so that it can bring together the primary actors concerned with local government and decentralization. This will enable the Council to begin to perform its role as specified in Chapter 2, Law 50/1981 -- that of "discussing all matters related to the local government system regarding its reinforcement, development, and the suggestion of laws, rules and regulations affecting the local community."

The Sector Steering Committee can perform its role as a center for decentralization thinking and action by broadening its membership beyond those organizations directly involved in the implementation of GOE/USAID sector activities. Institutions, such as governors, the Central Agency

for Organization and Administration, Ministry of Manpower, Development Banks, Universities and the People's Assembly should be considered for membership. This will develop the constituency and increase the information level in appropriate agencies.

USAID is linked to the policy process through the Sector Steering Committee and the Secretariat for Local Government. The Secretariat is the executive arm of the Supreme Council, and will provide the chairman of the Sector Steering Committee. The Technical Secretariat of the Sector Steering Committee will be housed within the Secretariat of the Local Government. USAID sits on the Steering Committee and shares in its deliberations. The Technical Secretariat is an essential part of the Committee and will carry out the Committee's coordinating and information functions. It is responsible for data collection from the sector activities, and monitoring the execution of the Steering Committee's decisions. Technical assistance is required in the early stages to assist in the Secretariat's development and to support the Committee's agenda under purpose B, below.

The team recommends that USAID offer the part-time services of an AID project officer, to work directly with the Committee Chairman on the development of the Secretariat.

Purpose B: To develop an evolving constituency and increase awareness of decentralization goals and activities among all institutions.

Activity B: Provide technical and financial assistance to the Steering Committee and its Technical Secretariat for developing an information program on decentralization goals and activities.

Discussion:

Compatible goals exist within the GOE and USAID regarding functional decentralization and local participation in decision-making. Considerable progress is being made with the former, but less in the latter. Decisions, made locally on local issues, without regional implications, are still being preempted nationally. Regarding fiscal decentralization, we are still far apart on policies for greater flexibility in local budgeting and greater local resource generation.

AID assistance should help the Committee to develop a policy program to bring the goals of interested parties closer together. It may include, but not be limited to:

- a. Periodic reviews of GOE/USAID sector activities -- presenting feedback on the achievement of activity purposes and ensuring that links to sector goals are specified and developed;
 - b. Reports on decentralization activities outside the Sector Program, such as Basic Education, World Bank and other donor activities with local units of government;
 - c. Organizing working groups for policy studies on issues, such as;
 - i. developing local financial resources;
 - ii. provision of block grants or matching grants from the central treasury for local development activities;
 - iii. separation of local government and national budgets;
 - iv. provision of appropriately trained staff in local government,
 - v. recurrent costs, charges for services;
 - vi. continuity of sector activities.
- For further discussion of fiscal issues see the end of Appendix D.
- d. Organizing and/or participating in existing annual seminar/conferences on local government;
 - e. Developing a publication program in support of above activities to raise the information content of all activities.

All new GOE/USAID decentralization activities should be developed through the Sector Steering Committee as they provide unique opportunities to enhance institutions and build constituencies.

Financial Resource Constraints

For addressing financial resource constraints, and ensuring the continued operation, maintenance and replacement of current GOE/USAID activities, the following purposes are recommended:

- C. To increase local financial resources for development activities, including tax revenues, fees, local levies and investments from the private sector.
- D. To increase the flexibility of subsidies from central sources, and the authority of local units regarding their use.
- E. To assist governorates identify and mobilize alternative financial resources beyond those provided by government.

Purpose C: To increase local financial resources for development activities, including tax revenues, fees, local levies and investments from the private sector.

Activity C: Raise with the Sector Steering Committee, the need for increased local funding and the continuity of funding of present USAID sector activities. Under the aegis of the Steering Committee, a research and development activity should be undertaken to explore all options of local revenue generation. The results of this work would be reported by the Committee to the Supreme Council of Local Government and Assembly Committee for Local Government. The Committee should be encouraged to develop new activities and change existing activities, based upon the research results, which would require, over time, an increasing proportion of funds to be provided from local sources and/or "blockgrants" from the central treasury, as discussed below, under Purpose D.

Discussion:

Without a stable local revenue base with funds that are raised and kept locally, the goals of fiscal decentralization will not be met. Consequently, USAID must seek ways of building local revenue generation into any new activities in the sector. Over time, as local revenues increase, the USAID portion should be reduced, and the shortfall would be picked up locally. This would truly institutional local project development and control.

During the Assessment governorate officials persistently pointed out the need to improve basic services in medium sized towns (50-100,000 population) where living conditions are often as bad as those in major urban areas or in rural villages. Any new activity in this area should be developed through the Sector Steering Committee and aimed at encouraging, to the maximum extent possible, a variety of approaches to increasing local revenue generation. The activity would provide a framework for institution building, and planning and management development in the marakez, governorates and regional planning offices, to complement work already being done in the villages.

The planning and development of such an activity could be done rapidly by the Steering Committee and a Cairo-based planning/engineering consultant from the private sector. Current experience is BVS, PCD and NUS and the design studies for those same activities would form the basis of any design. Local private sector construction contractors could be encouraged by requiring that a significant number of the sub-projects be earmarked for them.

Purpose D: To increase flexibility of subsidies from central sources and the authority of local units regarding their use.

Activity D: Based upon the Steering Committee's program of research and development, develop activities which explore and demonstrate the efficiency of more flexible approaches to central subsidies.

Discussion:

There is a need to change the perception of central government subsidies from "project specific funding to local government units" to "block grants." This would enable them to set their own priorities, meet their own demands and choose the methods for service delivery on a more flexible basis than presently exists. The block grant structure can be used to reward governorate productivity, and equalize incomes.

Purpose E: To assist governorates to identify and mobilize alternative financial resources beyond those provided by government.

Activity E: Provide technical assistance to governorates for the identification of options in mobilizing alternative financial resources beyond those provided by the government, both local and central.

Discussion:

To enhance the continuity of efforts already underway, i.e., to institutionalize the USAID funded types of activities local governments need to develop additional financial resources besides those being provided centrally and through local revenues. Local governments also need to develop great local resources to address the many unmet needs not financed or only partially financed by government funding. Local development and commercial banks, cooperatives, voluntary organizations and other private sources need to be studied.

Personnel Skills Constraints

The purposes recommended to develop personnel skills are:

- F. To improve planning and management skills at governorate headquarters and in towns (marakez).
- G. To increase the participation of elected councils and local representatives groups in defining and implementing local development.

Purpose F: To improve planning budgeting and management skills at governorate headquarters and in towns (marakez).

Activity F: New activities should be principally aimed at the town level, which would emphasize on-the-job training in necessary planning and management skills. Develop problem focused workshops and short courses in the governorates addressed to problems of planning, budgeting management, and information system needs for both ongoing and for any new sector projects.

Discussion:

There is an urgent need to greatly improve the quality of planning and management skills at the governorate and town levels. No amount of work at the village level, in small scale works, will convince central government authorities, especially the Ministries of Planning and Finance, that local government has the capacity to carry out all local service activities including planning, budgeting execution and follow-up without considerable central government assistance. Moreover, central planners are at present too involved in project specific activities and spend too little time in doing national and regional planning. A simultaneous upgrading of skills at the central level, (short course and seminar participation), while increasing abilities of local unit officials, could dramatically increase decentralized planning and management functions.

Purpose G: To increase the participation of elected councils and local representatives groups in defining and implementing local development.

Activity G: Assist in the development of information systems in the governorates and marakez that would be available for use by elected councils and non-government groups. Select certain projects for USAID funding which would be planned and executed by local non-government groups.

Discussion:

Information systems serve to document the number of viable options for action (or inaction) and help decision-makers choose among the options for the allocation of scarce resources. Information is different from "data". Data are expressions of aspects of reality or characteristics of the environment. Information on the other hand, is the aggregation and synthesis of data into a form that directly bears on the problems facing decision-makers. Locally elected officials and private development related organizations i.e., banks, savings and loan associations, small industries, and/or agri-businesses often are hampered by a limited information base as well as by the lack of technical project development and analysis skills. Improvement in both the information base and the skills available to these groups would enhance the quality and breadth of decision making.

Appendix A

SCOPE OF WORK AND METHODOLOGY

This appendix contains the original scope of work for the assessment, a brief description of the methodology used by the team and a list of the institutions visited and the positions of the interviewees.

The Scope of the Assessment

A. Identify the current and potential decision-makers regarding decentralization throughout the GOF in Cairo and in the Governorates. Identify present GOE intentions and goals regarding both administrative and fiscal decentralization.

This will involve several extensive interviews with senior members of many Ministries, the Popular Assembly and its special committees, the Party, and the Governorates. A snowball sampling technique will be used starting with a list of influentials compiled by LAD. Their views about decentralization, their role in decisions regarding it, and their assessment of future directions will be ascertained.

B. Analyse the current planning process and investment allocations (Bab III) and expenditures made in three governorates, from 1975 to present. Determine source, size and use of other local finance for development projects. This will entail a detailed analysis of local investment budgets allocations, and expenditures and the planning process upon which the budgets are based, in three governorates over a 5-6 year period. At least one of the governorates will be an original BVS site. Other sources of finance for local projects, particularly local revenues and special funds, will be examined. This activity will provide hard data which will indicate and clarify the more subjective information collected in Part A.

C. Begin a policy dialogue within the Steering Committee and with other important decision-makers identified in A above, using information developed during B.

D. Develop a strategy for the Steering Committee and USAID to ensure that mutually acceptable goals are specified and actions are taken to reach the goals.

C and D will involve the Sector Steering Committee, USAID and other appropriate organizations in a continuing series of high-level discussions regarding options and future directions for decentralization and USAID assistance to the Sector.

Timing of the Assessment: November 7, 1982 - January 20th, 1983. The report was presented to the Mission on 1/20/83 and circulated outside the Mission in mid-February, 1983.

The Assessment Team

The team comprised:

Rural Development Advisor, Local Administration and Development Office, USAID/Cairo, Team Leader,

Urban/Regional Planning Advisor, Program Office, USAID/Cairo,

Public Finance Economist, AID/W,

Public Administration Specialist, University of Mansoura; Consultant,

Political Economist, University of Cairo; Consultant.

Originally it had been planned to request that the GOE assign two members of the Technical Secretariat of the Sector Steering Committee to work closely with the team during their investigations. Unfortunately the Steering Committee had only just been formed at the beginning of the assessment and its Secretariat had not been organized, so no staff could be assigned to the Team.

Three research assistants, who compiled and translated some of the data for the financial analysis were graduate students of the consultants.

The two local consultants were invaluable members of the team as they knew where to look for information, how to secure the information, and how it fitted together with the other information collected by the team. They shared with the team their own publications and unpublished analyses as well as the raw data from their own earlier surveys of local government affairs. The protocol required in arranging many of the visits by the team was eased because the interviewees were, in many cases, the personal acquaintances of the consultants. This also, no doubt, meant that the discussions were much franker and less formal than would otherwise have been the case.

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Conduct of the Assessment

The assessment is outlined in Figure A-1 on the next page, starting with the context and ending with the strategy in the report.

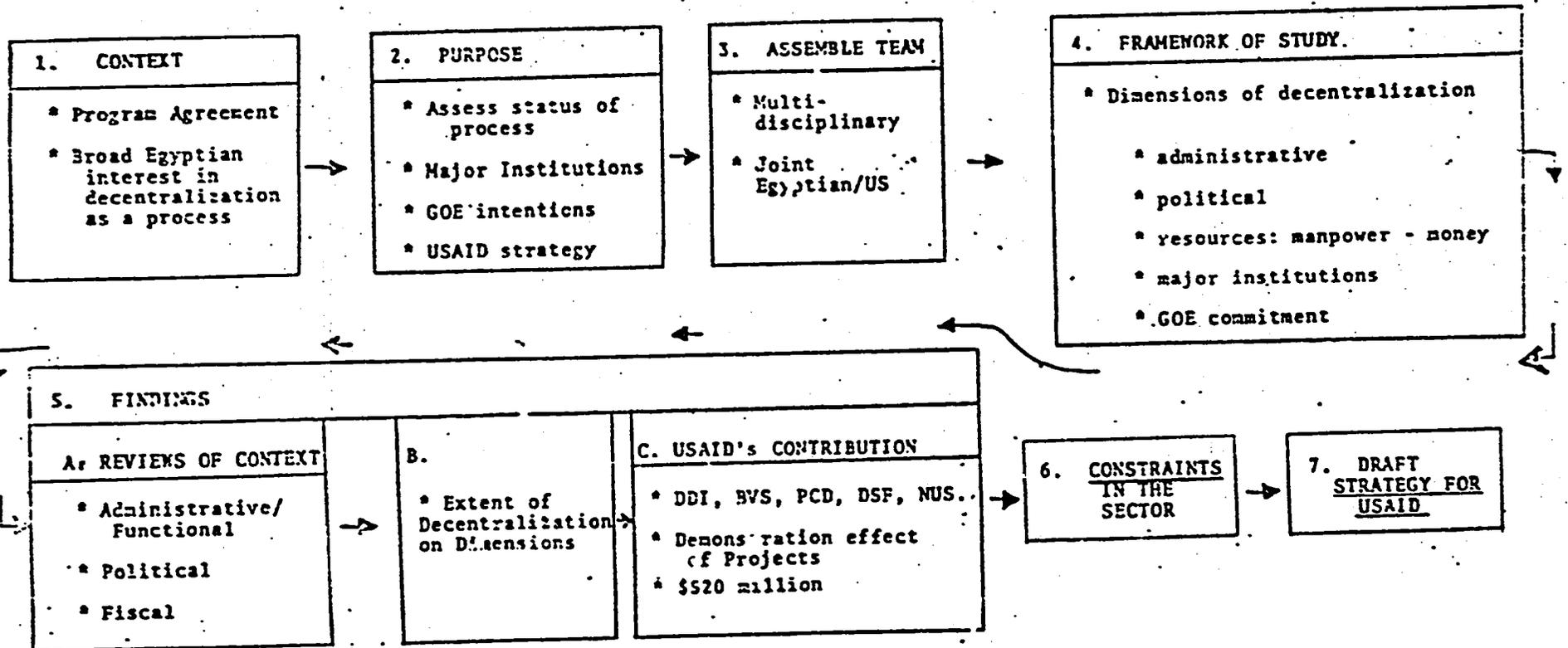
The assessment began in early November, 1982 just after a series of articles were published in various Egyptian magazines and papers. Some of the early articles were most critical of USAID's research program and suggested that AID was treading in sensitive areas and trying to play the role of a "government" within the government. Later articles responded to these points and indicated how small AID's investment in research and development was in relationship to its total program.

It was with some trepidation, however, that the team began its investigation of the potentially sensitive areas of local government finances and decision-making. A cautious, low-key approach, beginning our work primarily in the governorates, paid off and we met little reluctance or resistance to our studies, except at the Ministry of Finance. The success of this approach was due in many respects to the skill of our consultants in explaining the purpose and methods of the assessment to Egyptian interviewees, and using personal contacts with former acquaintances and friends to introduce the team to the appropriate interviewees.

The data collection strategy involved locating as many written documents as possible. Analyzing and summarizing them and then asking interviews to amplify, confirm and develop ideas gleaned from the documents. Tabulations of financial data were made from all GOE national budgets 1976 through 1982/83. Many laws, decrees, governorate regulations, and governorate budgets and final accounts were collected and studied. After five days of intensive study we began our trips to the governorates: Giza, Menoufia, and Qena. Two days were spent in each, interviewing the Governor, his senior staff, and several councilors from the governorate and marakez councils. The team was surprised by the openness and frankness of the discussions and also by the length time spent with the team by very senior officials and representatives to ensure that information was complete and well understood. The team usually split into two groups, one concentrating upon finances and working closely with the Department of Finance and their books; while the other group discussed functional and political aspects of decentralization with the executive and elected members of the local councils.

The discussions always began with a review of existing decentralization activities focussing on progress and problems. This was an excellent rapport builder and indicated quite clearly the common interests of both sides of the investigation. Subsequently, the discussions were open-ended but focussed around the following topics:

THE CONDUCT OF THE DECENTRALIZATION SECTOR ASSESSMENT: November 1982/January, 1983



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- i. development plans, their formulation and implementation,
- ii. decision-making regarding plans and projects,
- iii. resources for plan implementation; sources of finance and who controls them; sources of skilled staff and who controls them,
- iv. the local development funds and how they operate,
- v. the negotiations that take place between the governorates and the central ministries regarding development projects,
- vi. the management of development projects,
- vii. raising local revenues.

Documents, collected during the meetings, were translated and reviewed by the Team. Summaries of the information were written and are included in the appendices of this report. Additional information from the villages was taken from a survey of 128 councillors and 250 villagers conducted earlier in 1982 by one of the team's consultants. The full results of these surveys will be published separately. The major findings were then discussed by team and are included in the body of the report.

Attached is a list of positions whose current occupants were interviewed by the team.

PERSONAL SOURCES OF INFORMATION

1. Interviews conducted by 1/15/83

a. Giza Governorate

Secretary General
 Assistant Secretary General
 Director of Finance Department (Ministry of Finance)
 Governorate Director of Finance
 Director of Development (ORDEV)
 Director of Urban Projects
 Director of Planning and Follow-Up
 Seven Chairmen of Markaz Executive Committees
 Secretary, Giza NDP, and Assembly Member from Giza

b. Menoufia Governorate

Governor
Secretary General
Assistant Secretary General
Governorate Director of Finance
Four Chairmen of Markaz Executive Committees

c. Qena Governorate

Governor
Chairman, Governorate Popular Council
Secretary General
Director of Development
Director of Finance (MOF)
Four staff of Finance Department working with Local Funds
Chairman of Markaz Executive, Luxor

d. Local Officials

128 Interviews with Local Council officials in seven governorates.

e. Ordinary citizens

250 Interviews with citizens of village units in seven governorates

f. Ministry of Local Government

The Secretary of Local Government
Director of Research and Training
Director-General of ORDEV

g. Ministry of Planning

Regional Planning Officer, Cairo Region
Regional Planning Officer, North Upper Egypt
Former Deputy Minister for Regional Planning

h. Ministry of Investment and International Cooperation

Director General, Dept. of Cooperation with U.S.A

i. National Investment Bank

Chairman of Sector Committees
Secretary General of the Bank
Chief, Sector of Localities, Public Services and Popular
Development

j. People's Assembly

Local Government Committee Chairman.

II. Appointments are pending with:

Ministry of Finance
NDP Committee on Local Government

APPENDIX B

The Legal and Administration Context of Decentralization:

Three key functions are involved in the legal context of decentralization:

- 1) planning and budgeting, 2) revenue generation, and 3) administration.

1. Planning and Budgeting:

The functions of planning and budgeting are closely related. The ability to execute plans depends to a great extent upon the adequacy of budget resources available. In Egypt, the planning for BAB III capital investment is an annual process. By law it is mandated to take place at all levels of government together with the preparation of annual budgets necessary to execute the plan. Over the past several years, a network of planning activities has been established across different ministries, agencies and governorates. These units compile data, and prepare draft plans in their specialized areas of activity i.e., in industry, agriculture, education, transport, etc. It is then the role of the Ministry of Planning to integrate the different sectoral plans and to produce an integrated, balanced and comprehensive national plan. The planning process in Egypt is mandated by law No. 70/1973 and by the, Laws of Local Government 42/1979 and 50/1981. Figure 1, on the next page, outlines the process. At present, the Ministry of Planning, through the National Investment Bank, controls the allocation of investment funds to all government activities. It gives direction to investment programs, and authorizes and/or helps to establish project priorities at the local level.

a. The Annual Capital Planning Process^{1/}

Early in the Calendar year governors advise all the local units in the governorates about general policy and national priorities. The governors provide local units with a broad outline of the National Investment Budget, as recommended by the Council of Ministers, that will be submitted to the Parliament for consideration, amendment, and adoption.

Given the total national investment budget, the Minister of Planning prepares a general budget breakdown. After discussion with other Ministers he proposes how much should be allocated to each ministry and to the headquarters of the governorates -- subject to the approval of the Council of Ministers. In turn, each minister, with the assistance of the Minister of Planning tentatively

^{1/}See Darson, Brinckerhoff, Sabbour S.A.E. Feb. 1981 Final Report, Basic Infrastructure for Provincial Cities, USAID Contract 263-60-K-027.

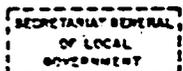
FIGURE 1
PLANNING PROCESS IN EGYPT

NOTES:

THE IMPORTANT PHASES OF THE CENTRAL GOVERNMENT OF AGRICULTURE, HEALTH, EDUCATION, SOCIAL AFFAIRS, HOUSING AND RECONSTRUCTION, SUPPLY AND DEMANDS ARE DECIDED TO ALLocate WITH EQUILIBRATION WITH THE GOVERNORATE AND UNDER ITS CLOSE SUPERVISION.

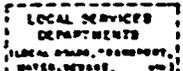


D DISTRICT
T TOWN
V.C. VILLAGE COUNCILS

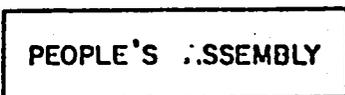


(1) Discussion of the requirements of the various local councils for local services.

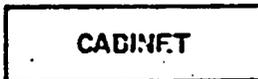
(2) Co-ordinate these requirements in the light of the available resources.



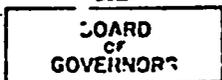
Co-ordination of local services within the Governorate.



PEOPLE'S ASSEMBLY



CABINET

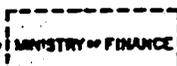


BOARD OF GOVERNORS



MINISTRY OF PLANNING

Consultation Budgeting

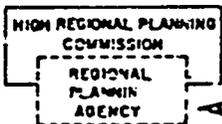


MINISTRY OF FINANCE

Priorities of investment and investment allocation



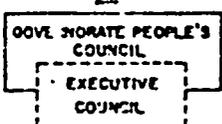
CENTRAL MINISTRIES



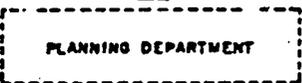
HIGH REGIONAL PLANNING COMMISSION
REGIONAL PLANNING AGENCY

This is a new addition to the process. Its functions are:
- The commission will coordinate the governorate plans and determine priorities.
- The agency will conduct research and study and develop regional planners.

(1) Technical criteria to prepare the plan and the budget.
(2) General policy of every sector and ministry.

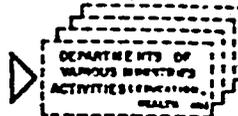


GOVERNORATE PEOPLE'S COUNCIL
EXECUTIVE COUNCIL

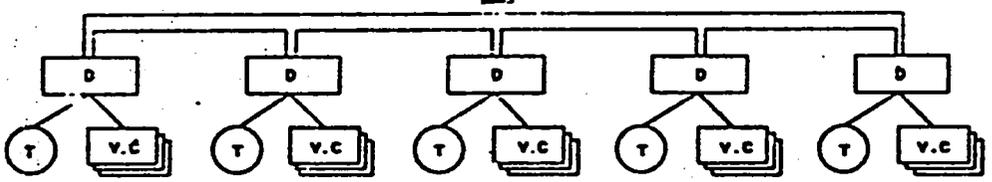


PLANNING DEPARTMENT

Notify the departments as well as the other local units with guidelines of the national policy and plan.



DEPARTMENTS OF VARIOUS MINISTRIES
ACTIVITIES (EDUCATION, HEALTH, etc.)



24

Source: PADCO, 1982a.

will distribute a portion of his budget for investment (B-III) to the governorates. This tentative distribution is discussed at length with the Council of Governors. The local government investment budget also will be divided between the governorates taking into consideration high priority programs.

In March/April of each year, the governors know approximately how much each is likely to receive in Investment funds for governorates functions under their direct control; the ministers have a rather general idea of their budget and how much will be allocated to each of the governorates and they reportedly advise their governorate directors of those amounts that can be used as guidelines in the preparation of budget proposals.

At the same time, each of the local units of each governorate put together their proposed investment budget. For each local unit (such as a city) this is the responsibility of the planning officer for the headquarters functions and of the local representatives of the various Cairo ministries (who usually work with and report to a Director of that function at the governorate level.) They prepare the list of proposed expenditures for their respective sectors. At the city, markaz and village council level, capital budget preparation usually is initiated by the elected council and coordinated by the administrative officers mentioned above so that all the needs for projects as perceived and expressed by the people can be properly recorded in the investment "plan". Although some priorities may be expressed, no attempt is made at making accurate costing of the requests. There is a lack of appropriate expertise at the local level of government. Also, any attempt at local budgeting is perceived by the elected council as interference in the administrative branch of the government. In other words, this process of listing all the proposed investments is a prerogative of the elected councils at the local level. Elected councils are neither willing nor interested in getting too deeply involved in a real budgeting exercise.

Requests for capital expenditures of the city are compiled by the city executive council passed by the elected councils, and sent to the governorate. These are assembled by the chief planning officer who presents them to the executive council. Since the council includes all the directors who have received their guidelines from Cairo, it should be possible to make budget adjustments at this level to more closely conform with the amounts that are likely to be approved in Cairo. However, seldom are any adjustments made. The prevailing attitude is that the "needs of the people" should go all the way to Cairo and be at least seen there -- even though the likelihood of acceptance is remote.

Under Law 43/1979, Regional Planning Commissions are responsible for: coordinating governorate plans and determining priorities proposed by the Regional Planning Agency; following up on the execution of the plans, and/or modifications to them; proposing regional economic and social development plans; and recruiting and training competent personnel.

The general framework for regional socio-economic development in Egypt is laid out in its Five Year Plan. The plan is supported by yearly allocations of fundings to governorates by sector, as well as to development ministries.

Little has been done to date to implement a regional approach to economic development. Moreover, the eight planning regions of the Ministry of Planning compete with the six regions used by the Ministry of Development.

The Ministry of Finance, entrusted with the budgetary process, is one of the most powerful ministries in government. The Ministry plays a dominant role in determining the structure, priorities and the amounts of the different sections of the budget, particularly B II. Most importantly, it is involved in "reducing" the amounts requested by various ministries and local units of government for centrally controlled funds to an amount consistent with estimated revenues for the entire country. See figure 2, on the next page, which outlines the process.

The Egyptian budgetary system uses the the budget for control and accountability in a traditional way rather than as a tool for project evaluation, monitoring or resource allocation. In order to improve this system, a National Investment Bank has been created. The National Investment Bank administers investment funds allocated to local governmental units.

b. Approved Capital (Investment) Budgets

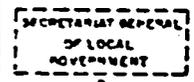
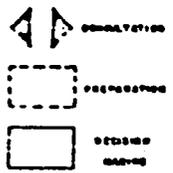
The approved capital budget items for the governorate can be divided into four general categories:

1. The governorate receives a lump-sum amount for its headquarters capital expenditures with some guidelines as to how it should be distributed among various functions.
2. The central ministries with directorates at the governorate level receive gross amounts for capital expenditures for their respective functions and make allocations therefrom to the directorates within the governorates.
3. The other ministries and independent agencies receive gross amounts for capital expenditures for their functions and subsequently make determinations of the amounts to be used for projects to be carried out in the respective governorates.
4. The governorates are provided with some funds for various economic investments.

FIGURE II
BUDGETARY PROCESS IN EGYPT

NOTES:

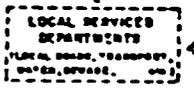
THE SUBJECTS OF THE CENTRAL BUDGETS OF AGRICULTURE, HEALTH, EDUCATION, SOCIAL AFFAIRS, HOUSING AND RECONSTRUCTION, SUPPLY AND EMPLOYMENT ARE DEALT WITH ALLOCATE WITH CONSULTATION WITH THE GOVERNORATES AND UNDER THE DIRECT SUPERVISION.



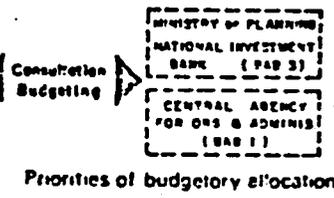
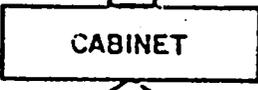
Discussion and Consultation over priorities and Development funds for allocation to local services.

(1) Discussion of the requirements of the various local councils Headquarters.

(2) Co-ordinate these requirements in the light of the available resources.



Co-ordination of local services within the Governorate.



Consultation Budgeting

Priorities of budgetary allocation



(1) Technical criteria to prepare the budget.

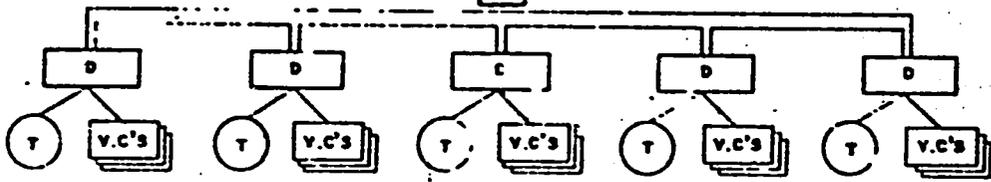
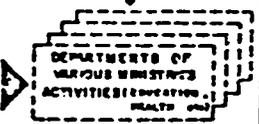
(2) General policy of every sector and ministry.



(INSTRUCTIONS) SUMMARIES



Notify the departments as well as the other local units with guidelines for Budgetary preparation.



For the headquarters, the allocation to the governorate by function (or project categories) is distributed among markaz and local units by the governor and his executive and elected councils. For the directorates in each governorate, allocations are generally made by the ministries, in lump-sum amounts, with distributions being worked out largely by the executive council and the elected council. For the economic investment projects, the allocations to each governorate are on a project (line item) basis; they cannot be used for other than the specified projects.

Upon approval in Cairo of the investment budget allocation made in the governorate, the National Investment Bank directs the Central Bank to deposit one quarter of the total amount approved for the year to the BAB-III account of the governorate. Thereafter all payments are made by check on that account, signed by the finance officer of the governorate.

A quarterly report of expenditures is sent by the governorate to the National Investment Bank and the funds for the next quarter will be released. At any time prior to the end of the fiscal year funds that are not likely to be committed may be transferred to any other B-III item with the authorization of the Ministry of Finance and the National Investment Bank. Any amount not spent at the end of the year can be used in the next fiscal year upon projects already initiated, subject to the approval of the Ministry of Finance and the National Investment Bank. For the independent agencies and the ministries not represented by directorates, expenditures within the governorate are determined by them -- frequently after consultation with the governor.

c. Interplay of Headquarters and Directorate Functions^{2/}

It appears that so long as a function is at the directorate level of the governorate, the director of the function is protected against intrusion upon approved appropriations. In other words, the appropriation eventually must be used solely for the function to which it relates or it lapses. On the other hand, appropriations made to the headquarters functions generally are subject to allocation by the governor, the executive council and the elected council among the local units. Therefore, it seems that the shift, in 1980, of highways and transportation and of youth affairs from a headquarters to a directorate category had the effect of further centralizing these functions away from governorate control. On the other hand, the shifting of considerable and growing funds for new housing and for certain elements of potable water supply from the Ministry of Housing to a headquarters classification at the governorate level could be considered as a signal to accelerate the process of decentralization.

In general, however, for public utilities such as water or waste water, only expenditures for replacement or upgrading and extension of the networks are expected to be included in the headquarters budget.

^{2/}"Ibid"

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It was stated that the decision to include these projects in the headquarters budget instead of having them handled entirely by the Ministry will depend upon the judgment made in Cairo as to the ability (in terms of engineering and management expertise) of the local unit where the project is to be implemented.

Concerning roads, only repairs and upgrading of city streets would be ordinarily included in the headquarters budget. Beyond the regularly budgeted EAE-III funds for roads within the governorate, a special fund is maintained at the national level from proceeds of the 2 piaster/liter gasoline tax. Monies from this fund are distributed among the governorates for the expressed purpose of building of new roads between villages and the nearest main road. The fund is managed in a general sense by the Ministry of Transportation -- however, the transportation officials of the governorate appear to have a wide latitude in the application of the funds within the governorate. The Transport Authority is responsible for the main Cairo/Aswan highway.

Electricity is controlled by a regional organization that purchases power wholesale from the national government at its substations. From these substations, the regional electrical organization (economic organization) distributes power to local units, provides maintenance and installation of services and in some instances it makes arrangements with the local governmental units to collect fees for electricity.

The other public services within the governorate and/or local units, e.g. street cleaning and solid waste disposal, equipment and vehicles, social welfare, maintenance of public buildings, fire protection and traffic control, are provided from a national pool which is distributed among the governorates.

Educational funding particularly for B-I and II is becoming more a function of local government through centrally provided funds. Chapter III investment expenditures in education are planned for and budgeted in the following manner:

- Governorates submit the plans of required buildings (each governorate through its planning unit);
- Negotiations take place between the planning unit and the General Administration for Planning and Follow-up until agreement is reached on an appropriate plan;
- The General Administration for Planning and Follow-up submits the combined plan for all governorates to the Ministry of Planning for approval. Negotiations are conducted within the funding limits set by the Ministry of Finance. It is sometimes possible to increase the funding limits but not by more than L.E. 2 million.

- After negotiating the budget and setting a figure (20 million, for example, instead of the figure submitted by the General Administration 40 million, for example), the General Administration for Planning and Follow-up allocates funds among governorates and sends the final plan to the Ministry of Planning which sends the plan on to the Ministry of Finance.
- The National Investment Bank receives the allocation for funding from the treasury and allocates funds to the governorates by quarters according to dictates of the plan, and based upon implementation schedules.

2. Revenue Generation:³

Resources at the local unit of government are not sufficient to meet local needs. In order to bridge some of this gap, central government's grants and subsidies are used. With limited power to generate needed funds at the local level a severe dependency relationship has been developed between local and central government entities. Nevertheless, over a period a several years through a number of decentralization laws, a certain amount of revenue generation capacity has been built into local units of government at the governorate, district, town and village level.

This section traces through these laws.

A. Governorate Level- Joint Revenues

Law 124/1960

Joint-revenues for the governorate are obtained through an add-on tax placed on all import and export taxes on moveable properties (stocks, bonds, shares etc.), and on taxes relating to industrial and commercial profits. Half of the yield of taxes goes into budgets where the taxes are levied i.e., to Cairo, Alexandria, Port Said, Suez and Aswan governorates. The other half goes directly into a joint fund in the Secretariat of Local Government account to allocate for special development projects in all governorates.

Law 57/1971 (As in previous law.)

Law 52/1975

Provides for establishment of special accounts "local services and development fund" at the local council level. Funds in this account do not devolve to the Central Government if they are not spent at the end of the fiscal year. The sources of revenues for the account are:

1. Special local duties for the purpose of this account.
2. Profits that may come from the development projects financed by this "special fund".

3) This section based upon PADCO, 1982a) NUPS, "Egypt: Urban Growth and Urban Data Report," National Urban Planning Study, pages 479-482.

3. Donations, contributions and support from local, national and international sources.
4. 50% of the increase in the gross yield of the local revenues over local revenues estimated in the annual budget.

Law 43/1979

This law provides for the establishment of two additional special accounts.

1. Special revenue from cultivated or reclaimed land sale. The gross yield of this revenue will be allocated to the purpose of land reclamation within the governorate.
2. Special account to finance economic housing projects within the governorate. The revenues of this special account come from eight sources:
 - Revenues from the open land reserved for building--if this land is sold;
 - Revenues from housing bonds;
 - Revenues generated from exceptions on height restrictions stipulated in the law regulating construction and building works;
 - The amounts allocated by the central budget for economic housing projects in the governorate in the agreements concluded by the state;
 - loans;
 - Grants, donations, gifts and bequests;
 - Revenues from the investment of this account money;
 - Revenues from the fines specified in paragraph 1, Article 21 of Law 106/76.

Resources of both accounts specified above are considered to be governorate local resources. The surpluses at the end of the year are transferred to the next year. The rules and procedures governing the use of both these accounts are determined by the Board of Governors.

This Board also determines, after consultation with the Minister in Charge of Insurance, the proportion required to be financed by the insurance companies through the purchase of housing bonds.

Law 50/1981- Economic Housing Fund

As in previous law. However, this law added several new sources for special account to finance economic housing projects:

1. Receipts from the tax imposed on vacant land by Law No. 34 of 1978;
2. Receipts from rents and payment of installments of Governorate-owned houses;
3. Rents and installments paid for replacement houses built in the three cities of the Canal Zone.

The rules and procedures governing the use of both of these accounts are set by a decision of the Prime Minister. The Prime Minister, after agreement of the Minister of Economy, will set the proportional percentage of housing bonds that must be purchased by the insurance companies.

B. Governorate Level - Local Revenues

Law 124/1960 states that: 1) one-quarter of the land tax and the add-on tax shall go to the governorate -- The other three quarters go to the towns and villages; 2) the governorate local revenues shall also consist of:

1. Taxes and duties on motor cars, carts, motorbikes and bicycles and other means of transport licensed by the governorate;
2. Other taxes and duties imposed by the governorate;
3. Receipts from allocations of the funds invested by the governorate and all revenues from utilities controlled by the governorate; and
4. Government grants in-aid.

B. District Level- Local Revenues

Law 52/1975 states that the districts shall have sources of revenue as follows:

1. Sources assigned by the governorate council;
2. Receipts from investments of the district resources and all utilities under the direction of the district;
3. Government grants-in-aid.
4. Donations, gifts and contributions.
5. Loans contracted by the district council.

D. Town Level- Local Revenues

Law 124/1960 provides towns with sources of revenues as follows:

1. Taxes on building located within the jurisdiction of the town;
2. Taxes on entertainment imposed within the jurisdiction of the town;

3. 75% of the land tax and add-on land tax collected within its area of jurisdiction;
4. Sources of revenues from Governorate Council to Town Council;
5. The towns are authorized to levy a "special assessment" -- a compulsory contribution -- on buildings which benefited from a project of public utility. This levy is determined by the law.
6. Duties imposed by the town council to include:
 - extracts from birth or death records and other health regulations;
 - licenses for quarries, mines and hunting;
 - regulations of building works, sewerage, road occupancy and public parks;
 - public establishments, clubs and industrial and trading firms;
 - cattle slaughtered;
 - Markets administered by the private sector;
 - Water, electricity and gas consumption (not beyond 10% of the value of consumption) when these public utilities are not operated by the town;
 - Exploiting sea beaches and river banks;
 - Rent paid by the occupants of buildings (4% maximum of the rent).
7. Public utilities operated by the town or services it provides, to be paid by consumers or beneficiaries.
8. Rent of state property whether in buildings or open land reserved for buildings within jurisdiction of a town.
9. Net revenues of the investment of the town funds, public utilities operated by the town and public market.
10. Governmental grants and voluntary contributions.

It should be noted that the only changes and/or modification to local revenue generation at the town level have come from Law 50/1981 which adds duties from town planning activities to those for sewerage works, roads and public gardens.

E. Village Level- Local Revenues

Under Law 124/1960 village revenues are provided as follows:

1. 75% of the land tax and the add-on tax for all lands within the jurisdiction of the village council area;
2. Taxes and duties of a local character imposed by the village council;
3. The other financial resources.

In addition to the above, other plans have provided revenues for local units of government:

1) Cleanliness Fund

In 1968 a Law was issued stipulating a tax on occupants of building (2% on rent) to be put in a special Fund for cleanliness.

2) Gasoline Fund

In 1967, the price of gasoline was raised. This increase was allocated for road pavement and maintenance in the various governorates.

3. Administration and Training

Administrative Decentralization may be defined as a process by which authority and responsibility for the delivery of basic human services, i.e., housing, education, roads, health, water/sewer, social services, etc., have been removed from central ministries to departments in the governorates, districts and villages. Our findings indicate that for the greater majority of services this has occurred. Over the past several years, through a series of decentralization laws and rulings, administrative decentralization has spread to the provision of housing, education, health, roads and social services. The only major exception is the provision of water and sewer services at the city, markaz and provincial city level, the authority which appears to be firmly held by central authorities and agencies.

Housing is now a function of local government. Each governorate has direct responsibility for providing housing services. Law 43/1979 established a special account to finance economic housing projects within the governorates. And decision making regarding this function is primarily local in character. The central government Ministry of Housing employees at the local level are responsible to the governor who has power over hiring and firing. And although the Ministry is charged with establishing national housing plans, programs and criteria, the design, construction and maintenance of housing in the governorates is becoming more a function and responsibility of local government.

Education, like housing, is increasingly becoming a function of local government. The local councils make the decisions concerning the location of schools. They also have jurisdiction over administrative functions of education. They advise on educational policies, and manage educational services. The national budget allocates amounts to support educational activities in the governorates through three B -- B I for salaries of teachers, B II for current expenses and Chapter III for investments.

The current expenditures for education, local versus central government BAB I and BAB II accounts, indicate that local government was expending seven times as much funds in these accounts in 1976 as was the central government. In the 1982/83 period, local government was spending almost 21 times as much funds as was the central government for the BAB I and II accounts.

Other service activities such as transportation and health are split between local and central authorities. The main inter-governorate roads for planning, execution and maintenance are under the jurisdiction of the Ministry of Transportation. Other roads may be planned and executed centrally but are maintained locally. On the other hand, roads of a strictly local character are generally fully under local supervision and control. Health Services for BAB I and II, have shown a tremendous gain locally. In 1976 local health expenditures were 4.2 times those of central expenditures. In 1982/83 this figure jumped to 8.6 times.

For all local services, including social affairs, supply, agriculture, labor and those cited above, local government expenditures for BAB I and II have gained over central expenditures during the past 6-7 years. In 1976 local government expenditures were three times those of the central government. In 1982/83 they were four times those of the central government.

Local government investments for BAB III expenses grew 4 1/2 times as rapidly as those of the central government during the 1976 - 1982/83 period.

Water and Wasterwater activities appear to be the least decentralized of all services examined. With the exception of the provision of these services at the village level, local government has responsibility for only the O&M of existing systems. The National Organization for Potable Water and Sanitary Drainage NOPWASD, under the direction of the Minister of Development is responsible for all water and wastewater investment activities throughout the country except for those activities in Cairo and Alexandria. In the Canal Cities NOPWASD is responsible for capital investment in wastewater. Thus, water/wastewater services remain primarily in the hands of central authorities or in the hands of water/sewer authorities who are only partially accountable to local authorities.

The source of Operating and Maintenance, O&M funds for Cairo and Alexandria is through the Ministry of Finance. In the Canal Cities, the Suez Canal Authority, SCA, is responsible for O&M for water, and the governorate is responsible for wastewater O&M activities. In the sewer area in the Canal Cities, and in all other cities in the country, with the exception of Cairo and Alexandria, Governorate budgets must support O&M activities for both water and sewer.

One major difficulty with the very limited role of the governorate in water/wastewater activities is poor coordination between central authorities and local government, particularly in the area of investment planning. In the Canal Cities for example, governorates have little advanced knowledge of what investments the SCA will be making in water or what investments NOPWASD will be making in water. In Ismailia, it was pointed out that several-large scale industrial and housing estates are without water or sewer facilities due to lack of coordination between central and local authorities.

Investment and resources for water and wastewater facilities through the central budget are seldom sufficient to meet local needs. In some governorates, local committees have raised local funds to develop urgent wastewater projects.

Some experimentation is presently under way regarding full governorate control over water and water supply. The Beheira governorate, with the assistance of IBRD funding, has set up a water company that most recently also assumed responsibility for wastewater as well. The idea is to become a self-financing entity for O&M in the long run. Although the company is authorized to determine the economic price for selling water, and has the power to make rate changes, apparently without approval of the Prime Minister and parliament, no rate changes have been made to date. It appears that the company believes a "national mandate" for an increase in the water tariff rate is needed before they charge more.

The decentralization laws have been an important ingredient in administrative decentralization. A summary of the most significant decrees, and rulings pertaining to administrative decentralization functions follows:

A. Ministerial Committee of Local Administration⁴

Law 124/1960 established a Ministerial Committee from relevant ministers to implement this decentralization law.

Law 57/1971 established that the Ministerial Committee of local government which is headed by the prime minister and minister concerned with local government.

Law 43/1979 replaced the Ministerial Committee by a Board of Governors headed by the Prime Minister and composed of the Ministers concerned with local government and the governors.

(Table 1 below outlines the functions of local authorities for 21 activities.)

⁴) Ibid, pages 473

TABLE B-1
FUNCTIONS OF LOCAL AUTHORITIES IN EGYPT*

Functions	Local Units				
	Governorate	District	Town	Hay	Village
Education:					
Technical and teacher schools	+ - x				
Secondary (all)	+ -	- x	+	x	x
Preparatory and primary	+	-	x	- x	+ - x
Health:					
Public and specialized clinics	+ - x				
Nursing schools	- x				
Units of health education	+ - x				
Regional stores	+ - x				
Public Health laboratories	- x				
Central hospitals		- x	+ x	- x	
Emergency units	- x	- x	x	- x	
School health unit	x	x	+ x		
Family control	- x	- x	x	x	- x
Health control	- x	- x	x		
Health offices	-	+	- x		
Motherhood & childhood	x	- x	+ x		- x
Health units					+ - x
Housing, Physical Cleaning Establishments:					
Investigation and planning	x				
Implementation	+ -	- x	+ - x	- x	+ - x
Social Affairs:					
Establishment and administration	- x				
Implementation of governorate plan		- x	- x	- x	- x
Implementation of ministerial plan	+ x	- x	+ - x	- x	+ - x
Supplies and Internal Commerce					
Committees of price control	+ - x				
Directives for foodstuff distribution	- x				
Supervision and control of foodstuff distribution	+ - x				
Control of commercial chambers	x				
Distribution of foodstuffs		- x	- x	- x	
Weights and measures	-	- x	- x	- x	

+ Indicates local unit responsible for function during 1960-75

- Indicates local unit responsible for function during 1975-79

x Indicates local unit responsible for function during 1979 to present.

TABLE B-1 (Continued)

	<u>Gover-</u> <u>norate</u>	<u>District</u>	<u>Town</u>	<u>Hay</u>	<u>Village</u>
Agriculture:					
Implementation of public plan and crops policy	- x	- x		+ - x	+ - x
Land Reclamation:					
Policy of land distribution	x				
Providing requirements of reclamation	x				
New communities	x				
Agricultural collectives	x				
Irrigation:					
Implementation of the ministerial policy	- x	-	-	-	-
Manpower & Training:					
Planning & development	+ - x	- x	- x	- x	x
Care of manpower	+ - x	- x	+ - x	- x	x
Culture & Information:					
Libraries, museums, movies and theaters	+ - x	x	x	x	x
Clubs, associations and popular culture	+ - x				
Art galleries and shows	+ - x				
Control of information offices	+ - x				-
Youth:					
Preparation of executive plans and programs	x				
Carrying out youth centers	+ -				-
Control of existing agencies	- x	- x	+ - x	- x	+ - x
Finance by self-reliance	x	x	+ x	x	x
Tourism:					
Determination of tourist areas	x				
License	x				
Promotion of internal tourism	- x	- x	- x	- x	- x
Communications:	+ - x	-	-	-	-
Transportation:	- x	-	-	-	-
Electricity:					
Approval of electrification plans	- x	- x	- x	- x	- x
Establishment and reparation of networks		x	x	x	x
Control of consumption		x	x	x	x

TABLE B-1 (Continued)

	<u>Gover-</u> <u>norate</u>	<u>District</u>	<u>Town</u>	<u>Hay</u>	<u>Village</u>
Industry:	- x				
Economic Affairs:	+ - x	x	x	x	x
Cooperation:	+ - x	- x	+ - x	- x	+ - x
Building & Development of village:	- x	x			x
Security:	+ - x				
Al-Azhar:	x				
Awkaf:	- x	- x	- x	- x	- x

Source: Compiled by Dr. Sayed Ghanim from Executive Regulations for Laws No. 124/1960, No. 52/1975, and No. 43/1979. There is no executive regulations for Law No. 50 of 1981, as it is an amendment of Law No. 43. It is included in Ghanim, 1982a, Volume II.

Law 50/1981 states:

1. The Board of Governors is replaced by a Higher Council for Local Government, chaired by the Prime Minister, and composed of the Ministers concerned with local government, all governors and the chairmen of all Governorate Local Popular Councils. The Chairman may invite other ministers or persons to attend the meetings.
2. The higher Council shall discuss all matters related to the local government, including its strengthening and development and the recommendation of laws, rules and regulations regarding local government. Most of the previous powers of the Board of Governors regarding approval of setting boundaries of industrial zones and approval of local laws for establishing productive or investment projects have been given to the Governorate Local Popular Councils.

B. Ministry of Local Government

Law 124/1960 creates for the first time the post of Minister of Local Government. As a result, the Ministry of Municipal and Rural Affairs was replaced by a Ministry of Housing and Public Utilities, and all the functions concerning the supervision of the activities of municipal and rural councils were transferred to newly established ministry. The Ministry of Interior handed over affairs of provinces to new ministry.

(In 1973 a Presidential Decree was issued establishing the Organization of Reconstruction and Development of the Egyptian Village (ORDEV) to work on rural development.)

Law 43/1979 stipulates for the first time formally the creation of a Secretariat General of Local Government to work under the supervision of the minister in charge of Local Government and to be considered the instrument of the Board of Governors.

C. Training⁵

1. Institute of Local Administration - It should be noted that in 1965 the Minister of State for Local Administration established an Institute of Local Administration to train the local personnel as well as the elected members of the local councils.

In 1968, there was a tendency to amalgamate all the institutions working in the field of development management. The Institute of Public Administration, the Institute of Local Administration and the National Institute for Executive Development were amalgamated into one institute under the name of the National Institute of Management Development (NIMD). Within this National Institute was a center for local administration.

In March 1981 the Sadat Academy of Administrative Sciences was established to take over the functions of the National Institute of Management

5. Ibid, page 475

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APPENDIX C

THE POLITICAL CONTEXT OF DECENTRALIZATION:

Decentralization involves the extent and quality of local participation in planning, project development, budgeting and follow-up in the provision of basic human services in the governorates, marakez, and villages. Our findings indicate that the extent of political decentralization varies from activity to activity, and from one level of local government to another. It is probably stronger and more fully exercised for smaller projects at the village level, particularly under the BVS activities. It is less developed and less well exercised for larger activities at the markaz, district and governorate level.

The role of the governor in local decision making has been greatly enhanced by elevating the position to full ministerial rank. This can be interpreted as a clear signal that the GOE does desire administrative decentralization to the governorates.

The earlier creation of local councils also gives credence to the belief that the GOE desires local participation in decisions. Moreover, placing the operation and personnel of some key service functions, i.e., housing, education and health, within the Governorate leads further towards the process of decentralization. An examination of the laws, acts and decrees related to decentralization shows an almost steady progression towards administrative decentralization. However, the effectiveness of the governors in carrying out their mandates, as well as that of the chiefs of city councils and village councils, is hampered by the high turnover in these positions. Compared to elected officials who have a set time in office, appointed officials, i.e. the governor, serve at the pleasure of the President and are subject to replacement at any time. Nevertheless, despite these handicaps, the assessment team found a strong commitment to decentralization on the part of the governor in all governorates visited.

Concerning priority setting for investments under B-III. Regional planning offices, as provide through law 43/1979, are to assist local units of government, chiefly executive councils, in developing local investment budgets across all sectors. However, in practice this does not appear to be taking hold. Priorities that have been set locally are not effectively transmitted to central authorities via the regional offices. This often results in great confusion at the local level and the changing of the local priorities by the Ministry of Planning.

A large share of local decision making, as pointed out earlier, lies with the local people's council (LPC). The effectiveness of this council depends upon the quality of people elected to serve, their motivation, and the access that they have to needed expertise in various areas of local concern. In addition, the extent to which LPC members are responsive to local needs and truly represent local decision making are important indicators to judge the extent to which political decentralization is happening in local government. Although many LPC members appear to be actively involved in local issues,

approximately one half believed that their activities did not contribute in any significant way to local government needs. These issues are more fully discussed below.

A. The Role of the Governor: The personality of the governor is no doubt a very important aspect of his effectiveness in discharging of his duties under decentralization laws and even more importantly how he sees his role. In a series of articles, that appeared in Al Ahram (October, November, 1982), concerning decentralization, many of these issues were raised. Abdel Fatah El-Daly, a Member of Parliament and Chairman of the Local Government Committee of the People's Assembly is quoted as saying ". . . we do not have local government as such for, although the governor is by local government law the representative of the president yet decisions are still made by central ministries." This view was challenged by General Mohammed El-Minyawy, ex-governor and member of the Shoura Council who felt that "...local government is working gradually and would reach all its aims by the year 2000." Dr. Ibrahim Omar commenting in the debates on decentralization and the role of governors in the process believes that "...being able to carry out their own decisions is what is meant by giving localities a free hand".

Dr. Omar went on to state that "in a more recent law of local government there are some legislative acts which are considered more restrictive than those described by Law 43/1979." Dr. Omar was referring to the new requirement in the Law 51/1981 mandating the consent of the people's assembly to impose any additional local taxes. In this regard, Dr. Omar argued that it should be possible to allow some governorates to impose certain charges for a limited period of time i.e. on automobiles for road improvement, on parents for educational service improvements, etc.

It was further pointed out in the decentralization debates that some governors do not exercise the full authority given to them under the law, causing local development plans to suffer. The debaters suggested that part of the reason for the lack of decisiveness on the part of local government leaders was due to their feeling of insecurity. The debaters stated that governors, chiefs of city councils, chiefs of village councils among others, seldom stay in power more than two years and in some instances a few remain in office for a year or even less.

During a series of interviews held with governors, secretary generals and their staffs Nov/Dec 82 in three governorates, Minofiya, Qena, and Giza, the Assessment Team observed local government at work. The Team was told on several occasions that project priorities set for B III activities at the local/governorate level were "arbitrarily" changed by the Ministry of Planning.

Several governors also expressed their concern with their inability to raise new revenue at the local level through the levying of fees. Approvals which previously were the responsibility of the Board of Governors now have to be referred to the Prime Ministers' Office.

Nevertheless, the assessment team concluded that governors are seriously committed in making the system work, even getting around the system or bending it in order to deliver needed goods and services to their governorates. However, as long as governors are appointed by the president, rather than through local elections, their relationship to local needs is necessarily tempered by national interests and politics.

B. Executive and Local Council: the AL-Ahram debates on decentralization also covered the quality of local staffs. The debaters unanimously agreed that the quality of local staff needs to be raised. In particular, more care is needed in selecting local government heads at all levels of government, and that performance evaluation should be put on a quarterly basis. It was pointed out that one of the reasons for the shortage of resources at the local level is that central organizations obtain the best technicians, leaving local units with poorer quality personnel. Seventy percent of the workers in local government are only of middle level education or less. A better distribution of technicians to the governorates, especially in the planning field, to work on regional planning activities also was suggested by the debaters.

The Local People's Councils, (LPC), exercise a number of powers over executive agencies. The LPC can request information, and has the right of questioning and/or interrogation of all executive heads, including the governor. Although the questioning and interrogation right, as pointed out earlier, has been somewhat reduced by the law 43/1979, LPCs nevertheless can and do play a significant role in the local decision-making process.

The major thrust of the studies attempts to gain a perspective on the workings of local government through the attitudes of those interviewed. In particular surveys were concerned with citizens' evaluation of local government structures, personnel, activities and the ability of citizens to participate in the system. They also asked of respondents what reforms they believe are needed. From the perspective of the council members, the study attempts to gain insight into the workings of the council, types of issues addressed, the appropriateness of powers vested in the council, and efficiency and effectiveness of council members in carrying out their jobs.

Surveys of 128 councillors and 250 constituents from local units in governorates were conducted by Dr. Sayed Ghumim, early in 1982.

The results indicate that only 1/3 of the respondents become candidates for local elections on their own initiatives. Whereas 2/3 were encouraged by family and friends. And 50% claimed they won the elections for a seat on the LPC through the support of friends and family. In terms of participation in council matters, fully 2/3 of the respondents claimed that they discussed topics often. Forty percent claimed they sometimes submitted proposals for LPC selection and forty-five percent claimed they often submitted proposals.

One of the most revealing results of the results is that approximately 50% of the councillors believe that their activities on the LPC did not contribute in a significant way to local government needs. And 20% of the councillors believed that there were no urgent problems to be dealt with locally. In addition 41% of the respondents believed that the powers vested in the LPC were less than appropriate and an equal number, 41%, believed that the powers vested in the LPC were greater than appropriate. The major impediments that the respondents believed prevented the LPC's from working more effectively were shortage of budget, absence of LPC members from meetings, and conflicts between members, (see Appendix A for selected results of these surveys).

C. Central Ministries and Authorities: the problems and major issues involved in the decentralization process in Egypt as seen at the local level center around three major activities: (1) lack of coordination of planning and budgeting between central and local authorities, (2) insufficient funding, particularly for BAB III projects; and (3) unqualified local staffs. The administrative and financial structures in which local units of government must operate place severe limitations on local abilities to meet present demands and future needs. Understandably, many of these issues lie outside of the purview of local units to adequately resolve. Several solutions necessarily rest with higher levels of decision-making at the regional and ministerial level.

The Supreme Council of Local Government is entrusted with discussion of all matters relating to the strengthening and further development of laws, rules and regulations regarding local government under Law 50/1981. However, the Council members have fewer potential powers for review of draft plans, budgets, proposed taxes and other factors than the Board of Governors had under Law of 43/1979. Moreover, the impotence of this Council is evidenced by the fact that it has yet to hold its first meeting. At the center of government in Cairo, other principal institutions are: the Ministries of Local Government, Finance, Manpower, Planning, and Investment and International Cooperation (MIIIC), the National Investment Bank (NIB), the Central Agency for Organization and Administration (CAOA), and the Local Government Committee of the People's Assembly.

The Ministry of Local Government is responsible for coordinating the implementation of the local government laws; promoting village development through ORDEV; coordinating local activities; and administering some local government financial resources, such as the joint-revenue fund and the poll tax surtax. The Secretariat of Local Government is, at present, the main coordinator of activities with USAID and chairs the Sector Steering Committee.

The Ministry of Planning is charged with integrating the various sectoral plans and producing a comprehensive national plan. It is also involved in reviewing the annual governorate plans and in setting budgets and priorities. The Ministry of Planning plays a dominant role in determining the structure, priorities, and amounts of centrally controlled investment funding to be allocated to local units of government. One governor interviewed believed that local levels have little chance for effective participation in any significant decision making on plans and projects affecting them. The governor wanted a Ministry of Planning official from the regional office to spend at least one day per week in his office, with his staff reviewing governorate plans and priorities. The governor can advocate priorities for BABs II and III but only to a limited extent, he felt ".... a prisoner under three distinct BABs with no ability to move funds from one BAB to another." The Ministry of Finance as pointed out earlier is involved in setting the level of the BAB II budget, and the Central Agency for Organization and Administration sets BAB I budgets.

The Ministry of Development has been restructured to include the former Ministry of Development and New Communities with the Ministry of Land Reclamation and Ministry of Housing. This Ministry has a highly influential role in setting national priorities in the housing, new communities, infrastructure and land development fields.

Two agencies operate the civil service system in Egypt: 1) the Central Agency for Organization and Administration which deals with the application of the civil service law -- training, job classification, organization and methods; and 2) the Ministry of Manpower and Training, concerned with recruiting and placement of all college graduates and returning servicemen into public service and vocational training in a wide variety of areas. The division of activities between these two agencies has inevitably given rise to questions of overlapping functions. The promise of government employment for all graduates of Egyptian universities has bloated the national civil service system. It is now having serious over supply consequences at the governorate level, since the GOE intent is to place new graduates in their "home governorate."

This problem was pointed out to the evaluation team as a major concern in several governorates. Excessive over-staffing with poorly qualified personnel by the Ministry of Manpower and Training and the local inability to receive the required number of technically trained personnel was pointed out as major problem.

There are many serious problems involved in the Egyptian civil service system. Excessive changes and amendments over the past few years have contributed to confusion and to its inability to act systematically. It should also be noted that government employment has greatly affected population location decisions in the country. Government employment for all university graduates placed many in the Greater Cairo Area in the past. Recently, legislation has been passed to place new graduates in rural governorates. And although this has reduced the annual number of civil servants placed in the Greater Cairo Area, it often has resulted in large

surpluses of poorly trained personnel in rural governorates whose staffs lack needed engineers, planners and other technicians.

The Assessment Team met and interviewed the Chairman of the CAO. He expressed his concern with the lack of sufficient and well qualified staff being available to the governorates. However, he did not believe that there was a surplus of personnel. On the contrary, he indicated great shortfalls between the number needed locally and the supply. Only in the agricultural field and in lower clerical positions were there any oversupply. And these types of personnel were being retrained to fit into the more needed fields of teachers, engineers and technicians.

A Presidential Decree of 1973 set up within the Ministry of Development the General Organization for Physical Planning (GOPP). This organization is specifically entrusted to prepare structured plans for cities, towns and villages, and assist governorates in problems of urban growth. Under a new planning law the GOPP has acquired added responsibilities. The Central Agency for Reconstruction, set up under Presidential Decree of 1976 is empowered to study and implement reconstruction projects throughout the country. The New Urban Communities Authority, set up by Presidential Decree of Law 59/1979, is charged with the task of developing new urban communities, including the carrying out of studies dealing with the selection of sites and with the follow-up of execution of plans.

The Ministry of State for Land Reclamation within the Ministry of Development, is responsible for the preparation of the general policy of the state for land reclamation and horizontal expansion according to water resources identified by the Ministry of Irrigation. It also participates in developing policies and programs dealing with the establishment of new communities, and coordinates with concerned ministries in the planning of public utilities and services required for land reclamation. It also studies projects aimed at establishing agro-industrial complexes on reclaimed areas and supervises the disposal process of arid or reclaimed lands.

The Ministry of Housing within the Ministry of Development, is charged with establishing general plans, programs and criteria for national housing development. Specifically, the Ministry supervises the design, construction and maintenance of public buildings, and of residential buildings earmarked for specific income target groups. The Ministry also directs and develops private sector activity in the field of construction according to state policy. Other entities involved in infrastructure development are water and sewer authorities. Although nominally the responsibility of the Ministry of Housing, water and sewer authorities operate virtually autonomously. The General Organization for Sewerage and Sanitary Drainage operates the Cairo and Alexandria sewerage authorities and gives aid to other regional sewage authorities. The Public Authority for Water, plans, supervises, controls and designs water works for public consumption and households throughout the country with the exceptions of Greater Cairo and Alexandria, which have their own authorities.

Other important ministries dealing with national and/or local development are: Agriculture; Irrigation; Tourism; Transportation; Communication; Electricity and Power; Investment and International Cooperation; and Industry and Mineral Resources. The Ministry of Economy deals with national economic planning and the Ministry of Investment and International Cooperation is entrusted with the strengthening of economic relations with other countries and with regional and international organizations and agencies. The Ministry formulates economic policy, develops plans on foreign exchange, and seeks to attract foreign investments.

Regional Planning: Regional planning offices, are to assist local governments in plan preparation and in communicating local needs and priorities to the Ministry of Planning. In practice, this is not working very well. The Ministry of Planning has been unable to provide regional branches with sufficient staff to function properly as planning offices. The regional office often consists of simply an under-secretary and one or two junior staff members who are unable to involve all relevant departments in regional planning activities.

The process of project initiation is based upon the perceived needs as stated by the village councils, the marakez, and the governorate itself. It is essentially a compilation of requests from these various sources, including the directorates within the governorate, without any meaningful, and effective coordinated planning at the regional level.

It is carried out without the advantage of long-term comprehensive operating programs and program objectives and also without the benefit of comprehensive physical development plans, especially for urban areas. Also there is little evidence of useful interface at the local or national levels between the various projects being pursued. The entire process is accomplished without being fitted into any framework of fiscal discipline, i.e., within any definition of funds likely to be available. It is also done without the benefit of effective pricing techniques, especially for the more complex projects.

Regional planning in Egypt operates via the national planning mechanism of the Ministry of Planning. Regional Planning units are part of to the Ministry of Planning. They are staffed by Ministry personnel. Decentralization efforts on the other hand, attempt to vest more powers at local units of government, at the governorates, districts and town levels. The difficulties of this arrangement were noted by the Assessment Team during the above interviews. There was a general sense expressed at the local level that Regional Offices were of little assistance in helping the local units/governments in communicating project priorities and in other forms of necessary coordination with central ministries.

On the other hand, the assessment team was told by under secretaries of regional planning that local units of governorate were incapable of adequate planning and budgeting and that most of this had by necessity to be performed at the regional/central level. Where they might be effective, as spokesmen to the central authority on local needs, many local authorities felt

that regional planning personnel either got in the way or were completely useless in helping to get local priorities established. One governor felt that regional personnel were too removed from the local scene, and were not spending enough time locally.

Discussing local concerns with heads of two regional offices, Cairo and North Upper Egypt, the following major concerns were expressed:

- a. Local units of government are poorly staffed. They have some ability in developing public utilities but little expertise in planning;
- b. No strategic ~~planning~~ is being carried out locally. This should be done centrally;
- c. Central planning in coordination with regional planning is very needed since the local authorities are provincial in their outlook. They are only concerned with their governorates and not with region as a whole;
- d. Central controls are needed and will always be needed to avoid wastage of monies on luxuries (i.e., purchase of automobile for local use); and
- e. Few incentives exist to provide quality professional people in governorates and at local levels.

The Local Government Committee of the Assembly is important in the decentralization process because it represents another mechanism for enhancing cooperation between the representatives (elected in national not local government elections) and the executive ministries of government. The committee sets the agenda for debates on local government in the Assembly, meets to consider donor assistance to local government, provides guidance to the ministry, and sanctions their initiatives and actions.

APPENDIX D

FISCAL CONTEXT OF DECENTRALIZATION

In order to determine the extent to which fiscal decentralization has occurred in Egypt, several indicators must be carefully evaluated over time. These include: 1) the level of transfer of resources from central to local governments; 2) the amount of resources generated at the local levels; and 3) the extent of jurisdiction over local level resources. Normally, a greater level of fiscal decentralization occurs when all of the above indicators register higher amounts from previous years. However, indicators of real fiscal decentralization do not lend themselves to simple analysis. Certain types of expenditures and revenues may be uncontrollable, i.e., interest payments.

Care has been taken to exclude from the analysis those portions of central and local budgets that may give false signals as to progress made in fiscal decentralization. Moreover, decentralization as a process is subtle and imprecise and longer time periods of comparative analysis may be needed than was possible in this study. Consequently, findings presented are more judgmental than precise quantitative results. Part A below examines fiscal decentralization within the GOE general state budget and Part B reviews the process outside of traditional budgeting channels.

1. Decentralization within the General State Budget

Revenues and expenditures must be considered independently so as to separate service delivery (expenditures) from own source resources (revenues). By definition, total expenditures must equal total revenues, so analysis of decentralization in the two contexts differs only because of the transfer from the central government to the local governments.

a. Expenditures

Expenditures at the central and local government levels are allocated to four chapters: Bab I Wages; Bab II Operating Expenses; Bab III Investment Expenditures and Bab IV Capital Transfers. A comparison of the growth rates of expenditures from 1976 to 1982/83 (Table I) indicates that the central government grew 934.9 percent while local government grew only 331.6 percent. However, these figures are not an accurate reflection of decentralization. Bab I central government expenditures reflect the overlapping GOE decentralization policy for hiring high school and university graduates and assigning them to their "home" governorates away from Cairo wherever possible. Bab IV central government expenditures reflect repayments for borrowing for previous investment. Both entries are not useful sources of decentralization measurements and should be eliminated from the analysis.

Care also must be taken in assessing Bab II because interest payments are incorporated in current transfers for both central and local government. Also, defense expenditures dominate total Bab II credits account for central government (Table II). These special items are dependent on conditions outside normal government service delivery channels and are not useful in questions of decentralization. These special items are responsible for much of the growth at the central level. For example, elimination of the accounts with the subsidy and interest payments from Bab II would reduce the central growth rate by more than one half while having little effect on local governments. In sum, the Bab II budgets are different in substance. (See Table III - Local Government Expenditures)

A better comparison for evaluating decentralization is between the growth rates of expenditures for those basic service areas produced both at the national and local level, such as, health, social affairs, supply, agriculture, education, youth and sports, manpower, and housing (tables X and XI). When the types of expenditures are held constant, local government current budgets grew 280 percent compared with 185 percent for the central government (Table XII). These expenditures include all local expenditures except the local government directorate which amounted to LE 1.034 billion in 1982/83. This category is only LE 266 million in central budget expenditures.

Most of the growth in these local expenditures is in Bab I wages. It is probably a reflection of an explicit policy to decentralize service delivery as stated by the officials in the Central Agency for Organization and Administration. The Governor of Menoufia indicated that he received 6200 new positions in the last year alone. Bab II expenditures grew more rapidly at the central government level when viewed by sector. The Bab II accounts of local government however, grew more rapidly for supply and education and less rapidly for others. (Tables X and XI)

Dramatic evidence of decentralization is found in the increase in investment expenditures (Tables I, II and III). This increase has led to a decline in the share of local expenditures in the other three chapters as investment is expected to reach 17.5 percent of the total expenditure in 1982/83. Local government investments grew 18 times compared with less than 5 times for central government. The reason for the difference lies partially in the small base for local investments in 1976. At that time capital revenues at the local level exceeded capital expenditures, meaning there was no central transfer for these purposes. Large transfers to the local level for investments began with the advent of the National Investment Bank (NIB) in 1980 and led to much of this growth. Significant own-source financing for investment is unlikely at the local level, as adequate depreciation accounts are not developed. Thus, a transfer for investment expenditures is to be expected.

The degree of decentralization in investment remains clouded. Investments are budgeted locally but priorities are jointly set with the Ministry of Planning, and changes in priorities after the budget is set must be approved by the Minister. Locals receive quarterly installments rather than a transfer at the year's beginning. The NIB requires evidence of progress on the projects before forwarding the quarterly revenues. Further, evidence from Menoufia,

Giza and Qena indicates that the entire investment budget was not available for spending in 1981/82. One reason for not spending the entire budget appears to be a decision by the Central Government not to disburse fourth quarter allotments in order to control the national deficit. Another reason is that effective with 1981/82 the funds appear to be programmed on a budget year rather than a project basis, and unexpended funds revert to the treasury one month after the end of the fiscal year. Governorates were not aware of this shift in policy until the end of the fiscal year, 1981/82.

Finally, there appears to be a pattern of spending less than the budget allocations for investment purposes. The NIB Annual Report for 1980/81 reveals that only 82.1 percent of budgeted investments were spent that year. Portions of the remaining budgeted amounts could have been spent in following fiscal years. Local governments disbursed 87.8 percent of budgeted investments, above the average for all public sector entities. The percent for each governorate ranged from a low of 37.0 percent in Matrouh to a high of 148.0 percent in Cairo.

b. Revenues

Central government revenues have grown much more rapidly than local revenues (Table I). Analysis of revenue decentralization, like that for expenditures, must be based on behavior within certain chapters. This is a more questionable issue for revenues, however, because the special items that can be omitted from consideration do represent means for obtaining resources. The judgment here is to exclude some items for the reasons given below in order to focus more on traditional tax and user charge revenues. Bab I and II local revenues can be compared with Bab I and part of Bab II central revenues to judge decentralization trends. Bab IV must be excluded because this is borrowed funds for capital purposes. Bab III, own source funds for capital uses, also must be omitted because these are repayments to the government for debts, sale of assets, and other factors unrelated to current behavior.

Finally, for purposes of comparison, most of Bab II central revenues should be excluded because it is dominated by special items such as receipts from profits of economic authorities, public sector companies, and the Central Bank. In the case of the Central Bank, the profits are earned on borrowings by the treasury and are added to both expenditures and revenues. The remaining Bab II revenues total LE 224 million from the total account of LE 2617.234 million. (See tables IV and V)

The chapters are not exactly comparable for central and local government. Bab I is sovereignty revenues for both. These are taxes imposed based on the sovereign powers of the government. For local governments these are taxes assessed at the national level but collectable for use by the locals. Bab II central revenues are non-tax current revenues and those remaining in our analysis are user charges. Bab II local revenues are the fees and duties assessed at the "option" of the local government. These "options" and the limitations are outlined in several different laws, depending on the category. The options were constrained more by a recent announcement by the Prime Minister that any increases in taxes or fees must be approved by him. The Governor of Menoufia explained that this resulted because a number of governorates were taxing above the limits. The degree of constraint is

unknown because to our knowledge no attempts to seek the Prime Minister's approval have occurred. Menoufia will soon apply for permission to levy a one piaster tax on ration cards in order to finance youth sports and this will provide initial evidence of the constraint.

The bulk of local sovereignty revenues arises from a two percent additional tax (surtax) on imports and exports (Table IV). One half of the revenues remain in the place of collection (share in joint revenues), and the remainder less LE one million is distributed by the Secretariat of Local Governments (share in joint fund). Prior to 1981/82 these accounts also received revenues from a surtax on movable property income (dividends and interest) and on business profits. The income tax law of 1981 eliminated the last two surtaxes and the ceiling on the first surtax was dropped, but the rate was reduced below the previous ceiling for FY 1982/83. Dropping the two surtaxes hurt many governorates because the half allocated on the basis of collection was more equitably distributed with income and profits taxes than with customs taxes. Now most of the fund is centered in Cairo, Alexandria and Port Said. The additional tax on the Suez Canal also is distributed among a select group, the five Suez governorates in this case.

In Bab II, revenues from utilities is collections from water and electricity. This dropped between 1976 and 1982/83 because some of these revenues are now collected by the economic authorities. Revenues from other local activities is the sum of three special funds: the Local Development and Services Fund, the Economy Housing Fund, and the Cleansing Fund. These funds are added into both revenues and expenditures so the central government can see the size of them, but they are outside the budgeting process. They will be discussed more below.

Local government revenues have grown only moderately since 1976. Sovereignty revenues grew 291.7%, with the surtax on imports and exports the substantial contributor. The locally imposed revenues (Bab II) grew 160.8 percent, but the special funds are responsible for almost all of this. Central revenues within our area of consideration grew 486.5 percent over the same time period.

The evidence indicates little revenue decentralization because the local tax base is inadequate. The land and buildings taxes are based on 1939 and 1964 appraisals, respectively, and have exemptions that eliminate half or more of tax liabilities on land. The additional tax on imports and exports has a rate under control of the central government. Revenues for the special funds are dependent, to some extent, on production-based levies on agricultural commodities, which are very income inelastic. Improvements in the local revenue structures are imperative if decentralization is to proceed.

Another measure of revenue decentralization is the proportion of own-source revenues to expenditures. Increases in own-source revenues indicate local governments have experienced a relative increase in their own capabilities to finance expenditures. This ratio grew well from 1979 to 1981/82 as the revenues from the surtaxes on business profits and movable property expanded rapidly (Table V). Once these surtaxes were dropped in 1981/82, the ratio

declined. A significant transfer within the budget of central government workers to the local level is another, and perhaps more important, reason for the drop in the ratio.

c. Comparison of governorate per capita revenues and expenditures (Tables VI and VII)

The discussion until now has described behavior for the aggregate of local governments, but wide variations in expenditures and revenues occur between governorates. Per capita values must be compared when analyzing individual governorates because of the extreme differences in the number of people provided services. Per capita values for the aggregate of local governments exhibit a time trend similar to that described above. They reveal the variation in investment expenditures as the per capita values range from LE 0.43 in 1976 to LE 7.24 in 1982/83. Second, the low level of local government revenues and expenditures is highlighted by the per capita values. The values reported here are probably slightly higher than actuality, as 1980 population is used for 1983 calculations.

Revenues are only expected to total LE 7.11 per capita in 1983, with the governorate-imposed fees amounting to LE 1.76. Expenditures are much higher but are only LE 40.96 for the first three chapters. This is still a small level considering that it represents much of the expenditures for education, agriculture, health, and several other areas.

Per capita revenues in 1982/83 vary from LE 66.24 in Port Said to LE 3.84 in Fayoum. Port Said is a special case because it receives the third largest amount from the share in joint revenues and the second largest payment from the additional tax on the Suez Canal. A tax on imports is also a major source of the governorate's revenues for the Local Development Fund (Bab II). These revenues arise from the importing operations and nearness to the canal and have little to do with residents being heavily taxed. The next four highest receipt governorates are also located along the Suez Canal and receive revenues from the additional tax. None of these are heavily dependent on land, building, or entertainment taxes. Ismailia receives the greatest amount from these traditional taxes, LE 209,000 in 1982/83. These governorates tend to have large vehicle tax collections and Red Sea has big utility revenues and special funds. Suez also has large special funds accounts. The low populations are a final explanation for high per capita revenues in these governorates.

The urban Cairo and Alexandria Governorates also raise more than LE 10 per capita. Most of these revenues are collected from Bab I with the buildings tax, entertainment taxes, vehicle taxes, and share in joint revenues all providing above-average shares.

The lowest five governorates in per capita revenues (Bab I and II) are Fayoum, Minia, Sohag, Qena, and Assiut, all in Upper Egypt. In every case they raise less than one pound in Bab II revenues (those directly levied locally). All have average or better collections from the land tax and weak collections elsewhere.

Per capita expenditures vary from LE 206.16 in the Sinai to LE 28.72 in Beheira. Much of the high expenditures result from investment activity, but the same pattern holds for current expenditures. Places with high investment also have high current expenditures. (It is generally difficult to evaluate per capita annual investment data because much of the expenditures are for very discrete purchases and a one-time expenditure may bias the results. Also, in an economic sense the resources are not used until the project actually depreciates, so the investment is not an economic expenditure).

Port Said has the highest current expenditures at LE 129 per capita. The same pattern tends to hold within Bab II expenditures where governorates have greater flexibility, as for total investments. High expenditure governorates tend to have relatively large amounts in commodity inputs, service inputs, appropriation transfers. Those with high special funds have high total credits expenditures. (The special funds described above are added into both revenues and expenditures for accounting purposes but are not directly a part of the budget. On the expenditure side, they appear in total credits).

Expenditures do not appear to be targeted for the largest places. Current expenditures were inversely related to governorate population in 1981/82 with a correlation coefficient of -0.64. The correlation drops slightly to -0.61 when Babs I, II, and III expenditures are correlated with population.

Expenditure trends are certainly partially a reflection of national priorities. The new governorates and canal governorates are generally the ones receiving large expenditures. An important question is whether a local government's ability to raise revenues influences its expenditures. The reason this is so important is because governorates have little decentralized authority over expenditures if they cannot raise more revenues to finance more expenditures. There is a strong perception that expenditures are negotiated between the Governor and Ministry of Finance for the current account and Governor and Ministry of Planning for the capital account, independent of revenues. According to this scenario, local revenues reduce the central government transfer but do not influence expenditures. In this case, governorates that raise more revenues would find their subsidy decline by a like amount. If this is true, local governments cannot increase their expenditures locally by raising more local revenues and this would be strong evidence that little decentralization of authority has occurred.

This proposition can be empirically tested by examining the correlation between per capita expenditures and per capita revenues. These results are only indicative of relationships but they prove no casual relationship. It may be that the tax structure coincidentally causes greater collections in the places where expenditures are already planned.

A large correlation is evidence that revenues may influence the level of expenditures. The correlation was 0.94 in 1981/82, indicating a high statistical relationship. Only current expenditures and revenues are used because little own source finance of investment occurs.

This can be converted to a simple operation as follows: Per Capita Expenditure = $21.18 + (1.165 \times \text{per capita revenues})$, $R^2 = 0.88$.

This provides evidence that revenues may be an important determinant of expenditures. The relationship is stronger when the five urban governorates are omitted from the sample.

The share of joint fund account is allocated by the Secretariat for Local Governments. This account may be distributed as a means to balance local budgets and in any event is not the tax base of specific governorates but for all governorates together. The correlation drops to 0.60 when this item is subtracted from revenues. In 1982/83 the correlation dropped to 0.69 as the joint fund and joint revenues were altered. A considerable readjustment in the allocation of the joint fund occurred in 1982/83 compared with 1981/82.

Though less significant, the evidence continues to support the hypothesis that ability to generate revenues influences the level of expenditures.

2. Decentralization Outside the National Budget

Local governments use a series of special funds that are not incorporated into the general state budget in order to finance additional service delivery. An important characteristic of the funds is that revenues in them do not revert to the treasury if they are not spent in the year raised. Many of the funds carry over a balance from year to year. Frequently these accounts were created through the initiative of local governments but now are generally reflected in legislation. The most important special funds are the Local Services and Development Fund (LDSF), the Economy Housing Fund (EHF), the Cleansing Fund (CF), the Gasoline Price Fund, the Education Fund, the Industrial Areas Service Fund, the Health Improvement Fund, and the Land Reclamation Fund. The joint revenue fund could be categorized here, but is not since it is fully incorporated into the budget.

The first three are summed and included in both expenditures and revenues in the local government accounts of the general state budget. The stated purpose for listing them in the budget is to provide the national authorities with information on the size of these funds. This raises two concerns. First, as the funds increase over time the national government may want to exert control and thereby reduce local flexibility. Second, the central government may choose to reduce subsidies in places with large use of these funds. That is, the central government may view the funds as a replacement for national resources. Local governments with the initiative to help themselves may actually be penalized in this event.

a. The Local Development and Services Fund

This is not an appropriate vehicle for a lengthy description of the sources and uses of the funds, so they will be reviewed only briefly. Law 51 of 1980 says the LDSF is to finance production and services projects, complete projects that were otherwise inefficiently financed, and improve local services delivery. These purposes can easily be used to justify reducing the central government transfer, thereby diverting LDSF funds from activities the local governments want to finance. The LDSF is used by governorates, towns, and villages although, with the exception of the governorate, they are very small at the town and village level in Giza and Menoufia.

Revenue sources for LDSF's include taxes and duties assessed for this purpose, a share of the local council's revenues (for governorates), and 50 percent of any revenue collections over the budget in the governorate.

The remaining discussion of LDSF funds pertains solely to governorate accounts.

Menoufia collected LE 797,123 in 1981/82 and Giza collected LE 998,173 in 1980/81 and LE 1,444,776 in 1981/82. Qena collected LE 819,543 in 1980/81 and LE 2,938,958 in 1981/82. The largest revenue source for Giza and Menoufia governorate is the 50 percent retained from collection excesses. Menoufia received LE 681,631 in 1981/82 and Giza received 484,694 in 1980/81 and LE 775,994 in 1981/82. Other receipts for Menoufia totaled only LE 115,562 including receipts from a share in the development bank, commissions on sales of fertilizers and agriculture products, rents from property owned by the funds, and a share in town council funds. The fees for agricultural-related products are officially called commissions because the products are sold through local cooperatives, but they operate much like taxes. Giza's itemized collections greatly exceed total collections suggesting that an error exists in the data. This should be checked further.

Qena's total collections were LE 820,000 in 1980/81 and LE 2.9 million in 1981/82.

LDSF expenditures include items from all four chapters. Giza can be used as an example (Table VIII). Incentives for revenue collectors and job performance are categorized in Bab I. A variety of items are listed in Bab II including many subsidies that are expressly provided by the LDSF decree for Giza. Only 36 percent of the expenditures are designed for new investments or productive projects (Babs III and IV). In Menoufia, on the other hand, 77 percent of expenditures went for Bab III and IV activities. In Qena, the accounts for the last two years show that 81% of expenditures was spent on productive enterprises.

All three governorates are carrying balances from year to year. Giza's carry forward from 1981/82 was LE 538,218. Menoufia total carry forward was not reported but the 1981/82 surplus was LE 305,742. The surplus in Qena in 1981/82 was LE 2.4 million indicating that expenditures lag far behind revenues.

b. The Economic (low-cost) Housing Fund

The EHF is the other most important fund, and is a major resource for building low income housing. Resources for the EHF can be obtained either through the NIS or from local resources.

In Giza LE 1,028,701 was raised from local sources in 1981 and LE 664,290 in 1980. Another LE 4,500,000 was borrowed in 1981 and 4,600,000 in 1980. Note that the account is administered on a calendar year rather than fiscal year basis. The major own source revenues were from taxes (LE 414,203 in 1981), rents on property (LE 279,401 in 1981), sale of lands (LE 73,728) and fines (LE 11,024).

Like the LDSF, the EHF has expenditures in all four chapters. A much greater share of the expenditure in Giza are for investment purposes in this case, with interest (Sib IV) and repayment of debt (Sib II) being most of the remainder (Table IX). Menoufia spent LE 168,9000 from its EHF in 1981/82.

Giza carried a balance of LE 6,482,353 into 1982. As of October 31, 1982 the balance had reached LE 9,357,444. Menoufia claimed to have no balance, but as noted above for the LDSF, this seems unlikely. Carrying forward large balances in these accounts may have negative effects in the long term as the central government may see this as evidence that the governorates need no additional revenue base.

c. Gasoline Price Fund

The gasoline price fund receives resources from 70 percent of a one piaster tax on each liter of gasoline sold in the country. The funds are allocated by the Secretariat for Local Government. Some effort is made to distribute the resources based on number of cars, population, and road miles. In fact, the relationships between these need categories and allocations is tenuous at best. Governorates are given one of three different amounts from the accounts (LE 800,000 in Menoufia approximately). Expenditures are authorized for intra-governorate roads.

d. Cleansing Fund

The cleansing funds (there are nationally administered and locally administered funds) are used for bonuses to pay street cleaners and for some investment expenditures related to cleaning. Little was found out about the funds through the visits. Giza city collects all of this account for Giza Governorate through a two percent tax on rents. Cleansing funds in Menoufia are also imposed by the towns and the data would need to be collected from each individually. The officials in Menoufia indicated that the resources were very limited.

e. Land Reclamation Funds

Land reclamation funds were not used in the governorates because the resources from sale of land tend to go to the Ministry of Construction, although the EHP in Giza gets revenues from the sale of land to be built on.

f. Other Local Funds

Education funds are new and no revenues have been collected by either governorates, Menoufia or Giza. In Giza, the investment budget funds, ORDEV education funds, and a student fee will finance this account. Resources will be used to construct schools.

Nothing was learned about either the Industrial Areas Services Funds or the Health Improvement Fund during the field visits. These are small and unimportant funds at the current time.

3. Fiscal Policy Issues

Further strengthening of local governments requires policy decisions by the GOE. Following are four major topics about which a dialogue between USAID and the GOE should begin. Positive movement on these issues will mean a more productive government sector and a smaller drain by local governments on central resources and hence a smaller deficit.

ISSUE 1: Local government revenue and expenditure budgets should be conceptually and physically separated from the central government budget.

Issue 1 is the heart of fiscal policy reform for local governments, and other reforms will fail to yield maximum results unless this is accomplished. Implicit in Issue 1 is the decision by the GOE that local government are to be allocated certain responsibilities and the resources base necessary to fulfill those responsibilities. Issue 1 is important because it symbolizes separate roles for central government and local government and allows each to perceive a common purpose but unique responsibilities.

Separation of the budgets is much more than symbolic, however. It is necessary to provide local governments the flexibility to differ in their allocation of resources according to the demands of the local populations. In other words, the benefits of decentralization cannot be realized until decentralization of responsibilities and resources has occurred. Further, separation of the budgets is important for ensuring accountability. Currently each level of government tends to blame the other for failures and takes credit for successes. Separation means that each can be held accountable for its own operations.

Precedents have been set for removing portions of the public sector from the budget. Public sector companies' and economic authorities' budgets were formerly reported in the general state budget. Beginning with 1980 they were removed. Local governments, as with public sector companies and economic authorities, can still be guided by the national plan through the investment budget.

Adequate resources must accompany the added responsibilities resulting from Issue 1. Issue 2 is designed to gather resources from the central government and Issues 3 and 4 are formulated to increase local revenue-raising capacity.

ISSUE 2: Central government subsidies must be perceived as block grants rather than a balancing account.

There is a strong perception that subsidies to local government are simply designed to balance budgets. A strengthened local government system must continue to share in the central government's greater ability to raise revenues, so the subsidies cannot be eliminated. Subsidies should however, be provided in a block grant form that gives local governments the flexibility to meet demands and choose techniques for service delivery. At the same time the central government can use the grant structure to reward productivity, enhance cooperation among local governments, equalize incomes across governorates, and encourage the provision of certain services.

ISSUE 3: Local governments must have increased ability to levy user charges.

Local government leaders interviewed during the Assessment are convinced that service users are willing to pay to access many services and would like the opportunity to use this approach to ensure that some services are delivered. Advantages of user charges include that they provide revenues to finance service provision, they are a technique for allowing people to articulate their demand for services, and they can be an important mechanism for insuring efficient use of resources. Under current restrictions, imposition of user charges must be approved by the Prime Minister. Local service provision can be substantially enhanced if local councils can impose fees. The central government could maintain loose controls on the level of charges by limiting the share of local resources raised in this way.

ISSUE 4: Local governments must have a large, stable sovereignty revenue base.

User charges cannot finance all local services because the fee would be inefficient in some cases, it is important that all people have access to some services, and equity cannot be adequately factored into some fee schedules. Thus services must be partially financed through sovereignty revenues and central government transfers. A large base of sovereignty revenues is necessary because central government's behavior may be too undependable for local governments to plan and provide services. The greatest potential sovereignty revenue sources appear to be expanded land and building taxes or local surtaxes on central taxes. The surtax rates must be, within limits, at the option of the local governments.

TABLE I
 PERCENT CHANGE FOR SELECTED REVENUE AND EXPENDITURE CATEGORIES
 1976 to 1982/1983

	<u>Local Government</u>	<u>Central Government</u>
<u>REVENUES</u>		
Bab I	291.7	501.9
Bab II	160.9	4041.9
Total Current Revenues	248.5	723.7
Bab III	-80.0	110.0
Bab IV	-	28953.8
Total Revenues	204.2	674.5
<u>EXPENDITURES</u>		
Bab I	292.4	292.0
Bab II	183.7	1073.7
Total Current Expenditures	271.00	618.7
Bab III	1756.9	380.0
Bab IV	280.4	9745.8
Total Capital Expenditures	1551.0	1536.4
Total Expenditures	331.6	934.9

Source: GOE National Budgets, 1976 and 1982/83.

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TABLE II
CENTRAL GOVERNMENT EXPENDITURE BY USE FOR SELECTED YEARS
(LE MILLION)

Expenditure Categories	1976		1979		1982/83	
	Budget	%	Budget	%	Budget	%
Chapter I - Wages	252.194	27.7	379.839	8.8	988.666	10.5
Chapter II - Operating Expenditures	503.062	55.3	2644.638	61.4	5904.603	62.7
- Commodity Inputs	(33.153)	(3.6)	(36.458)	(0.8)	(83.571)	(0.9)
- Service Inputs	(51.672)	(5.7)	(79.051)	(1.8)	(156.665)	(1.7)
- Goods purchased for resale	-----	---	-----	---	-----	---
- Current Transfers	(2.933)	(0.3)	(442.584)	(10.3)	(965.965)	(10.3)
- Appropriated Transfers	(62.047)	(6.8)	(1635.244)	(38.0)	(2618.261)	(27.8)
Total Credits	(353.257)	(38.8)	(451.300)	(10.5)	(2080.141)	(22.1)
Chapter III- Investment Expenditure	135.300	14.9	288.128	6.7	649.378	6.9
Chapter IV - Capital Transfers	19.000	2.1	992.8	23.1	1870.70	19.9
GRAND TOTAL	909.556	100.0	4305.405	100.0	9413.347	100.0

Source: GOE Budgets, 1976, 1979 and 1982/83.

Chapter contains Tab.

TABLE III
LOCAL GOVERNMENT EXPENDITURES BY USE FOR SELECTED YEARS AS REPORTED IN THE CENTRAL BUD
(LE MILLION)

	1976		1979		1982/83	
	Budget	%	Budget	%	Budget	%
Expenditure Categories:						
Ch. I Wages	297.126	76.1	329.9	74.0	1,166.000	69.3
Ch. II Operating Expenditures	72.970	18.7	99.506	14.0	207.050	12.3
- Commodity Inputs	(25.124)	(6.4)	(50.484)	(7.1)	(99.350)	(5.9)
- Service Inputs	(22.211)	(5.7)	(23.864)	(3.3)	(43.263)	(2.6)
- Goods purchased for resale	(11.832)	(3.0)	(0.803)	(0.1)	(1.005)	(0.1)
- Current Transfers	(4.221)	(1.1)	(7.555)	(1.1)	(8.056)	(0.5)
- Appropriated Transfers	(6.500)	(1.7)	(6.959)	(1.0)	(15.346)	(0.9)
- Total Credits	(2.964)	(0.8)	(9.871)	(1.4)	(40.030)	(2.4)
Ch. III Investment Expenditures	15.880	4.1	79.621	11.1	294.800	17.5
Ch. IV Capital Transfers	4.042	1.0	6.095	0.9	15.374	0.9
GRAND TOTAL	390.018	100.0	715.122	100.0	1683.224	100.0

Source: GOE Budgets, 1976, 1978 and 1982/83

TABLE IV
LOCAL GOVERNMENT REVENUES BY SOURCE FOR SELECTED YEARS AS REPORTED IN CENTRAL BUDGET
(LE MILLIONS)

	<u>1976¹</u>		<u>1979</u>		<u>1982/83</u>	
	<u>Budget</u>	<u>%</u>	<u>Budget</u>	<u>%</u>	<u>Budget</u>	<u>%</u>
<u>Chapter I: Sovereignty Revenues - by Central Government</u>						
Land Tax	14.059	(13.6)	13.386	(10.2)	30.000	(9.6)
Building Tax	4.800	(4.7)	5.280	(4.0)	7.117	(2.2)
Entertainment Tax	1.920	(1.9)	3.331	(2.5)	3.692	(1.1)
Vehicle Tax ²	13.677	(13.3)	21.854	(16.7)	37.391	(11.9)
Share in joint revenues	10.812	(10.5)	24.307	(18.5)	66.418	(21.2)
Share in joint fund ^{3/}	9.812	(9.5)	23.307	(17.8)	65.418	(20.8)
Additional tax on Suez Canal Authority	0.570	(0.6)	3.900	(2.3)	8.000	(2.6)
TOTAL	55.650	59.0	94.465	72.0	218.000	69.5
<u>Chapter II: Other Current Revenues</u>						
Revenues from utilities	13.903	(13.5)	3.591	(2.7)	6.933	(2.2)
Local taxes and duties	6.404	(6.2)	9.144	(7.0)	15.826	(5.0)
Various revenues	4.105	(4.0)	5.523	(4.2)	10.435	(3.3)
Quarrying revenues	0.529	(0.5)	.904	(0.7)	1.494	(0.5)
Revenues from other local activities ⁴	2.467	(2.4)	9.328	(7.1)	36.800	(11.7)
TOTAL	27.408	26.6	28.490	21.7	71.487	22.8
<u>Chapter III: Own Source Capital Revenues</u>						
	20.000	19.4	1,100	0.8	4.0	1.3
<u>Chapter IV: Capital Loans and Credit Facilities</u>						
	---	---	7.100	5.4	20.000	6.4
TOTAL	103.058	100.0	131.155	100.0	313.487	100.0

Footnotes on next page

1/ 1976 and 1979 are calendar years and 1983 is fiscal year 1982-83.

2/ Share in joint revenues is 50 percent of the collections from the additional tax on imports and exports. Prior to fiscal year 1983 revenues were also obtained from additional taxes on movable property and business profits. The revenues remain where the tax is imposed.

3/ Share in the joint fund is 50 percent of the collections from the additional tax on imports and exports less LE 1 million. The revenues are distributed by the Secretariat for Local Government.

4/ This item includes the Local Services and Development Fund, the Economy Housing Fund, and the Cleansing Fund.

TABLE V
 SOURCES OF CURRENT FINANCE AS REPORTED IN THE CENTRAL BUDGET
 1976 to 1982/83

<u>YEAR</u>	<u>Own Source Revenues as percent of expenditures^{1/}</u>	<u>Central Government Subsidy as a percent of expenditures</u>
1976	22.4	77.6
1977	22.8	77.2
1978	23.1	76.9
1979	19.5	80.5
1980	22.0	78.0
1980/81	27.8	72.2
1981/82	28.8	71.2
1982/83 ^{2/}	21.0	79.0

^{1/} Calculated as Chapter 1 and 2 revenues less the transfer divided by Chapters 1 and 2 expenditures.

^{2/} Drop of own source share in 1982/83 reflects the elimination of the business profits taxes and transfer of wage costs from the central to the governorate budgets.

Source: GOE National Budgets

TABLE VI
PER CAPITA REVENUES & EXPENDITURES BY GOVERNORATE FOR 1976

GOVERNORATES	Chapter I Per capita revenues	Chapter II Per capita revenues	Total Per capita revenues	Chapter I Per capita expenditures	Chapter II Per capita expenditures	Chapter III Per capita expenditures	Total Chapter I II & III Per capita expenditures
CAIRO	2.92	0.92	3.84	8.52	1.85	0.43	10.80
GIZA	0.97	0.63	1.60	6.13	1.71	0.28	8.12
QALIUBIA	0.79	0.79	1.58	7.84	2.11	1.24	11.19
ALEXANDRIA	0.43	0.71	1.14	8.61	2.08	0.09	10.80
MATRUH	4.04	2.83	6.87	13.88	11.40	3.05	28.33
BENHA	1.24	0.59	2.13	5.92	1.58	0.40	7.90
GHAZBA	1.29	1.13	2.42	8.73	2.06	0.46	11.25
MINDUFIA	0.88	0.53	1.41	9.80	1.67	0.25	11.72
HAFR EL SHEIKH	0.83	0.52	1.35	6.94	1.66	0.25	8.85
FORT SAID	2.42	1.67	4.09	17.81	6.00	0.16	23.97
ISMAILIA	2.03	0.77	2.80	10.65	2.78	0.27	13.70
SUEZ	3.57	1.62	5.19	11.13	5.40	0.21	16.74
SINAI	1.80	—	1.80	3.61	1.79	1.46	6.86
RED SEA	11.28	1.80	13.08	21.44	15.83	5.16	55.51
SHARKIA	0.99	0.60	1.49	7.45	1.45	0.18	9.08
DAKHILIA	1.32	0.67	1.99	8.27	1.72	0.28	10.27
DAMIETTA	1.51	1.46	2.97	11.55	3.15	1.61	16.41
FARGH	0.81	0.56	1.37	7.77	1.82	0.25	9.84
BANI SUEF	0.91	0.65	1.56	8.60	1.87	0.40	10.87
MINIA	1.00	0.60	1.60	6.90	1.52	0.31	8.73
ASSIUT	0.75	0.55	1.30	7.10	1.82	0.15	9.07
SOHAG	0.81	0.56	1.37	7.57	1.61	0.20	9.38
QENA	0.76	0.59	1.35	7.59	1.86	0.25	9.70
ASHWAN	1.23	1.90	3.13	12.84	5.23	0.36	18.43
NEW VALLEY	4.13	1.67	5.80	22.60	10.67	2.70	36.00
Average	1.51	0.75	2.26	8.08	1.98	0.43	10.49

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Source: GOE National Budget

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TABLE VII
PER CAPITA REVENUES & EXPENDITURES BY GOVERNORATE FOR 1983 1/

<u>GOVERNORATES</u>	<u>Chapter I Per capita revenues</u>	<u>Chapter II Per capita revenues</u>	<u>Total Per capita revenues</u>	<u>Chapter I Per capita expenditures</u>	<u>Chapter II Per capita expenditures</u>	<u>Chapter III Per capita expenditures</u>	<u>Total Chapter I II & III Per capita expenditures</u>
CAIRO	9.86	2.77	12.63	25.94	4.81	12.17	42.92
GIZA	4.07	1.18	5.25	19.61	3.65	9.73	32.99
QALIUBIA	3.64	1.11	4.75	29.15	4.35	6.06	39.56
ALEXANDRIA	11.06	2.58	13.64	28.40	5.56	6.87	40.83
MATRUH	2.47	4.04	6.51	38.05	20.19	52.20	110.44
BEHEIRA	3.71	1.02	4.73	22.18	3.39	3.15	28.72
GHARBIA	3.86	1.90	5.76	31.99	4.54	3.34	39.87
MENOUFIA	3.54	0.83	4.37	37.98	4.05	4.35	46.38
KAHR EL SHEIKH	3.25	1.17	4.42	26.54	4.31	6.56	37.41
PORT SAID	31.30	34.94	66.24	79.11	49.86	18.04	147.01
ISMAILIA	15.63	1.87	17.50	43.68	11.27	12.31	67.26
SUEZ	24.52	6.17	30.69	52.33	20.47	28.59	101.39
SINAI ^{2/}	17.66	2.59	20.25	82.33	28.43	95.40	206.16
RED SEA	9.13	13.81	22.93	71.10	53.98	60.87	185.95
SHARKIA	3.40	1.15	4.55	30.59	3.36	3.20	37.15
DAKHLIA	4.09	1.02	5.11	27.29	3.50	5.02	35.81
DAHIETTA	3.97	2.34	6.31	35.00	7.08	14.07	56.15
FAYOUM	2.99	0.85	3.84	27.85	3.97	5.45	37.27
BENI SUEF	3.51	1.45	5.06	31.22	4.49	6.29	42.00
MINIA	3.22	0.65	3.87	23.61	3.00	3.58	30.19
ASSIUT	3.30	0.79	4.09	25.76	3.87	4.84	34.47
SOHAG	3.13	0.91	4.04	26.97	3.92	3.60	34.49
QENA	3.18	0.91	4.04	25.90	5.08	4.73	35.71
ASWAN	3.39	2.54	5.93	43.24	12.95	10.76	66.95
NEW VALLEY	2.14	4.23	6.37	87.91	32.33	53.14	173.38
^{5/} Average	5.35	1.76	7.11	28.64	5.08	7.24	40.96

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1/ Per capita values are calculated using the CAPMAS population estimates for 1980.

2/ North and South Sinai are added together.

TABLE VIII
GIZA LDF BUDGET 1981/82

<u>CATEGORY</u>	<u>EXPENDITURES (LE)</u>
<u>Chapter I</u>	
Incentives	39,033
<u>Chapter II</u>	
Maintenance and Repairs of Building	15,208
Bonuses	6,930
Miscellaneous	221,358
Subsidies	58,233
Educational & Cooperative Subsidies	82,135
Mosques and Building Subsidies	184,174
Youth and Sports Subsidies	179,174
<u>Chapter III</u>	
Unappropriated Investment	166,527
<u>Chapter IV</u>	
Loans to productive projects	<u>303,072</u>
Total expenditures	1,305,848

Source: Giza Governorate Accounts

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TABLE IX
GIZA EHF EXPENDITURE, 1981

<u>Category</u>	<u>Expenditure</u>
<u>Chapter I</u>	
Compensation	2,097
<u>Chapter II</u>	
Publication and advertising	3,675
Stationary	300
Interest and Housing Loans	413,860
Interest and Housing Bonds	90,912
Miscellaneous	<u>14,283</u>
Chapter II Totals	523,031
<u>Chapter III</u>	
Building	2,882,053
Electricity	67,785
Water	36,406
Governorate share in Egyptian Company for Reconstruction Capital	<u>437,340</u>
Chapter III total	3,423,586
<u>Chapter IV</u>	
Installments on housing loans	<u>109,987</u>
Total Expenditures	<u>3,959,101^{1/}</u>

^{1/} Differs slightly from the reported total in the Giza budget.

Source: Giza Governorate Accounts

TABLE X
CURRENT EXPENDITURES FOR CENTRAL GOVERNMENT SERVICE
MINISTRIES FOR CHAPTER I WAGE AND CHAPTER II OPERATING EXPENSES
YEARS 1976, 1979, and 1982/83
(LE 000's)

Service Ministry	Central Government					
	1976		1979		1982/83	
	I	II	I	II	I	II
Agriculture	21396	15926	29119	29299	60498	55785
Supply	3963	726	4008	752	4353	493
Housing and Reconstruction	1880	882	1457	1942	746	7416
Health	9557	4712	4407	6926	6058	20113
Social Affairs	2136	1675	949	25056	2152	36594
Labor	<u>813</u>		<u>1147</u>		<u>1637</u>	
		<u>343</u>		<u>332</u>		<u>3168</u>
Subtotal	39745	24164	41087	64307	75444	123569
Education	8679	17015	9713	7189	13875	16097
Youth & Sport	975		1756		4407	
		3163		8065		34000
Total	49399	44342	52556	79561	93726	173666

Source: GOE Budgets, 1976, 1979 and 1982/83.

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TABLE XI
 CURRENT EXPENDITURES FOR LOCAL GOVERNMENT SERVICE
 MINISTRIES FOR CHAPTER I WAGE AND CHAPTER II OPERATING EXPENSES
 YEARS 1976, 1979, and 1982/83
 (LE 000's)

Service Ministry	Local Government						
	1976		Babs	1979		1982/83	
	I	II		I	II	I	II
Agriculture	13322	935	37293	1718	88072	1673	
Supply	1914	282	5956	357	2002	833	
Housing and Reconstruction	4552	1274	9523	1394	23033	4617	
Health	42341	17827	9000	26275	178757	47009	
Social Affairs	5602	3300	12420	3395	51544	6611	
Labor	1874	165	3679	204	9424	376	
Subtotal	69605	23683	158871	33343	332832	62119	
Education	168347	10764	268229	24772	572088	52300	
Youth & Sport	-	-	-	-	12287	2259	
<u>Total</u>	<u>237952</u>	<u>34447</u>	<u>427100</u>	<u>58115</u>	<u>917207</u>	<u>116678</u>	

Source: GOE Budgets, 1976, 1979 and 1982/83.

TABLE XII

Comparison of Current Budgets (Wages and Operating Expenses)
for Central and Local Services Ministries^{1/}
and Percentage Changes from 1976 to 1982/83

	(LE 000's)		<u>Percent Change</u>
	<u>1976</u>	<u>1982/83</u>	
<u>Bab I - Wages</u>			
Local	237,952	917,207	285%
Central	49,399	93,726	90%
<u>Bab II - Operating Exs.</u>			
Local	34,447	116,678	239%
Central	44,344	173,666	292%
<u>Total Current Budgets</u>			
Local	272,399	1,033,885	280%
Central	93,741	267,392	185%
Ratio of Totals:			
Local to Central	2.9:1	3.9:1	

1. Service ministries included are; Agriculture, Health, Labor, Supply, Social Affairs, Housing, Education, Youth and Sports.

Decentralization Sector Assessment: January, 1983

Appendix E

QUOTATIONS CONCERNING TRAINING OF LOCAL GOVERNMENT STAFF

As the team conducted its interviews, which covered a basic agenda, as outlined in the methodology (Appendix A), we noted that training was often brought up by the interviewees without the topic being raised by the team.

We have reproduced verbatim quotes from these interviews to provide an indication of current thinking of several parties concerning the role of training in decentralization.

GIZA GOVERNORATE, NOVEMBER 11th 1982

I. MR. TAHER EL ASMAR, ASSISTANT SECRETARY GENERAL:

"Man has first priority. He has to be properly selected, appropriately trained, and adequately paid".

II. MR. ZAKI AHMED, DIRECTOR OF PLANNING AND FOLLOW-UP:

Problems Facing Projects

Shortage of skilled labor, insufficient funding, inadequate management, project management,

Shall we design a project and manage it by ourselves, or ask somebody else to run it?

III. MR. OSMAN BAHGAT SHARRA, URBAN DEVELOPMENT OFFICE:

Critical Needs: Management Training and Technical Training.

MENOUFIA GOVERNORATE: NOVEMBER 23rd 1982

I. DR. HAMDI EL-HAKIM, GOVERNOR:

Skills are Needed at Markaz level:

- Trained engineers for housing and infrastructure projects.
- Raising the ability of local decision-makers, i.e. councillors.
- Decision-makers are not always up to the standard required by the Local Government System. There is an urgent need for upgrading the capacity of local decision-makers, both councillors and executives.
- People at central level are reluctant to expand on training local people so as to preserve the status quo. They mention that there are not enough resources to meet such a demand.
- Feasibility studies need some procedural improvements.

II. ENGINEER YASEFN SALEM, CHAIRMAN OF SHEBEIN EL-KOUM CITY AND MARKAZ (CHIEF ADMINISTRATOR)

Inadequate supply of professionals in the areas of civil engineering, accounting, and economics.

III. MR. FAROUK HASSANEN, ASSISTANT SECRETARY GENERAL

Training is too theoretical and unaccepted. It should be followed by on-job training to gain skills.

Skills demanded by the Governorate:

Planning, Financial-management, Civil engineering, Economics (Economic Analysis), General Management, Public Administration.

IV. MR. HELMI ZATTAR, CHAIRMAN OF ASHMOUN CITY AND MARKAZ (CHIEF ADMINISTRATOR)

We don't have a management system but we have management by personality.

QENA GOVERNORATE, December 2, 1982

I. MR. ABD EL-HALIM EL SEIDEY, GOVERNOR

The future is for Decentralization. It is inevitable. However, it needs reinforcement and support by qualified people. Appropriate qualifications and expertise are lacking especially those related to technical functions, planning tasks, and general management.

The conflict between centralization and decentralization has led to the domination of centralists. They over-powered localists through retainment of experts and technologists.

As localists, we are hoping to be able to depend on local government personnel in the governorate. They need training and development to acquire skills. This effort should be done in Qena, not at Cairo.

Manpower people distribute personnel lacking expertise and unresponsive to needs. We need on-the-job training and in-service training rather than academic exercises.

II. MR. MOHAMED NASSER, DEPUTY GENERAL DIRECTOR, FINANCE DIRECTORATE.

Qualified people are products of operational training and skill-building as well as application of whatever acquired knowledge and skills. Training becomes faulty when it touches a dimension not related to budgeting and planning.

We need training in English Language and optimal methods of management. We want some practical training (for instance, 3 people from each governorate).

The suitable period for training of financial-management personnel is the months of January, February and March; that is before the date of expiry of current FY and preparation of final accounts.

MINISTRY OF PLANNING, DECEMBER, 9th 1982

MR. MOHAMED LABIB, FIRST UNDERSECRETARY OF STATE, HEAD OF REGIONAL OFFICE FOR GREATER CAIRO REGION.

- There is no development-strategy for each governorate. They do not know how to formulate it. There is no sense of strategic planning. Governorates do not know how to plan nor do they know how to implement it.
- Governorates lack trained people who have the knowledge and skills in planning.
- When you deal with people in the governorates you would find them inefficient.
- Planning, now, is a seasonal work.
- Lack of Developed Human Resources because of:
 - 1) Insufficient incentives to attract qualified people.
 - 2) Lack of qualified people leads to losses in unspent appropriations, and people begin to question the usefulness or otherwise of the local government system as well as the regional-planning-approach.
- Training programs are needed:
 - We conduct training courses in association with Kalyubia governorate but we are not satisfied with its impact.

At present, weight is given to theoretical aspects and less attention is paid to practical dimensions and applications.

Planning and budgeting people at all levels are demanding training in goal-setting and resource-management.

MR. HELMY ABD EL-GHNAMEY, UNDERSECRETARY OF STATE, HEAD OF REGIONAL PLANNING OFFICE, NORTH-UPPER EGYPT REGION: AND SUPERVISOR OF AGRICULTURE AND FOOD-SECURITY SECTOR, MINISTRY FOR PLANNING.

- Most of the governorates have no qualified people to identify their needs.
- Governorates have very limited experience in planning and implementing public utilities projects as well as compiling feasibility studies.

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- We would like the governorates to depend on its own human resources otherwise they will continue to submit to central impositions.
- Start with training people. They should be exposed to new ideas and coordinative devices useful for integrating the planning process within the governorate and between governorates. Without a planning staff they will remain dependent upon Cairo.

NATIONAL INVESTMENT BANK, JANUARY 3, 1983

MR. FAWZI ATTEA, DR. MOHAMED FAHMY, AND DR. AREF EL SAYED.

Each Governor and Minister comes forward with plans. They need some assistance, the regional planners are working but they are not supported--training in planning is very important.

Staff in our bank need academic and practical training. We are preparing a proposal.

SECRETARIAT FOR LOCAL GOVERNMENT/ORDEV, JANUARY 4, 1983.

H.E. MOHAMMED AHMED LATIB.

Development Decentralization (DDI) is a seed. The training program for the local people's councils have been very effective. Training is difficult to evaluate directly, but there is no doubt that it gives a great push to the benefits of the project.

Training and skills are required in the Markaz--new ideas need to be developed. What is missing is the training program and we will put it in the Sakkara Center.

CENTRAL AGENCY FOR ORGANIZATION AND ADMINISTRATION: JANUARY 5th 1983

DR. HASSAN TAWFIK, HEAD OF CENTRAL AGENCY FOR ORGANIZATION AND ADMINISTRATION:

In each governorate there operates an administrative-training center functioning within the portfolio of the organization and administration directorate.

Ministry of Manpower and Vocational Training concentrates on vocational training, but the Central Agency for Organization and Administration focuses on training public servants.

There is some shortage of certain types of University graduates. We try to cope with it through the re-training of the surplus graduates in other areas of shortage.

MR. ABD EL-FATTAH EL DALEY, REPRESENTATIVE FROM GIZA, NATIONAL ASSEMBLY, CHAIRMAN, COMMITTEE FOR LOCAL GOVERNMENT, JANUARY 6th 1983

This new system of Local Government requires some training programs to teach the concepts of decentralization. Even, the governors and those who occupy key-positions in local government bureaucracy as well as local councillors are in need of such programs, -- so that system may reach real local self-government.

Leadership of local government is untrained. This equally applies to elected and appointed personnel.

Training is inevitable. It is necessary to develop the ideas and abilities of those involved in the local government process. -- We need to reach self-reliance in 10 or 20 years.

Training of local leadership in priority-setting and formulating objectives is very much demanded. Subsequently, the allegation made by central bodies that local leaders are incapable of determining their needs and/or planning local development projects would be countered.

Decentralization Sector Assessment: January 1983

Appendix F

PRIME MINISTER'S SPEECH ON DECENTRALIZATION
DECEMBER 21, 1982

Below is an unofficial translation of Prime Minister Fouad Mohiedin's speech to the opening session of the Conference on Local Government Finance. The conference was organized by the National Union of Administrative Societies, at the Arab League Building in Cairo, and was attended by over 500 delegates from all parts of the country.

The speech provides a concise review of current GOE thinking regarding decentralization, especially the financial aspects of the process.

THE SPEECH

- The Chairman of the Conference,
- The Sponsor of the conference: Adel Abd El Baki,
The Minister of Cabinet Affairs and the Minister of the
Administrative Development.
- Ladies and Gentlemen the members of the Conference

While this conference is held as a response to the desire of the popular and the executive leaders at the national and the local levels, it is also a continuation of the discussions arising from time to time about the situation of local government on the map of the social and economic development. These followed the passing of the current Law of Local Government No.50 of 1981, which enlarged the role of local government in production and service activities as well as promoted the practicing of democracy in decision-making and control.

You all know that management and development of the financial resources in the localities is one of the main subjects which needs more study and more discussions. It is very essential to look for new methods to support the financial capacity of the localities to

assure the positive contribution of the local units to comprehensive development.

In fact, the local financial capability is a very important element for the local units so that they can perform their service and productive roles efficiently and effectively. It also is a major force for local and regional development.

The financial capacity of the local councils is a vital matter for the practice of the local government which aims at responding to the requirements and filling the needs of the citizens in the villages and the cities. In the meantime, it reflects the width and depth of the experience of decentralization in Egypt. It also expresses the size of role of the local government in using local and national resources and wealth in response to present and future changes in the social and economic environment.

This financial capability requires comprehensive changes in the structure of local government finance. They must move from the stage of dependence on the central support to the stage of self reliance in collecting and managing the financial resources. In addition, local government must adopt developed management tools, whereby planning and management capacity could be upgraded. This is, along with measuring its success in managing services systems and achieving goals determined within the framework of national and regional policies. This is correlated with reducing the developmental differences between the various local communities. In my opinion, the starting points in development are the local units which comprise 805 villages, 172 cities, 145 Markas, 35 districts, and 26 governorates - all clustered into a frame of eight planning regions. These units are responsible to perform 26 service and economic activities in accord with the laws of the local government. (Laws 43/1979 and 50/1981)

The increase in size and kind (quantity and quality) of the activity of the local government units is due to several social, economic, administrative and political factors. The following must be mentioned:

- 1- The continuous increase in the standard of living of the Egyptian citizen in recent years during which the rate of the increase in the national income reached no less than 8.5% yearly. This has been accompanied by an increase in demand of many public goods and services. Consequently the size and kind of services performed by local government units has also increased.

Simultaneously the level of specialization and reliance on modern technology for performing these services has increased.

- 2- Applying the principle of decentralized support and reinforcement of the local government through using resources not limited to appropriations made available by the annual national budget. These are locally collected and directed, such as, the funds and accounts of services and local development, the industrial services committee, the economic housing fund and the funds for cleaning and roads.
- 3- Increase in size and kind of citizens participation in the local communities in preparing the national, regional, and local plans according to the regional planning system. This was accompanied by an increase in the self help efforts of the citizens. Their contribution in establishing the national banks for popular development in the governorates is one of the most important developments.
- 4- Increase of the size of grants, loans, technical assistance and training given by the friendly countries and the international agencies to support and strengthen the activities of local government in the villages and cities; the amount of local government spending reflects the scale of the grants-in-aids extended by the state to local government units spread throughout the country. Those will step up the capacity to improve and manage public services and utilities assigned to it by national planning and budgeting laws.

The conference has some four sub-themes concerning local finance structure, managing and planning local development, self-help efforts and its implications on local development and rationalizing local government spending.

It will be very useful if this conference pays attention to the following subjects:

- A. What are the scientific means to develop local budgets to integrate the processes of planning, finance, and management, on the level of the local community, among the governorates of each economic region, and among the eight economic regions.

- B. How to encourage joint financing of the large scale projects among the governorates of each economic region? What would be the best way to distribute the benefits of these projects to the contributing governorates?
- C. How to increase the rationalization of the localities investment decisions through the planning process? What are the effective methods to develop and train local and regional leaders who are capable of planning, financing, and managing social and economic projects in the governorates, the cities, Markaz, and the villages. We should realize an annual growth rate of 25% in national product over the period of the five-year plan: 1982/83-1986/87 ?
- D. What are the most suitable ways to increase the localities' dependence on their own resources for financing local development, while lessening their dependency on central government's grants, and without burdening the citizens with new taxes or relatively high fees...?

In fact, obtaining relevant answers to these issues; in addition to the conference discussions will promote the introduction of some novel interventions that would support the local government system and ensure progress along the right path.

End of speech

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Decentralization Sector Assessment
January 1983

APPENDIX G

CONFERENCE
ON
MANAGING AND DEVELOPING FINANCIAL RESOURCES
IN
LOCAL GOVERNMENT

FINAL STATEMENT
and
RECOMMENDATIONS

(UNOFFICIAL TRANSLATION)

UNION OF ADMINISTRATIVE DEVELOPMENT ASSOCIATIONS

with

THE CENTRAL AGENCY FOR ORGANIZATION AND ADMINISTRATION

THE ARAB LEAGUE BLDG., CAIRO

21-23 DECEMBER, 1982

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FINAL STATEMENT AND CONFERENCE RECOMMENDATIONS

This Conference was held in response to the requests of the national and local, executive and elected leaders who are concerned about local government. The Central Agency for Organization and Administration (Executive Development Program), and the Union of Administrative Development Associations, both believe in the important role that localities have in financing and executing social and economic development projects through active popular participation, and also that the local spending should conform with self-reliance principle.

The five goals of the conference were as follows:

1. Development of the present financial resources.
2. Creation of new financial resources.
3. Integration between local finance, local and regional planning and in improving management of present and future financial resources.
4. Increase of self-help efforts by the local societies, and raising the standard of financial self-reliance.
5. Raising the effectiveness of the local/national general spending.

Dr. Salah Hamed, Minister of Finance, opened the Conference on behalf of the Prime Minister

The conference was held in the Arab League Building in Cairo, from December 21 to 23, 1982

Mr. Adel Abdel Baki, the Minister of Cabinet Affairs and the Minister of State for Administrative Development made a speech, and Dr. Hassan Tawfik (Conference Chairman) pronounced the conference theme.

The conference brought together about 390 members representing popular and executive councils in the governorates, General Secretariat of Local Government, Organization for Reconstruction and Development of the Egyptian Village, Vocational Agencies, Councils of districts, cities, and villages, finance directorates, competent ministries and universities, scientific research centers, the National Assembly and Shura Councils, the specialized national councils, banks, the Central Agency for Public Accountings, the Central Agency for Public Mobilization and Statistics, the National Investment Bank, the Ministry of Planning, Trade-Unions, Administrative Development Associations, the Highest Council of Culture, Sadat Academy for Management Sciences, General Secretariat Republic to Presidency of the Armed Forces, Organization for Control, General Organization for Administrative Illumination, Rural Electrification and the Graduate Students of Universities.

The Conference Board is formed as follows:

- Dr. Hassan Tawfik Chairman of Conference
- Dr. Ibrahim Abbas Omar General Rapporteur
- Dr. Youssef Abdel Wahab General Supervisor

The Conference is divided into 4 committees formed as follows:

- 1) Committee of Structure of Local Government Finance.
 - Mr. Ahmed Abou Khodair (Under-Secretary of Ministry of Finance/Assiut), President
 - Mr. Ahmed Metwalli M. Badawi (Ass. General Secretary) Deputy President
 - Mr. Mohamed Kamal Shaaban (Under-Secretary Ministry of Finance - El Minia), Convenor
 - Dr. Samir Hakim, Advisor
 - Mrs. Inas Hanna, Technical staff

- 2) Committee of Managing and Planning Development in the Localities:
 - Dr. Youssef Abdel Wahab, President
 - Mr. Nasr El-Din Kaced, General Secretary of Qena Governorate, Convenor
 - Dr. Moftah Galal, Advisor
 - Mrs. Afaf Kamel Ahmed, Technical Staff

3) Committee of Rationalization of Local Spending:

- Mr. Abdel Moneim Omara, Ismailia Governor, President
- Mr. Fawzi Attia, National Investment Bank, Deputy President
- Mr. Mohamed Talaat Osman, Chairman of El Amria District, Reporter
- Mrs. Laila Nassif, Technical Staff
- Dr. Mohamed Nasr Mehanna, Advisor
- Mr. Nabil Kilani, Technical staff

4) Committee of Self-Help Efforts:

- Dr. Hamdi El Hakim, Menoufia Governor, President
- Mr. Mohamed El Kholi, Secretary General, Sharkia Governorate, Deputy President
- Mr. Hussein Daoud, Convenor
- Dr. Samir Tobar, Advisor
- Mr. Azmi El Sheikh, Technical staff

Fifty five special studies and research papers were prepared by local administrators, experts, financial specialists and university professors, and presented to the conference.

RECOMMENDATIONS

After three days of discussion, the committee members have made the following recommendations:

IN THE FIELD OF LOCAL GOVERNMENT FINANCE:

- 1) To reconsider and to re-adjust Law No. 222/1955 which prescribes a special fee for property improvements, so that evasion of the fee is more difficult.
- 2) To reconsider all kinds of fees, which were prescribed according to old ministerial decisions and laws, especially those concerning local fees; and readjust Law No.50/1981 to give local popular councils the right to levy additional local fees or change their rates.
- 3) To survey tax arrears, in addition to encouraging collecting agencies, by offering suitable monetary and non-monetary incentives. Also to impose fines for the delayed payment according to the rules followed by the general taxes. Proceeds from the collected fines are to be added to the Local Services and Development Fund.

- 4) To give governorates' freedom to secure special loans to execute their investments projects in accord with the nation's general plan and budget, and to secure revenues for projects requiring loans through economic feasibility studies compiled by localities.
- 5) To regularly pay to the Local Development and Services Fund the proportion allocated for social and medical projects from the cooperatives, public companies and local projects.
- 6) To amend the Companies' Law in a way that will permit the allocation of a part of companies' profits for the localities where these companies are established. This should be an obligatory part of their social responsibility.
- 7) To give localities the permission to deposit a part of their cash and monies from their various funds in the commercial banks to benefit from the return on these deposits (including foreign currency) ; while informing the Ministry of Economy and the Ministry of Finance thereof.
- 8) To advise the Cabinet to expedite regulations essential for managing the economic-housing projects' account and the land reclamation account, as authorized by the local government law. This will enable development of their revenues.
- 9) To recommend that total proceeds of general taxes be kept by localities in order to alleviate the central governments responsibility for grants-in-aid. Excesses above estimated expenditures would be repaid to the national treasury.
- 10) To benefit from finances made available by the specialized banks, commercial banks, and popular development banks, in order to increase projects' investments in localities.
- 11) Local Services and Development Funds are to participate in financing the big projects; which serve more than one locality.
- 12) To urge commercial and specialized banks to participate in funding localities' projects, in order to benefit from direct investment instead of loans, and increase the rate of participation by banks in the development projects.

- 13) To ensure equity in distributing funds, appropriated in the investment chapter of the general budget (BAB III), among the governorates, while taking into consideration governorates' population, resources, and geographic conditions.

IN THE FIELD OF SELF-HELP EFFORTS:

- 1) To recommend banks, through the Central Bank and the Ministry of Economy, to stick to the framework of supports decided by the National Government in favor of some socio-economic sectors. Also to avoid adding any increments that would increase investment cost and lead to losing the support's advantages.
- 2) To establish local corporations by equal shares from the Local Services and Development Fund, people's savings, and the private sector, according to a local development plan.
- 3) To activate popular agencies' and party organizations to mobilize citizens by using loyalty, leadership and planning, aimed to achieve popular participation through investments.
- 4) To increase popular awareness of decreasing waste and losses in production and consumption; in addition to paying attention to the maintenance of all kinds of equipment and products.
- 5) To give governorates the right to choose the ways of dealing with public properties, such as cultivated lands, fallow, and desert areas, since they are essential development resources of the governorates.
- 6) To encourage establishment of small projects in towns and villages; aiming to return them to their original nature as productive communities, and to make them better able to meet the needs of their people and export their products to big cities.
- 7) To pay attention to the local development societies as they are voluntary agencies, aiming to raise social and economic levels of localities.

- 8) To arrange training courses for local popular councils' members in the field of popular development and self-help efforts; aiming to make them more able to participate actively in development.
- 9) To benefit from the experience and capability of the productive families project, of the Ministry of Social Affairs, by supplying them with loans from services' funds and securing reinforcements from other ways of financing.
- 10) The Organization for Reconstruction and Development of the Egyptian Village (ORDEV) and its departments in the governorate are asked to encourage people coming back from abroad to participate in the productive projects in the country-side.
- 11) To support cooperatives on different levels as they are useful means of popular participation in development.

IN THE FIELD OF MANAGING AND PLANNING LOCAL DEVELOPMENT:

- 1) As we believe that localities are essential to development, it is recommended that they be given them more flexibility, in executing the plan according to local circumstances; after informing the Ministry of Planning and the National Investment Bank.
- 2) To collect, organize and classify information on different local levels, in order to achieve the purposes of planning, monitoring and evaluation.
- 3) To pay more attention to programs of birth control, aiming at solving the problem of increased population, and to reach the goals of the development plan.
- 4) To apply the results of scientific research in order to serve development purposes.
- 5) To ensure realistic implementation of regional planning in the governorates, so as to realize social and economic integration between governorates.
- 6) To strengthen coordination between central, regional and local planning agencies, to enable them, to achieve their shared goals.
- 7) To improve civil service structure (organizational hierarchy) in localities; to give employees a chance to fill higher positions as practised at the central level.

- 8) To plan proper distribution of resources in order to meet society's needs for products and services, and rationalize general spending in localities.

In this respect the Committee recommended the following:

- a. Survey localities' needs of services' projects, prepare feasibility studies using accurate data and information; determine actual cost; decide execution priorities in the light of local needs and the resources made available annually.

Also, it is recommended to arrange these data and information in due time as scheduled in the program, to rationalize local public spending.

- b. Benefit from the successful experiences in localities related to realize the maximum utility of resources; while seeking the help of neighboring governorates' and potentialities in order to save expenses.
- c. Support the regional and local planning agencies with skilled staff so that regional projects are coordinated and the maximum use of resources is realized.
- 9) Reconsider systems of preparing budgets in the governorates to permit designing a special budgeting system. (ie preparation and execution).

IN THE FIELD OF RATIONALIZATION OF LOCAL GENERAL SPENDING:

Human resources are the basic pillars which have to be well prepared and trained, in order to create the capability to realize the required rationalization in general spending.

In this respect the committee recommended the following:

- 1) Choose the suitable cadres to work in localities, and encourage the execution of the aforesaid recommendations concerning the transfer of employees from central agencies to localities.
- 2) Offer employees psychological and material stability to enable them to feel affiliated and loyal to their local areas, and expend available resources in the proper way.

- 3) Request specialized authorities, which have experience in the field of training, to design training programs to develop employees' abilities and talents; in order to realize more rational local spending. In addition to apply vocational training for employees whenever needed for achieving rationalization. It is essential to benefit from previous experience and the expertise of those who work in specialized institutions.
- 4) Incentive system is to be tied to production so as to rationalize expenditures. In addition, offering incentives to localities' employees in order to preserve human resources; and keeping them from moving to work in new economic activities.
- 5) Apply rationalization of expenditures to purchases and procurements, taking into consideration the inventory, which could contribute to new investment projects.
- 6) Be concerned about follow-up and monitoring implementation of projects and to continually evaluate how efficient their execution is.

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Decentralization Sector Assessment: January 1983

APPENDIX H

USAID DECENTRALIZATION ACTIVITIES

A brief description of the activities which comprise the decentralization Sector Support Program follows:

1. Development Decentralization I (DDI)
2. Basic Village Services (BVS)
3. Provincial Cities Development (PCD)
4. Decentralization Support Fund (DSF)
5. Neighborhood Urban Services (NUS)
6. Decentralization Program and Activity Budgets.
(from Decentralization Sector Program Agreements: August 29, 1982)

1. Development Decentralization I

Begun in FY 1973, this project furthers the Government of Egypt's program of decentralizing government functions by financing a revolving loan fund program that aims to increase the autonomous revenues of village councils throughout Egypt. Loans are made to village councils for income producing projects; the income provided is used to augment the "account for local services and development," which was authorized for village councils to use for autonomously determined purposes. Funds are also provided for technical assistance to help improve the development planning of local administrators and the financial viability of selected subprojects. More specifically, the project consists of the following components:

- (a) Establishment of a Local Development Fund (LDF) within the Organization for Reconstruction and Development of the Egyptian Village (ORDEV).
- (b) Establishment of an ORDEV Training Academy which provides training for local ORDEV personnel, governorate, village council and executive committee personnel.
- (c) Participant training for ORDEV, Governorate village council and executive personnel in the United States and Third Countries in Asia, Africa and Latin America.
- (d) Evaluation and analysis of LDF impact on the recipient villages, and the operations of the ORDEV Academy.

To date, over 290 loans totalling \$6.2 million have been awarded by LDF. Over 2,000 local government and village officials have attended seminars and training courses. Over 60 have traveled to the United States, and another group of 35 at the University of the Philippines Institute of Small Scale Industry.

A computerized record-keeping system is being developed so that each project can be monitored and evaluated. The information in the records will also be analyzed to assist with the planning of future projects. In FY 1981 \$15 million was added to the program including \$12.2 million of additional capital for the fund and over \$2 million for technical assistance and training, raising total AID commitments to this project to \$26.2 million.

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2. Basic Village Services

At present grant funds are provided to rural villages in twenty governorates for the construction of rural infrastructure projects. Eligible projects include, but are not limited to, potable water systems, feeder roads, ground water and sanitary drainage, abattoirs, and the lining of canals. The primary intent of the project is to strengthen the administrative/management processes and skills in villages and districts in participating governorates. Particular emphasis is placed on the involvement of the elected village councils. By the end of AID's involvement in this activity the choice and implementation of all subprojects should be done at the village council level.

The project provides \$220 million for village level infrastructure improvements and \$10 million for support and training to develop administrative and managerial skills. An information system will be implemented which will enable the entire project, as well as individual village projects, to be monitored and evaluated. Results will be built into the design of future village projects. The funds are provided through a \$75 million P.L. 480 Title III Agreement and an AID Grant of \$145 million. The P.L. 480 Title III portion of the program was initiated late in FY 1979 and the AID Grant Agreement was signed in August 1980. Over the life of the project village councils are expected to construct well over 5000 locally conceived and locally administered projects. After three years, all twenty rural governorates are included in the program, approximately 3600 projects have been approved for execution. During the first two years of the activity 753, of 1265 approved projects, were completed. As of 12/31/82, the activity has spent \$61 million of the AID grant and \$45.0 million of the Title III money.

3. PROVINCIAL CITIES DEVELOPMENT

This grant, authorized for \$75 million in late FY 1981 with an initial obligation of \$20 million, funds activities designed to enhance local government and institutional capabilities of three provincial cities (Fayoum, Minia and Beni Suef) to identify, plan for, budget, finance, construct and maintain urban infrastructure and public services at the municipal level. The project finances technical assistance, operating and maintenance improvements and the design and construction of infrastructure projects, particularly for water and sewerage. The latter will encompass improvement and extension of existing water systems and wastewater facilities.

The larger goal of this project is to assist the GOE to achieve its policy objective of economic and administrative decentralization and to foster a more effective urbanization process at the secondary city level. It will help expand decision-making capacity on the broadest possible basis by providing local government decision makers with experience in the allocation and utilization of resources and in developing the financial and other mechanisms to carry out their development programs.

The General Consultant has been in Egypt since June 1982 and Resident Advisors are working in each of the Cities. Approximately, LE 2.1 million has been expended in the Cities on equipment, infrastructure, and training. Work is underway to produce Master Plans by mid-1983. Of the original \$20 million obligation, over \$10 million has been sub-obligated. Expenditures are expected to increase rapidly in 1983.

4. Decentralization Support Fund

The purpose of the project is to support and accelerate the process of administrative decentralization to rural governorates by increasing investment budgets under their jurisdictions. The most immediate result will be the supply of capital equipment. The infusion of the equipment and the experience gained through the planning and procurement phases of the project should strengthen the decentralization process.

The strategy used to achieve the purpose rests on the pressing need for equipment in the governorates to provide essential services. By making funds for equipment available, services principally sanitation, health and transportation can be expanded and existing infrastructure better maintained.

From AID's obligation of \$75 million for this activity, this project makes a total of approximately \$3.57 million in foreign exchange available through the national budget to each of 21 of the 26 governorates in Egypt. These amounts, which are available to the governorates in their investment budgets, are being used to purchase needed capital equipment in the United States, AID funds are also paying for spare parts and other maintenance requirements for the equipment.

Training will be provided to ensure the correct operation and maintenance of the equipment.

As of December 31, 1982, \$21.2 million has been disbursed out of \$ 48 million committed in procurement actions. The 21 Governorates have received equipment worth \$18.1 million.

USAID is planning an evaluation of the DSF in February 1983. The expansion of the project by \$25 million to a total of \$100 million is dependent upon the results of this evaluation.

5. Neighborhood Urban Services

This joint undertaking of the GOE and AID seeks to enhance the institutional capabilities of urban local government units, Egyptian private voluntary organizations and neighborhood associations through the process of producing modes-sized (averaging LE 60,000) neighborhood-level public services and infrastructure. This effort during the five-year (1981-1985) life of project will address some of the greatest unmet needs of the urban poor in Greater Cairo and Alexandria. The U.S. grant contribution of approximately \$89.0 million will finance (1) program funding for subproject activities, (2) technical assistance, (3) training, and (4) evaluation. The GOE contribution of an estimated \$13.9 million equivalent will fund (1) staff, (2) indirect project costs, (3) training support and (4) maintenance for subproject activities.

The public works programs financed will be jointly identified, developed and executed by the local officials and residents in the participating urban districts and should enhance the living conditions and economic climate in those areas. While three-fourths of all the subprojects will be implemented through the District Administrative Units, a large number of smaller activities are to be conducted through local private voluntary organizations and neighborhood associations through a special grants committee.

This project was authorized in late FY 1981 for \$89 million with an initial obligation of \$20 million.

An additional \$16.5 million was authorized in FY 1982. As of 12/31/82, approximately \$8.4 million has been disbursed for district and voluntary organization projects.

DECENTRALIZATION PROGRAM AND ACTIVITY BUDGETS

(Figures are in millions of dollars or Egyptian pounds)

Maximum of
currently
obligated U.S.\$
convertible to
Egyptian pounds

PROGRAM/ACTIVITY	CONTRIBUTIONS FROM:						
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL	TITLE III	G.O.E.	
	\$	\$	\$	\$	LE	LE	\$
<u>605 : Decentralization Sector Program</u>							
<u>Activities:</u>							
605.1 Development Decentralization I	26.20 ^{4/}	---	---	26.20 ^{4/}	---	4.40	19.70 (75%)
605.2 Basic Village Services	70.00	30.00	45.00 (45.00)	145.00	75.00	38.40	84.15 (43%)
605.3 Provincial Cities Development	20.00	---	55.00 (31.60)	75.00	---	20.90	7.00 (10%)
605.4 Decentralization Support Fund	50.00	25.00	25.00 (---)	100.00	---	16.60	5.00 (10%)
605.5 Neighborhood Urban Services	20.00	16.50	52.50 (52.50)	89.00	---	9.73	30.00 (34%)
605.6 Other ^{5/}	---	3.50	16.50 (---)	20.00	---	---	---
Total	186.20	75.00	194.00 (120.10)	455.20	75.00	90.03	147.55 (33%)

1/ Minimum AID contributions granted under previous authorizations per Section 2.1 of the Program Agreement

2/ A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

3/ GOE contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.83 = US\$ 1.00 (8/82), for the purpose of this Agreement.

4/ 125,000 US-owned Egyptian pounds also obligated under this activity.

5/ To be agreed upon in future Activity Protocol(s).

DEVELOPMENT DECENTRALIZATION I ACTIVITY BUDGET

(Figures are in millions of dollars or Egyptian pounds)

ACTIVITY	CONTRIBUTIONS FROM:						Maximum of currently obligated U.S.\$ convertible to Egyptian pounds.
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL	TITLE III	^{3/} G.O.E.	
	\$	\$	\$	\$	LE	LF	\$
OS.1: Development Decentralization I							
Local Development Fund Capital	18.57	---	---	18.57	---	---	18.57
Technical Assistance	2.79 ^{4/}	---	---	2.79 ^{4/}	---	---	0.40
Training	2.92 ^{5/}	---	---	2.92 ^{5/}	---	4.40	0.46
Commodities	0.36	---	---	0.36	---	---	0.05
Evaluation/Research	0.35	---	---	0.35	---	---	0.23
Contingency/Inflation	1.21 ^{6/}	---	---	1.21 ^{6/}	---	---	---
Total	26.20	---	---	26.20	---	4.40	19.71 (75%)

^{1/} Minimum AID contributions granted under previous authorizations per section 2.1 of the Program Agreement

^{2/} A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

^{3/} GOE contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.23 = US\$ 1.00 (R/P2), for the purpose of this Protocol.

^{4/} 75,000, US-owned Egyptian Pounds also obligated under this activity.

^{5/} 39,000, US-owned Egyptian Pounds also obligated under this activity.

^{6/} 11,000, US-owned Egyptian Pounds also obligated under this activity.

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BASIC VILLAGE SERVICES ACTIVITY BUDGET

(Figures are in millions of dollars or Egyptian pounds)

ACTIVITY	CONTRIBUTIONS FROM:						Maximum of currently obligated U.S.\$ convertible to Egyptian pounds.
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL	TITLF III	3/ G.O.E.	
	\$	\$	\$	\$	LE	LE	\$
<u>605.2: Basic Village Services</u>							
Subactivity Construction Costs	60.00	30.00	45.00	135.00	75.00	---	70.00
Indirect Subactivity Costs	---	---	---	---	---	16.60	---
Infrastructure Maintenance Fund	---	---	---	---	---	16.70	---
Technical Assistance	6.4	---	---	6.40	---	---	3.40
Training	2.5	---	---	2.50	---	7.40	1.50
GCE Staff Support	---	---	---	---	---	3.11	---
Inflation (TA and training only)	0.60	---	---	0.60	---	---	0.10
Contingency	0.50	---	---	0.50	---	---	0.15
Total	70.00	30.00	45.00(45.00)	145.00	75.00	38.40	84.15 (841)

1/ Minimum contribution granted under previous authorizations per Section 2.1 of the Program Agreement

2/ A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

3/ GCE contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of 1 LE 0.83 = US\$ 1.00 (8/82), for the purpose of this Protocol.

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PROVINCIAL CITIES DEVELOPMENT ACTIVITY BUDGET
 (Figures are in millions of dollars or Egyptian pounds)

ACTIVITY	CONTRIBUTIONS FROM:						Amount of CURRENTLY COMPLETED CONTRIBUTIONS IN MILLIONS OF EGYPTIAN POUNDS
	AID Before FY 82 ^{1/}	AID FY 82	AID after FY 82 ^{2/}	AID TOTAL	TOTAL LE ^{3/}	% G.C.F.	
<u>605.3: Provincial Cities Development</u>	\$	\$	\$	\$	LE	LE	\$
Capital Costs							
Water Supply	6.30	---	27.10 (12.70)	28.4	---	5.00	2.24
Waste Water	5.30	---	19.10 (10.67)	23.7	---	4.00	7.77
Streets	1.10	---	4.00 (2.37)	5.1	---	2.15	0.83
Sub-Total	12.70	---	44.50 (25.57)	57.2	---	13.11	4.07
Maintenance	.80	---	1.60 (0.87)	2.4	---	1.00	0.33
Consultant Services	4.50	---	---	4.5	---	0.41	1.76
In-kind Administrative	---	---	---	---	---	4.15	---
Contingency	2.00	---	8.00 (4.11)	10.9	---	2.00	0.78
Total	20.00	---	55.00 (31.63)	75.00	---	20.75	7.80 (25.1)

1/ Minimum AID contributions granted under previous authorizations per Section 2.1 of the Program Agreement.

2/ A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

3/ G.C.F. contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.93 = US\$ 1.00 (8/82). For the purpose of this Protocol.

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DECENTRALIZATION SUPPORT PROGRAM ACTIVITY BUDGET

(Figures are in millions of dollars or Egyptian pounds)

ACTIVITY	CONTRIBUTIONS (PCRs)						Maximum of currently obligated U.S. convertible in Egyptian pounds.
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL	TITLE III	3/ G.O.E.	
	\$	\$	\$	\$	LE	LE	\$
605.4: Decentralization Support Fund							
Equipment, total	48.70	25.00	25.00	98.70	---	15.10	3.00
a. Procurement	48.70	25.00	25.00	98.70	---	---	1.00
b. Maintenance & Operation	---	---	---	---	---	12.10	1.00
c. Inland Transportation	---	---	---	---	---	0.47	1.00
d. Inflation (LC)	---	---	---	---	---	2.57	---
Contract Services, Total	1.30	---	---	1.30	---	15.00	2.00
a. Technical Liaison Group	0.40	---	---	0.40	---	---	0.50
b. Procurement Service	---	---	---	---	---	1.51	0.50
c. Evaluation/Inflation	0.30	---	---	0.30	---	---	0.50
d. Contingency/Training	0.60	---	---	0.60	---	---	0.50
Total	50.00	25.00	25.00(0.00)	100.0	---	16.60	5.00(+1)

1/ Minimum AID contributions granted under previous authorizations per Section 2.1 of the Program Agreement

2/ A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figure in brackets in this column is the proposed maximum dollars convertible to Egyptian pounds.

3/ G.O.E. contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.83 = US\$ 1.00 (8/78), for the purpose of this Protocol.

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NEIGHBORHOOD URBAN SERVICES ACTIVITY BUDGET

(Figures are in millions of dollars or Egyptian pounds)

ACTIVITY	CONTRIBUTIONS FROM:				TITLE III	3/ G.O.E.		Maximum of Currently obligated U.S.\$ convertible to Egyptian pounds.
	AID Before FY 82 ^{1/}	AID FY 82	AID After FY 82 ^{2/}	AID TOTAL		LE	\$	
<u>605.5: Neighborhood Urban Services</u>	\$	\$	\$	\$	LF	LE	\$	
District Sub-project Activity	11.60	12.30	30.10	63.00	---	6.25	23.00	
PVO Sub-project Activity	2.10	2.20	7.10	11.40	---	---	4.30	
Staff Support	0.00	0.00	0.00	0.00	---	2.90	---	
Technical Assistance	3.90	0.82	2.58	7.30	---	---	0.82	
Evaluation	0.38	0.09	0.20	0.70	---	---	0.09	
Training	0.34	0.12	0.38	0.84	---	0.18	0.12	
Inflation	0.70	0.15	0.45	1.30	---	---	0.15	
Contingency	0.98	0.83	2.65	4.46	---	---	1.53	
Total	20.0	16.50	52.50 (52.50)	89.00	---	9.73	30.00 (P\$1)	

1/ Minimum AID contributions granted under previous authorizations per Section 2.1 of the Program Agreement

2/ A.I.D.'s contribution to the total Activity will be provided in increments, in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual Agreement of the Parties, at the time of a subsequent increment to proceed. The figures in brackets in this column are the proposed maximum dollars convertible to Egyptian pounds.

3/ G.O.E contributions will be in LE. Dollar figures shown in earlier agreements have been converted at the exchange rate of LE 0.83 = US\$ 1.00 (P/R2), for the purpose of this Protocol.

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Appendix I

The structure of the National and Local Government Budgets

The framework of both National and Local budgets are very similar. They are divided into two major sections: current and capital budgets. Each section is divided in two BABs or chapters, and each BAB has a revenue and expenditure account.

The broad outline is as follows:

A. Current Budget

BAB I

Revenue: Sovereignty revenues (taxes).

Expenditure: Wages and Salaries

BAB II

Revenue: Current revenues and transfers

Expenditure: Current expenditures and transfers (operating and maintenance costs)

B. Capital Budget

BAB III

Revenue: Loans and credit facilities

Expenditure: Capital transfers

BAB IV

Revenue: Loans and credit facilities

Expenditures: Capital transfer

The major groupings in each chapter are given in the following pages.

Those portions of the framework of the Local Government revenue budget, which are significantly different from the national budget are also included.

GENERAL FRAMEWORK OF NATIONAL BUDGETA. CURRENT BUDGET

<u>REVENUES</u>	<u>EXPENDITURES</u>
<u>BAB I: SOVEREIGNTY REVENUES:</u> G1.(Central) property taxes G2.Business income taxes G3.Individual income taxes G4.Stamps G5.Legacies fees and taxes G6.Commodities taxes and fees G7.Changes in prices G8.Various sovereignty revenues G9.Local property taxes	<u>BAB I: WAGES AND SALARIES:</u> G1.Monetary wages and compensations G2.Monetary & non-monetary bonuses.
<u>BAB II: CURRENT REVENUES</u> <u>TRANSFERS</u> G1.Service revenues G2.Various revenues G3.Local revenues G4.Common revenues G5.Revenue of Current Activity G6.Donations G7.Revenues of financial papers G8.Current transfers G9.Deficit of current processes	<u>BAB II: CURRENT EXPENDITURES AND</u> <u>TRANSFERS:</u> G1.Commodity requirements G2.Purchases for sales G3.Services requirements G4.Current transfers G5.Specified current transfers G6.Surplus of current processes

BAB = Title, Chapter, or Line-Item

G = Group

B. CAPITAL BUDGET

<u>REVENUES</u>	<u>EXPENDITURES</u>
<u>BAB III: VARIOUS CAPITAL REVENUES</u>	<u>BAB III: INVESTMENT EXPENDITURES</u>
G1. Self-finance	G1. Projects of the Plan
G2. Companies' investment finance	G2. Other fixed assets
G3. Revenues of capital transfers	
G4. Governmental capital-service subsidies	
<u>BAB IV: LOANS & CREDIT FACILITIES</u>	<u>BAB IV: CAPITAL TRANSFERS:</u>
G1. Domestic loans	
G2. Credit facilities	

FRAMEWORK OF LOCAL GOVERNMENT REVENUE BUDGET

CURRENT BUDGET

BAB I: SOVEREIGNTY REVENUES:

G9. Local Sovereignty Taxes & Fees:

Item 1: Land Taxes:

- T1. Original taxes on agricultural lands
- T2. Additional taxes on agricultural lands

Item 2: Building Taxes

Item 3: Entertainment taxes

Item 4: Car taxes and fees

Item 5: Quota in common revenues:

- T1. Quota from additional taxes on customs
- T2. " " " " moveable assets
- T3. " " " " commercial & industrial revenues

Item 6: Share from the Joint Revenue Fund

Item 7: Share from the additional tax on Suez Canal Organization

Item 8: Others

BAB II: CURRENT REVENUES AND TRANSFERS:

G7. Local Revenues:

Item 1: Revenues of utilities administered by Local Councils:

- T1. Revenues of water
- T2. " " sanitary drainage
- T3. " " health works

Item 2: Local Taxes and Fees:

- T1. Fees on commercial firms
- T2. " " clubs, associations, unions, and private associations
- T3. " " industrial & artisan firms
- T4. " " vehicles, bicycles, and domestic animals
- T5. " " commercial boats,...
- T6. " " slaughter houses
- T7. " " usage of coasts, beaches
- T8. " " organization and road works
- T9. " " public gardens
- T10. Additional fees on sales of gasoline
- T11. " " " hotels' occupants
- T12. Fees on birth documents and health measures
- T13. " " licenses of hunting and arms
- T14. " " " " quarries and mines
- T15. Improvement fees
- T16. Rental fees on building occupants
- T17. Fees on fertilizers and crops stores (Showan)
- T18. " " private markets
- T19. " " consumption of electricity and water
- T20. Others.

Item 3: Various Revenues:

- T1. Revenues from markets
- T2. Penalties imposed on buildings
- T3. Other revenues

Item 4: Revenues from Quarries:

Item 5: Other Local Revenues and Activities:

- T1. Local Services and Development Fund
- T2. Cleansing Funds
- T3. Housing Projects.

CAPITAL BUDGET a/

BAB III: VARIOUS CAPITAL REVENUES:

G2. Capital Transfer Revenues

Item 1: Revenues from various sources:

- T2. Sales of buildings and vacant land for buildings.

BAB IV: LOANS AND CREDIT FACILITIES:

- G3. Credit Facilities.

a/ Devoted for meeting Capital Transfers only.

Decentralization Sector Assessment: January 1983

Appendix J

AID SUPPORT FOR LOCAL GOVERNMENT PROGRAMS

(State 199220, July 17, 1982)

ID#3842D

PR RUEHFG
DE RUFHC #0720 1981022
ZNR UUUUU ZZH
R 170631Z JUL 82 ZEX
FM SFCSTAF WASHDC
TO AID WORLDWIDE
RUFHGV/USMISSION GENEVA. LAGOS 8382
RUFHFR/AMEMBASSY PARIS 8602
RUEHRO/AMEMBASSY ROME 6102
BT
UNCLAS STATE 199220

ACTION	DATE
NAN	11/28

17 JUL 82
TOR: 1027
CN: 10126
CHRG: AID
ACTION AID 6
INFO AMB DCM ECON
ICA CHRON

11/MAC

AIDAC FROM AID ADMINISTRATOR MCPHERSON

E.O. 12065: N/A

AGS:

SUBJECT: AID SUPPORT FOR LOCAL GOVERNMENT PROGRAMS

1. IN RECENT DISCUSSIONS HERE AND WITH MISSION DIRECTORS I HAVE EXPRESSED CERTAIN CONCERNS ABOUT THE AGENCY'S SUPPORT OF LOCAL GOVERNMENT PROJECTS. I RECOGNIZE THAT LOCAL GOVERNMENT CAN PERFORM SEVERAL DEVELOPMENT-RELATED FUNCTIONS, SUCH AS THE ADMINISTRATION OF LAW AND ORDER, AND THE PROVISION OF CERTAIN PUBLIC GOODS AND SERVICES AT THE LOCAL LEVEL. MY PRIMARY CONCERN, HOWEVER, IS THAT AID ASSISTANCE STRENGTHEN, NOT WEAKEN, THE INDEPENDENT CAPACITY OF LOCAL GOVERNMENT TO PROMOTE BROADLY-BASED, SELF-SUSTAINING DEVELOPMENT AT THE LOCAL LEVEL, AND THAT OUR ASSISTANCE POSITIVELY ENCOURAGE, NOT DISCOURAGE GREATER COMMUNITY PARTICIPATION AND SELF-RELIANCE, INCLUDING THE GROWTH OF PRIVATE, NON-GOVERNMENTAL ORGANIZATIONS AT THE LOCAL LEVEL. I PERCEIVE THAT THIS SUBJECT RAISES COMPLEX QUESTIONS AND A POLICY STUDY REVIEW IS NOW UNDERWAY IN EXPLORING THESE ISSUES IN GREATER DEPTH.

2. ALTHOUGH THIS CABLE RELATES MOST DIRECTLY TO LOCAL GOVERNMENT ASSISTANCE EFFORTS, MISSIONS SHOULD ALSO LOOK FOR OPPORTUNITIES TO PROVIDE DIRECT SUPPORT TO PRIVATE DEVELOPMENT-RELATED ORGANIZATIONS AT THE LOCAL LEVEL (E.G.,

RURAL DEVELOPMENT ASSOCIATIONS, BANKS, SAVING AND LOAN ASSOCIATIONS, SMALL INDUSTRY AND AGRIBUSINESS, IRRIGATION GROUPS, ETC.) I WOULD LIKE TO EMPHASIZE THAT SUPPORT FOR LOCAL GOVERNMENT AND MY CONCERN THAT SUCH SUPPORT ENHANCE LOCAL INITIATIVE NOT BE TAKEN AS A SUBSTITUTE FOR MISSION PROGRAMS THAT PROVIDE DIRECT SUPPORT FOR PRIVATE SECTOR AND PRIVATE ENTERPRISE DEVELOPMENT.

3. IN THOSE INSTANCES WHERE CONSIDERATIONS ARE NOW BEING GIVEN TO PROJECTS WHICH INVOLVE ASSISTANCE TO LOCAL GOVERNMENT, IT IS IMPORTANT FOR MISSIONS TO ADDRESS THE FOLLOWING CONCERNS:

- A. IF LOCAL GOVERNMENT IS TO BE ASSIGNED TO UNDERTAKE
- SPECIFIC DEVELOPMENT TASKS IT SHOULD BE DEMON-
- STRATED THAT THIS WILL NOT SERVE TO STIFLE LOCAL
- INITIATIVE, BUT RATHER STIMULATE THE GROWTH OF

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- THE GROWTH OF LOCAL PRIVATE ENTERPRISE AND DEVELOPMENT-RELATED ORGANIZATIONS (THROUGH, FOR EXAMPLE, RURAL ROADS AND OTHER LOCAL INFRASTRUCTURE, SOUND LOCAL POLICIES AND INCENTIVES THAT FACILITATE PRIVATE INITIATIVE, ETC.).
 - B. IF AID GRANTS OR LOANS INTENDED TO STRENGTHEN LOCAL GOVERNMENT ARE TO BE ADMINISTERED THROUGH A CENTRAL GOVERNMENT HIERARCHY (OR LOCAL GOVERNMENT LINKED TO CENTRAL GOVERNMENT), THERE SHOULD BE CLEAR AND CONVINCING EVIDENCE THAT THIS SUPPORT WILL NOT SIMPLY SERVE TO INCREASE LOCAL GOVERNMENT DEPENDENCY ON CENTRAL GOVERNMENT INITIATIVE, BUT RATHER STRENGTHEN LOCAL GOVERNMENT CAPACITY TO PROMOTE DEVELOPMENT AT THE LOCAL LEVEL.
 - C. AID ASSISTANCE TO LOCAL GOVERNMENTS UNDER A HIGHLY CENTRALIZED SYSTEM SHOULD BE PRECEDED BY NEGOTIATIONS THAT CAREFULLY DELINEATE THOSE FUNCTIONS, AUTHORITIES AND RESPONSIBILITIES WHICH NEED TO BE TRANSFERRED TO ASSURE SUFFICIENT LOCAL GOVERNMENT AUTONOMY.
 - D. LOCAL GOVERNMENT PROGRAMS SHOULD ALSO ENCOURAGE THE GROWTH OF LOCAL REVENUE-RAISING CAPACITY THAT PERMITS THE ASSUMPTION OF LOCAL COMMITMENTS OF OPERATING, MAINTENANCE, AND REPLACEMENT FUNDING AND RESPONSIBILITIES. EFFECTIVE ASSUMPTION OF SUCH RESPONSIBILITIES IS A SIGNIFICANT TEST OF THE VALUE AND SUCCESS OF LOCAL GOVERNMENT ASSISTANCE.
4. WHERE LOCAL INSTITUTIONS AND GOVERNMENT ARE FOUND DESIRABLE FOR ASSISTANCE AND THE ABOVE CRITERIA ARE MET, SUPPORT SHOULD BE VIEWED AS A LONG-TERM INSTITUTION BUILDING PROCESS WHICH REQUIRES AN AID COMMITMENT TO A LONG TIME FRAME IN ORDER THAT SUFFICIENT OPPORTUNITY IS ALLOWED FOR DEVELOPING SUSTAINABLE SELF-HELP CAPACITY. SHULTZ

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Decentralization Sector Assessment: January, 1983

Appendix K

FUNDS CONTROLLED BY LOCAL GOVERNMENT

Information on the following funds is contained in this appendix:

- 1. Local Services and Developments Fund (LSDF)**
- 2. Gasoline Price Fund**
- 3. Cleansing Fund**
- 4. Economic Housing Fund**
- 5. Land Reclamation Fund**
- 6. Industrial Area Services Fund**

During the assessment we also found that several governorates had "informally" established Education, Health and Youth funds and are administering and using them locally to support their own initiatives.

ID#2004D/0064D

1. NAME OF FUND

Local Services and Development Fund (LSDF)

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Local Government Law #43/1979
- Local Government Law #50/1981

3. PURPOSES OF THE FUND

- To finance local production and services projects in accordance to a local plan being distributed and approved within the frame of the public plan;
- to complete projects cited in the General Budget but with insufficient credits;
- to furnish projects financed through self-reliance;
- to improve levels of performance of local services; and
- to meet local urgent and vital services.

4. SOURCES OF REVENUE FOR THE FUND

They vary slightly from tier to tier of local government. At the governorate level, they are:

- Duties imposed by the governorate LPC in favor of this account;
- Profits of productive projects financed through this account;
- Donations, grants and legacies allocated by the governorate LPC for the account
- 50% of the increase in local revenues over governorate's budget allocations

5. TYPES OF EXPENDITURES

Within item #3

6. WHO CONTROLS REVENUES AND EXPENDITURES?

- The Local Government units decide on expenditure
- The Ministry of Finance accounting units administer expenditures
- The Central Agency of Accounting audits the funds

1. NAME OF FUND

Gasoline Price Fund (IGPF)

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Presidential Decree No.158/1980
- Presidential Decree concerning Public Roads' Establishment and Care Fund of 1976

3. PURPOSES OF THE FUND

Road building and maintenance

4. SOURCE OF REVENUE FOR THE FUND

Increase in sale price of gasoline decided for accounts purposes.

5. TYPES OF EXPENDITURES

- Establishment of roads
- Renewal of roads
- Paving and asphalt equipment

6. WHO CONTROLS REVENUES AND EXPENDITURES?

- 70% of revenues under the control of the Secretariat General of Local Government; and
- 30% under the Public Organization for Roads and Bridges

1. NAME OF FUND

Cleansing Fund (CF)

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Law # 38/1967
- Law # 69/1977

3. PURPOSES OF THE FUND

Execution of the public policy laid down for the field of cleaning streets, squares, roads, etc.

4. SOURCES OF REVENUE FOR THE FUND

- A cleansing fee of 2% of the rental value of buildings
- Receipts from accommodations taken place in accordance to Law # 38;
- Funds allocated for such purposes by the governorate's budget;
- Fees for (cleaning) services rendered to organizations;
- commission paid by collectors of garbage;
- penalties imposed in accordance to Law #38;
- donations and grants;
- receipts of millime's residuals.

5. TYPES OF EXPENDITURES

Cleaning equipment and maintenance

Salary incentives from cleaners, etc.

6. WHO CONTROLS REVENUES AND EXPENDITURES?

All except last source, are under the governorate. Receipts of millime^c are locally administered but centrally allocated.

1. NAME OF FUND

Economic Housing Fund (EHF)

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Local Government Law No.43/1979
- Local Government Law No.50/1981
- Law 34/1978
- Law 107/1976

3. PURPOSES OF THE FUND

Building housing units suitable for the dwelling of town's poor

4. SOURCES OF REVENUE FOR THE FUND

- Description of land owned by the State and destined for buildings;
- subscriptions into the housing bonds organized by Law #107/1976;
- charges on individuals for being granted rights;
- funds allocated by the State;
- subsidies, donations and grants;
- receipts from investing the funds of this account;
- penalties in accordance to Law 107/1976;
- taxes on vacant lands (Law #34/1978);
- receipts from rents and ownership shares of buildings owned by the governorate. (Law 50/1961)

5. TYPES OF EXPENDITURES

Low-cost housing units.

6. WHO CONTROLS REVENUES AND EXPENDITURES?

- Governorates decides
- National Investment Bank administers the fund.

1. NAME OF FUND

Land Reclamation Fund (LRF)

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Law No.43/1979
- Law No.50/1981
- Implementing regulations have not been written.

3. PURPOSES OF THE FUND

Reclamation of arable land in the governorate

4. SOURCES OF REVENUE FOR THE FUND

- Disposition of agricultural land and newly reclaimed lands

5. TYPES OF EXPENDITURES

- More at present: regulations have not been written.

6. WHO CONTROLS REVENUES AND EXPENDITURE??

- Governorates

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1. NAME OF FUND

Industrial Areas Services Fund.

2. LAWS AND REGULATIONS GOVERNING THE FUND

- Law No.43/1979
- Law No.50/1981
- Implementing regulations not written yet.

3. PURPOSES OF THE FUND

- Establishment of Public Utilities
- Social and housing services

4. SOURCES OF REVENUE FOR THE FUND

- 10% of companies' profits for social services;
- 5% of companies' profits for housing services;
(both are cut from workers' share in profits)
- Donations and grants
- Other sources defined by the concerned governorate LPC or board of managers of industrial units in the area.

5. TYPES OF EXPENDITURES

Fund not implemented.

6. WHO CONTROLS REVENUES AND EXPENDITURES?

- Governorate LPC,

ID#2004D/0064gbk

Appendix L
SELECTED TABLES FROM SURVEYS OF LOCAL COUNCILLORS
AND THEIR CONSTITUENTS

The following extracts are taken from two reports, by Dr. Sayed Ghoneim, of the results of surveys of 128 councillors and 250 constituents in 16 local government units in seven governorates.

The interviewing for the surveys had been completed earlier in 1982.

The analyses and reports were done specifically for the assessment.

Data on local popular councils (LPC) powers, duties and achievements are presented from the councillors survey.

1. SUITABILITY OF LPC'S POWERS:

Disagreement on the suitability of powers already vested to the LPC may refer either to councillors' ignorance of such powers and/or to their disagreement on such powers. Both of these two cases may occur wherein local government laws are laid down without reference to the LPC and/or are subjected to frequent changes.

In the survey 41.4% of the respondents say that such powers are less than "LPC's capabilities", another 41.4% see that they are more than such capabilities, and 13.3% see that they are "just" suitable to the LPC's capabilities.

This represents the division of the advocators of local government in Egypt into two groups, one prefers going back to Law 124/1960, another supports status quo. This division does not only exist at the local level out also it exists at the central level. It, also, represent the division, that exists every where in the world, between supporters of decentralization and defenders of centralization. What causes astonishment in Egypt is the division into two semi-equal camps. This may reflect the ambiguity of the objectives of, and the national policy toward, local government.

2. CONSISTENCY BETWEEN POWERS AND DUTIES:

Regardless of the above mentioned disagreement on the suitability of the powers already vested to the LPC, some councillors from both camps think that some new powers should be granted to the LPC by local government law. They represent 46% of the respondent councillors. Therefore, one may ask the question: "Are these advocated powers consistent with councillors' expected roles?"

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Councillors were asked about the powers that were not provided for by local government law and should be granted to the LPC, and about the duties they expect to perform by and/or through the LPC. Here, their responses are coded as "mentions".

Table # 1: Nature of Councillors' Expected Roles

	<u>%</u>
None	16.4
General Ideas	40.6
Social Role	31.3
Political Role	3.1
Societal Role	8.6
Total (N=128)	100.0

Table # 1 shows that most of the respondents give very general ideas and social roles. Very few of them identify political and societal roles for themselves. This is while 40.6% of them asked for new powers for the LPC as a decision-making unit. It worth mentioning that 7.0% of them see that the LPC does not have any powers at all (Table # 2).

Table # 2: Nature of Advocated Powers and Present Powers of LPC's Members

	<u>Advocated</u>	<u>Present Powers</u>
	<u>%</u>	<u>%</u>
None	34.4	56.3
General Notions	8.8	7.0
Relevant to LPC's Powers & Structure	40.6	17.2
Relevant to LPC's Procedures	7.8	16.4
Relevant to Local Personnel	1.6	3.1
It has no powers at all	7.0	---
Total (N=128)	100.0	100.0

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Table # 2 reveals also an attractive not. That is, 56.3% of respondent councillors feel that they have no powers at all as members of the LPC. The majority of the rest of the councillors feel that their powers are related to council's powers, structure and process; There are the areas in which they ask for more powers.

3. LPC'S ACHIEVEMENTS AND LOCAL GOVERNMENT UNITS' (LGU) URGENT PROBLEMS:

Many may agree with us that LPC's are not mere parliament any - courts that provide local representatives with opportunities to discuss whatever powers are under their jurisdictions and to be prepared as democratic citizens. Rather, they are community - servant agents whose achievements for local community should be widely known and closely related to the urgent problems of that community.

Table 3 shows that fifty percent of the respondent councillors state that their LPC's did not do any thing of value for their LGU's, while 20.3% said that there are no clearly defined current problems in these LGUs.

Table # 3: Nature of LPC's Achievements & LGU's Urgent Problems

	<u>Achievements</u> %	<u>Problems</u> %
None	53.1	20.3
Infrastructure	9.4	32.8
Production	21.1	0.8
Services	16.4	33.6
General	---	12.5
Total (N=128)	100.0	100.0

However, priorities adopted by the LPCs concentrate upon: productive projects, services projects and infrastructure projects. This while priorities of urgent problems are ranked as follows: services projects (33.6%), infrastructure projects (32.8%), and general problems such as the mentioning of "community development", "local problem-solving", "food security" and "village renewal" (12.5%). Productive projects which 21.1% of the respondents state that their LPCs are committed to, 0.8% of those respondents state that they meet an urgent problem.

The following sections are taken from the constituents survey:

4. EXPECTED DUTIES OF LPS'S MEMBERS:

As shown in Table 4 the respondents give emphasis to problem-solving, and representation. Other 28.7% of them give ideals that may recover the defects of the existing LPC's members such as honesty, equal treatment, and attending LPC's meetings.

However, those who expected political, social and personal roles for LPC's members are few.

Table # 4: Expected Duties of LPC's Members

	%
None	7.2
Ideals	28.7
Social	4.0
Political	2.4
Mixed	5.2
Personal	0.8
Representation	24.3
Problem-Solving	27.5
Total (N=251)	100.0

5. ACTIVITIES OF THE LPC AND THEIR EFFECTS

66.9% of the respondents state that their local people's councils (LPCs) did not do anything for the local community. 18.3% state that they give general information not concrete activities. 8.4% of them state LPCs had undertaken infrastructure projects. And 5.6% of them state that LPCs had undertaken service projects.

Respondents were asked: "Do LPC's activities affect your life?" We do not differentiate between positive and negative effects. Only 13.9% state they are strongly affected; 55.8% to some extent, and 30.3% say no effects.

Then, we turned to positive and negative effects. Respondents were asked whether LPC's activities improve conditions of local community. 23.1% state: "No". 48.2% say "Their existence is better than non-existence". And, 28.3% stated that they surely do.

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6. URGENT PROBLEMS AND WHAT CAN BE DONE:

Respondents give the following assessment of the urgent problems of local government units. This assessment (Table # 5) emphasizes services and infrastructure projects, not productive projects.

Table # 5: Urgent Problems of LGUs

	%
None	10.4
General notations	8.8
Infrastructure ^a	10.8
Productive	0.8
Service	69.3
<hr/>	
Total (N= 251)	100.0

In any case, respondents does not expect very positive role for the LPC in meeting such problems. 40.2% of them state that the LPC cannot do anything, and 28.7% of them state that it can raise claims to higher authorities. At the same time, respondents expressed more positive role for local inhabitants. 26.7% state that they co-operate with governmental authorities in meeting such problems. 13.4% of them state that they can articulate such problems in concrete demands and raise them to the central government authorities. And, 12.0% of them state that they can rely on self-reliance efforts in meeting such problems (Table # 6).

Table # 6: Meeting Urgent Problems of LGU

What can be done by:	<u>LPC</u>	<u>Inhabitants</u>
	%	%
Nothing	40.2	43.0
Take the Initiative ^a	3.6	12.0
Begging others ^b	5.2	12.4
Cooperation with others	7.6	26.7
Raising claims	28.7	2.8
Supervision over others' work	3.6	0.0
Not specified	11.2	3.2
<hr/>		
Total (N= 251)	100.0	100.0

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- a. for citizens: "self-reliance"
- b. for citizens: "making and raising demands"

V. SOME COMPARISONS BETWEEN LPC MEMBERS AND CONSTITUENTS (LAYMEN):

These comparisons are not intended to cover all the sub-topics discussed in the reports. The comparisons are restricted to similar questions.

1. Regarding expected roles of LPC members none of the councillors referred to representation, while 24.3% of laymen refer to it. Also, laymen give more emphasis to problem-solving (or societal roles) than councillors do.
2. While 21.1% of councillors state that among the achievements of the LPC are the undertakings of productive projects, none of layment recognized this. Also, 16.4% of councillors refer to service projects undertaken by the LPC to which only 5.6% of laymen refer.
3. Both councillors and laymen give emphasis to services and infrastructure as urgent problems of local government units. And, large proportions of both of them state that the LPC cannot do anything to meet them and/or it can raise claims to higher authorities.
4. Councillors are more active participants than laymen; 54.7% of councillors are members in voluntary organizations, only 25.5% of layment. 90.6% of them are party members compared with 28.7% of layment, 83.0%, 88.3%, 68.0% of them voted in last Presidential referendum, and the elections of Sha'ab and Shoura Councils respectively.

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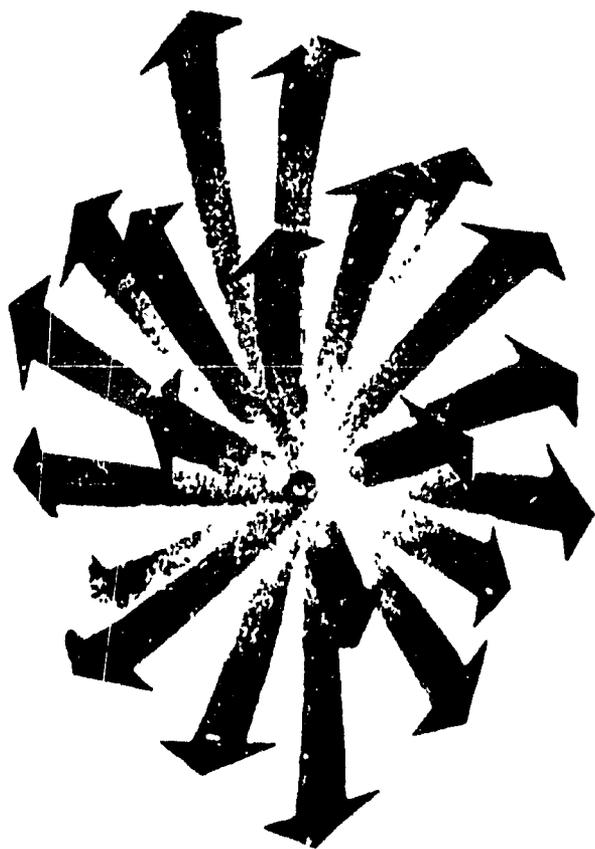
اللامركزية فى الحكم المحلى فى مصر
برنامج خاص لوكالة التنمية الدولية الامريكية

قسم الادارة المحلية و التنمية وكالة التنمية الدولية الامريكية - القاهرة	الدكتور/ جراهام با. كير
قسم التنمية و التخطيط و المتابعة وكالة التنمية الدولية الامريكية - القاهرة	الدكتور/ بيتر و. اماتو
وكالة التنمية الدولية - واشنطن	الدكتور/ وليم فوكس
استاذ بكلية التجارة - جامعة المنصورة	الدكتور/ ابراهيم عمر
استاذ بكلية الاقتصاد و العلوم السياسية جامعة القاهرة	الدكتور/ سيد حامد

وكالة التنمية الدولية الامريكية بالقاهرة:

قسم الادارة المحلية و التنمية
قسم التنمية و التخطيط و المتابعة

يناير ١٩٨٣



تقييم قطاع اللا مركزية: يناير ١٩٨٣

ملخص تنفيذي

في أغسطس ١٩٨٢ أدمجت مشروعات اللامركزية الخمسة التي تقدم بها الوكالات الأمريكية للتعمية الدولية في برنامج واحد، ووقعت اتفاقية جديدة مع الحكومة المصرية، ويهدف البرنامج إلى مساعدة الحكومة المصرية في تأسيس نظام لامركزي لتخطيط التنمية والبيازنة، وللحكومة المصرية تدرك ان مهام زيادة الانتاج القيس ورفى مستوى المعيشة من الخدمات والتشجيع المحلى بما يحول دون تحققه من طريق البيروقراطية المركزية، وقد اكد الرئيس مبارك عدة مرات على عدم جعل التوجيه المركزي التابع من الوزارات في القاهرة يمدوق الجهود المحلية الساعية الى توفير الخدمات، والى ايجاد حل فعال لمشكلات التنمية المحلية، ويمير العديد من الاحداث الحالية الى اهتمام المصريين الرابع باللامركزية كاستراتيجية المتعجيل بالتنمية القيومة.

ولقد تطورت قيمانين الحكم المحلى المصرية بسرعة خلال النصف الثانى من السبعينات، ودخلت أنشطة الوكالات الأمريكية للتنمية الدولية مراحلها التنفيذية، وها هو الوقت المناسب للتقييم، وقد تكون لهذا الغرض في نوفمبر ١٩٨٢ فريق من خمسة اشخاص من فروع معرفة مختلفة، ومن المستشارين المصريين ومسئول العاملين وكالة التنمية الدولية.

والاغراض التي حددت لهذا التقييم هي :

- أ. تقييم وتوثيق وضع اللامركزية المصرية في الخدمات المحلية،
- ب. تقييم ادراكات الحكومة المصرية ونواياها بالنسبة للدملية،
- ج. تحديد المؤسسات الرئيسية المتخرفة في العلية،
- د. وتطوير استراتيجية وجدول عمل للوصول الى اهداف البرنامج.

وتم قسم مدى اللامركزية من ثلاثة ابعاد : البعد الوظيفى، والبعد السياسى، والموارد (مالية وقوى عاملة)، وجمدت المعلومات من التقييم المصرية ولوائحها التنفيذية، والبيازنة القيوية، والمحلية، والمخفف، ومسئول

مقابلات مطولة في القاهرة وثلاث محافظات ، ومن استطلاع لراى ١٢٨ عضو مجلس شعبى محلى و ٢٥٠ مواطن من وحداتهم المحلية .

ووجد الفرق ، بالنسبة للامركزية الادارية والوظيفية ، ان البرنامج الشعبية المحلية والمجالس التنفيذية منخرطة بشكل متزايد في الحكم وادارة البرنامج في وحداتهم ، وانها مسئلة عن توفير الخدمات الاساسية ، فقد نفذت سياسات نقل المسئولية الى الوحدات المحلية .. فالوظائف التنفيذية قد نقلت من الوزارات المركزية الى المديرية في المحافظات ، كما احدثت العمالة ومزانية الاجور بالمستوى المحلى ، ويقدم كل المواطنين بالمديرية تقاريرهم مباشرة الى الوحدات المحلية وذلك باستثناء رؤساء المديرية في المحافظات الذين يقدمون تقارير لوزارات المركزية والمحافظين - ولكن المحافظ هو المسئول عن تقاريرهم ، وقد نفذت هذه اللامركزية الوظيفية حديثا ، وما زال المنخرطون فيها يحاولون تمسياد وارهم ، وما زالت مذكرات التنسيق قائمة .

وقد وجد الفرق بالنسبة للامركزية السياسية ان الاساس الميكانيكية للمشاركة الشعبية موجودة ، وان الوحدات المحلية وفر لها اتصال اكبر بمراكز القوة ، وان الموقف المتداول للوحدات المحلية فيما يخص الموارد التى تحتاجها يتحسن ، فالمحافظون لوزراء^{درجة} ، ويتعاونون مع اعضاء مجلس الوزراء كانداد لهم ، كما ان المجلس الاعلى للحكم المحلى - وهو المجلس الذى قرب رؤساء المجالس الشعبية للمحافظات من مركز السلطة - سيجتمع لاول مرة في فبراير ١٩٨٣ ، فضلا عن ان المجالس الشعبية المنتخبة مسئولة اليوم عن وضع اوليات التنمية والموافقة على ميزانية الوحدات المحلية ، قبل رفعها الى المستوى الاعلى التالى من الحكم المحلى .

وعلى الرغم من ان ميكانيكة المشاركة الشعبية تعمل ، فان قرارات الوحدات المحلية تفرغ احيانا من محتواها من قبل الوزارات المركزية ، ومن ثم تتم مفاوضات ومحاولات تاثير في القاهرة ، كما ان فعالية ونوع المشاركة اينما يتميمان نتيجة المعدل العالى للتغير في الموظفين المعينين .

ووجد الفريق ان الموارد اللازمة لتنفيذ القرارات والانطلاق بالمسؤوليات مشتتة بين الوحدات المحلية ، حقا لديها عمالة اكبر مما تحتاج ، ولكنها عمالة غير مزودة بالمهارات والكفاءات المناسبة ، ولذلك فان المطلوب هو مزيد من المهندسين ، ورجال القانون والتخطيط والمالية .

ويكشف التحليل المالي عن وجود قدر معقول من لامركزية الإنفاق ، وعن قد رضيل من لامركزية الإيرادات ، وبالتالي وجود اعانة كبيرة الحجم من الحكومة المركزية للمحافظات ، وبالنسبة للخدمات التي تؤديها كل من الوحدات المركزية والمحافظات ، تبلغ موازنة النفقات الجارية للمحافظات اربعة امثال الموازنة المركزية للنفقات الجارية ، فضلا عن انها تنمو بمعدلات اعلى ، كما ان الموازنة الاستثمارية للوحدات المحلية تنمو اسرع من استثمارات الجزارات المركزية ، ولكن الإيرادات المحلية تنمو بمعدلات ابطأ من معدلات نمو الإيرادات المركزية ، الا ان هناك نقطة اشراق في صورة الإيرادات الا وهي مناديق الخدمات التي تشعبها المحافظات استجابة للمطالب المحلية ، وتدار خارج الموازنة القومية وان سجلت بها ، فعلى الرغم من انها بازالت صغيرة فلديها تدوير سريع .

والمؤسسات الرئيسية المنخرطة في اللامركزية هي : المحافظون ، المجالس الشعبية في المحافظات ، المجلس الاعلى للحكم المحلى ، لجنة الحكم المحلى في الهيئة التشريعية ، ووزارات : الحكم المحلى ، المالية ، التخطيط ، القوى العاملة والاستثمار والتعاون الدولى ، والجهاز المركزى للتنظيم والادارة ، وبنك الاستثمار القومى .

وقد عبرت الحكومة المصرية بجلاء عن التزامها باللامركزية في كل المجالات

ما عدا الموارد المحلية .

وقد قامت الوكالة الامريكية للتنمية الدولية بتنسيق سلسلة من الانشطة مع التزام وحركة الحكومة المصرية في هذا المجال ، وقد عدت الوثائق العملية بموارد اضافية ، خاصة المال والمعونة الفنية ، وحتى على الرغم من ان هذه

الانشطة مازالت صغيرة ومحدودة ، لان عدة الايام من مشروعات القرى قد بدأت ، وانخرط عشرات الآلاف من القرويين في فهمها وتنفيذها ، وقد وجدت ١٥٠ مليون دولار طرقتها المباشرة الى الوحدات المحلية ، وسمحت لهذه الوحدات بان تبرز فعالية اللامركزية ، وقد وجدت في هذه الوحدات الوجيهة قدرات معقولة عيسى تنفيذ الشروط البسيطة للتنمية .

والعقبات الرئيسية في القطاع هي : تنمية الساسة ، وتوليد الموارد المحلية ، والكفاءات الادارية ، فاعضاء المجالس الشعبية وزملاء وهم التنفيذيون غالبا ما تنقصهم المهارات اللازمة للمشاركة في التخطيط اللامركزي . وفي ادارة العمليات التي خصص القانون بها .

وتوجد فجوة واسعة بين احتياجات التنمية المحلية و الموارد المالية ، وتسد الوكالة الامريكية للتنمية الدولية هذه الفجوة جزئيا في الوقت الحاضر ، ويعتمد الاستمرار في المستقبل - على اية حال - على الموارد التي يتم توليدها من الوحدات المحلية لتحفظ وتستخدم . ساء ، وعلى مزيد من المرونة في استخدام وادارة المعونات التي تقدمها الحكومة المركزية للوحدات المحلية .

قبل تكوين لجنة تسير القطاع ، لم تكن الوكالة الامريكية للتنمية الدولية منخرطة مع الحكومة المصرية فتي

تطوير سياسة تنمى تحقيق الاهداف المتباينة للقطاع ، بل ان اولئك القائمين على السياسة في الغالب غير واعين بانجازات الانشطة ، واولئك القائمين على تنفيذ مشروع ليس لديهم الا النذر اليسير من المعرفة باهداف القطاع ، ولا بد من ان يتم اتصال بين هذه الجماعات عند التطوير العملي لسياسة اللامركزية .

وسوف تقوم استراتيجية الوكالة الامريكية للتنمية الدولية على التزامات الحكومة المصرية وانجازاتها بالامتراك مع الوكالة لتضمن التحقيق الجسدي للتنمية اللامركزية على اساس الموارد المحلية ، كما تقوم على خبرة الوكالة الامريكية للتنمية في حيار السياسة وبناء المؤسسات ، وتقوم الاستراتيجية على الاعتراف بان الاهتمامات الالهية لوكالة التنمية الدولية في القطاع هي : تقوية مشاركة

(٥)

المجتمع والاعتماد على الذات ، وتقليل الاعتماد المحلي على الحكومة المركزية ، وزيادة الموارد المولدة محليا بما يجعل السلطات قادرة على تغطية نفقات التشغيل والاحلال ، وقد قدمت وكالة التنمية الدولية التزاما طويل المدى " من اجل توفير الفرصة الكافية لتنمية القدرة الدائمة على الاعتماد على الذات " (الدولة ٧٠١١٩٢٢٠ / ٨٢/١٧)

ويجب توسيع عوية لجنة تسيير القباء ، وتزويدها بالساعدة الفنية بما يجعل منها مركزا لتداول السياسات و مناقشتها .

وسوف تحتاج اللجنة الى تنمية دائمة مشاركة ، وزيادة في العمليات لدى الإطراف المهتمة وجدول اعمال دائم بفعال بالموسمات ، فجب تطوير الانشطة الجديدة وتعديل المشروعات القائمة من خلال اللجنة ، وبحب تنمية الانشطة الجديدة بما يسمح بتخطي العقبات وسد الفجوات في برنامج القطاع ، فشلا ، نجد ان نشاط خدمات المدن لبناء الخدمات الاساسية و المدن المتوسطة الحجم - وهو غير مستوح به في ظل الانشطة الحالية - يمكن ان يتضمن مكونات ادارية هامة ، ويمكن وضع هيكله المالي لتشجيع توليد الموارد المحلية والاصلاحات السياسية المتعلقة بها .

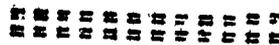
وتقوم استراتيجية الوكالة الامريكية للتنمية الدولية على اساس نموذج توصيل

الخدمات الذي يعمل ويتركز على :

٠١ مناقشات السياسات

٠٢ مواجهة عقبات الموارد المالية .

٠٣ التخطيط والتنمية الادارية .



APPENDIX M

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