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LOCAL DEVELOPMENT II URBAN PROJECT

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Submitted to

USAID / CAIRO

Submitted by

WILBUR SMITH ASSOCIATES

in association with

PUBLIC ADMINISTRATION SERVICE
DEVELOPMENT CONSULTING OFFICE

DELOITTE AND TOUCHE
ENGINEERING AND GEOLOGICAL
CONSULTING OFFICE

LD II URBAN PROGRAM
LOCAL RESOURCE MANAGEMENT
~~PILOT PROJECT~~

LOCAL DEVELOPMENT II URBAN PROJECT

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November 5, 1990

Mr. Jack Gisiger, Chief
Urban Development Branch
Office of Local Administration
and Development
USAID, Cairo

Dear Jack:

We are pleased to submit the following report "Local Resources Management, Pilot Study (LRM)".

We look forward for your review of this report, and if the opportunity allows, to discuss it in more detail with you and your staff.

Sincerely,

WILBUR SMITH ASSOCIATES



Richard E. Miller
Chief of Party

16-1F.368

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TABLE OF CONTENTS

- i INTRODUCTION
- ii EXECUTIVE SUMMARY
- iii GLOSSARY
- iv INTRODUCTION TO KEY CONCEPTS
- 1. LOCAL GOVERNMENT SECTOR OVERVIEW
 - 1.1 Urbanization Trends
 - 1.2 Institutional Capacity
 - 1.2.1 Efficiency of Municipal Management
 - 1.2.2 General Government Agencies
 - 1.2.3 Public Utilities
 - 1.2.4 Local Government
 - 1.2.5 Productive Projects/Privatization
 - 1.2.6 Responsibilities & Authorities/Performance
 - 1.2.7 Administrative Policy Reform
- 2. FINANCE & FINANCIAL CONDITIONS
 - 2.1 GOE Revenues, Expenditure and GDP Trend 1979-1987
 - 2.2 Inflation and Per Capita Analysis
 - 2.3 Local Administration, Expenditures, Revenues and Subsidies
 - 2.4 Local Administration Needs Assessment
- 3. DISCUSSION OF KEY CONCEPTS
 - 3.1 Decentralization and Devolution
 - 3.2 Local Resource Management
 - 3.3 Government Grants
 - 3.4 Regional Disparity
 - 3.5 Differential Pricing
 - 3.6 Program Budgeting
 - 3.7 Performance Measurement
 - 3.8 Cost Recovery
 - 3.9 Cost Benefit Analysis
 - 3.10 Integrated Management Information Systems
- 4. CONSTRAINTS TO LOCAL GOVERNMENT FISCAL AUTONOMY
 - 4.1 Overview
 - 4.2 Organizational & Administrative
 - 4.2.1 Absence of Automated Fiscal System
 - 4.2.2 Full Time Staff/Training
 - 4.2.3 Language
 - 4.2.4 Responsibilities/Authorities
 - 4.2.5 Local/Central Communication
 - 4.2.6 Policy Decentralization
 - 4.2.7 Manpower vs. Quality Staffing for Local Government
 - 4.2.8 Relate Incentives to Productivity and Reform

- 4.3 Financial
 - 4.3.1 Public Budgeting Process through Popular Councils
 - 4.3.2 MOF should be a Non-Operational Agency
 - 4.3.3 Special Funds-Recognition of Importance
 - 4.3.4 Distinguish Between Dewan & Service Directorate Revenues & Expenditures
 - 4.3.5 Importance of Fund Accountability (Principles & Concepts)
 - 4.3.6 Control of Year End Cash Balance
 - 4.3.7 Non-Identified Source of Funding for BAB 1 & 2 Expenditures
 - 4.3.8 Balanced Budget Principles
- 4.4 Procedural
 - 4.4.1 Local Control of Chart of Accounts
 - 4.4.2 Permission to Revise Forms & Procedures
 - 4.4.3 Local Determination of Line Item Allocations
 - 4.4.4 Intergovernmental Grants
 - 4.4.5 Revenue Raising Authority at the Local Level
 - 4.4.6 Uniform Accounting Principles
- 5. LOCAL REVENUE GENERATION
 - 5.1 Introduction
 - 5.2 Short Term
 - 5.2.1 Local Fees - Commercial Shops, etc.
 - 5.2.2 Taxation of Utility Revenue
 - 5.2.3 Property Tax
 - 5.2.4 Agricultural Land Tax
 - 5.2.5 Building Tax
 - 5.2.6 Property Systems and Administration
 - 5.2.7 Revenues & Collections
 - 5.2.8 Revenue In-Lieu-of Property Tax
 - 5.2.9 Motor Vehicle & Related Transport Matters
 - 5.3 Long Term Recommendations
- 6. GOVERNMENT GRANTS/REVENUE SHARING
 - 6.1 Introduction
 - 6.2 Revenues
 - 6.3 Central Government Grants
 - 6.4 Surplus Retention
- 7. POLICY REFORMS/SERVICE DELIVERY
 - 7.1 Chart of Accounts
 - 7.2 Fund Accounting
 - 7.3 Cost Recovery
 - 7.4 Cost Centers
 - 7.5 Departmental Accounting
 - 7.6 Program Budgeting
 - 7.7 Integrated Management Information System
- 8. IMPLEMENTATION PLAN
 - 8.1 Implementation
 - 8.2 Conclusions

LIST OF FIGURES

<u>FIGURE</u>	<u>TITLE</u>	<u>PAGE</u>
1	Revenues & Expenditures as a Percentage of GDP 1979 to 87	7
2	Gross Domestic Product: Current vs. Real, 1979 to 87	7
3	GDP Per Capita, Current vs Real, 1979 to 87	8
4	GOE Revenues & Expenditures, Current vs Real, 1979 to 87	8
5	GOE Revenue Per Capita, Current vs Real, 1979 to 87	8
6	Local Administration Real Per Capita Expenditures, Revenues & Subsidies, 1979 to 87	8

- 8

LIST OF TABLES

<u>TABLE</u>	<u>TITLE</u>	<u>PAGE</u>
1	Urbanization Trends in Egypt, 1960 to 87	1
2	Population Trends, 1960 to 2000	1
3	GDP and Revenues in Middle Income Economies	7
4	Needs Assessment, Solid Waste & Road Maintenance, FY 1988/9	9
5	Taxation of Utilities	27
6	Impact of 1989 Agricultural Land Re-Assessment	28
7	Property Tax Collections And Arrears, Giza Governorate, FY 1988/9	30
8	Additional Auto Fees & Taxes	32
9	Urban Governorate Per Capita Comparative Expenditures, Revenues & Subsidies, FY 1987/8	34
10	Selected Governorates Per Capita Comparison with Ratios of Expenditures, Revenues And Subsidies, FY 1987/8	34
11	Local Administration Revenues, FY 1987/8	35
12	Local Administration Joint Revenues, Joint Funds & Suez Canal Revenue Distribution, FY 1987/8	36
13	Government Grant Proposal FY 1987/8	37
14	Cost Recovery of Economic & Service Authorities, 1989/9 Budget	40

ANNEXES

<u>REF.</u>	<u>TITLE</u>
(i)	Introduction
A	Finance & Financial Conditions
B	Motor Vehicle & Related Transport Matters - Key Issues
C	Local Revenue Generation
D	Policy Reforms/Service Delivery
E	Bibliography



INTRODUCTION

The Local Resource Management Program is financed by USAID funding under Local Development II Urban Project Contract No. 262-0182-C-00-8017 which has to date invested LE 11,121,348 in maintenance programs and LE 157,271,000 in the capital investment program. A copy of the initiating letter to Mr. Jack Gisiger, Project Officer, Urban Project, USAID, Cairo from Richard E. Miller, Chief of Party LD II Urban, WSA Cairo, dated March 13, 1990 is enclosed under Annex (i) together with schedules of the program expenditures.

The objectives of the program are:

- o Revenue Generation

- To increase the ability of local government to generate additional revenues.

- o Practical Financial Reform

- Enhance fiscal reporting capability of

- . Central functions
 - . Service departments
 - . Economic authorities

- Through:

- .. Establishing fund accounting in each unit
 - .. Establish product/service costing
 - .. Enhancement of the chart of accounts.

- o Establish desirable levels of service delivery in quantifiable units

- o Establish monitoring system to measure actual service levels compared to budgeted and/or desirable levels through:

- . Cost centers
 - . Performance indicators
 - . Performance budgeting.

- o Intergovernmental Grants

- To develop a system for determining fair and equitable levels of Government of Egypt grants to local authorities.

- o Implementation Plan Report

- Develop plans for continued research, implementation and funding.

For ease of reference figures appearing in the report are replicated in the relevant annex together with the supporting data tables.

EXECUTIVE SUMMARY

Introduction:

Governorates are characterized as lacking the full status of a municipal corporate legal entity. They have fragmented responsibility for the delivery of services through service directorates and/or area utility companies. In theory, service directorates report administratively to the governorate. In practice, they are substantively controlled by the central ministries. Investment decisions are made more on the basis of technical feasibility and compatibility within narrow sectorial objectives, rather than upon economic analysis and the development of comprehensive plans to resolve competition for scarce capital investment funds.

Nor is there the capacity at the local level to determine or project required maintenance levels and as a result, maintenance programs are under funded. Services supported by user fees are generally provided at below minimum cost recovery levels thus displacing the opportunity for financing eventual capital asset replacement through internally generated funds. The impact of low maintenance standards is shorter asset life requirement of further scarce financial resources for capital investment, while the absence of fiscal responsibility and accountability currently precludes the raising of funds at the local level.

The Government of Egypt (GOE) has mounting economic and financial difficulties while funding for governorates, in real terms has now fallen below 1979 funding levels. A partial needs analysis demonstrates in order of magnitude, a significant shortfall in local administration funding in relation to need and a requirement to pursue local administration reform which will:

1. Improve service delivery to local citizens;
2. Effectively and efficiently utilize increased expenditure levels;
3. Promote accountability and performance measurements; and
4. Institutionalization of sustainable fiscal autonomy at the local level (i.e. increase the motivation to raise revenues at the local level).

A. Grants & Revenue Generation

a. Central Government Grants

Required central subsidies lack objective allocation criteria. They are currently provided to balance revenue and expenditure. This is a major disincentive to governorates to improve local revenue generation and operational efficiency.

Those governorates that would increase local revenue or

improve operational efficiency would simply lose the benefits of their action through future reductions in the central subsidy.

Additionally, the central government subsidy includes funds to support the GOE educationally-based, full employment social program. These funds are not separately identified, thus misstating GOE funding of both social welfare and local government support. In order to inject objectivity into the funding process, support to the social program must be separately identified as a Grant-In-Aid supporting the social employment program.

Until such time as a comprehensive personnel review can be undertaken and realistic manpower levels established, the amount could initially be set at 40% of Bab I expenditures. This is based on expressed opinions and observations during the course of the project. An option for GOE at this point would be to initiate a government training and placement program. This would provide a source of trained personnel for the private sector and at the same time reduce the GOE Grant-In-Aid social employment program expenditures.

Financing of this program could be obtained through one of the recommended sources of revenue increase. The remainder of GOE transfers to Local Government must be provided through objectively defined criteria. This is recommended to be initially per capita for FY 87/8 LE 17.15. Future refinements to the methodology could be educational grants based on number of school children, or road maintenance grants with square meters of road surface to be maintained or other suitable criteria, etc. These refinements would have two direct benefits. The first is that the amount of support provided to the Governorate would be reflective of local characteristics. Secondly, this would also provide a means of comparing how closely the needs documented in the needs assessment based program budgeting process are being met.

b. Budget Surplus

Concurrent with the change in grant allocation methodology is a requirement to allow retention of the current year surplus. To do otherwise negates any motivation for revenue generation and local fiscal autonomy.

c. Local Revenue Generation

Changes in grant allocation methodology and surplus retention will lay the foundation for local fiscal autonomy and enhanced revenue generation.²

d. Rates And Fees

Tariffs and fees are updated infrequently, requiring very significant fee increases and incurring very extensive losses in revenues between up-dates. Where re-valuation and re-assessment occur infrequently, mechanisms need to be developed, that will allow interim adjustments. This could be accomplished by developing reliable indicators for updating rates between official legal reviews. For example, a system for annually updating agricultural land tax over the 10 year period 1980 to 1989 would have generated an additional LE 850 million or LE 85 million annually.

Recommendations for Updating Rates and Fees

- Develop indicators for:
 - Commercial shops
 - Agricultural tax
 - Building tax
 - Motor vehicle registration

- Build into future increases the recovery of inflationary losses since rates were set.

Building Tax

At present, this includes mainly furnished apartments, luxury apartments and luxury residences. Over the years, fixed rent control legislation and inflation have severely reduced the tax generation capacity of normal residences to the extent that this source of taxation was abandoned in about 1982. However all buildings are still subject to the 2% cleaning tax so the valuation and assessment process still continues to function in all areas.

Recommendations for Building Tax

- Allow the building tax to assume its position as a major source of local government funding;
- Relax rent controls with gradual increases in rents;
- "Grandfather" in provisions for key money, etc;
- Re-institute the building tax on normal residences and apartments;
- Set building tax rates at the local level.

Redistribution of Revenues

Redistribution of Revenues

Joint revenues, joint funds and Suez Canal revenues are derived mainly from surtaxes generated by national organizations. The distribution of these revenues lack, in the main, objective criteria.

Recommendation for Redistribution of Revenue

- Redistribute joint revenues, joint funds and Suez Canal surtax revenues on a per capita basis.

B. Tax Administrative Efficiency

Property tax billing and collection systems for agricultural, building and cleaning tax are manual systems. Tax collectors can only spend 25% of their time pursuing their primary objective i.e. collecting. Due to this processing delay, unpaid taxes in some governorates are known to exceed the equivalent of one year's collection revenues. Areas such as these are prime candidates for computerization. Such a change will produce immediate direct benefits in the form of automated billing, automatic calculation and inclusion of interest and penalties, various reports for improved management control, automatic updating of all records and production of newly revised reports.

The automation of the licensing and entertainment taxation systems will produce similar benefits.

Property assessment computerization is a much larger system and is required when property taxation is elevated to assume a significantly more important role in revenue generation at the local level.

Recommendations for Tax Administrative Efficiency

- Computerize the property based systems for billing, receipts and collection for:
 - o Agricultural tax
 - o Building tax
 - o Cleaning tax
- Computerize commercial shop licensing and related billing system;
- Computerize the entertainment tax billing system;
- Develop a general accounts receivable system to accommodate all other revenue transactions.

C. Additional Sources Of Revenues

Opportunities exist to generate new revenue sources through:

a. Taxation of Utility Revenue

The current provisions for taxation of utility revenue is very limited in application and precludes taxation of utility authorities revenues. Usually utility revenues are taxed to compensate the local authority for costs imposed by infrastructure above, at, or below ground and also adherence to the basic principles of taxation of wealth.

Recommendations for Taxation of Utility Revenue

- Tax all utility revenues at a rate of 10%, with funds reverting to the Local Government wherein utilities are consumed.

b. Payments-In-Lieu of Taxation

Governments generally are excluded in legislation from payment of building or land tax. However, it is common practice, as responsible government departments or agencies acting as good corporate citizens, to make a payment to the local government in recognition of and acknowledgement for local services received.

Recommendations for Payments-in-Lieu

- All senior government buildings should make a "tax in-lieu" payment to the local municipality

c. Motor Vehicle Taxation and Related Transport Matters

Automobile registrations of all types are increasing annually at an alarming rate and the modal split is projected to decline from 30.3% (1987) to 23.9% (AD 2000). During the same period private car trip distribution will shift from 29.6% to 43% if the present trend continues.

The development of an integrated transportation policy rather than a fragmented sectorial approach is paramount together with the development of suitable goals and objectives with monitoring indices for comparison to actual observed results.

Automobile vehicle registration rates were last changed in 1986 and now represent some 15% of 1973 real values, while truck rates last changed in 1973 and now represent 9% of real values for that year.

Recommendations for Road Transport

- Automobiles Registration:
 - o Reduce the categories from 10 to 4.
 - o Increase fees of low end categories (based on engine cubic centimeters).

- Truck Registration
 - o Convert from a per ton rate to a 6 category structure.
 - o Triple rates.

- Gasoline
 - o Institute a 5% gasoline tax at the retail level (i.e. at the pump).

- On Street Parking
 - o Institute on street parking control areas (pay and display system) with tickets purchased at centralized manned locations.

- Parking and Traffic Control Enforcement
 - o Utilize on-street parking revenues for parking and traffic control enforcement.

- Revenue Utilization (Vehicle Registration and Gas Tax)
 - o Fund the GOE training and job placement program.
 - o Fund road construction and maintenance.
 - o Cross subsidization of public transport service.

D. Policy Reform

a. Financial

The current financial reporting system is completely manual and labor intensive. By its very nature it is unable to retain or track detail, is inherently slow so that a bad situation becomes worse before corrective action is taken or worse yet, is completely unnoticed.

Recommendations for Financial Policy Reform

- Expansion of the chart of accounts to record transactions in detail;
- Adoption of fund accounting to conform to Generally Accepted Accounting Principles (GAAP) for government;
- Institutionalization of cost recovery analysis techniques through the offices of Management and Economic Development (OMED) established under the current LD II-Urban Program;
- Establishment of cost centers as a prerequisite to organizational level reporting and program budget based expenditure reporting;
- Institutionalization of departmental accounting to support general fund reporting under GAAP;
- Computerization of all accounting functions through the Budget Monitoring System (BMS) to support an integrated management information system. BMS is fully discussed in the Feasibility Study: Budget Monitoring System, under LD II Urban Program.

b. Administrative

Limitations of governorate authority was addressed in the introduction to this executive summary.

Recommendations for Administrative Policy Reform

Institutionalize regional municipal governments with:

- Legally defined geographic areas of responsibility;
- Full legal corporate status;
- Responsibility for co-ordination of sectorial plans and formation of regional plans (Regional OMED);
- Co-ordination of regional utility agencies (Regional OMED);
- Direct responsibility for selected services such as: (a) Education, (b) Health;
- Resolution of area of authority and responsibility of service directorates vis-a'-vis Governorate Central Dewan;

- Re-organization following newly defined responsibilities leading to a simplified and more effective reporting structure eliminating duplication of functions; and
- Flexible geographic sub-areas of responsibility tailored to suit local conditions and requirements.

c. Service Delivery

In order for local government to develop sustainable capabilities in investment and provision of services, a formal needs analysis must be performed both for capital investment and recurrent expenditures.

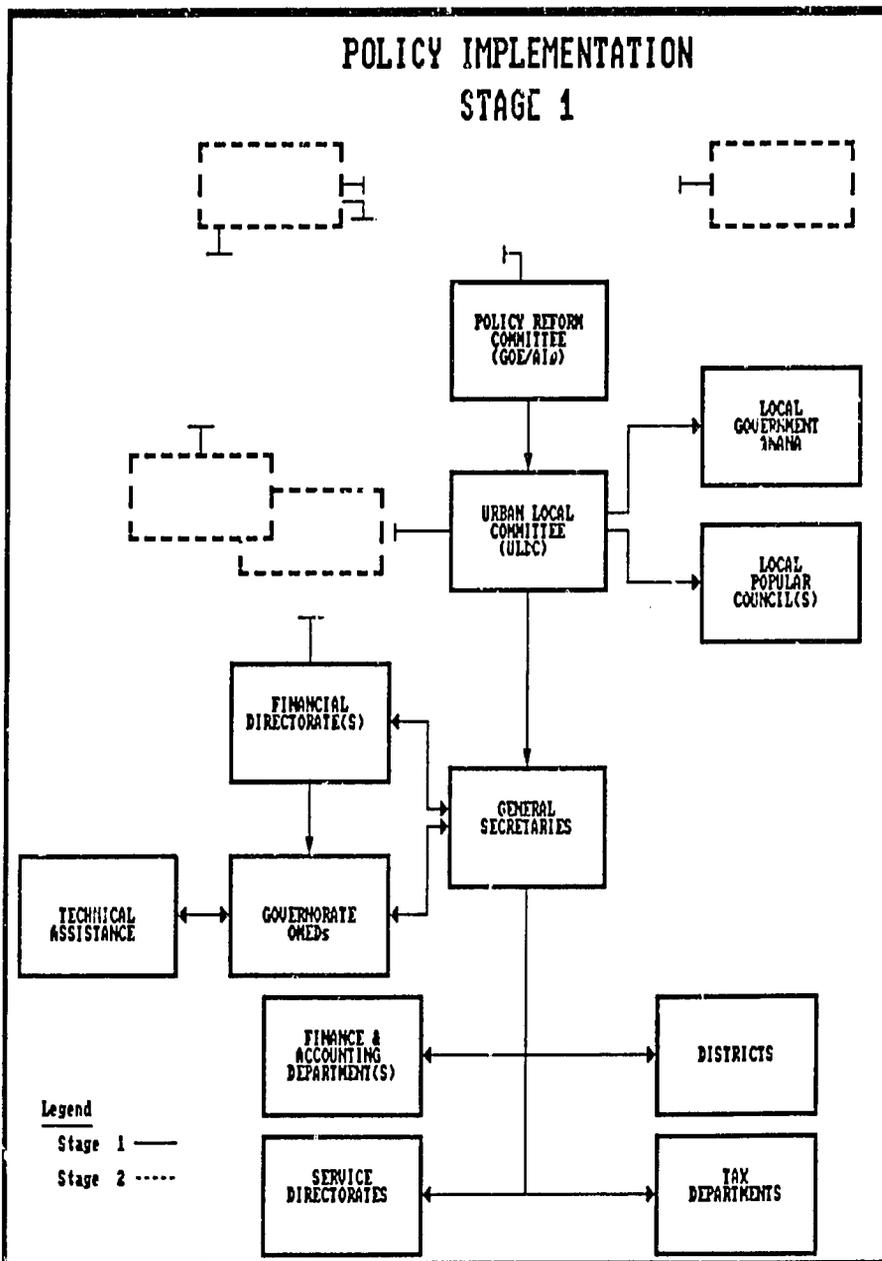
Recommendation for Service Delivery is:

- That needs analysis be completed for both capital investment and recurrent budget expenditures.

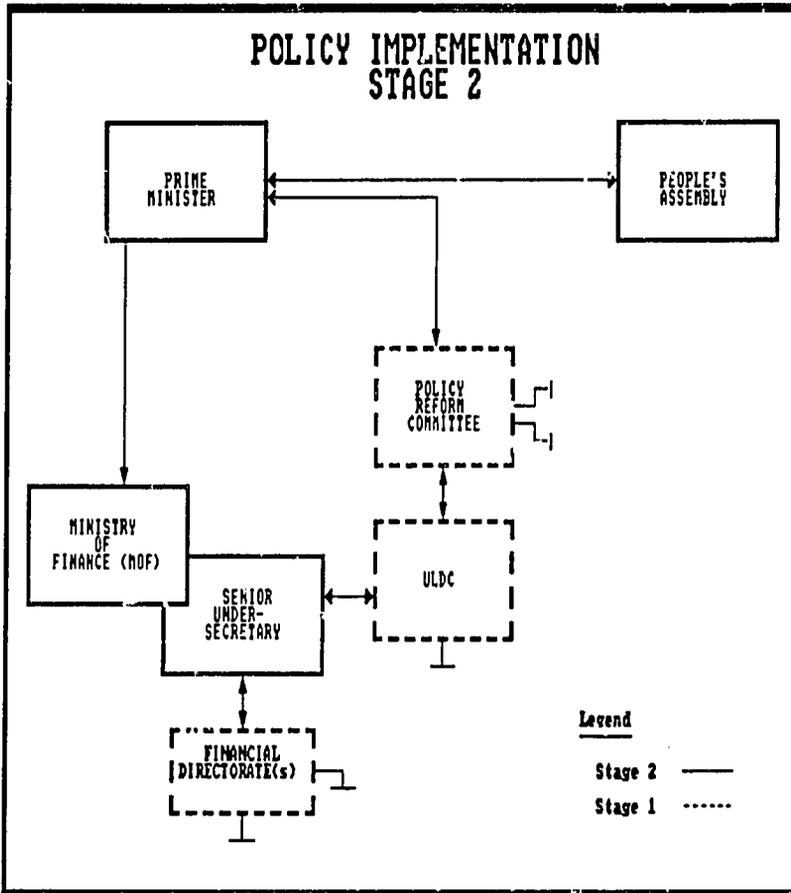
E. Implementation

The plan for implementing the recommendations is:

- a. Development of revenue billing computer systems recommended in B. Tax Administrative Efficiency - which can proceed subject only to the acceptance by the Governor of the selected pilot governorate and fund availability.
- b. Building upon the successes in (a) above, negotiations would commence with the following organizations:



- c. Following a consultation with organizations in (b) the agreed changes would be formally forwarded to the following:



F. Conclusions

The above recommendations, together with a summary of the issues that they are intended to address, are summarized for reference on the following chart

GLOSSARY

- AGOSD** - Alexandria General Organization for Sanitary Drainage
- ASU** - Arab Social Union
- Bab** - Chapter or section of the Annual Budget of the Government of Egypt.
- CAOA** - Central Agency for Organization and Administration
- CPI** - Consumer Price Index

Decentralization Laws

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

- Dewan** - Unit of local government at the governorate level.

Districts

- Units of local government between the governorate and village or neighborhood units. Called Marakez in rural areas and Hiys in urban areas.

- E.D.A.** - Electrical Distribution Authority

- E.D.C.** - Electrical Distribution Company

- E.E.A.** - Egyptian Electrical Authority

- Feddan** - A measurement of Land = 1.038 Acres or 0.42 HA.

- GAGCS** - General Agency for Greater Cairo Sewerage

- G.O.E.** - Government of Egypt

- GOGCWS** - General Organization for Greater Cairo Water Supply

- Hiy** - 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 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.

L.S.D.A - Local Services Development Account

Markaz/Marakez

- District(s) in rural governorates.

M.L.G. - Ministry of Local Government

M.O.P. - Ministry of Planning

N.I.B. - National Investment Bank

NOPWASD - National Organization for Potable Water and Sanitary Drainage

O.M.E.D - Office of Management and Economic Development

R.E.P.A. - Regional Economic Planning Authorities

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.

S.C.A. - Suez Canal Authority

INTRODUCTION TO KEY CONCEPTS

In order to provide an understanding for the basis of the report and the recommended changes contained therein, each concept is discussed under section 4 - Discussion of Key Concepts, and includes:

Decentralization and Devolution

Local Resource Management

Government Grants

Regional Disparity

Differential Pricing

Program Budgeting

Performance Measurement

Cost Recovery

Cost Benefit Analysis

Integrated Management Information Systems

Table 1
Urbanization Trends in Egypt
1960 to 87 (000's)

<u>Year</u>	<u>Urban</u>		<u>Rural</u>		<u>Total</u>
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	
1960	9,864	38.0	16,120	62.0	25,984
1966	12,178	40.5	17,905	59.5	30,083
1976	16,100	43.8	20,673	56.2	36,773
1986	21,173	43.9	27,032	56.1	48,205
1987	21,829	43.9	27,870	56.1	49,699

Source: Population, Housing and Establishment Census; Capmas - 1987.

Table 2
Population Trends
1960 to 2000 (000's)

<u>Year</u>	<u>Giza</u>		<u>Port Said</u>		<u>Egypt</u>
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	
1960	1,336	5.1	245	0.9	25,984
1966	1,650	5.5	283	0.9	30,083
1976	2,417	6.6	263	0.7	36,773
1986	3,700	7.7	400	0.8	48,205
2000	6,405	9.5	686	1.0	67,744

Source: Population, Housing and Establishment Census; Capmas - 1987.

1. LOCAL GOVERNMENT SECTOR OVERVIEW

1.1 Urbanization Trends:

During the 27 year period, 1960 through 1987, Egypt's population has grown nearly 92 percent from 25.9 million to 49.7 million, an annual rate of 2.43 percent. Between 1960 and 1976 the urban growth rate was nearly twice that of the rural rate, 3.1 percent versus 1.6 percent, and has subsequently tapered off to that of the national average of 2.8 percent. Table 1 - Urbanization Trends in Egypt 1960-1987, shows that urbanization increased from 38 percent in 1960 to 43.9 percent in 1987.

Egypt's population lives on only 4 percent of the country's land area and combined with increased urbanization is leading to escalating population densities in the major urban areas. Table 2 - Population Trends 1960-2000, shows that the population of Giza and Port Said as a percentage of Egypt's total population is estimated to rise to 9.5 and 1.0 percent respectively, by the year 2000. These forecasts demonstrate the continuing urbanization trend; for example, the population of Giza and Port Said will have increased 25% to the end of the forecast period (2000 AD) from the 1986 level. As a result of this urbanization trend there is an increasing need for the provision of local services, such as roads, electricity, sanitation, etc.,.

1.2 Institutional Capacity

1.2.1 Efficiency of Municipal Management

In 1960, Local Government Law 124 established a ministerial committee from relevant GOE ministers to implement the new law and also created the post of Minister of Local Government. The law also provided for the establishment of local councils comprised of locally elected members from the ASU political party, selected members chosen for their experience upon recommendation from the governor to the Minister of Local Government. The chief executives of various governorate departments were appointed as ex-official members and meetings are chaired by a chairman appointed by the central government.

In 1971, Local Government Law 57 gave the governor improved status. Section 26 states that the governor is the president of the Republic's representative, has the power of a minister with respect to personnel management and of an under

secretary of state with respect to administration. He presides over the executive council and may also delegate some of his responsibilities to his secretary, assistant secretary general and heads of towns and villages.

In 1979, law 43 established a Board of Governors headed by the Prime Minister and members comprised of Ministers of ministries related to local government activities and governors of the governorate. The formerly established position of Secretariat General of Local Government reports to the Minister in charge of local government. Established rank and status of governor as a minister and who must be consulted by Ministers on matters of promotion and transfer of personnel in the governorate. Also states that the executive council is to be formed from only governorate departmental executives.

In 1981, Law 50 established a higher council for local government, replacing the Board of Governors established under 43/1979.

1.2.2 General Government Agencies

General government agencies overseeing local government are comprised of the Ministry of Local Administration (MLA), Ministry of Planning (MOP), Ministry of Finance (MOF) and Central Agency for Organization and Administration (CAOA). The MLA through the General AMANA develops and sets local government policy, while the CAO A studies local units' human resource requirements, establishes job classifications, suggests policies, evaluates systems for assessing employee efficiency, and monitors personnel functions.

Governorate Bab I budget requests are subject to CAO A approval before submission to MOF. The MOP is responsible for coordinating development plans and is divided into sections for infrastructure, transportation, human resources, etc.; and supervises the National Planning Institute (NPI), Central Agency for Public Mobilization and Statistics (CAPMAS), and the National Investment Bank (NIB) together with eight Regional Economic Planning Authorities (REPAS). All capital budget requests (Bab III) prepared by local government units are reviewed by REPAS who modify/approve requests in accordance with the 5 Year Plan before submission to MOF.

The MOF is the Central Government's Finance Department and is responsible for preparation, implementation and control of the central budget, financial policies and procedures.

1.2.3 Public Utilities

The production and distribution of electricity is the responsibility of the Egyptian Electrical Authority (EAA) and is regulated by the Ministry of Electricity and Energy. The Electricity Distribution Authority (EDA) is a holding company, jointly owned by EAA and municipalities, for 7 Local Electrical Distribution Companies (EDC). While potable water and sanitary drainage is the responsibility of the Ministry of Reconstruction, New Communities, Housing and Public Utilities (MRNCH) who directly supervises the National Organization for Potable Water and Sanitary Drainage (NOPWASD). Formed in 1981, MRNCH has broad responsibilities for the provision of services throughout most of Egypt. However, the legislation has left unchanged the status of the larger water and waste water utilities which continue as largely independent authorities, namely:

- o General Organization for Greater Cairo Water Supply (GOGCWS)
- o Suez Canal Authority (SCA)
- o Alexandria General Organization for Sanitary Drainage (AGOSD)

Solid waste collection and disposal and street cleaning is managed either by the governorate or by special authority such as the General Authority for Cleaning and Beautification of Cairo or of Giza.

1.2.4 Local Government

For local government purposes, Egypt is comprised of 26 governorates and the authority of each governorate is restricted to its immediate administrative boundaries. Each governorate is headed by a governor, who has complete authority over the dewan i.e. local government departments and also has administrative authority over the 12 service directorates which are units of central government ministries located within each governorate. Governorates exist in two distinct forms, urban and provincial. Each of the six

urban governorates is comprised of 12 service directorates and the dewan or governorate administration. For administrative purposes the governorate is divided into hiys or districts which are further divided into kism or Neighborhood precincts.

The 20 provincial governorates are divided into cities and are further divided and subdivided into marakez and villages. Local popular councils and local executive councils exist at all the aforementioned levels of local government, while budget requests and financial results are consolidated by MOF at the local administration level.

1.2.5 Productive Projects/Privatization

The governorates operate some 250 small business enterprises (productive projects) who sell up to 50% below private sector market prices. Separate books of account are maintained with bonuses and incentives paid by the project while the basic salaries and wages are paid from the governorates Bab I account. In a similar manner much of the transport costs, administrative costs, and office overhead, together with original capital investment and working capital financing, is provided by the governorate. The LSDA legislation specifically includes productive projects as an authorized use of LSDA funds.

As the major source of governorate funding is central government subsidies it follows that productive project goods are another form of subsidy and act as unfair competition to the private sector, imposing further price distortion in the free market system.

The recent moves to divest governorates of some productive projects is seen as a positive move to reduce interference in a free market system, an indirect reduction of central subsidy and an additional source of revenue from the sale of the projects. Furthermore, the divestitures will create an extension of the tax base for central and local taxation.

1.2.6 Responsibilities & Authorities/Performance

These matters are more fully discussed, relative to the scope of this report under the section - Local Government Constraints to Fiscal Autonomy. The governorates are characterized as lacking the

full status or a municipal corporate legal entity, with fragmented responsibility for the delivery of services through service directorates and/or area utility companies. In theory, service directorates report administratively to the governorate. In practice they are substantively controlled by the central ministries. Investment decisions are made more on the basis of technical feasibility and compatibility within narrow sectorial objectives rather than upon economic analysis and the development of comprehensive plans to resolve competition for scarce capital investment funds. Nor is there the capacity at the local level to determine or project required maintenance levels resulting in under funded maintenance programs, while user pay services are provided at below minimum cost recovery levels. The compounding effect is of shorter asset life and the requirement for further capital investment.

1.2.7 Administrative Policy Reform

Limitations to governorate authority were addressed under section 4.0, Constraints to Local Government Fiscal Autonomy and also under the section 1.2.6 Local Government Sector Overview - Responsibilities & Authorities/Performance. In order to promote the ability to develop and administer regional plans as well as co-ordinate the service delivery of area utility companies it is envisaged that regional governorates would be created, numbering eight in total to administer all of Egypt.

The suggested areas are:

North Coastal	Suez
Upper Delta	Upper Egypt
Middle Delta	Middle Egypt
Greater Cairo	Sinai

The major service directorates, would be organized from this level and individual organizational plans developed for each service directorate within a region tailored to specific needs.

Substantial benefit and economy can be derived from such an organization as there would be a considerable reduction in service directorate staff at the governorate level which currently number 26 to 8 regional service directorates.

Recommendations for Administration Policy Reform

Institutionalize regional municipal governments with:

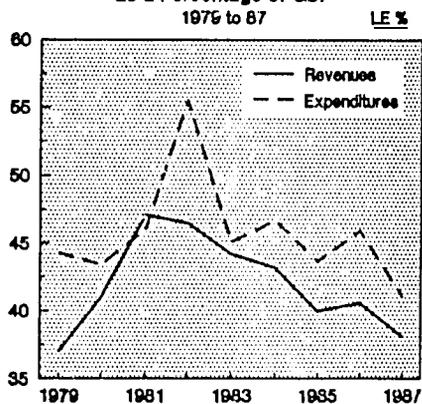
- Legally defined geographic areas of responsibility;
- Full legal corporate status;
- Responsibility for co-ordination of sectorial plans and formation of regional plans (Regional OMED);
- Co-ordination of regional utility agencies (Regional OMED);
- Direct responsibility for selected services such as (a) Education, (b) Health etc.;
- Resolution of area of authority and responsibility of service directorates vis-a'-vis Governorate Central Dewan;

Table 3
GDP and Revenues in Middle Income Economies

Country	Revenue as a % of GDP	Country	Revenue as a % of GDP
Botswana	75.2%	Mauritius	23.3%
Hungary	55.3	Venezuela	22.7
Gabon	47.1	Brazil	22.1
Oman	42.2	Argentina	21.6
Egypt	39.0	Korea	19.0
Poland	38.7	Cameroon	18.8
Nicaragua	36.8	Turkey	18.5
Greece	35.8	Ecuador	18.5
Chile	30.9	Thailand	16.2
Jordan	30.7	Yemen	16.1
Panama	29.7	Dominican Republic	15.5
South Africa	29.2	Columbia	13.8
Zimbabwe	28.9	Mexico	13.3
Morocco	25.6	Philippines	12.9
Malaysia	24.8	Peru	11.9
Syria	24.2	El Salvador	11.6
Costa Rica	23.7	Paraguay	9.6
Uruguay	23.6	Yugoslavia	8.1
Papua New Guinea	23.5		
Average			25.9

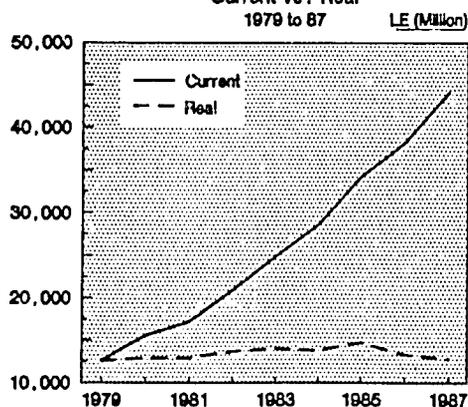
Source: World Development Report 1989: Financial Systems and Development, World Development Indicators; The World Bank.

Figure 1
Revenues & Expenditures
as a Percentage of GDP
1979 to 87



Note: Data is shown in Annex A: Figure 1

Figure 2
Gross Domestic Product
Current vs. Real
1979 to 87



Note: Data is shown in Annex A: Figure 2

2. FINANCE & FINANCIAL CONDITIONS

2.1 GOE Revenues, Expenditures and GDP Trend 1979 - 1987

As population rose, so have several of the economic indicators. The critical question is whether or not these indicators have grown sufficiently to outpace inflation and population growth. The GOE revenue collected as a percentage of Gross Domestic Product (GDP) in Egypt is relatively high compared to other middle income economies. Of the 37 countries listed in Table 3 - GDP and Revenues in Middle Income Economies, Egypt ranks the fifth highest in revenue as a percentage of GDP. This can be explained by the highly centralized nature and pervasive market intervention of the government since the Egyptian revolution in 1952. In addition, the GOE is engaged in an array of industries that other governments consider to be the domain of the private sector.

During the period under review GOE revenues increased 260% from LE 4,666 million to LE 16,770 million, and expenditures increased 224% from LE 5,590 million to LE 18,089 million. Figure 1 - Revenues and Expenditures as a Percentage of GDP 1979 to 1987, shows that as a percentage of GDP, revenue and expenditure ratios initially rose, then concluded the period at or below the initial 1979 levels. This trend is highly significant and emerges in several of the other analyses that are to follow.

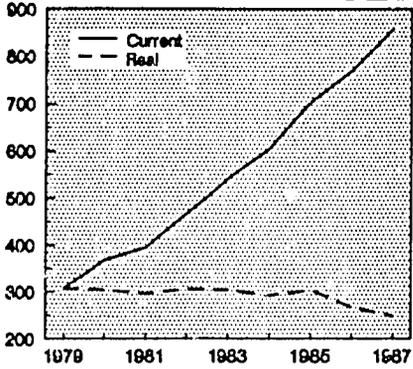
2.2 Inflation and Per Capita Analysis:

During the period under review, the CPI, a measure of inflation, rose 245% (base year 1979 = 100), an average annual increase of 16.7%. However, the inflation rate since 1987 is estimated to be rising at a combined private/public sector rate of 25%. As public sector salary and wage increases have been restricted to 15 percent per annum, the private sector rate of inflation is considerably higher than the combined rate of 25 percent per annum.

Figure 2 - Gross Domestic Product: Current vs Real 1979 to 1987 shows that GDP rose 249% from LE 12,610 million to LE 44,050 million in current values, while the near horizontal trend of the lower value reflects the sluggish overall growth of GDP in real terms, i.e. after allowing for inflation, of only 1.3 per cent (0.2% pa).

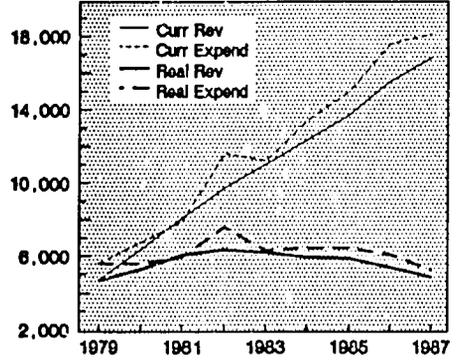
Figure 3 - GDP Per Capita, Current vs Real 1979 to 87 compares current and real GDP values on a per capita basis and shows that the real value of GDP per capita has fallen 23.7 percent during the 1979 to 1987 time period (LE 30.8 to LE 24.9), i.e. population growth exceeded the real increase

Figure 3
GDP Per Capita
Current vs. Real
1979 to 87 LE 1979



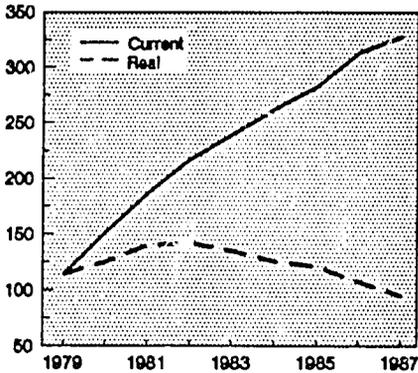
Note: Data is shown in Annex A: Figure 3

Figure 4
GOE Revenues & Expenditures
Current vs. Real
1979 to 87 LE (Million)



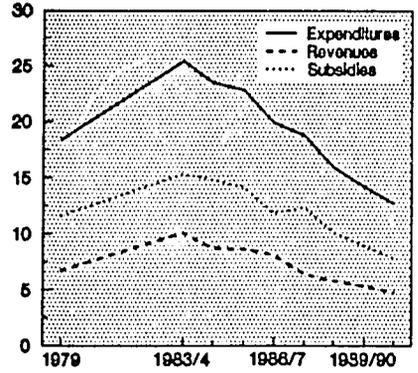
Note: Data is shown in Annex A: Figure 4

Figure 5
GOE Revenues Per Capita
Current vs. Real
1979 to 87 LE 1979



Note: Data is shown in Annex A: Figure 5

Figure 6
Local Administration
Real Per Capita Expenditures, Revenues & Subsidies
1979 to 90/1 LE 1979



Note: Data is shown in Annex A: Figure 6

Figure 4 - GOE Revenue & Expenditure, Current vs Real 1979 to 1987 also reveals gains in real terms up to 1982 and decreases thereafter to produce a virtual zero increase over the total period (revenue 0.5 percent and expenditures 0.8 percent negative). However, Figure 5 - GOE Revenue Per Capita, Current vs. Real 1979 to 87 shows that GOE revenue per capita declined from LE 11.4 to 9.5 (20%) indicating that the GOE is generating insufficient revenues to continue providing services at existing levels.

2.3 Local Administration Expenditures, Revenues and Subsidies

Financial results for all governorates in Egypt are consolidated into Local Administration final accounts. Figure 6 - Local Administration, Real per Capita Expenditures, Revenues and Subsidies 1979 to 90/1 shows similar growth and retrenchment trends with 1990/91 at 69% of 1979 total per capita real expenditures, while Bab II and III are at relatively lower levels of 63% and 59%, respectively (see Annex A, Table A-1 and A-2). The reduction in Bab II current expenditures and Bab III capital investments is in actual fact higher than disclosed in this analysis as public sector salaries and wages (Bab I) have been increasing due to inflation at 15%. Private sector goods and services (Bab II) have escalated at rates above the combined average public/private sector inflation rate of 25%, thus the inability to maintain Bab II & III expenditures is a major limiting factor in maintaining the level of municipal services.

2.4 Local Administration Needs Assessment

A partial review of needs versus expenditure levels was conducted in selected sectors by governorate. The analysis covered street cleaning, minor road repairs (potholes), major road maintenance and solid waste disposal (garbage collection). The sectors covered by these activities are the road transport service directorate and where applicable the Cleaning and Beautification Authority i.e. Cairo and Giza. The review was not intended to be detailed in nature as this is beyond the terms of reference of the project and consisted of comparing the commodities and services components contained in the 1988/89 budgeted or actual expenditures with estimated needs derived from previous studies, the estimated costs of which have been suitably adjusted for inflation. The accompanying Table 4 Needs Assessment, Solid Waste and Road Maintenance FY 1988/9 displays the summary results together with the percentage of needs met for the commodities and services components. In the case of Giza and Qaliubia the expenditure data includes the total governorate area, while the needs analysis covered

Table 4
Needs Assessment
Solid Waste and Road Maintenance
FY 1988/9

LE

	<u>Giza</u> <u>(Giza City)</u>	<u>Port</u> <u>Said</u>	<u>Cairo</u>	<u>Alex</u>	<u>Suez</u>	<u>Qalubiya</u> <u>(Shobra)</u>
Population	1,884,000	432,000	6,224,000	3,035,000	359,000	772,000
Solid Waste <1>						
Estimated Needs	559,171	206,064	1,286,501	1,447,695	na	na
Expenditures	<u>274,043</u>	<u>205,982</u>	<u>781,000</u>	<u>1,033,600</u>	na	na
Shortfall	(285,128)	(82)	(505,501)	(414,095)	na	na
Needs Met %	49.0%	100.0%	60.7%	71.4%	na	na
Road Maintenance <2>						
Estimated Needs	557,600	386,000	3,263,000	1,485,600	268,000	212,000
Expenditures	<u>61,370</u>	<u>85,300</u>	<u>726,100</u>	<u>362,330</u>	<u>27,700</u>	<u>19,450</u>
Shortfall	(496,230)	(300,700)	(2,536,900)	(1,123,270)	(240,300)	(192,550)
Needs Met %	11.0%	22.1%	22.3%	24.4%	10.3%	9.2%
<1> See Annex A: Table A-3						
<2> See Annex A: Table A-4						

8a

only Giza City and Shoubra-El Kheima City, which understates the percentage of needs met. The solid waste needs met vary from a low in Giza of 49% (overstated) to 100% in Port Said, and with Cairo and Alex at 60% and 70% respectively, while the road maintenance needs are met on average of 20% and vary with lows of 9%-11% (Giza and Qaliubia overstated) to 24% for Alexandria. However, the analysis does display in order of magnitude the additional need of the governorates in the areas reviewed and gives credence to statements by governorate representatives relating to diminishing levels of service.

3. DISCUSSION OF KEY CONCEPTS

3.1 Decentralization and Devolution

Decentralization exists in various forms and to various degrees. These various forms include political, spatial and administrative decentralization, while devolution is an aspect of administrative decentralization.

Political decentralization transfers more political power to citizens through elected representatives who are better known to local citizens and who can influence policies and decisions more effectively than if all decisions were made by a concentrated group at the national level.

Spatial decentralization is the geographic diffusion of economic activities to disperse the population into smaller urban centers thus preventing or ameliorating concentration into one or two urban areas. These smaller urban centers provide a nucleus for the development of small and medium scale industries, commercial and financial services as well as increasing demand for agricultural products from surrounding areas.

Administrative decentralization is the transfer of responsibility for planning, managing and raising revenues; and the allocation of resources from a central government to various forms of less centralized administration of which there are three basic forms, decentralization, delegation and devolution. The characteristics of each form differ significantly.

Deconcentration is the mildest form, and is merely the shifting of work from the capital city central government offices to various outlying local administration units or field offices, with continuing direct supervision by the central government.

Field administration deconcentrates and, in addition, allows field staff some discretion to plan and adjust implementation of central government directives to local conditions.

Local administration is where local leaders are appointed or are directly responsible to central government agencies and the degree of decentralization depends on a number of factors according to the reporting hierarchy. Responsibility of field officers and latitude of these persons in making local decisions, monitoring and control depends more on reporting than upon inspection and authorization.

Devolution is an advanced form of administrative decentralization wherein central governments transfer responsibility for services to municipalities that elect

their own mayors and councils, appoint their own administrative staff, raise their own revenues and make independent investment decisions.

3.2 Local Resource Management

The benefits of decentralization include the development and execution of plans that facilitate disaggregation of national plans and tailor policies to the specific needs of areas or groups. Decentralization also provides a better assessment of the relationship between service delivery levels, i.e. costs versus the ability to raise local revenue resources.

3.3 Government Grants

These are funds provided by a government to lower levels of government or to private groups in order to perform a specific service. Grants are in contrast with subsidies, which are generally paid to lower costs to consumers or raise producer income levels, influence supplier or consumer behavior, or keep prices low or stable. Government grants may be selective grants tied to specific uses, or a matching grant calculated as a proportion of the recipients expenditure. General grants are available for any type of expenditure while non-matching grants are not determined by the recipients expenditures. Foundation grants are intergovernmental grants used to equalize the cost to tax payers within differing areas.

The establishing of grant levels according to a predetermined and prescribed formula creates equity among the receiving organizations and predictability of estimated levels of grant financing. This ensures a degree of expectation and responsibility of the grant recipient to provide sufficient revenues from other sources, eg. fee for service, taxation, etc. to fund services to the appropriate service level.

3.4 Regional Disparity

Variations in economic opportunities occur between regions. For example a region may possess mineral or oil resources, offering substantial trade in one or more sectors and the growth of various supplementary goods, i.e. banking and other services to support the primary sectors. These regions are able to offer increased financial returns and higher standards of living through increased labor rates. In contrast, regions with lesser opportunities offer reduced financial return, create a lower demand for support services and offer a lower standard of living and a considerably

reduced ability to pay for government and other services. An indicator of regional disparity is a consumer price index by region which indicates the relative demand for goods, services and labor within a region.

3.5 Differential Pricing

Charging for similar goods or services at different rates, either for economic or financial reasons. For instance, charging a higher motor vehicle licencing fee in Cairo would tend to reduce the rate of new vehicle owner registrations in that city while new vehicle ownership would continue at the previous rate in the remaining areas.

3.6 Program Budgeting

Traditional management reporting systems follow organizational lines and answer the questions:

- who spent the money i.e. agency, department ?
- when was the money spent i.e. year, month, day ?
- what the money was spent on i.e. salaries, gasoline, stationary .. etc. ?

Program budgeting answers the question why the money was spent - what element of service was provided and was the service provided at the planned level and quality of service and to what degree was the perceived need of citizens satisfied. In assimilating such information there is often a need to cross organizational lines and to also accumulate information at the lowest organizational level. An example of program budgeting is Protection to Persons and Property which encompasses the portion of a police department providing street patrols, together with the portion of the fire department responsible for fire suppression.

3.7 Performance Measurement

This is a concept that builds upon program budgeting. Having defined the type of service under the program budgeting concept, the performance measurement concept sets standards of performance and mechanisms to collect data and report on the actual service delivery levels achieved compared to the budgeted service levels. As each program has an appointed program manager, a system of accountability is established.

3.8 Cost Recovery

A concept in various forms based on charging out services so that all relevant costs of providing the service are recovered. There may be full or partial cost recovery. The costing concepts employed may be marginal costs that take into account the varying costs of production and distribution, i.e. short run costs, long run costs, full capacity costs, average production costs, inefficiency variances and system losses.

3.9 Cost Benefit Analysis

The cost benefit analysis concept compares project costs versus the benefits received by the user and is often used in assessing the validity of public projects. The basis for establishing costs and benefits may be financial, economic or social.

3.10 Integrated Management Information Systems

Manual information systems severely limit the amount of data that can be affectivity recorded, correlated with other data and reported on a timely basis. The advent of computerized reporting systems allows for extensive recording of data in more detail. Thus, the expanded ability to store and process data, and to interface with other systems, allows not only for reporting financial results but also for reporting statistical results and monitoring indices, etc. The concept of an integrated management information system then, is of a flexible all encompassing system that is able to report on a timely basis upon all aspects of management reporting requirements.

4. CONSTRAINTS TO LOCAL GOVERNMENT FISCAL AUTONOMY

4.1 Overview

The following sections discuss significant constraints or areas that need improvement to achieve viable and fiscally autonomous local government administration. The items have been classified in three sections relating to general groups of issues as follows:

o Organization & Administration

Matters of a general nature that affect broad areas of powers or organizational aspects of local administration. The major issues in this section will most likely require action of the GOE and People's Assembly to implement change. Other items, such as computerization, will require capital investments by governorates to achieve long term improvements in the office environment.

o Financial

Specific factors which impede local administration's financial planning and control functions. Some are practices and MOF decrees which can be changed administratively. In some cases a change in the law may be required.

o Procedural

Changes to agreements and modifications to MOF decrees which can be administratively implemented usually without major changes in the law.

The objective of this section is not to criticize the current fiscal and administrative practices in Local Administration or the Ministry of Finance (MOF) oversight and management functions. The following section is based on the question; what are some of the long term actions required in the Arab Republic of Egypt so that local administration can achieve advanced country democratic practices in serving local citizens while assisting in the reduction of the national deficit?

4.2 Organizational & Administrative

4.2.1 Absence of Automated Fiscal System

The governorates are limited in the amount of fiscal information they can effectively record, correlate and report with the current reliance on manual systems. Historical information is even more difficult to obtain

due to security procedures that limit access to past year records.

Manual record keeping restricts an organization's flexibility in correlating data and easily reporting comparative information. The expansion of accounting cost centers to better track management performance would be extremely difficult with current manual books of entry. Significant time delays occur from recording what is happening - to reporting what happened. Delays in reporting fiscal information usually means a bad situation gets worse before management is aware of a crisis and can take action.

4.2.2 Full Time Staff/Training

The personnel system of governorates are controlled by the CAO, a central government agency. Organizational changes and reclassification require months and years to accomplish and are not within governorate control. Consequently, new organizations such as OMED must be formed by "seconding" or borrowing staff on a part-time basis from current organizations. Individuals consequently are not assigned full-time, even though full-time staffing may be required.

Training of staff in new concepts and methods must be performed by contractors as governorate training budgets are very limited for training. In the long run the ability of governorates to establish training centers may be a central issue to the institutionalization of new concepts. These training centers must address staff turnover training needs.

4.2.3 Language

Technical manual usage, concept training courses and U.S. site visits could be more effective if candidates had a basic grasp of English. Very few governorate employees at the professional entry level possess bilingual skills. Long term growth of MIS personnel will be hindered if employees cannot access technical journals, etc. due to language limitations. The new concepts being introduced in OMED and MIS are available in English texts that could be made available to governmental staff for self teaching greatly overcoming the conceptual lag that the TA experiences.

4.2.4 Responsibilities/Authorities

Although, there are general references in law regarding governorate responsibilities, there is a need to more formally and specifically clarify relative authorities and responsibilities between the Ministry, Service

Directorates and Local Administrative Units. This clarification should codify local administration authority over local operations. If accountability is to be balanced against responsibilities, appropriate revenue raising authority at the local level must be granted to meet the costs of these responsibilities.

Non-duplicative areas of responsibilities must be determined at all three GOE levels; Ministry, Service Directorate and Local Administrative Unit. The Service Directorates ambiguous local administrative relationship and budget authority should be organizationally defined as either a ministry function or a local administrative function. Budget authority and management control should be explicitly associated with the definition.

The revenue raising power of Local Administrative Units should be broadened to assure sustainability of services and infrastructure. Limitations on local administrative units authority to raise fees and real estate taxes should be liberalized so that responsibilities and authority are consistent at the local level.

4.2.5 Local/Central Communication

Local administrative units have an obligation to report financial information to the central government. However, the central government must permit sufficient independence in fiscal management systems to satisfy local administrative needs. The two concepts are not in conflict, but recognize differing levels of management information and decision processes. Modern management information systems are able to produce detailed management reports for governorate administration and summary reports to MCF specifications. The Prime Minister or a strong Ministry of Local Administration must serve as a spokesperson to reflect the governments policy on local decentralization. Central ministries, as in all central governments, do not advocate or practice power sharing. Policy declarations or laws must exist to protect the rights of local government. There currently does not appear to be an effective forum for discussing the advantages of local government at the central level. Yet the inability to finance local needs or cap the escalating national deficit should serve as a catalyst to find solutions outside of the historical strong central control role.

4.2.6 Policy Decentralization

Centralization, decentralization and devolution are terms that require more specific understanding and policy agreement by the GOE. Although ministries have regionalized offices (service directorates) at local

government sites, policy, personnel appointments and budgeting authority are still constructively exercised at the central level. Government has deconcentrated but has not devolved i.e. delegated policy authority. The same factors apply to the Ministry of Finance who approves all vouchers on a detail operational basis. MOF Financial Directorate Offices are a quasi governorate, district and village accounting and budgeting office, operating in parallel with the local government unit.

Standard rules, procedures, and forms are established and enforced nationally by MOF. Modernization of local governmental financial systems and practices follow the lowest common dominator rather than allow more advanced governorates to proceed with development as opportunity and ability permit.

4.2.7 Manpower Policy vs Quality Staffing for Local Government

The policy of granting higher education graduates a job in government, which is a manpower policy to achieve full employment, has burdened local government with overstaffing, under utilization of manpower, and low wages that prohibit job market rates for qualified personnel. Under employment of skilled personnel and promotions by seniority do not recognize contribution, ability and productivity of individual employees, discouraging incentive or losing the good employee to the private sector. The national manpower policy must be rationalized at the local administration unit level if quality employees are to be hired and retained.

4.2.8 Relate Incentives to Productivity and Reform

Achievement of improved organizational performance and productivity gains should be rewarded. Governorates willing to accept reform should receive additional incentives for employees implementing new programs. USAID funds should reflect factors for achievement of policy reforms and improved operations to signal there can be a reward for policy innovations. Governorates who attempt reform should be compensated for potential risk in applying new methods or accepting new responsibilities. These factors are not now factored into criteria for establishing eligibility for USAID Grant funds.

4.3 Financial

4.3.1 Public Budgeting Process Through Popular Councils

The current local administration law requires the Governorate Popular Council approval of the governorate

draft consolidated budget by March. However, time lines established by MOF for issuing the Manshour (December) and for governorate transmittal (January) of the draft budget, precludes council participation in the budget process. The quasi-confidential nature of government budgets and fiscal accounts (last years performance against the budget) does not allow citizen participation or at least representative participation of the Popular Council. Greater knowledge by citizens of what are the priorities for services and the difficulties the government faces in financing these services could aid in securing additional revenues. Although bureaucrats, throughout the world generally, are always nervous about openness, the government exists to serve its citizens not itself. If local government wants citizen support it must operate in a more open manner in its fiscal and budgeting processes. For through the budget process, policy becomes a reality as resources are matched with policy directives.

4.3.2 MOF Should Be a Non-Operational Agency

There is a requirement for a central agency(s) to set national financial policy and perform post audit functions while responsibilities for day-to-day operations must be delegated to local government units such as establishing line item budget appropriations within the total appropriation set by the People's Assembly. The present role of the Ministry of Finance, Financial Directorate Office goes far beyond these tasks. The over-control of financial affairs at the local level by a central ministry has not been effective in lowering the deficit nor placing responsibility at the local level to achieve accountability. The focus is on regulations which serve as a "number crunching" exercise ignoring the purpose and policy for which resources were assigned or the implied authority of the local government executive and Popular Council. MOF should set major national financial policy, place responsibility in the local unit for carrying out this policy and test for compliance through year end annual audits.

The purpose of the MOF financial office housed and operating within local administration is still not well defined. For example MOF is not the accounting office as each local unit maintains a Fiscal Affairs Department. Is the Financial Directorate intended to duplicate the local function? Duplication of book keeping as a management principle makes little sense. Post audits and similar control objectives can be accomplished much more effectively. What then is the role of Financial Directorate at the local governmental unit?

GOE should seriously investigate modern accounting principles and processes and the proper role of central financial agencies in these processes. Modernization of the MOF policies and operations could greatly assist Egypt in better addressing the countries fiscal resource short fall.

4.3.3 Special Funds-Recognition of Importance

The Special Funds, particularly the Local Services and Development Fund, is the sole discretionary source of resources at the governorate level. Proposed fiscal autonomy policy would expand the discretionary resources of the governorate. However, in the interim present actions by MOF to restrict these funds should be discontinued. Instead greater authority to create special funds related to an identified revenue source should be encouraged. This would allow greater flexibility to the Governor and Popular Council to address local problems and would retain cash balance carry-over at year end in the governorate. A positive approach is the design of modern local accounting and reporting standards to address local revenue carry-over issues. The MOF approach of over-control based on the "bogey man" of misuse of funds discourages LRM and local accountability.

4.3.4 Distinguish Between Dewan & Service Directorate Revenues & Expenditures

Current MOF classification of revenue accounts does not relate directly to expenditure BABs. It is desirable to identify sources of revenue for certain expenditure groups. Dewan and Service Directorates expenditures should individually be matched with revenue items and the appropriate share of grant (subsidy) based on an established formula for intergovernmental grants. The matching of expenditure obligations against revenue and subsidy would clarify the impact of local administrative costs and ministry costs within the governorate and provide a framework to generate local resources for local priorities.

4.3.5 Importance of Fund Accountability (Principles & Concepts)

The GOE has a need to gather extensive local governmental revenue and expenditure information but must display this information at the People's Assembly level in a summary format. Excessive details of each Local Administration Unit would not meet the GOE decision process requirements at the central level. The local accounting structure is determined by this limiting central government requirement. However, the

BAB, group item and variety summaries necessary at the central level fail to provide the discrete information necessary to manage fiscal affairs in local units.

As local units automate budget and accounting an opportunity is available to better classify and segregate revenue and expenditure information. A "fund accountability" approach classifies like groups of entities to provide visibility and yet not distort totals, i.e. special funds would be visible separate from general fund activities. With fund accountability, information would not be distorted by including non-uniform accounting items in the same total. Revenue to support authorities would be matched with authority expenses. Entities would be clearly delineated by type activity. Debt service costs would be treated as long-term debt obligations thus not distorting BAB II current outlays with interest expense, which is a debt service non operating expense for governmental funds.

The clarification of fiscal reporting data through fund accountability provides visibility to operations while the current system obfuscates fiscal performance and operational costs and revenues. The authority and use of special funds is entirely different than other BAB II expenditures, yet special funds are buried in the middle of BAB II expenditures and revenues. Thus funds where complete governorate discretion exists are reported with central controlled funds, while activities in some other funds are not combined into the consolidated financial statements.

4.3.6 Control of Year End Cash Balance

Any attempt to encourage revenue mobilization at the local level will require a change in policy for retention of year end cash balances. Cash balances except for special funds revert to the MOF at year end. To change this policy will also require a rationalization of the subsidy payment formula and a recognition and identification of Service Directorate support obligations by the central government. (The issue of the subsidy or intergovernmental grants is discussed in a latter section of this report). What is locally collected, whether sovereign or local fee revenue, should remain at the local government for their use. The practice of cancelling appropriation capacity at year end through refunding of excess revenue creates unreasonable acceleration of expenditures in the last quarter of the fiscal year. The year end rush to spend capacity results in poor fiscal planning practices that may waste limited resources. Building a manageable cash reserve results in improved fiscal planning and wiser expenditure decisions, and offers a stabilizing

influence in lean years for government programs.

4.3.7 Non-Identified Source of Funding For BAB 1 & 2 Expenditures

We have discussed earlier the difficulties of non-identification of revenues with expenditure groups. An attempt should be made to better classify revenues to related expenditure usage. However, without a more rational basis for payment of subsidy or intergovernmental transfers the identification process will be difficult to achieve. The challenge will be to evaluate objectively expenditure groups and revenue assignments by asking the questions: In what areas does local administration have legal and budgetary responsibility, and in what areas do the ministries have support obligations?

4.3.8 Balanced Budget Principles

The Balanced Budget Principle can be stated in the following formula:

Estimated Revenues + Year-End Fund Balance ¹ = Appropriated Budget

The balanced budget requires a solid estimate of next years revenues and fund balance. Estimates are verified by using forecasting methods. Forecasting also allows a look at future year trends so that this year's decisions on level of expenditures are sustainable in future years. Revenues are the basis of governmental expenditure levels. Therefore, budget expenditures regardless of critical need or program maintenance issues are capped by the governments capacity to generate next years revenue. In the balanced budget mode, the revenue limitation on next year's incremental expenditure requests holds true for local governments whether 95% of revenue is allocated by the central government or is generated by local controlled sources. Where heavy dependence is on central government revenue sources, forecasting and prior notice by the central government of next year's revenue limitations is critical to adequately plan strategy during the budget development cycle.

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1. Governments who are on a cash basis estimate year end cash balance rather than fund balance.

A "balanced budget" strategy and action plan must include careful review and approval of incremental budget requests. The final product of the budget development process must be a recommended budget that stays within estimated revenue limitations. Consequently, adjustments after the central government final appropriation should be minor in nature i.e. 1-2%

4.4 Procedural

4.4.1 Local Control of Chart of Accounts

The current regulations allow some flexibility in choice of the lowest object of expenditure level i.e. variety. However, there is no provision for flexibility by local governments to expand their chart of accounts to include program or organizational level. The eventual ability of local government to effectively practice local fiscal autonomy will depend on the structure and expansion of their fiscal systems beyond the minimum chart of accounts, BAB, group, item and variety, prescribed by MOF. Although a standardized coding structure at the GOE level is desirable, MOF must grant flexibility to individual governorates within this structure. The coding structure design should be extensive enough for the information requirement of local management while meeting central information needs.

4.4.2 Permission to Revise Forms & Procedures

The movement to automated financial systems through the use of computer systems will antique many current forms and manual procedures. To realize the benefit of computer processing MOF must be open minded on new processes. The development pace will vary by governorate as MIS technicians become competent in system design and programming. Central standards, while workable today with manual systems, will need to be more response to change. An MOF edict that forces all 26 governorates into a standard will not be realistic if computerized improvements are to be achieved. MOF must began to focus more on policy and internal control aspects and grant agencies control over processing procedures and forms design that will dispense with inefficient antiquated forms and manual handling procedures.

4.4.3 Local Determination of Line Item Allocations

Adopting local fiscal autonomy concepts will encourage local government to raise funds from local sources to finance those services that citizens most desire.

Central control over line item allocations is out of place in this philosophy of local determination. People Assembly appropriations to governorates should be at the BAB Level. Only when extreme national purposes exist should "group" appropriations be restricted, and then, only by legislative intent not by detailed amounts at the line item level. If the Governor and Popular Council are responsible to provide local services they must have the authority to set detail line item budget amounts.

The ability to control detailed allocations at the local administration level also assists in developing a more realistic budget process. The final result of present centrally dictated line item amounts is a lack of relevance to local needs, programs and even historical expenditure patterns. The delegation of the line item allocation process to local control coupled with the balanced budget principle and early notification of intergovernmental grants eligibility will enhance the local budget process and eliminate the three month delay now experienced in spending new appropriations. Thus a more stable and planned expenditure pattern through out the fiscal year, coupled with a thoughtful budget preparation process can be achieved.

4.4.4 Intergovernmental Grants

The review of intergovernmental grants/subsidy requires considerable research and simulation to develop a formula which provides equity, holds harmless during the transition to fiscal autonomy, and recognizes central government fiscal obligations within local government budgets. The fiscal capacity of individual governorates to finance the local historical expenditure base will vary in the 26 governorates. A further study must address: the policy and fiscal impact of supporting Service Directorates; the identification and policy control over revenue categories, particularly, sovereign revenue items in BAB II. An interim approach is recommended later in the report and the transition to local fiscal autonomy will require rationalization of the current central transfer process to BAB 1 & 2. The quality of fiscal planning and budgeting will be influenced by the early notification and a reasonably static formula which will allow governorates to begin annual budget planning with a 97% certainty in December regarding the amount of next years grants (central transfer).

4.4.5 Revenue Raising Authority at the Local Level

Fiscal autonomy can be practiced over just the expenditure side of the ledger. However, a balanced

budget approach by local government in advanced countries has shown that some local control over revenue generation is both necessary and desirable; necessary to exercise local freedom of choice from central priorities and desirable to provide citizens the opportunity to contribute for services that benefit the local areas. Other parts of this study will discuss the potential of LRM in greater detail. However, the principle of local revenue raising authority and responsibility must be inherent in the plan.

4.4.6 Uniform Accounting Principles

The structure of financial reports must be based on Uniform Accounting Principles if local government is to represent an accurate financial picture to its citizens, popular council, and the central government.

As the fiscal planning and budgeting/accounting capacity of the governorates increases through development of OMED Offices, and Budget Monitoring & Fiscal Reporting automated systems, the MOF and governorates must join to develop advanced country accounting principles in treatment of fiscal matters. As discussed earlier in this report in the Fund Accountability, the uniform classification by type of fund and expansion of the chart of accounts is a first and necessary step to assure financial reporting communicates an accurate and precise picture of governorate financial condition.

5. LOCAL REVENUE GENERATION

5.1 Introduction

The following sections discuss and recommend various ways in which local revenues may be increased in both the short and the long term.

Some revenue increases are a matter of administrative or system improvement capable of being addressed at the governorate level with outside technical assistance and varying amounts of bilateral or similar funding, while others require changes in ministry regulation or decrees. The success of local revenue generation is dependant upon the additional revenues that can be retained and the discretionary spending authority of the governorates.

5.2 Short Term

5.2.1 Local Fees - Commercial Shops etc.

Decree 239/71 Uniform Fees for Local Councils legislated rates for certain local government fees and taxes which include:

<u>Variety</u>	<u>Description</u>
1.	Commercial Shops
2.	Clubs and Associations
3.	Industrial Shops
4.	Bicycles, Carts, etc.
5.	Boats, Commercial and Fishing
6.	Slaughtering
7.	Beach Admission and Concessions
8.	Sidewalk Usage (During Construction)
9.	Public Park Admission
10.	Gas Sales-Additional Tax
11.	Hotel-Additional Tax
12.	Birth and Health Certificates
13.	Fishing and Hunting Permits
14.	Quarrying and Mining
15.	Building Improvement Tax
16.	Public Building Rent
17.	Granaries and Fertilizer Warehouses
18.	Private Market Fees
19.	Water and Light Bill Fees
20.	Other

Fees and taxes were not necessarily reviewed at the time the legislation was enacted and so some tariffs pre-date the legislation by as much as 20 years or more.

Except for four tariffs set at ad valorem (percentage) rates the remaining tariffs (approx. 100) are unit rates

requiring revision on an ongoing basis to sustain the real value of the tariffs and more frequently during periods of higher inflation.

Rate revisions were made under Law 50/1981 which provided for a voluntary doubling of rates by the governorates and Decree 870/90 which legislated tripling of the rates. In the governorates reviewed, Law 50/81 was ineffective. Rates were not adjusted as this was perceived merely as a trade-off between collecting from local people and businesses or of additional GOE subsidy, thus the impact of 870/90 is to treble rates. Any tax or fee increase must be perceived as being reasonable under the circumstances. A 5 piaster increase on a 5 piaster tax is an increase of 100%, while the same increase on a 100 piaster tax is only 5%. The conclusion must be that fees and taxes be incremented in small steps where practical and frequently, each increase raises the tax base so that future increases are perceived as smaller increases in relative terms.

Assuming that the rates established under Decree 239/71 were reasonable, then on the basis of the increase in the consumer price index, revenue rates should have increased on the average by a factor of 9 times over the 19 year period, with consistent annual increases averaging 12% p.a. Revenues from this tax in FY 1987/8 totalled LE 34 million, while the effect of tripling rates is to increase revenues to LE 102 million. Had the rates been consistently escalated according to the consumer price index, the annual revenue would approximate LE 300 million. As total recurrent 1987/8 revenues were LE 601 million, this represents an approximate 17% increase.

Various methodologies exist for determining tax rates, each with varying degrees of objectivity and each method requires varying data research and analysis. However, as an example, in 1976 fish sold for an average of LE 0.20/kg and the tax was LE 0.01/kg. The current average price approximates LE 10.0/kg. On this basis the tax should be LE 0.50/kg whereas in fact the tax is LE 0.03. Assuming consumption of domestic fish at 3 kg per person/per annum and population approximating 55 million the 1990 tax forgone is LE 77 Million [3 kg x 55,000,000 x (LE 0.50 - 0.03)]

Recommendation

- 1) Review Local Fees - Commercial shops annually and increase rates according to change in the consumer price index (CPI).

- 2) Build into future increases over and above those in (1) above to recover inflationary losses since 1971 of 9 times versus the 3 times of the rate increases implemented.

5.2.2 Taxation of Utility Revenue

It is common local government practice to tax the revenues of local utility companies rather than attempting a system of valuation assessment as in the case of property taxation. Utility companies tend to impose some additional costs on local governments for space occupied by the systems and the added costs of ensuring roads, etc. are maintained to adequate standards. The frequent road excavations in order to gain access to systems, although utility companies may maintain high standards for compaction and material replacement, imposes a cost upon the local government to maintain services.

Although some provisions exist in decree 239/71 Uniform Fees for Local Councils, this is limited to the producers of electricity and the consumption of water, electricity and gas which are not delivered through systems owned by the Local Council. These provisions appear to limit the authority to collect tax and excludes the GOGCES and other large authorities from taxing and passing the revenues to the appropriate authority.

Recommendation

Tax all utility revenues at a rate of 10% and all of these funds revert to the local government wherein the utilities are consumed. The tax would apply to utility services provided directly by local municipalities or by national and area agencies.

A partial table of revenue and tax generation for Greater Cairo is displayed below:

<u>Authority</u>	<u>Annual Revenues</u>	<u>Municipal Taxes</u>
GOGCWS	103	10.3
GAGCS	6	0.6
Total	109	10.9

Note: Revenue from the Electricity Authority is not included.

5.2.3 Property Tax

The Property Tax System is based on a percentage tax of a real or imputed rental value and is divided into an agricultural land tax, a building tax and a vacant land tax. Additional taxes based upon the assessment tax base are the cleaning fund (2% tax rate) and a non-residential tax (4% tax rate).

5.2.4 Agricultural Land Tax

Agricultural land is subject to taxation at 14% of the rental value, with certain minor exemptions.

A committee with six members, including farmer representation follows laws and MOF regulations to determine the rental assessment based on net production value of crops and in the absence of any real data imputed values are used. Appeals are taken by the complaining farmer to a court of revision.

A re-assessment is made every ten years with the most recent being in 1989. As re-evaluations occur so infrequently re-assessment results in a very significant change in taxes. The below table: Impact of 1989 Agricultural Land Re-assessment shows Egyptian agricultural land taxes immediately before and after the 1989 re-assessment.

	Actual	Budget	LE (Million)
	<u>1987/8</u>	<u>1989/90</u>	<u>Changes</u>
Total Egyptian Agricultural Tax	37.3	103.2	65.9
Percentage	100%	277%	176.7%
Average Annual % Increase			10.7%

The per feddan tax rate was increased from a base rate of LE. 7 to LE. 22 (214%), thereby increasing revenues LE. 65.9 millions (177%) which was included in the 1989/90 budget and which we have been assured was an objectively realizable amount. The annualized rate of increase is 10.6% and as the basis for assessment is the net production value of the land, the establishment of

a representative basket of agricultural products and comparing the value of this basket between re-assessment to the basket value in the base year will approximate the average increase in rental value and impart the ability to raise taxes annually. By using a percentile of the indicated increase (90-95%) farmers will not be over taxed and a small upward correction will be required at the time of the next re-assessment. Raising agricultural taxes annually would have increased revenues by LE 850 million over the ten year period (LE 85 million annually).

The record of assessment and of taxation is maintained on a manual basis with a page for each registered parcel of land. A great deal of information is maintained, however summary information of number of parcels registered, taxable parcels and assessable value, non taxable parcels or vacant land and assessable value, summary collection information is either not available or is so time consuming that the data is of little comparative value.

Tax payments are due in two installments, June or October/December. The majority of taxes are paid after the main harvest (October) and as fiscal year end is June 30th the government receives payment in the following fiscal year. Neither interest nor penalties are levied for late payment and if a poor harvest occurs in two consecutive years the taxes are forgiven.

Recommendation

1. Establish a representative basket of goods and revalue agricultural land tax annually.

5.2.5 Building Tax

Building tax is covered under innumerable laws and a proposal was developed about 1988 to consolidate the laws and changes to improve the legislation and increase taxation generation capacity by raising current rent control levels that have existed for 30 years more or less.

The present building tax excludes buildings within agricultural land areas and is applied only to areas designated by the Prime Minister. Within these designated areas furnished apartments, luxury apartments and residences, commercial offices and hotels, etc. are taxable. Residential rents for building assessment purposes are based upon 7% land and building construction costs while commercial is 8%. A 20% allowance for operating and maintenance is made and tax is calculated at 10% of the assessed rental rate for

Table 7
Property Tax
Collections and Arrears
Giza Governorate

1988/9

LE (000's)

	<u>Collection</u>	<u>Arrears</u>
Agricultural Land (14%)	1,750	700
Buildings	2,400	3,000
Khafar "Guards"	500	800
Non Residential Fees (4%)	500	600
Cleaning (2%)	2,500	2,000
Fines	700	600
Vacant Land	1,600	16,000
Fines on Vacant Land	<u>100</u>	<u>500</u>
Total	10,050	24,200

Source: General Director, Giza Property Tax Directorate

commercial use and 40% for residential. In addition to the building tax, all buildings are subject to a 2% cleaning tax which funds the solid waste (garbage) disposal and street cleaning program. In reality, a large number of residences, beside paying the tax, end up paying for private garbage disposal service as well and the streets are not cleaned.

5.2.6 Property Systems And Administration

The functions of assessor and tax collector are segregated only in some governorates and a highly labor intensive record keeping system is maintained. There are insufficient trained staff and there is a backlog of assessing and collection work. Each year an assessment survey is required to be undertaken of :

- o Buildings built within the last year
- o New building additions
- o Changes in building use.

Owners state the classification type during the property survey however this information is not reviewed by the assessor. Mis-statement carries a penalty equal to the tax while failure to file is only 25% of the tax.

5.2.7 Revenues And Collections

Table 7-Property Tax Collections and Arrears 1988/9, Giza Governorate shows that the total taxes collected by the Property Tax Directorate amounted to LE. 10.0 million while arrears are LE. 24.2 million. The vacant land tax arrears of LE. 16 million will be collected upon issuing a development permit or when the land is sold. The remaining arrears (LE. 8.2 million) represent 82% of annual collections or 9.8 months of tax collections. There are no interest charges or penalties for late payment and the labor intensive record keeping system ensures that collection officers are able to spend only 25% of time on the collection function. Considerable opportunity exists to improve productivity through system enhancements.

Recommendations

1. Major exemptions from taxation should be removed and all buildings and all lands in all areas assessed with exceptions from taxation limited to mosques, hospitals and other charitable organizations buildings and immediate surrounding land.

2. Any excess land should be subject to taxation.
3. A minimum tax level should be established, below which the tax is not payable on the premise that the incremental administrative costs exceed the tax revenue. An amount of LE 5-10 p.a appears reasonable at the present time.
4. The extensive manual assessment and taxation data bases for agricultural, building and cleaning taxation should be computerized, making management information available on a more timely basis and the ability to detect problems and take timely corrective action; improving data reliability, error detection and productivity in assessing, billing and collection. The system reporting capabilities will also include management reports on total assessment, total taxation, exception reporting by total and by property or exemption type. The ability to accurately project taxation revenues under varying taxation rates will be an absolute requirement when property taxation becomes a locally administered major tax revenue.

5.2.8 Revenue in lieu of Property Tax

In countries where property taxation is a major source of local government revenues, it is usual for the senior governments to be excluded from the legislated requirements of taxation. However, it is also common practice for senior governments to make a voluntary tax payment as though the tax legislation was of full force and effect.

The voluntary payment for local property tax which serves to stabilize local administration taxation revenues where there are government buildings and offices, which is more particularly so in capital and provincial cities, is an additional means for maintaining equity between local governments.

Recommendation

All government buildings should make tax in-lieu payments to the local municipality.

5.2.9 Motor Vehicle and Related Transport Matters

The overcrowded and inadequately maintained streets in the urban governorates will continue to deteriorate if a coherent integrated transportation policy is not developed that supplies the financial and physical needs

of the road network as well as the public bus and rail system. Issues of primary concern are the high motorization rate (14.4% per annum between 1970 and 1987), decreasing modal split share of public transportation (estimated to fall from 30.3% in 1987 to 23.9% by the year 2000), and the decreasing real value of motor vehicle registration (MVR) fees.

The local governorates need to institute a differential pricing strategy to account for the regional disparity experienced between the urban governorates. In Giza for example, the proposed reassessment of MVR fees could yield LE 132.8 million, and the institution of a modest 5% petrol sales tax would generate LE 33.4 million. The combined effect of these two measures, shown in Table 8 - Additional Auto Fees & Taxes, would raise LE 159.5 million more revenues for road and public transport than the LE 6.7 million that was collected in FY 1987/8 (under "Auto Fees & Taxes" - BAB I, Group 8, Item 4).

Table 8	
Additional Motor Vehicle Fees & Taxes	
Giza	
	<u>LE (Million)</u>
	<u>Revenues</u>
Motor Vehicle Registration Reassessment	132.8
Proposed 5% Petrol Sales Tax	<u>33.4</u>
Total	166.2
Actual 1987 (BAB I, Group 8, Item 4)	<u>6.7</u>
Total Additional	159.5

Other options available that would help alleviate traffic congestion, raise public finances and encourage the use of public transportation include the initiation of parking charges on designated streets, improved traffic control enforcement and the establishment of rush hour fees. A more complete discussion of motor vehicle transport matters is presented in Annex C: Motor Vehicle and Related Transport Matters - Key Issues.

Recommendations for Road Transport

- Automobile Registration:
 - o Reduce the categories from 10 to 4
 - o Increase fees of low end categories (based on engine cubic centimeters)

- Truck Registration
 - o Convert from a per ton rate to a 6 category structure
 - o Triple rates
- Gasoline
 - o Institute a 5% gasoline tax at the retail level (i.e. at the pump)
- On Street Parking
 - o Institute on street parking control areas (pay and display system) with tickets purchased at centralized manned locations
- Parking and Traffic Control Enforcement
 - o Utilize on street parking revenues for parking and traffic control enforcement
- Revenue Utilization (Vehicle Registration and Gas Tax)
 - o Fund the GOE training and job placement progra.
 - o Fund road construction and maintenance
 - o Cross subsidization of public transport service

5.3 Long Term Recommendations

The property tax system (building and agricultural land) must be allowed to assume its position within the framework of major local government financing. In order for the property tax system to operate effectively the controlled rental base must be incremented gradually until near market conditions can be achieved and requires also implementation of the short term recommendations. Difficulties in implementing this recommendation are primarily key money and appropriation of wealth by previous governments, however, solutions such as grandfathering must be instituted as further delay is not a resolution and a bad situation becomes more difficult to resolve. The tax rates should be set at the local level each year and provide the funding necessary to finance the short fall in those local government services for which a direct charge for services is not feasible.

Table 9
Urban Governorates
Per Capita Comparative Expenditures, Revenues and Subsidies
FY 1987/8

LE

	Port						Local Admin.	
	<u>Giza</u>	<u>Said</u>	<u>Cairo</u>	<u>Alex</u>	<u>Suez</u>	<u>Qalub.</u>	<u>Urban</u>	<u>All</u>
Population (Thousands)	4,002	403	6,230	3,035	367	2,706	16,743	51,280
Expenditures								
Bab I: Wages	23.2	110.5	34.3	41.8	55.0	39.9	36.2	43.4
Bab II: Curr Exp & Transfer	6.5	50.3	10.7	15.3	23.4	7.0	11.2	10.1
Bab III: Investments	5.0	45.5	10.4	6.8	20.1	9.1	9.3	9.3
Bab IV: Loans Repayments	1.1	3.4	4.6	2.4	3.9	1.3	2.8	1.6
Total Expenditures	35.8	209.5	59.9	66.3	102.4	57.3	59.4	64.3
Revenues & National Subsidies								
Revenues								
Bab I: Sovereign	4.0	19.8	10.1	8.8	13.9	2.4	7.5	4.4
Bab II: Current Local	4.2	37.5	7.7	12.6	15.6	5.5	8.3	7.3
Bab III: Capital Financing	5.0	45.3	10.4	6.8	20.1	9.1	9.3	9.3
Bab IV: Srcs of Loan Repay	<u>0.2</u>	<u>2.6</u>	<u>3.0</u>	<u>1.0</u>	<u>2.8</u>	<u>1.1</u>	<u>1.6</u>	<u>1.0</u>
Total Revenues	13.4	105.1	31.1	29.3	52.5	18.2	26.7	21.9
National Subsidies								
Current (Bab I & II)	21.6	103.6	27.2	35.6	48.9	39.0	31.6	41.8
Capital (Bab III & IV)	<u>0.8</u>	<u>0.8</u>	<u>1.6</u>	<u>1.3</u>	<u>1.1</u>	<u>0.2</u>	<u>1.1</u>	<u>0.6</u>
Total Subsidies	22.4	104.4	28.8	37.0	49.9	39.2	32.7	42.4
Total Revenues & Natl Subs	35.8	209.5	59.9	66.3	102.4	57.3	59.4	64.3

Note: Actual figures are shown in Annex A: Table 9-A Condensed Comparative Statement of Revenue & Expenditure.

6. GOVERNMENT GRANTS / REVENUE SHARING

6.1 Introduction

The concept of grants was discussed under the section Discussion of Key Concepts - Government Grants, while the defects were referenced in Constraints to Local Government Fiscal Autonomy section. The current practice of MOF is to first establish an expenditure budget. Bab I (Salaries and Wages) is virtually fixed by the staffing allocation of COAO, and BAB IV (Capital Transfers) is fixed by virtue of outstanding loans while Bab III (Capital Investment) is largely regulated by MOP. The major focus is on Bab II (Current expenditures and transfers) which is negotiated between MOF and the governorate. These deliberations usually lack focus as little is known of unit costs, cost benefit or program costs and final budget levels are often a matter of personal relationships or political suasion.

Table 9: Urban Governorate Per Capita Comparative Expenditures, Revenues & Subsidies FY 87/88 displays comparisons between the 6 urban governorates and shows also the average for urban and all governorates of the three components i.e expenditures, revenues and subsidies. The comparison has been performed on a per capita basis. There are undoubtedly components for which a per capita analysis is not explicitly correct however the analysis demonstrates in order of magnitude, the variability and hence the inequity in setting budget levels, while the below Table 10: Selected Governorates Per Capital Comparison with Ratios of Expenditures, revenues & Subsidies 1988/9 shows LE per capita with comparative ratios to the urban average.

	Expenditures		Revenues		Subsidies	
					LE	
	LE	Ratio	LE	Ratio	LE	Ratio
High - Port Said	209.5	3.5	105.1	3.9	104.4	3.2
Low - Giza	35.8	0.6	13.4	0.5	22.4	0.7
Normal - Cairo	59.9	1.0	31.1	1.2	28.8	0.9
Urban Avg	59.4	1.0	26.7	1.0	32.7	1.0
Local Adm Avg	64.3	1.1	21.9	0.8	42.4	1.3

Port Said approximates on all three components, 3 times the urban average while Giza is 0.5-0.7 and Cairo at 0.9-1.2

Table 11
Local Administration Revenues
FY 1987/8

LE (000's)

		Amount	Percentage	
			Specific Bab	Total Bab
Bab I: Sovereign Revenues				
Group 8:	Local Taxes and Fees (Svrn)			
Item 1	Agricultural Land Tax	37,335	16.4%	1.4%
Item 2	Building Tax	21,907	9.6	0.8
Item 3	Entertainment Tax	15,238	6.7	0.6
Item 4	Auto Fees & Taxes	67,556	29.7	2.5
Item 5	Share of Joint Revenues	38,980	17.1	1.4
Variety 1	Export & Import Tax	12,609	5.5	0.5
Variety 2	Transfer Capital Tax	5,733	2.5	0.2
Variety 3	Comm & Indstr Profit Tax	20,638	9.1	0.8
Variety 4	Financial Company Tax <1>	0	0.0	0.0
Item 6	Share of Joint Fund	31,035	13.6	1.1
Item 7	Share Suez Canal Auth. Taxes	15,707	6.9	0.6
Item 8	Others	0	0.0	0.0
Total Bab I		227,758	100.0%	8.3%
Bab II: Current Revenues and Transfers				
Group 7:				
Item 1	Rev of Local Muni	18,099	4.8%	0.7%
Item 2	Rev of Srvc Dir	17,683	4.7	0.6
Item 3	Local Fees on Commercial Shops	34,122	9.1	1.2
Item 4	Rev of Production Projs	55,250	14.8	2.0
Item 5	Rev of Quarries	4,173	1.1	0.2
Item 6	Misc Revenue	30,817	8.2	1.1
Item 7	Other Local Revenue	213,534	57.1	7.8
Total Bab II		373,678	100.0%	13.6%
Current Subsidy		2,141,944	na	78.1%
Total Current Revenues (I & II)		2,743,380	na	100.0%

<1> Combined with Variety 3

approximates the norm. As previously commented there is no real explanation for such variations except that a large degree of inequity exists in service levels between governorates. Revenues are generally based on a 3 year average, while no MOF directive is issued with respect to subsidies and is merely a topping up of the expenditure-revenue gap.

6.2 Revenues

A discussion of revenue sources is contained in the technical paper "Revenue Sources in Urban Governorates" by Wilbur Smith Associates, December 1988 while table 11 Local Administration Revenues FY 1987/88 displays the revenues for all governorates by item within BAB together with percentages within BAB and by total revenue and subsidy. The areas requiring closer examination are share of joint revenues (8.5), share of joint fund (8.6) and share of taxes on Suez Canal Authority (8.7). Essentially the share of joint revenues are the four listed surtaxes i.e. export/import (8.5.1), transferred capital (8.5.2), commercial and industrial (8.5.3) and financial companies (8.5.4). The legislation for this tax is contained in Law 43/79 Section 35 which allows for a surtax of 5% of the original tax while the actual rate prescribed by MOF is 2%. One half of the tax is allocated to the governorate collecting the tax through share of joint revenues (8.5) (FY 87/88 LE 39 million), while the remaining funds, less LE 1.0 million are distributed by the Ministry of Local Administration on an ad hoc basis (FY 87/88 LE 31 million).

Joint revenues are allocated to governorates on the basis of activity within the governorate and where the activity extends over more than one governorate, the funds are allocated to the governorate in which the head office is based. This method is simple to administer and to apportion funds, however, there is a resulting inequity in fund distribution as the contribution of the district offices and district manufacturing facilities is not recognized. Additionally, the export/import surtax component of the revenues is generated by the major in/out country transportation points i.e. air: Cairo/Alexandria, ship: Alexandria, Port Said, Suez.

Alternatives that can be considered should include recognition that import/export points are a national responsibility i.e. airports and docks. As local employment and consumption of goods and services to operate these national facilities already provides an economic advantage to the local community, it follows then, that revenues from the import/export surtax should be made available for equitable distribution to all governorates as a component of the joint fund.

Table 12
**Local Administration Joint Revenues, Joint Funds
and Suez Canal Revenue Distribution**
FY 1987/88

LE 000's

Governorate	Joint Revenues		Joint Funds		Suez Canal		Total Revenues	Pop (1988)	Proposed Revenue Redistr.	Change	
	LE	%	LE	%	LE	%	LE		LE	LE	%
Cairo	23,464	60.2%	0	0.0%	0	0.0	23,464	6,224	10,551	(12,913)	-55.0
Giza	674	1.7	3,105	10.0	0	0.0	3,779	4,002	6,784	3,005	79.5
Qalubiya	659	1.7	1,287	4.1	0	0.0	1,946	2,703	4,582	2,636	135.5
Alexandria	7,866	20.2	0	0.0	0	0.0	7,866	3,035	5,145	(2,721)	-34.6
Port Said	2,263	5.8	231	0.7	3,788	24.1	6,282	432	732	(5,550)	-88.3
Suez	<u>1,640</u>	<u>4.2</u>	<u>211</u>	<u>0.7</u>	<u>1,966</u>	<u>12.5</u>	<u>3,817</u>	<u>359</u>	<u>609</u>	<u>(3,208)</u>	<u>-84.1</u>
Urban Total	36,566	93.8	4,834	15.6	5,754	36.6	47,154	16,755	28,404	(18,750)	-39.8
Behira	38	0.1	3,287	10.6	0	0.0	3,325	3,420	5,798	2,473	74.4
Gharabiya	680	1.7	1,771	5.7	0	0.0	2,451	2,983	5,057	2,606	106.3
Menoufia	215	0.6	2,207	7.1	0	0.0	2,422	2,332	3,953	1,531	63.2
Kafr el Sheikh	0	0.0	1,803	5.8	0	0.0	1,803	1,878	3,184	1,381	76.6
Ismailia	0	0.0	472	1.5	7,203	45.9	7,675	589	999	(6,676)	-87.0
Sharkiya	3	0.0	2,232	7.2	0	0.0	2,235	3,583	6,074	3,839	171.8
Dakahliya	262	0.7	3,754	12.1	0	0.0	4,016	3,652	6,191	2,175	54.2
Damietta	94	0.2	440	1.4	0	0.0	534	774	1,312	778	145.7
Fayoum	195	0.5	886	2.9	0	0.0	1,081	1,629	2,762	1,681	155.5
Beni Seuf	53	0.1	1,722	5.5	0	0.0	1,775	1,509	2,558	783	44.1
Menia	122	0.3	1,571	5.1	0	0.0	1,693	2,767	4,691	2,998	177.1
Assiout	85	0.2	2,184	7.0	0	0.0	2,269	2,330	3,950	1,681	74.1
Sohag	169	0.4	1,465	4.7	0	0.0	1,634	2,560	4,340	2,706	165.6
Qena	265	0.7	1,287	4.1	0	0.0	1,552	2,364	4,008	2,456	158.2
Aswan	217	0.6	486	1.6	0	0.0	703	838	1,421	718	102.1
Matrouh	0	0.0	161	0.5	0	0.0	161	172	292	131	81.1
North Sinai	13	0.0	161	0.5	1,375	8.8	1,549	183	310	(1,239)	-80.0
South Sinai	0	0.0	161	0.5	1,375	8.8	1,536	29	49	(1,487)	-96.8
Red Sea	3	0.0	80	0.3	0	0.0	83	99	168	85	102.2
New Valley	<u>0</u>	<u>0.0</u>	<u>71</u>	<u>0.2</u>	<u>0</u>	<u>0.0</u>	<u>71</u>	<u>120</u>	<u>203</u>	<u>132</u>	<u>186.5</u>
Rural Total	2,414	6.2	26,201	84.4	9,953	63.4	38,568	33,811	57,318	18,750	48.6
GRAND TOTAL	38,980	100.0	31,035	100.0	15,707	100%	85,722	50,566	85,722	0	0%

The remaining joint revenue surtax components, i.e. transferred capital (8.5.2) commercial and industrial (8.5.3) and financial companies (8.5.4) could be more equitably distributed by either basing a prorata distribution on the number of company employees in each governorate area, or by sales volume in each governorate area (exports excluded) or alternatively distributed to all governorates as a component or the joint fund which is the recommended alternative. Suez Canal Authority share of taxes (8.7) generated by the national organization: Suez Canal Authority (FY 1987/88 LE 16 Million) presents a similar situation as the export/import tax and for the very same reason, should be made available for equitable distribution to all governorates as a component of the joint fund.

Table 12: Local Administration, Table of Joint Revenues, Joint Funds and Suez Canal Revenue Distribution FY 1987/88 shows the distribution of these surtaxes to the various governorates. The results of the proposal to redistribute the taxes by population is shown in column (9) Proposed Revenue Redistribution, while the changes are shown by amount and % in columns (10) and (11) respectively. The impact of these changes is discussed under central government grants.

Recommendation

That joint funds, joint revenues and Suez Canal funds be redistributed on a population basis.

6.3 Central Government Grants

Subsidies are provided by GOE through MOF and have basically no sound criteria for the allocation process. The recurrent subsidy is the amount required to fund the difference between the aggregate of Bab I and Bab II expenditures less Bab I and II revenues. The benefit of raising additional recurrent revenues, except where such revenues directly support a special fund, is inhibited by the cancellation effect in the central subsidy reduction as each increment in revenue income results in an equal reduction in subsidy i.e. no benefit is conferred upon local citizens, accordingly no attempt is made by Local Administration to increase revenues within Bab I and II resulting in increased central government subsidy and GOE deficit.

A methodology is required then that will impart fiscal responsibility to both the central government and the local governorate. The GOE has a full employment policy for all students that have reached a certain academic level and passed the required examinations. As a result of this, a large number of additional positions have been created in

Table 13
Government Grant Proposal
FY 87/8

LE (000's)

Recurrent Expenditures:	Port						Total
	Giza	Said	Cairo	Alex	Suez	Qalubiya	Urban
Bab I: Wages	93,044	44,534	213,681	126,791	20,187	108,070	606,307
Bab II: Curr Exp & Transfers	25,907	20,282	66,551	46,488	8,586	18,945	186,759
Total Recurrent Expenditure	118,951	64,816	280,232	173,279	28,773	127,015	793,066
Recurrent Revenues:							
Bab I: Sovereign Revenues	15,821	7,968	62,679	26,721	5,108	6,522	124,819
<i>Surtax Re-allocation</i>	<i>3,005</i>	<i>(5,550)</i>	<i>(12,913)</i>	<i>(2,721)</i>	<i>(3,208)</i>	<i>2,636</i>	<i>(18,751)</i>
<i>Bab I Adjusted Rev</i>	<i>18,826</i>	<i>2,418</i>	<i>49,766</i>	<i>24,000</i>	<i>1,900</i>	<i>9,158</i>	<i>106,068</i>
Bab II: Curr Local Revenues	16,655	15,102	48,013	38,361	5,727	14,989	138,857
Total Recurrent Revenues	35,491	17,520	97,779	62,361	7,627	24,147	244,925
Recurrent Subsidies							
<i>Social Emphy Net (40% Bab I)</i>	<i>37,218</i>	<i>17,814</i>	<i>85,472</i>	<i>50,716</i>	<i>8,075</i>	<i>43,228</i>	<i>242,523</i>
<i>Per Capita Grant (LE 17.15)</i>	<i>68,634</i>	<i>6,911</i>	<i>106,844</i>	<i>52,050</i>	<i>6,294</i>	<i>46,408</i>	<i>287,142</i>
Total Recurrent Subsidies	105,852	24,725	192,317	102,767	14,369	89,636	529,665
Rev & Subs Excess/(Deficit)	22,392	(22,571)	9,864	(8,151)	(6,777)	(13,232)	(18,476)

established through the full employment policy. It has been estimated that the excess staff may well approximate 40% of total staff.

A proposal for grant allocation should then include:

- 1) A full employment social net grant as a percentage of Bab I (Initial rate 40%)
- 2) A per capita grant to equitably distribute the majority of the remaining MOF grant (LE 17.15 in the example that follows).

Table 13 - Government Grant Proposal incorporates the effect of implementing the re-allocation of surtaxes together with the grant amount under the new allocation methodology. The total of grant allocated remaining the same, (Urban Grants LE 529.7 million) the exact amount under the old expenditure/revenue gap subsidy program. The advantage of the change in grant formulation is:

- 1) The GOE has full responsibility for the social net program and the amount is clearly displayed GOE has also the opportunity to set up a training program, train people for private jobs and gradually relieve GOE of the financial burden for the social net program. The program is under the full control of GOE and the required funding could be from additional motor vehicle registration fees. As the re-training program develops and staff are deployed into the private sector, the grant allocation can be reduced on a prorata basis.
- 2) The remaining grant monies have been equitably distributed on a per capita basis. Additional criteria can be included as the grant allocation process is refined and could include:-

Roads and Bridges Maintenance	- Per Square Meter
Education	- School Age Population
Veterinarian	- Animals Treated in the Previous Year

- 3) Any additional revenue generated by the governorate does not impact the grant allocations, is retained by the governorate and is available for additional funding of local government activities.
- 4) The system is flexible and GOE may make block grants where special activities are undertaken or where special circumstances exist.

Recommendation

A proposal for grant allocation based on:

- 1) A full employment social net grant as a percentage of Bab I (Initial rate 40%).
- 2) A per capita grant to equitably distribute the majority of the remaining MOF grant (LE 17.15 in the example that follows).

6.4 Surplus Retention

At the conclusion of the fiscal year-end (June 30th.) present practices allow the MOF to withdraw any funds remaining in the governorate bank accounts.

Concurrent with the change in grant allocation methodology is the requirement for governorates to retain the current years surplus, to do otherwise negates the motivation for local revenue generation. To fairly state the level of surplus is the necessity to record all unpaid appropriations and move from a cash basis of accounting wherein expenditures are recognized when the related fund liability is incurred i.e. the focus is on spending measurement.

7. POLICY REFORMS/SERVICE DELIVERY

7.1 Chart of Accounts

The present control of the chart of account allows some flexibility in the choice of the lowest objects of expenditure, however the renaming of certain objects of expenditure would result in a clearer account definition. Generally accepted accounting principles requires the adoption of a full double entry accounting system and progressing from a cash based statement of revenues and expenditures to a full set of financial statements on the accrual basis. Expansion is also required in order to implement fund accounting and also cost center reporting for detailed line management reporting and program budget reporting.

A proposed chart of accounts is enclosed under Annex D: Proposed Chart of Accounts.

7.2 Fund Accounting

Financial reporting adheres to a number of accounting conventions known as generally accepted accounting principles (GAAP). One of the most significant differences in GAAP between government and business enterprises is fund accounting. GAAP for business emphasizes accounting and financial reporting for the business as a whole while GAAP for government emphasizes reporting by funds, so from a financial reporting viewpoint, a government is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of other funds and account groups.

Funds are classified into three broad categories: Governmental, Proprietary and Fiduciary. The below table summarizes the fund types and shows the measurement focus, accounting basis and primary spending control mechanism:

SUMMARY OF FUND TYPES

Fund Category	Fund Type	Measurement Focus	Basis of Accounting	Primary Means of Spending Control
Governmental	General	Spending	Modified Accrual	Annual Operating Budget
	Special Revenue	Spending	Modified Accrual	Annual Operating Budget
	Debt Service	Spending	Modified Accrual	Bond Indentures
	Capital Projects	Spending	Modified Accrual	Bond Indentures, Project Authorizations
Governmental	Special Assessment	Spending	Modified Accrual	State Laws, Project Authorizations
Proprietary	Enterprise	Capital Maintenance	Accrual	Modified Marketplace
	Internal Service	Capital Maintenance	Accrual	Indirect Budgetary
Fiduciary	Trust and Agency			
	Expendable Trust	Spending	Modified Accrual	State Laws, Trust Agreements
	Nonexpendable Trust	Capital Maintenance	Accrual	State Laws, Trust Agreements
	Pension Trust	Capital Maintenance	Accrual	State Laws
	Agency	N/A	Modified Accrual	N/A

Table 14
Cost Recovery of
Economic & Service Authorities

1989/90 Budget

LE (Million)

	GOGCWS		GAGCS	
	<u>LE</u>	<u>%</u>	<u>LE</u>	<u>%</u>
<u>Expenditures</u>				
Salaries & Wages	33.8	19	33.0	84
Current Expenditures	<u>143.7</u>	<u>81</u>	<u>6.5</u>	<u>16</u>
Total Expenditures	177.5	100	39.5	100
<u>Revenues</u>				
Operating	125.0	70	6.0	15
Other	<u>--</u>	<u>--</u>	<u>2.0</u>	<u>5</u>
Total Revenues	125.0	70	8.0	20
<u>Internally Generated Funds</u>				
Before Capital Financing	<u>(52.5)</u>	<u>(30)</u>	<u>(31.5)</u>	<u>(80)</u>
Charges (Negative)				

A further distinction is of account groups which exist to control general fixed assets and general long-term obligations which do not represent financial resources available for use. They are the accounting records for general fixed assets and general long-term obligations respectively.

In the absence of any known legislative requirements other than the special funds of:

- Cleaning
- Housing
- Land Reclamation
- Local Services Development Fund

It is suggested that fund accounting be developed along the following lines

- General Fund
- Debt Service Fund
- Capital Projects Fund
- General Fixed Asset Account Group
- General Long Term Debt Account Group
- Special Revenue Funds
 - Cleaning
 - Housing
 - Land Reclamation
 - Local Services Development Fund

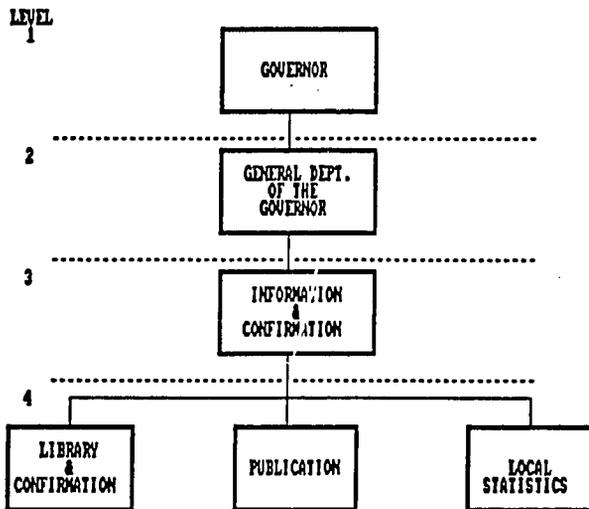
Sample financial statements are included for selected funds under Appendix D.

7.3 Cost Recovery

Table 14: Cost Recovery of Economic and Service Authorities shows how the current pricing structure is insufficient to generate revenues to cover recurrent operating costs. Tariffs in the examples of GOGCWS, an economic authority and GAGCS, a service authority need to increase on the average by 42% and 5.25 times respectively to cover recurrent expenditures. In addition, further rate increases are required to provide the required source of funds for future capital investment and replacement.

Corporate policies should be consistently reviewed and rates adjusted at least annually as part of the budget and forecasting preparation, to ensure complete cost recovery including provision for replacement/expansion of the system. Where service delivery is the direct responsibility of the governorate, the institutional capacity for reviewing rates would be established within OMED.

DIAGRAMATIC LAYOUT OF COST CENTERS AND LEVELS OF REPORTING



7.4 Cost Centers

Automation allows detailed reporting to be performed with little additional input which is mainly confined to an extension of the coding system to incorporate hierarchical levels within the organization. The accompanying diagram, extracted from Annex D: Port Said Organization Chart displays the various organizational levels. The ability to aggregate data at vary levels permits the ability to report at all levels of responsibility in the organization.

7.5 Departmental Accounting

The application of cost centers and organizational levels of reporting is extremely beneficial to governmental accounting especially for the general fund where within this single fund is a requirement to report on the activities of some 20 departments contained within the single entity known as the general fund. A sample general fund statement is enclosed under Annex D.

7.6 Program Budgeting

As the cost centers are based on the lowest levels within the organization, an additional coding system allows all costs associated with the delivery of a particular service to citizens, to be collected under the concept of program budgeting. The accumulated cost data is then used with other factors to compare and assess the needs of the community.

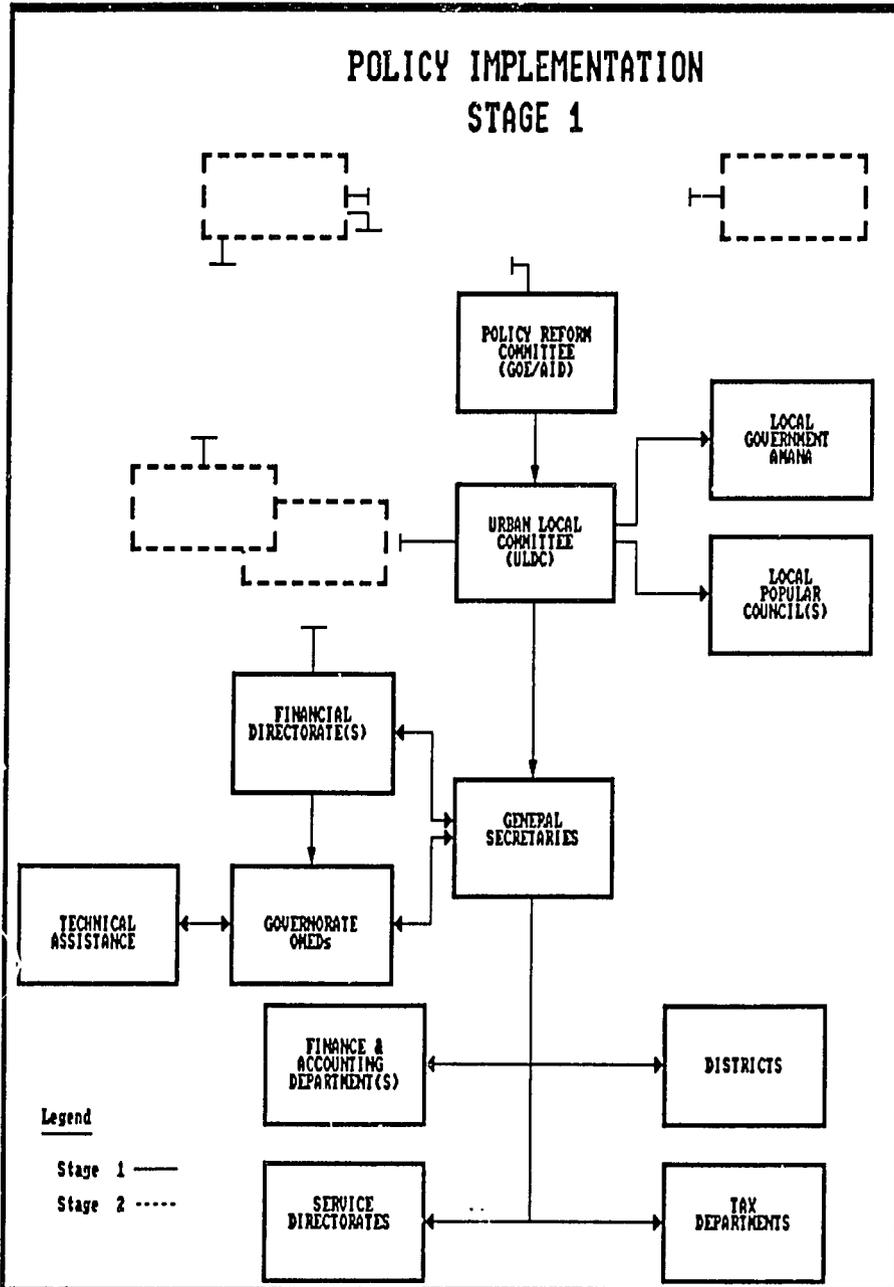
7.7 Integrated Management Information Systems

The inclusion of the previously discussed policy reform/service delivery subjects of chart of accounts, fund accounting, cost centers, departmental accounting and program budgeting embodied into the financial information system (BMS) together with certain specialty systems e.g. property tax assessment, property tax billing and collection, licensing revenue and control, general accounts receivable, constitute the basis of an integrated management information system. In conclusion, the governorates are facing greatly enhanced responsibility in the light of continued population growth and urbanization, increased levels of service, increases in efficiency, effectiveness and with local revenue generation sources forming a larger portion of total funding resources, the employment and utilization of modern accounting techniques in a fully automated integrated management information system is an essential ingredient to successful management and financial control.

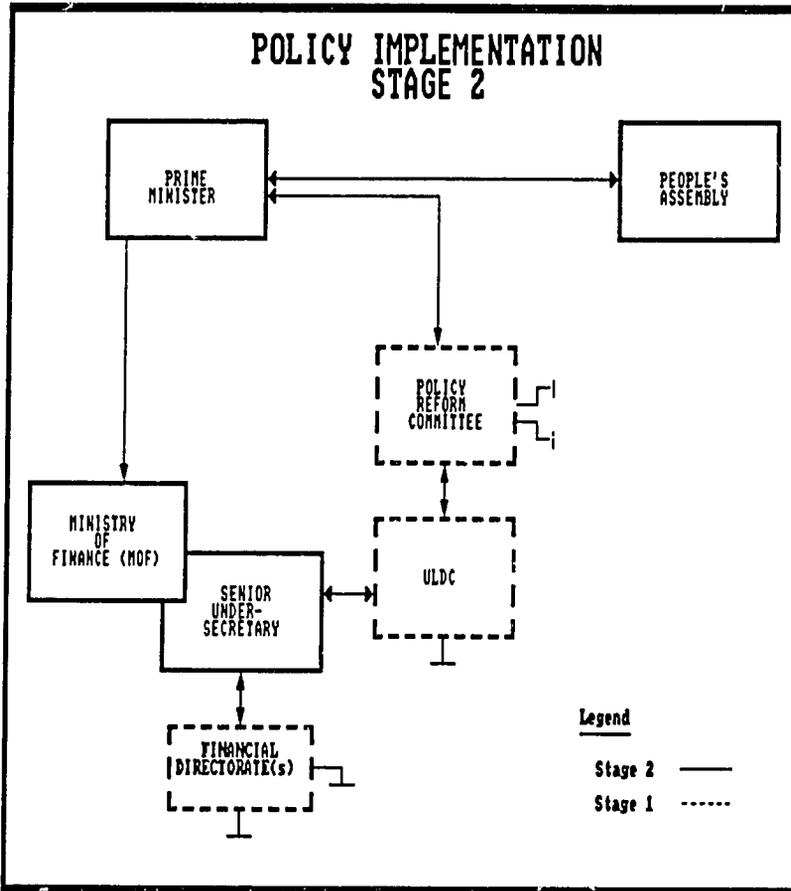
8. IMPLEMENTATION PLAN

8.1 The Plan for Implementing the Recommendations:

- a. Development of computer systems recommended in tax efficiency - which can proceed subject only to the acceptance by the governor of the selected pilot governorate and fund availability.
- b. Building upon the successes in (a) above, negotiations would commence with the following organizations.



- c. Following a consultation with organizations in (b) the agreed changes would be formally forwarded to the following indicated below



8.2 Conclusions

The above recommendations, together with a summary of the issues that they are intended to address, are summarized for reference on the following chart

LOCAL RESOURCE MANAGEMENT

SUMMARY OF ISSUES / FINDINGS AND RECOMMENDATIONS

ISSUES / FINDINGS	RECOMMENDATIONS
<p>A. Grants & Revenue Generation</p> <ul style="list-style-type: none"> o Educationally based full employment program funding o MOF subsidies based on expenditures/revenue balancing is major barrier to local revenue generation o Budget surplus - year end bank balances returned to MOF. o Infrequent updating of rates and tariff for <ul style="list-style-type: none"> - Commercial Shops - Agricultural Tax - Building Tax - Motor Vehicle Registration o Building Tax <ul style="list-style-type: none"> - Restricted by rent controls - Restricted to luxury apartments ... etc. o Inequitable distribution of selected surtaxes; allocations lack objectivity: <ul style="list-style-type: none"> - Joint Revenues, joint funds, Suez Canal <p>B. Tax Administrative Efficiency</p> <ul style="list-style-type: none"> o Manual, Time consuming systems <ul style="list-style-type: none"> - Agricultural Tax - Building Tax - Cleaning Tax - Licensing - Entertainment Tax - Other Revenues <p>C. Additional Sources of Revenue</p> <ul style="list-style-type: none"> o Taxation of utility revenue is limited <ul style="list-style-type: none"> - Utilities are not consistently taxed - Tax rate is 3% o Payments in lieu of taxation <ul style="list-style-type: none"> - No compensation to governorate for government buildings within governorate geographical area o Motor Vehicle Taxation <ul style="list-style-type: none"> oo Automobile Registration Fees <ul style="list-style-type: none"> - Too many categories - Large rate spread between upper and lower categories oo Truck Registration Fees <ul style="list-style-type: none"> - Large number of rates, fee basis is per ton - Rates unchanged since 1973 	<ul style="list-style-type: none"> - Identify support as separate amount, and institute training and job placement program - Develop and implement objective criteria for grant setting. Initially per capita, (FY 87/88 = LE 17.15) - To retain the objectivity of criteria based grants all surpluses to be retained by governorate - Develop reliable indicators and update rates frequently - preferably annually - Gradual increase in rent control level - Grandfather some existing provisions - Include normal residences - Set building tax rates at the local level - Surtax allocated on a per capita basis - Computerize billing & collection function with immediate benefits in management control, collections, etc. - Tax all utility revenues at a rate of 10%, revenues to governorate wherein utilities are consumed - Establish a policy for governments to compensate governorates through in-lieu of tax payments - Reduce categories from 10 to 4 - Increase rates for lower categories - Convert to 6 categories structure - Triple rates - Formal rate review

LOCAL RESOURCE MANAGEMENT

SUMMARY OF ISSUES / FINDINGS AND RECOMMENDATIONS

ISSUES / FINDINGS	RECOMMENDATIONS
<ul style="list-style-type: none"> oo Gasoline <ul style="list-style-type: none"> - No gas tax at the retail level oo On street Parking <ul style="list-style-type: none"> - Streets are congested as parking is neither controlled nor traffic regulations sufficiently enforced. D. Policy Reform <ul style="list-style-type: none"> o Administration <ul style="list-style-type: none"> - No legal authority for local governments - Lack of institutional capacity for needs analysis and economic studies - Reorganize for greater effectiveness and efficiency o Financial <ul style="list-style-type: none"> - Manual systems - Labor intensive - Unable to track and retain detail - Single entry - Cash based - No balance sheet o Service Delivery <ul style="list-style-type: none"> - Lack of criteria for service delivery to citizens 	<ul style="list-style-type: none"> - Institute a 5% gasoline tax at the pump for funding local expenditures - Institute on street parking control system (pay & display) with centralized ticket booths - Use parking revenues for parking and road traffic control - Full corporate legal status - Defined geographical areas - Co-ordination of sectorial plans and formation of regional plan (Regional OMED). - Co-ordination of regional utility agencies (Regional OMED) - Selected service directorates elevated to regional level <ul style="list-style-type: none"> a) Education b) Health c) etc. - Resolution of authority of service directorates vis 'a vis governorate central dewan - Reorganization following newly defined responsibilities and eliminate duplicate functions - Flexible geographic sub-areas of responsibilities tailored to meet local conditions - Computerization through BMS as fully discussed in the Feasibility Study "Budget Monitoring System" including: <ul style="list-style-type: none"> o Expansion of chart of accounts including cost centers and departments o Adopt fund accounting o Institutionalization of program budget expenditure analysis in preparation for adopting program budgeting o Institutionalization of cost recovery analysis techniques (OMED) - Complete formal needs analysis for capital investments and recurrent expenditures

ANNEX (i): INTRODUCTION

	<u>PAGE</u>
Project Initiating Letter	1
LD II Schedule of Project Expenditures & Financing	3

LOCAL DEVELOPMENT II URBAN PROJECT

1097 CORNICHE EL NIL ST., GARDEN CITY . CAIRO, EGYPT . 355 7078 . 355 7933 . FAX 356 4294

March 13, 1990

Mr. Jack Gisige:
Project Officer
Urban Project
USAID/LAD

Contract No.: 363-0182-C-00-8017

**Re: Local Administration Fiscal Policy, Suggested Contract
Scope of Work Amendment Clause**

The GOE and USAID are giving increased attention under the LDII Program to the following local administration sector policy concerns:

1. Sustainability of investments in basic services infrastructure in governorates and local units; related to this, adequate local resource mobilization from user fees, taxes, and other local revenue instruments to support increased recovery of O&M and capital costs; and more broadly, a central government revenue sharing system (the formula to be worked out by the GOE) to provide incentives to governorates and local units to increase local revenues.
2. The organizational and institutional requirements to support increased decentralization of local administration, increased local revenues; improved budgeting, and expenditure accountability, and improved overall performance. This includes use of autonomous community service organizations, and use of private sector entities or contracts for service delivery where most feasible.

The Wilbur Smith Associates 1990 work program is therefore amended to address Local Administration revenue generation (LRM) concerns with new work efforts associated with Project OMED and local government activities. The major issues to be addressed are:

- o Sustainability and Institutional autonomy
- o Organization and Institutional Requirements
- o Strengthening Local Financial Planning Authority

Given these key issues, four major areas of activity have been identified for additional technical assistance associated with the LGA/OMED component. The following innovative potential change areas will be addressed:

- o Revenue Capacity and Related Authority
- o Intergovernmental Grants
- o Expenditure Efficiency/Control
- o Public Participation in Program Expenditure Decisions by Popular Councils
- o Policy Dialogue

16-3-2N.153

WILBUR SMITH ASSOCIATES

DELOITTE AND TOUCHE
DEVELOPMENT CONSULTING GROUP

i-1

PUBLIC ADMINISTRATION SERVICE
ENGINEERING AND GEOLOGICAL
CONSULTING OFFICE

47

Implementation activities will focus on a pilot analysis in two urban governorates. The overall objective is to demonstrate and quantify the benefits of proposed changes, both nationally and locally. The expected output will be identified areas of Local Administration revenue generation, as well as testing of same in a pilot context. The implementation process is expected to be achieved through policy changes at the local, and perhaps, at the central governmental levels.

Sincerely,

WILBUR SMITH ASSOCIATES



Richard E. Miller
Chief of Party

Note: Most of this increased level of effort will be accomplished through present contractor staff reorganization. Additional staff required 1) Egyptian long term local government specialist + manmonths each of a) short-term public finance specialist and b) public administration policy specialist.

TABLE 3
LOCAL DEVELOPMENT II
URBAN PROJECT
MAINTENANCE PLAN STATUS

AS OF 30, Sep., 1990

GOVERNORATE/ DISTRICT	L D I I F Y 1987								L D I I F Y 1988							
	TOTAL MO	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT SPEND	TOTAL MO.	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT %
CAIRO																
GOVERNORATE	1	143,547	143,696	99%	1,851	1%	143,696	100%	5	242,917	242,917	100%	0	0%	242,917	100%
MELWAN	17	79,104	79,104	100%	0	0%	79,104	100%	8	67,774	55,410	82%	12,364	18%	55,410	100%
HELIOPOLIS	10	26,235	26,235	100%	0	0%	26,235	100%	3	24,910	24,340	99%	370	1%	24,340	100%
WEST	11	60,122	60,122	100%	0	0%	60,122	100%	8	45,183	45,114	100%	69	0%	45,114	100%
ABDEEN	6	29,636	29,636	100%	0	0%	29,636	100%	5	44,454	44,454	100%	0	0%	44,454	100%
CENTRAL	8	41,782	41,782	100%	0	0%	41,782	100%	7	62,673	60,351	96%	2,322	4%	60,351	100%
WAILY	10	42,996	42,996	100%	0	0%	42,996	100%	4	42,996	34,116	79%	8,880	21%	34,116	100%
EL MATAREYA	11	57,814	57,814	100%	0	0%	57,814	100%	15	74,621	15,051	20%	59,570	80%	15,051	100%
ZEITOUN	9	63,975	63,975	100%	0	0%	63,975	100%	9	64,859	74,763	115%	40,096	62%	74,763	100%
SOUTH	7	57,572	57,572	100%	0	0%	57,572	100%	13	57,572	57,572	100%	0	0%	57,572	100%
MISR EL KADIMA	9	48,042	48,042	100%	0	0%	48,042	100%	15	75,791	57,389	76%	18,402	24%	57,389	100%
RDD EL FARAG	15	46,154	46,154	100%	0	0%	46,154	100%	19	69,231	49,965	72%	19,266	28%	49,965	100%
SHOUBRA	13	29,772	29,772	100%	0	0%	29,772	100%	9	60,145	59,495	99%	650	1%	59,495	100%
NASR CITY	0	0	0	0%	0	0%	0	0%	2	14,442	14,386	100%	56	0%	14,386	100%
EL IAMIA	0	0	0	0%	0	0%	0	0%	6	12,002	12,002	100%	0	0%	12,002	100%
EL SALAM	0	0	0	0%	0	0%	0	0%	4	12,100	0	0%	12,100	100%	0	0%
HAADI	0	0	0	0%	0	0%	0	0%	5	0	0	0%	0	0%	0	0%
EL SAHEL	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
AIM SHAMS	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
TEBBEEN	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUB-TOTAL	127	728,751	726,900	100%	1,851	0%	726,900	100%	130	971,670	797,525	82%	174,145	18%	797,525	100%
ALEXANDRIA																
GOVERNORATE	1	36,582	36,582	100%	0	0%	36,582	100%	1	5,100	4,706	92%	394	8%	4,706	100%
EASTERN	12	63,844	63,844	100%	0	0%	63,844	100%	6	80,000	79,996	100%	4	0%	79,996	100%
MID-TOWN	4	46,215	46,215	100%	0	0%	46,215	100%	6	80,000	62,255	78%	17,745	22%	62,255	100%
WEST	1	20,000	20,000	100%	0	0%	20,000	100%	5	80,000	79,814	100%	186	0%	79,814	100%
AMREYA	5	28,000	28,000	100%	0	0%	28,000	100%	6	80,000	79,698	100%	302	0%	79,698	100%
MONTAZAH	4	39,288	39,288	100%	0	0%	39,288	100%	6	80,000	77,299	97%	2,701	3%	77,299	100%
GOMRUK	2	8,621	8,621	100%	0	0%	8,621	100%	6	80,000	77,842	97%	2,158	3%	77,842	100%
SUB-TOTAL	29	242,550	242,550	100%	0	0%	242,550	100%	36	485,100	461,610	95%	23,490	5%	461,610	100%
GIZA																
GOVERNORATE	0	0	0	0%	0	0%	0	0%	2	48,199	48,199	100%	0	0%	48,199	100%
NORTH	10	48,369	48,369	100%	0	0%	48,369	100%	8	64,565	64,565	100%	0	0%	64,565	100%
SOUTH	9	39,302	39,302	100%	0	0%	39,302	100%	3	52,475	52,475	100%	0	0%	52,475	100%
WEST	12	60,449	60,449	100%	0	0%	60,449	100%	2	32,326	32,326	100%	0	0%	32,326	100%
CENTRAL	7	33,245	33,245	100%	0	0%	33,245	100%	5	44,253	44,253	100%	0	0%	44,253	100%
EL HARAM	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUB-TOTAL	38	181,365	181,365	100%	0	0%	181,365	100%	78	241,818	241,818	100%	0	0%	241,818	100%

1-3

199

TABLE 3
LOCAL DEVELOPMENT II
URBAN PROJECT
MAINTENANCE PLAN STATUS

GOVERNORATE/ DISTRICT	L O I I F Y 1987								L O I I F Y 1988							
	TOTAL NO.	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT SPEND	TOTAL NO.	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT %
QALIUBIA																
GOVERNORATE	0	0	0	0%	0	0%	0	0%	5	53,523	53,523	100%	0	0%	53,523	100%
EAST	1	36,230	36,230	100%	0	0%	36,230	100%	4	36,073	36,073	100%	0	0%	36,073	100%
WEST	1	36,230	36,230	100%	0	0%	36,230	100%	5	55,150	55,150	100%	0	0%	55,150	100%
SUB-TOTAL	2	72,460	72,460	100%	0	0%	72,460	100%	14	144,746	144,746	100%	0	0%	144,746	100%
PORT SAID																
GOVERNORATE	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
PORT FOUAD	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EL ARAB	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EAST	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EL MANAKH	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EL BAWAHY	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUB-TOTAL	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUEZ																
GOVERNORATE	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUEZ	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EL ARBEEIN	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
ATARA	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
EL GARAIEN	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUB-TOTAL	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
TOTAL	196	1,223,126	1,223,275	100%	1,851	0%	1,223,275	100%	200	1,843,334	1,643,699	89%	197,635	11%	1,643,699	100%

7-1

8

TABLE 3
LOCAL DEVELOPMENT II
URBAN PROJECT
MAINTENANCE PLAN STATUS

GOVERNORATE/ DISTRICT	L O I I F Y 1989								L O I I F Y 1990							
	TOTAL MO	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT SPEND	TOTAL MO.	ALLOC. (L.E)	DISB. (L.E)	PERCENT %	RETURN TO MOF	PERCENT %	CURRENT ALLOC.	PERCENT %
CAIRO																
GOVERNORATE	5	242,917	242,917	100%	0	0%	242,917	100%	10	903,947	901,073	100%	2,874	0%	901,073	100%
HELWAN	6	43,388	43,383	100%	5	0%	43,383	100%	13	216,374	216,374	100%	0	0%	216,374	100%
HELIOPOLIS	6	51,912	57,050	92%	4,862	9%	57,050	100%	7	130,000	130,000	100%	0	0%	130,000	100%
WEST	5	21,495	21,044	98%	451	2%	21,044	100%	12	100,000	99,145	100%	155	0%	99,845	100%
ABDEEN	10	31,879	69,338	94%	13,041	16%	68,338	100%	7	95,500	91,971	96%	3,529	4%	91,971	100%
CENTRAL	5	30,784	30,784	100%	0	0%	30,784	100%	5	100,000	100,000	100%	0	0%	100,000	100%
WAILY	10	24,637	23,711	96%	726	4%	23,711	100%	11	155,000	155,000	100%	0	0%	155,000	100%
EL MATAREYA	10	66,330	66,330	100%	0	0%	66,330	100%	26	183,520	183,520	100%	0	0%	183,520	100%
ZEITOUN	9	49,509	49,595	99%	514	1%	49,595	100%	9	150,000	149,788	100%	212	0%	149,788	100%
SOUTH	4	52,239	49,020	94%	3,219	6%	49,020	100%	9	93,845	93,845	100%	0	0%	93,845	100%
MISR EL KADIMA	3	28,019	5,829	21%	22,191	79%	5,828	100%	12	100,000	100,000	100%	0	0%	100,000	100%
POD EL FARAG	9	48,088	48,088	100%	0	0%	48,088	100%	10	124,500	124,500	100%	0	0%	124,500	100%
SHOUBRA	4	33,551	33,551	100%	0	0%	33,551	100%	8	149,507	149,507	100%	0	0%	149,507	100%
WASR CITY	5	19,023	18,654	98%	369	2%	18,654	100%	3	54,345	54,345	100%	0	0%	54,345	100%
EL ZAWIA	5	35,119	32,877	94%	2,242	6%	32,877	100%	11	120,000	117,178	98%	2,822	2%	117,178	100%
EL SALAM	8	45,307	39,881	88%	5,426	12%	39,881	100%	12	122,650	93,945	77%	28,705	23%	93,945	100%
MAADI	2	47,157	45,375	96%	1,782	4%	45,375	100%	4	114,800	114,800	100%	0	0%	114,800	100%
EL SAHEL	7	39,416	39,416	100%	0	0%	39,416	100%	14	147,872	147,872	100%	0	0%	147,872	100%
AIN SHAMS	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
TEBBEEN	0	0	0	0%	0	0%	0	0%	0	0	0	0%	0	0%	0	0%
SUB-TOTAL	112	971,670	916,642	94%	55,028	4%	916,642	100%	183	3,061,860	3,023,563	99%	38,297	1%	3,023,563	100%
ALEXANDRIA																
GOVERNORATE	7	245,100	245,100	100%	0	0%	245,100	100%	3	224,850	224,850	100%	0	0%	224,850	100%
EASTERN	3	40,000	38,810	97%	1,190	3%	38,810	100%	10	200,000	199,077	100%	923	0%	199,077	100%
MID-TOWN	3	40,000	39,600	99%	400	1%	39,600	100%	15	200,000	198,595	99%	1,405	1%	198,595	100%
WEST	3	40,000	39,977	100%	21	0%	39,977	100%	9	200,000	150,996	75%	49,004	25%	150,996	100%
AMREYA	3	40,000	39,990	100%	10	0%	39,990	100%	10	200,000	178,387	89%	1,613	1%	198,387	100%
MONTAZAH	2	40,000	40,000	100%	0	0%	40,000	100%	11	200,000	199,398	100%	602	0%	199,398	100%
BOHRDE	2	40,000	36,612	92%	3,388	8%	36,612	100%	10	200,000	184,168	92%	15,832	8%	184,168	100%
SUB-TOTAL	25	485,100	460,091	95%	3,009	1%	460,091	100%	68	1,424,850	1,335,471	95%	69,379	5%	1,335,471	100%
GIZA																
GOVERNORATE	1	76,230	76,230	100%	0	0%	76,230	100%	4	197,219	197,219	100%	0	0%	197,219	100%
NORTH	8	36,689	36,689	100%	0	0%	36,689	100%	7	116,870	116,870	100%	0	0%	116,870	100%
SOUTH	5	36,689	36,689	100%	0	0%	36,689	100%	13	116,870	116,870	100%	0	0%	116,870	100%
WEST	3	64,449	64,449	100%	0	0%	64,449	100%	12	138,784	138,784	100%	0	0%	138,784	100%
CENTRAL	3	27,761	27,761	100%	0	0%	27,761	100%	6	87,653	87,653	100%	0	0%	87,653	100%
EL HARAM	0	0	0	0%	0	0%	0	0%	6	73,044	73,044	100%	0	0%	73,044	100%
SUB-TOTAL	20	241,818	241,818	100%	0	0%	241,818	100%	48	730,440	730,440	100%	0	0%	730,440	100%

1-5

51

AS OF 30, Sep., 1990

TABLE 3
LOCAL DEVELOPMENT '91
URBAN PROJECT
MAINTENANCE PLAN STATUS

GOVERNORATE DISTRICT	L O I I F Y 1989				L O I I F Y 1990							
	TOTAL NO	ALLOC. (L.E)	DISB. (L.E) %	PERCENT %	RETURN TO MDF	PERCENT %	DISB. (L.E) %	PERCENT %	RETURN TO MDF	PERCENT %	CURRENT ALLOC.	PERCENT %
BALUJIA												
GOVERNORATE	0	0	0	0%	0	0%	203,762	100%	0	0%	203,762	100%
EAST	4	72,373	72,373	100%	0	0%	352,000	100%	0	0%	352,000	100%
WEST	6	72,373	72,373	100%	0	0%	368,000	100%	0	0%	368,000	100%
SUB-TOTAL	10	144,746	144,746	100%	0	0%	923,762	100%	0	0%	923,762	100%
PORT SAID												
GOVERNORATE	0	0	0	0%	0	0%	96,201	100%	0	0%	96,201	100%
PORT FOUAD	0	0	0	0%	0	0%	37,400	100%	0	0%	37,400	100%
EL ARAB	0	0	0	0%	0	0%	24,480	100%	0	0%	24,480	100%
EAST	0	0	0	0%	0	0%	20,280	100%	0	0%	20,280	100%
EL FARAFEH	0	6	6	0%	0	0%	67,320	100%	0	0%	67,320	100%
EL DARAWY	0	0	0	0%	0	0%	15,089	100%	0	0%	15,089	100%
SUB-TOTAL	0	0	0	0%	0	0%	255,970	100%	0	0%	255,970	100%
SUEZ												
GOVERNORATE	0	0	0	0%	0	0%	66,050	94%	3,833	6%	64,217	100%
SUEZ	0	0	0	0%	0	0%	42,700	100%	0	0%	42,700	100%
ARABEIN	0	0	0	0%	0	0%	42,354	99%	746	1%	42,354	100%
ATARA	0	0	0	0%	0	0%	29,200	100%	0	0%	29,200	100%
EL GARHIEH	0	0	0	0%	0	0%	1,500	100%	0	0%	1,500	100%
SUB-TOTAL	0	0	0	0%	0	0%	183,950	98%	4,679	2%	179,871	100%
TOTAL	167	1,843,334	1,783,297	97%	60,037	3%	1,783,297	100%	111,755	7%	6,469,077	100%

52

TABLE I
LOCAL DEVELOPMENT II
URBAN PROJECT
INVESTMENT PLAN STATUS
(L.E.-000)

AS OF 30 Oct. 1970

GOVERNORATE/ DISTRICT	L O II FT 1967			L O II FT 1968			L O II FT 1969			L O II FT 1970			TOTAL L O II PROGRAM		
	CONSTRUCTION TOTAL NO.	FINANCIAL Alloc (L.E.)	Per Tonnes												
BAHILIA															
SUPERMARE	5	101	100	0	589	76	0	54	1674	62	0	6	960	4	48
EAST	11	408	100	0	1053	100	0	100	514	74	18	15	1995	4	55
WEST	13	400	100	15	1245	99	16	81	1384	79	26	14	1192	4	49
SUB-TOTAL	29	909	100	31	2867	95	39	71	3492	73	46	31	4153	5	58
PORT SAID															
GOVERNORATE	6	569	100	0	0	0	7	0	746	97	7	7	726	0	76
PORT FOUAD	4	258	100	0	0	0	6	0	280	66	6	6	405	0	55
EL ARAB	6	291	100	0	0	0	5	0	347	44	0	0	0	0	83
EAST	7	302	100	0	0	0	11	0	329	91	4	3	424	9	62
EL BAHAR	15	586	100	0	0	0	7	0	794	81	13	13	884	0	88
EL BAHARY	6	375	100	0	0	0	9	0	546	90	8	5	595	28	75
SUB-TOTAL	46	2392	100	0	0	0	45	0	3023	87	38	34	2904	6	46
SUEZ															
GOVERNORATE	7	311	100	0	0	0	11	0	682	89	8	7	728	0	76
SUEZ	12	378	100	0	0	0	11	0	319	86	6	1	237	14	29
EL ARDEEN	11	325	100	0	0	0	13	0	708	97	9	9	571	0	68
ATARIAN	11	318	100	0	0	0	6	0	427	92	13	7	485	14	67
EL GAMALEH	11	312	100	0	0	0	12	0	328	109	6	3	354	11	29
SUB-TOTAL	52	1587	100	0	0	0	53	0	2553	93	42	27	2604	6	47
TOTAL	382	18676	96	537	41992	98	591	3	46254	79	610	410	48885	13	48

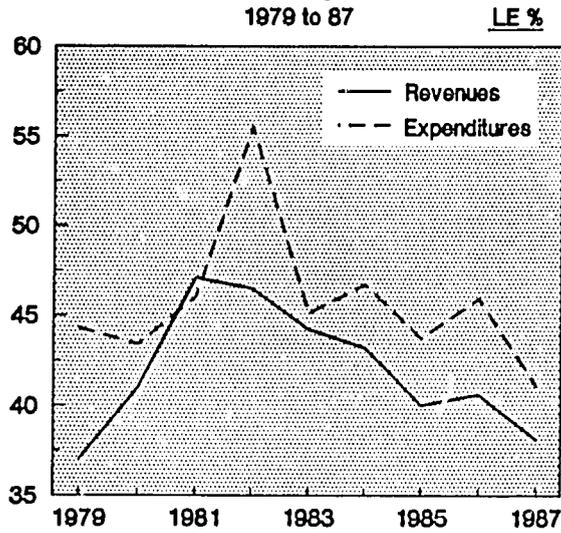
ANNEX A: FINANCE & FINANCIAL CONDITIONS

<u>FIGURE</u>	<u>TITLE</u>	<u>PAGE</u>
1	Revenues & Expenditures as a Percentage of GDP , 1979 to 87 (Table included)	1
2	Gross Domestic Product, Current vs. Real, 1979 to 87 (Table included)	2
3	GDP Per Capita, Current vs. Real, 1979 to 87 (Table included)	3
4	GOE Revenues and Expenditures, Current vs. Real, 1979 to 87 (Table included)	4
5	GOE Revenues Per Capita, Current vs. Real, 1979 to 87 (Table included)	5
6	Local Administration Real Per Capita Expenditures, Revenues & Subsidies, 1979 to 90/1 (Table included)	6

TABLE

A-1	Local Administration Condensed Comparative Statement of Revenue & Expenditure, FY 1979 to 90/1	7
A-2	Local Administration Real Per Capita Comparative Expenditures, Revenues and Subsidies, FY 1979 to 90/1	8
A-3	Urban Governorates Solid Waste Needs Assessment, Materials, Equipment Maintenance & Overhead, Budget 1988/9	9
A-4	Urban Governorates Roads & Transportation Service Needs Assessment, Materials, Equipment Maintenance & Overhead, Budget 1988/9	10

Figure 1
 Revenues & Expenditures
 as a Percentage of GDP
 1979 to 87



Revenues & Expenditures as a % of GDP

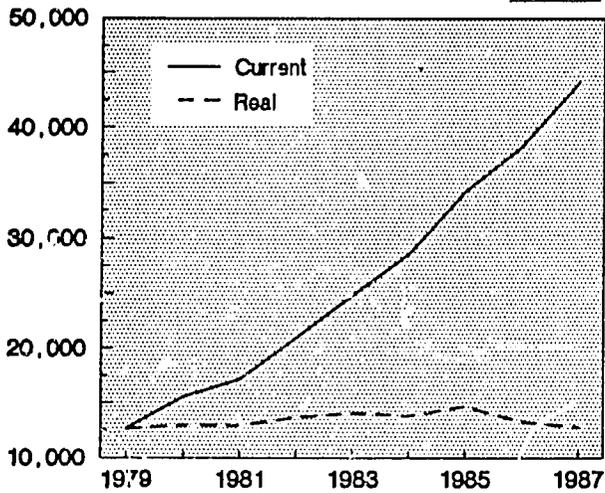
1979 to 87

LE (Millions)

Year	Rev	Expend	GDP	% of GDP	
				Rev	Exp
1979	4,666	5,590	12,610	37.0	44.3
1980	6,369	6,741	15,546	41.0	43.4
1981	8,072	7,892	17,149	47.1	46.0
1982	9,711	11,595	20,881	46.5	55.5
1983	10,977	11,195	24,834	44.2	45.1
1984	12,345	13,361	28,600	43.2	46.7
1985	13,681	14,945	34,211	40.0	43.7
1986	15,508	17,552	38,221	40.6	45.9
1987	16,770	18,089	44,050	38.1	41.1

Source: International Financial Statistics, 1989; IMF.

Figure 2
 Gross Domestic Product
 Current vs. Real
 1979 to 87



GOE Gross Domestic Product
 Current vs Real
 1979 to 87

Year	Consumer Prices		Current Value	Real Value
	CPI (1)	Change %	GDP (2)	GDP (1979 = 100)
1979	100.0	--	12,610	12,610
1980	120.5	20.5	15,546	12,905
1981	133.0	10.4	17,149	12,892
1982	152.8	14.9	20,881	13,666
1983	177.2	16.0	24,834	14,014
1984	207.4	17.1	28,600	13,787
1985	232.6	12.1	34,211	14,711
1986	248.1	23.9	38,221	13,265
1987	344.9	19.7	44,050	12,712

Change:

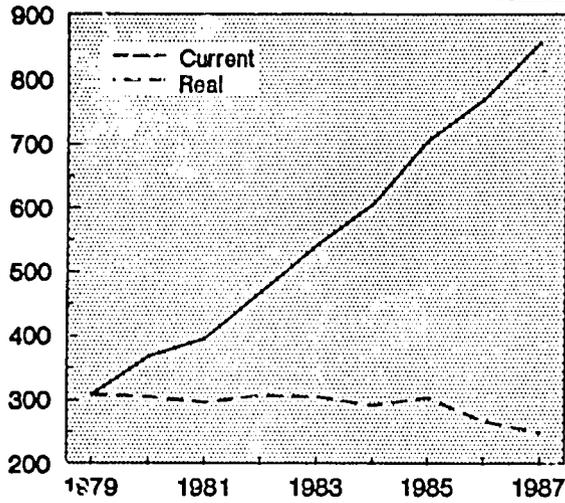
1979-1987	245.0%	249.0%	1.3%
Avg Annual	16.7%	16.9%	0.2%

(1) Consumer Price Index, International Financial Statistics, 1989.

(2) Gross Domestic Product, International Financial Statistics, 1989.

Figure 3
GDP Per Capita
Current vs. Real
1979 to 87

LE 1979



Gross Domestic Product Per Capita
Current vs Real
1979 to 87

Year	Population (000's) (1)	GDP (LE Million)		GDP per Capita (LE)	
		Current (2)	Real (1979=100)	Current (2)	Real (1979=100)
1979	40,980	12,610	12,610	307.7	307.7
1980	42,290	15,546	12,905	367.6	305.2
1981	43,470	17,149	12,892	394.5	296.6
1982	44,670	20,881	13,666	467.5	305.9
1983	45,920	24,834	14,014	540.8	305.2
1984	47,190	28,600	13,787	606.1	292.2
1985	48,500	34,211	14,711	707.4	303.3
1986	49,610	38,221	13,265	770.4	267.4
1987	51,280	44,050	12,772	859.0	249.1

Change:

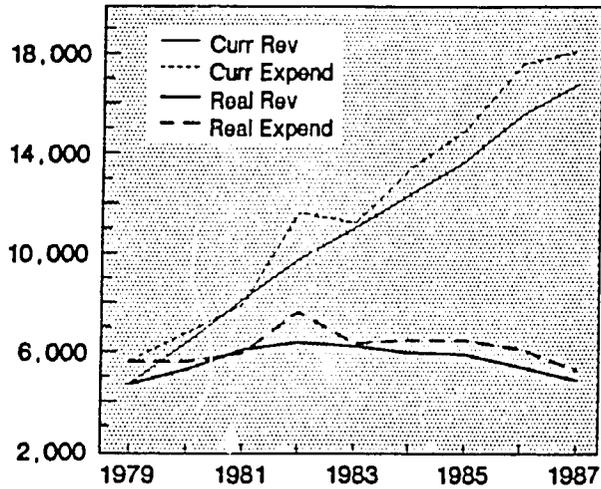
1979-1987 -19.1%
 Avg Annual -2.2%

(1) Population figures, *International Financial Statistics, 1989.*

(2) Gross Domestic Product, *International Financial Statistics, 1989.*

58

Figure 4
GOE Revenues & Expenditures
Current vs. Real
1979 to 87 **LE (Million)**



GOE Revenues and Expenditures
Current vs Real

1979 to 87

LE (Millions)

Year	Consumer Prices		Current Value		Real Value	
	CPI (1)	Change %	Rev	Expend	Rev (LE 1979)	Expend
1979	100.0	—	4,666	5,590	4,666	5,590
1980	120.5	20.5%	6,369	6,741	5,287	5,596
1981	133.0	10.4	8,072	7,892	6,068	5,933
1982	152.8	14.9	9,711	11,595	6,356	7,589
1983	177.2	16.0	10,977	11,195	6,194	6,317
1984	207.4	17.1	12,345	13,361	5,951	6,441
1985	232.6	12.1	13,681	14,945	5,883	6,426
1986	288.1	23.9	15,508	17,552	5,382	6,091
1987	344.9	19.7	16,770	18,089	4,863	5,245

Change:

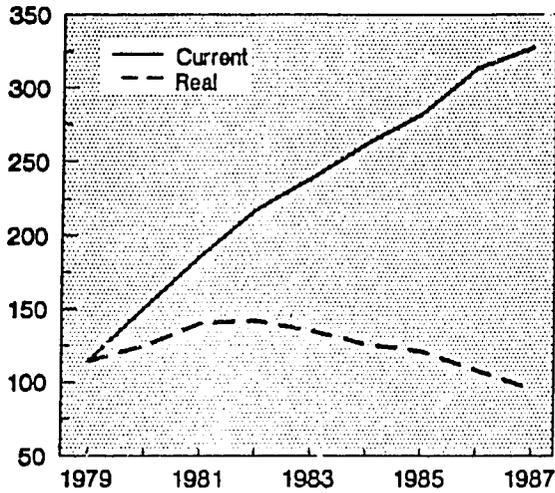
1979-1987	4.2%	6.6%
Avg Annual	0.5%	0.8%

(1) Consumer Price Index, International Financial Statistics, 1989.

59

Figure 5
GOE Revenues Per Capita
Current vs. Real
1979 to 87

LE 1979



GOE Revenue Per Capita
Current vs Real
1979 to 87

Year	Population (000's)	Rev (LE Million)		Revenue per Capita	
		Current (2)	Real (LE 1979)	Current (LE 1979)	Real (LE 1979)
1979	40,980	4,666	4,666	114	114
1980	42,290	6,369	5,287	151	125
1981	43,470	8,072	6,068	186	140
1982	44,670	9,711	5,356	217	142
1983	45,920	10,977	6,194	239	135
1984	47,190	12,345	5,951	262	126
1985	48,500	13,681	5,883	282	121
1986	49,610	15,508	5,382	313	108
1987	51,280	16,770	4,863	327	95

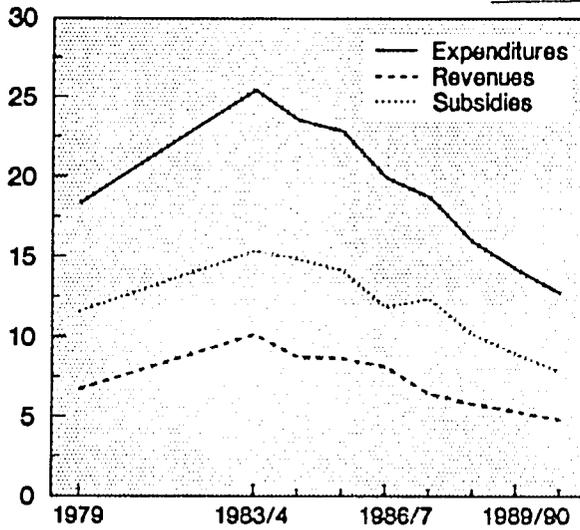
Change:

1979-1987 20.5%
Avg Annual 2.6%

(1) Population figures, International Financial Statistics, 1989.

(2) GOE Revenues, International Financial Statistics, 1989.

Figure 6
Local Administration
Real Per Capita Expenditures, Revenues & Subsidies
 1979 to 90/1 LE 1979



Local Administration
Real Per Capita Expenditures, Revenues & Subsidies
 1979 to 90/1

FY	Pop	CPI	Actual Final Accounts			Real Per Capita		
	(000's)		Expend	Rev	Subs	Expend	Rev	Subs
	(1)	(2)	LE (Millions)			LE (1979)		
1979	40,980	100.0	748	273	475	18.3	6.7	11.6
1983/4	45,920	177.2	2,064	822	1,241	25.4	10.1	15.3
1984/5	47,190	207.4	2,305	853	1,452	23.5	8.7	14.8
1985/6	48,500	232.6	2,567	774	1,593	22.8	8.6	14.1
1986/7	49,610	288.8	2,841	1,161	1,680	19.8	8.1	11.7
1987/8	51,280	344.9	3,299	1,126	2,174	18.7	6.4	12.3
1988/9	52,818	431.1	3,610	1,320	2,790	15.9	5.8	10.1
1989/0	54,403	538.9	4,170	1,550	2,620	14.2	5.3	8.9
1990/1	56,035	673.6	4,790	1,830	2,960	12.7	4.8	7.8

Change:

1979-1990/1	-43.9%	-37.6%	-47.8%
Avg Annual	-4.7%	-4.1%	-5.0%

(1) Population figures, International Financial Statistics, 1989.

(2) Consumer Price Index, International Financial Statistics, 1989.

61

Table A-1
Local Administration
Condensed Comparative Statement of Revenue & Expenditure
FY 1979 to 1990/1

LE (Millions)

Recurrent Expenditures & Revenues

Recurrent Expenditures:	1979	1983/4	1984/5	1985/6	1986/7	1987/8	1988/9	1989/0	1990/1
Bab I: Wages	503	1,283	1,521	1,671	1,820	2,223	2,500	2,900	3,400
Bab II: Curr Exp & Transfers	122	331	322	387	430	520	450	600	700
Total Recurrent Expenditures	625	1,614	1,843	2,058	2,250	2,743	2,950	3,500	4,100

Recurrent Revenues:

Bab I: Sovereign Revenues	100	209	245	241	271	228	350	440	530
Bab II: Curr Local Revenues	62	185	191	249	326	374	360	490	650
Curr Subsidies (Grants)	463	1,221	1,407	1,568	1,653	2,142	2,240	2,570	2,920
Total Recurrent Revenues	625	1,614	1,843	2,058	2,250	2,743	2,950	3,500	4,100

Capital Investment Expenditures & Debt Servicing

Capital Expenditures:

Bab III: Investments	109	372	408	435	523	475	550	570	590
Bab IV: Debt Servicing (Prncpl)	14	78	54	74	68	81	110	100	100
Total Capital Investment Exp	124	450	462	509	591	556	660	670	690

Capital Revenues:

Bab III: Self Financing	0	45	47	58	48	34	60	60	70
NIB	107	309	351	347	333	317	340	350	360
Credit Facilities	2	17	10	30	143	123	150	160	160
Total Cptl Fin: Srca	109	372	408	435	523	475	550	570	590
Bab IV: Local Loans	2	53	0	36	24	25	30	30	30
Self Financing	0	4	9	13	16	24	30	20	30
Capital Subsidies	13	20	45	25	28	32	50	50	40
Total Loan Repay: Srca	14	78	54	74	68	81	110	100	100
Total Capital Revenues	124	450	462	509	591	556	660	670	690

Note: Includes Dewan, Service Directorate and Special Funds.

Bab III revenues show financing sources for the Bab III capital expenditures, and Bab IV revenues show sources for Bab IV loan principal repayment expenditures. In practice, the governorates tend to include some of the fixed asset financing, i.e. Bab III revenues, with the sources of loan repayments, i.e. Bab IV revenues. Interest expense is included in Bab II.

Table A-2
Local Administration
Real Per Capita Comparative Expenditures, Revenues and Subsidies
FY 1979 to 1990/1

LE 1979

	<u>1979</u>	<u>1983/4</u>	<u>1984/5</u>	<u>1985/6</u>	<u>1986/7</u>	<u>1987/8</u>	<u>1988/9</u>	<u>1989/0</u>	<u>1990/1</u>
Population (Thousands)	40,980	45,920	47,190	48,500	49,610	51,280	52,818	54,403	56,035
CPI (1979 = 100)	100.0	177.2	207.4	232.6	288.1	344.9	431.1	538.9	673.6

Expenditures

Bab I: Wages	12.3	15.8	15.5	14.8	12.7	12.6	11.0	9.9	9.0
Bab II: Curr Exp & Transfer	3.0	4.1	3.3	3.4	3.0	2.9	2.0	2.0	1.9
Bab III: Investments	2.7	4.6	4.2	3.9	3.7	2.7	2.4	1.9	1.6
Bab IV: Loans Repayments	0.3	1.0	0.6	0.7	0.5	0.5	0.5	0.3	0.3
Total Expenditures	18.3	25.4	23.5	22.8	19.9	18.7	15.9	14.2	12.7

Revenues & National Subsidies

Revenues									
Bab I: Sovereign	2.4	2.6	2.5	2.1	1.9	1.3	1.5	1.5	1.4
Bab II: Current Local	1.5	2.3	2.0	2.2	2.3	2.1	1.6	1.7	1.7
Bab III: Capital Financing	2.7	4.6	4.2	3.9	3.7	2.7	2.4	1.9	2.3
Bab IV: Srcs of Loan Repay	<u>0.0</u>	<u>0.7</u>	<u>0.1</u>	<u>0.4</u>	<u>0.3</u>	<u>0.3</u>	<u>1.4</u>	<u>0.2</u>	<u>0.2</u>
Total Revenues	6.7	10.1	8.7	8.6	8.1	6.4	6.9	5.3	5.6
National Subsidies									
Current (Bab I & II)	11.3	15.0	14.4	13.9	11.6	12.1	9.8	8.8	7.7
Capital (Bab III & IV)	<u>0.3</u>	<u>0.3</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>
Total Subsidies	11.6	15.3	14.8	14.1	11.8	12.3	10.1	8.9	7.8
Total Revenues & Natl Subs	18.3	25.4	23.5	22.8	19.9	18.7	17.0	14.2	13.4

62

Table A-4
Urban Governorates Road & Transportation Needs Assessment
Materials, Equipment Maintenance & Overhead
 Budget 1988/9

LE

Bab II Budget Group I	Giza	Port Said	Cairo	Alex	Suez	Qalubiya	Total Urban
Raw Materials	0	3,450	0	0	0	3,000	6,450
Fuel & Oil	5,500	16,000	31,390	8,100	11,000	3,735	75,725
Spare Parts	5,320	29,000	5,460	5,000	7,000	1,500	53,280
Writing	1,000	1,330	2,600	1,960	150	1,000	8,040
Water & Lights	350	790	750	400	40	150	2,480
Small Equipment	50	660	125	70	10	480	1,395
Sub-total	12,220	51,230	40,325	15,530	18,200	9,865	147,370

Group II

Maintenance	43,500	31,000	677,505	241,000	9,120	7,000	1,009,125
Publications	480	820	1,710	1,000	20	75	4,105
Printing	450	400	1,735	1,500	50	100	4,235
Transport	3,500	600	1,870	4,000	250	2,000	12,220
Equipment Rental	0	0	445	88,800	0	0	89,245
Subscriptions & Taxes	0	0	875	0	0	0	875
Training	195	0	0	0	0	0	195
Others	1,025	1,250	1,635	10,500	60	410	14,880
Sub-total	49,150	34,070	685,775	146,800	9,500	9,585	1,134,880

Materials, Equip Maint & Overhead

Bab II Budget	61,370	85,300	726,100	362,330	27,700	19,450	1,282,250
Estimated Needs <1>	<u>557,600</u>	<u>386,000</u>	<u>3,263,000</u>	<u>1,485,600</u>	<u>268,000</u>	<u>212,000</u>	<u>6,172,200</u>
Shortfall	(496,230)	(300,700)	(2,536,900)	(1,123,270)	(240,300)	(192,550)	(4,889,950)
Needs Met %	11.0%	22.1%	22.3%	24.4%	10.3%	9.2%	20.8%

<1> Needs Estimates based on cost of materials, equipment maintenance & overhead required to perform routine maintenance, exclusive of salaries, wages and major road reconstruction requirements were obtained from the following reports:

Giza Roads & Streets Maintenance - Giza Governorate, Giza City; WSA, January, 1990.

Port Said Roads & Streets Maintenance - Port Said Governorate; WSA, June, 1989.

Cairo - Consultant estimates.

Alexandria Roads & Streets Maintenance - Alexandria Governorate; WSA, August, 1990.

Suez Roads & Streets Maintenance - Suez Governorate; WSA, June, 1990.

Qalubiya Roads & Streets Maintenance - Qalubiya Governorate, Shobra El Kheima City; WSA, September, 1989.

65

ANNEX B: MOTOR VEHICLE & RELATED TRANSPORT MATTERS

<u>FIGURE</u>	<u>TITLE</u>	<u>PAGE</u>
	Motor Vehicle And Related Transport Matters - Key Issues	1
B-1	Real value of Automobile Registration Fees, 1973 to 90	5
B-2	Proposed Automobile Registration Fees, By Vehicle Class	5
B-3	Real Value of Truck Registration Fees, 1973 to 90	6
B-4	Proposed Truck Registration Fees, By Truck Class	6
B-5	Road Demand Management Options	7

TABLE

B-1	Real Value of Motor Vehicle Registration Fees, 1973 to 90	8
B-2	Current Value of Automobile Registration Fees, 1990	9
B-3	Proposed Motor Vehicle Registration Fees and Estimated Revenues in Giza, FY 1991/2	10
B-4	Global Cost of Living Indexes	11
B-5	Petrol Tax Revenue in Giza, FY 1991/2	12

MOTOR VEHICLE AND RELATED TRANSPORT MATTERS-KEY ISSUES

Increased overcrowding and deteriorating standards of street maintenance in the urban governorates requires the development of a coherent integrated transportation policy that provides a balanced transportation system, supplying the financial and physical needs of the road transport network as well as the public transport system i.e. bus, rail, taxi etc. To create and implement such a policy, targets and objectives must be set and monitored versus the current fractured sectorial approach that does not relate or influence private transport use versus public transport.

Specifically, the objectives are: (1) Improve the road conditions; (2) Curb traffic congestion; and (3) Update public transportation. The following discussion covers key issues and offers potential financial options whereby these objectives and targets may be met.

1. Modal Split and Motorization - Currently, the GCRTMS (Greater Cairo Region Transportation Masterplan Study) has forecasted that by the year 2000 the modal split of trip distribution accommodated by the public transport mode will fall from the 1987 level of 30.3 to 23.9 percent. Conversely, during the same period private car trip distribution will climb from 29.6 to 41.5 percent. Furthermore, the Cairo motorization rate has been doubling every five years since 1975. In Giza, motorization has increased at an annual rate of 14.4 percent between 1970 and 1987, which is over three times greater than the estimated annual population growth of 4 percent.
2. Motor Vehicle Registration Fees - The combined result of the above trends is an over-burdened road network unable to keep pace, resulting in lower average motor vehicle running speeds, worsening traffic congestion, and reduced road network service levels.

The ability of the local governorates to accommodate this tremendous motorization growth rate through the funding of road maintenance and construction projects is severely hampered by: (1) low and inequitable registration fees between vehicle classes and (2) the deterioration of the motor vehicle registration fees in real terms.

Figure B-1: Real Value of Automobile Registration Fees plots the annual fees after being discounted to LE 1973. Despite two registration fee changes in 1982 and 1986, only one of the six automobile classes, vehicles above 2500cc (cubic centimeters), currently pay more in real terms. In three of the remaining five classes the fees are under 20 percent of the real LE 1973 levels. For example, the current automobile vehicle registration fee of LE 41 for an 1100cc vehicle would require an increase of 700 percent to equate the real value of the 1973 fee of LE 23.95.

The multitude of automobile classes (ten in all -- four of which are not shown in the graph because they consist of special rates for vehicles manufactured before 1981) needs to be reduced to a more manageable level. Figure B-2: Proposed Automobile Registration Fees shows a more equitable fee structure consisting of four classes with fees ascending gradually according to cubic capacity.

Figure B-3: Real Value of Truck Registration Fees in LE 1973 depicts an even more dramatic story of foregone motor vehicle registration revenues. Inflation has reduced the real value of the unchanged 1973 Truck fees (Law 66, article 84) to under 10 percent of the original level and would require an increase of 1170 percent to be restored. For a typical 40 ton truck, this would require an increase from the current annual level of LE 920 to LE 10,760.

Since such an increase would be unrealistic if implemented at once, it is instead recommended that: (1) a new fee structure be established with six classes based on a tripling of the original rates as seen in Figure C-4, Proposed Truck Registration Fees; and (2) these rates be increased 100 percent for the next three years.

Table B-3: Proposed Motor Vehicle Registration Fees in Giza outlines the automobile and truck registration categories and yields an order of magnitude estimation of the resulting revenues. The LE 132.8 million generated by the motor vehicle registrations would be over 19 times greater than the LE 6.7 million collected in the entire Auto Fees and Taxes category in 1987 (Bab I, group 8, item 4).

3. Regional Disparity - The variations in economic opportunities offered between Cairo and Upper Egypt are significant, for this reason many people migrate to Cairo in search of better and higher paying jobs. Cairo, however, has a saturation point where the street, sanitation and sewerage infrastructure can no longer accommodate additional users.

In an economic-financial system free of price controls, prices of goods and services increase as demand rises and available supply diminishes. For this reason, in large urban centers a system of differential pricing emerges in which not only are the costs of food, clothes, housing, etc., more expensive, but so too are the taxes imposed on the residents who pay for the basic services. The higher price levels that arise in this simple supply-demand relationship deter people from moving to large urban centers when they are unassured of adequate paying jobs. Similarly, the system could act as a catalyst for migration from the city to rural sectors, hence stimulating rural development.

In Egypt, this system has broken down due to the vast array of subsidies and price controls that permeate the economy.

Price controls on bread, gasoline and rent etc., prevent an efficient allocation of resources. This is exemplified in Table B-4: Global Cost of Living Indexes where the cost of living in Cairo is conspicuously low. The GOE has been under pressure by the World Bank and other lending institutions to loosen its price controls and allow the economy to gravitate towards free market equilibrium price levels. Implementation of a transportation differential pricing strategy will generate more revenues for the transportation system and tend to reduce traffic congestion as choices are more consciously made to make a trip and/or the choice of transportation mode. Presented below are manners in which the local governorates can address the differential pricing issue.

3-1 Gas Taxes - Egypt has borne a great deal of international criticism in lieu of its subsidized petrol prices, which currently average about 36% of the world prices.<*> The macro-economic result of these subsidies are: (1) a rapid growth in demand and wasteful use of energy; (2) an undermining of public sector finances; and (3) a diversion of potential petrol exports. <*>

The net effects on the transportation system are overcrowded streets and insufficient road maintenance and construction funds.

Currently, the GOE is making a conscientious effort to incrementally raise petrol prices. However, since the petrol industry in Egypt is governmentally owned and operated, the increasing revenues are channelled into the drilling, refining and operations of the business - not into the local government coffers.

Although, there is a consumption tax included in the set liter price, the tax is a flat rate of LE 0.02 per liter and has not been changed in years.

A large potential revenue source is being overlooked by local governorates. By instituting a percentage tax of 5% on the final liter selling price of petrol, LE 33.4 million could be generated in Giza alone. The attractive aspect of such a percentage tax is that as the price and consumption of petrol increase, tax revenues also rise by the same percentage. Hence, the unfavorable effects of inflation should not strip the real value of the tax revenues over time (provided the price controls on petrol continue to be relaxed).

3-2 Parking Charges - An easily implemented differential pricing tool at the disposal of local governorates would be the adaptation of a parking ticket system in which a driver buys a ticket from an inspector when parking on a designated street. The ticket is placed on the dashboard where it is visible from the car's exterior (Pay and Display). Inspectors shall be responsible for

both the sale of the tickets and the patrol of violators, in which case a traffic violation ticket would be placed on the vehicle informing the owner of the offense.

A more thorough discussion of this parking ticket framework is presented in the GCRTMS p463-470. The analysis details the types of tickets, parking charges, patrol and inspection, regulation of violators, resident parking privileges and organizational implementation. In addition, the impact of such a policy is evaluated as is the urgent demand for off-street parking facilities - another potential revenue generating source. The attractiveness of the proposed parking ticket system over that of a meter system is the flexibility of the pricing structure and the avoidance of coinage restrictions.

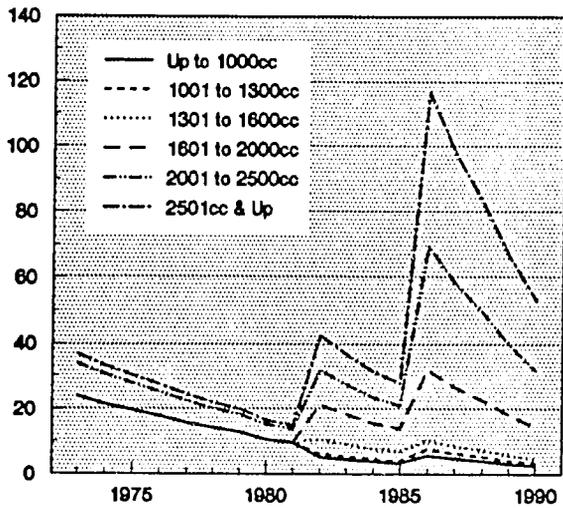
3-3 Rush Hour Fees - In addition to parking charges and vehicle registration fees there are other tools available to administrators that regulate rush hour traffic and encourage public transportation. In Sweden, for example, an area control system is used that physically limits directly driving from one district to another. Area licensing schemes have been implemented in Singapore that regulate who may drive within a specified area at a certain time. A highly sophisticated magnetic pricing system has been designed and tested in Hong Kong that will charge the users according to the amount of time and or distance traveled on busy downtown streets. Figure B-5: Road Demand Management Options summarizes the various fees and charges available to administrators by their implementation difficulty.

3-4 Traffic Enforcement Control - Improved enforcement of existing traffic control regulations would also generate substantial revenues and ameliorate traffic congestion. Specifically, a crackdown on double and triple parking, disobedience of traffic lights and one way street signs, leniency by police and the courts on traffic violators, and elimination of the unofficial exemptions granted to governmental employees.

The specific recommendations are included in the body of the main report under section 5.2.9 Motor Vehicle and Related Transport Matters.

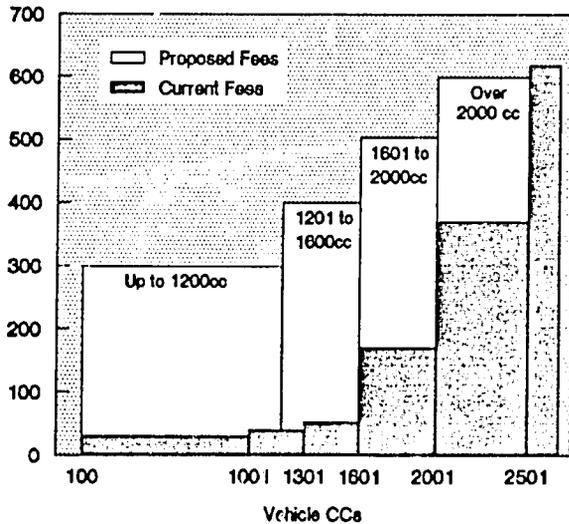
<*> A Survey of the Economics of Electrical Energy in Egypt;
Robert W.

Figure B-1
Real Value of Automobile Registration Fees
1973 to 1990 LE 1973



Note: The 1973 fees were changed in 1982 (Law #127) and in 1986 (Law #5). The graph is derived from data in Table B-1 Real Value of Motor Vehicle Registration Fees.

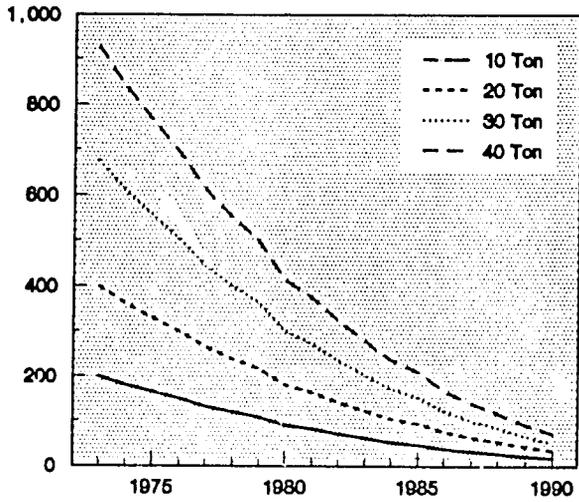
Figure B-2
Proposed Automobile Registration Fees
by Vehicle Class LE 1990



Note: Current fees include both the Basic Tax and the New Development Fee.

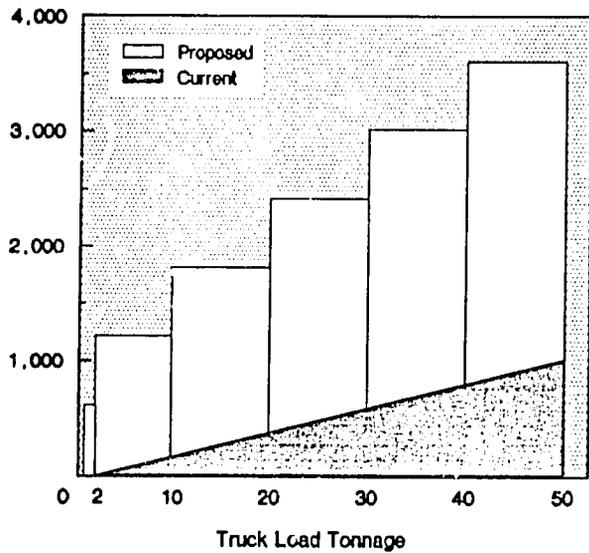
71

Figure B-3
Real Value of Truck Registration Fees
1973 to 1990 **LE 1973**



Note: The 1973 fees have not been changed. The graph is derived from data in Table B-1 Real Value of Motor Vehicle Registration Fees.

Figure B-4
Proposed Truck Registration Fees
by Truck Class **LE 1990**



Note: Current fees are based on 20 million tax per kg of truck net weight capacity, and 25 millions for trailers.

72'

**Figure B-5
Road Demand Management Options**

	Status Quo	Vehicle Registration	Petrol Tax	Parking Charges	Exclusive Bus-Lanes	Physical Restraints	Area Licensing	Road Pricing
Application		World-Wide Egypt	World-Wide Egypt <1>	World-Wide	World-Wide	Sweden	Singapore	Hong Kong
Effect	<ul style="list-style-type: none"> * Congestion * Unmaintained roads 	<ul style="list-style-type: none"> * No effect on Road usage 	<ul style="list-style-type: none"> * No temporal effect 	<ul style="list-style-type: none"> * No effect on traffic volume * lowers traffic congestion at key locations 	<ul style="list-style-type: none"> * Encourages Public transp. * Lowers traffic volume * Efficient use of road space 	<ul style="list-style-type: none"> * Encourages Public transp. * Lowers traffic volume 	<ul style="list-style-type: none"> * Raises vehicle occupancy * Encourages Public transp. * Lowers traffic volume 	<ul style="list-style-type: none"> * Raises vehicle occupancy * Encourages Public transp. * Lowers traffic volume
		Easy Implementation				Difficult		

<1> Consumption tax of LE 0.02 per liter, relatively very low.

12

Table B-1
Real Value of Motor Vehicle Registration Fees
 1973 to 90

LE 1973

<u>Year</u>	<u>Value</u> <u>LE 1973</u>	<u>Automobile</u>						<u>Trucks</u>			
		<u>Up to</u> <u>1000cc</u>	<u>1001-</u> <u>1300</u>	<u>1301-</u> <u>1600</u>	<u>1601-</u> <u>2000</u>	<u>2001-</u> <u>2500</u>	<u>2501</u> <u>& Up</u>	<u>10 Ton</u>	<u>20 Ton</u>	<u>30 Ton</u>	<u>40 Ton</u>
1973	1.00	23.95	23.95	23.95	23.95	33.95	36.95	200.00	400.00	670.00	920.00
1974	0.90	21.63	21.63	21.63	21.63	30.66	33.37	180.62	361.24	605.08	830.85
1975	0.82	19.72	19.72	19.72	19.72	27.95	30.42	164.66	329.33	551.63	757.46
1976	0.75	17.89	17.89	17.89	17.89	25.35	27.59	149.36	298.72	500.35	687.05
1977	0.66	15.85	15.85	15.85	15.85	22.47	24.46	132.39	264.77	443.49	608.98
1978	0.60	14.27	14.27	14.27	14.27	20.23	22.02	119.18	238.36	399.26	548.24
1979	0.54	12.98	12.98	12.98	12.98	18.40	20.02	108.37	216.74	363.05	498.51
1980	0.45	10.77	10.77	10.77	10.77	15.27	16.62	89.96	179.92	301.37	413.82
1981	0.41	9.76	9.76	9.76	9.76	13.83	15.05	81.47	162.94	272.92	374.76
1982	0.35	5.32	6.38	10.64	21.28	31.92	42.56	70.93	141.86	237.61	326.27
1983	0.31	4.59	5.50	9.17	18.35	27.52	36.69	61.15	122.31	204.87	281.31
1984	0.26	3.92	4.70	7.84	15.67	23.51	31.35	52.24	104.48	175.01	240.31
1985	0.23	3.50	4.19	6.99	13.98	20.97	27.96	46.60	93.20	156.11	214.36
1986	0.19	5.83	7.71	10.34	31.97	69.58	116.59	37.61	75.22	126.00	173.01
1987	0.16	4.87	6.44	8.64	26.71	58.13	97.41	31.42	62.85	105.27	144.54
1988	0.13	4.14	5.48	7.35	22.71	49.43	82.83	26.72	53.44	89.51	122.91
1989	0.11	3.31	4.38	5.88	18.17	39.55	66.27	21.38	42.75	71.61	98.33
1990	0.09	2.65	3.51	4.70	14.54	31.64	53.01	17.10	34.20	57.29	78.66

Note: The "Value - LE 1973" factors from 1973 to 1987 are based on CPI factors obtained from International Financial Statistics, IMF 1989; and the 1988 to 1990 factors are estimates. Motor vehicle registration fees are obtained from the Cairo Traffic Department. Shaded areas represent changes in registration fees. The automobile fees in current values are presented in Table B-2 - Current Automobile Registration Fees, 1990.

14

Table B-2
Current Value of Automobile Registration Fees
1990

<u>Serial No.</u>	<u>Engine Capacity in Cubic Centimeter</u>			<u>LE</u>
		<u>Basic Tax According to Law # 127/1982</u>	<u>New Develop. Fee According to Law # 5/1986</u>	<u>Current Total Taxes & Fees</u>
1	Up to 1000	15	16	31
2	1000	18	16	34
3	1001-1300	18	23	41
4	1301-1600	30	25	55
5	1601-2000	50	120	170
6	2001-2499	90	280	370
7	2500 manufactured in or before 1979	90	350	440
8	2500 manufactured in or after 1980	90	500	590
9	2501 manufactured in or before 1979	120	350	470
10	2501 manufactured in or after 1980	120	500	620

Source: Cairo Traffic Department, Office of the Assistant for License

75

Table B-3
Proposed Motor Vehicle Registration Fees and
Estimated Revenues in Giza

FY 1991/2

(C.E 000's)

Auto	Proposed Fees	# of Vehicles <1>	Estimated Revenues
Up to 1200cc	300	76,400	22,920
1201 to 1600cc	400	66,800	26,720
1601 to 2000cc	500	28,600	14,300
Over 2001cc	600	19,100	11,460
Totals		190,900	75,400

Trucks <2>

Up to 2 Tons	600	19,300	11,580
2.1 to 10 Tons	1,200	6,100	7,320
10.1 to 20 Tons	1,800	14,000	25,200
20.1 to 30 Tons	2,400	1,700	4,080
30.1 to 40 Tons	3,000	2,600	7,800
Over 40.1 Tons	3,600	400	1,440
Totals		44,100	57,420

Total Estimated Revenues

132,820

<1> Based on Ministry of Interior, Traffic Department data 1970-1987 adjusted to 1991/2, and consultant estimates.

<2> Currently, trucks under one ton net weight capacity (nwc) are charged fees of LE 15 or less, trucks over one ton pay 20 millions per kg of nwc, and trailers pay LE 25 millions p/nwc.

Table B-4
Global Cost of Living Indexes

<u>Cost</u>	<u>City</u>	<u>Cost</u>	<u>City</u>
192	Tehran, Iran	94	Los Angeles, USA
150	Tokyo, Japan	93	Boston, USA
143	Liberville, Gabon	93	Calgary, Canada
138	Brazzaville, Congo	93	Hong Kong
135	Oslo, Norway	93	San Francisco, USA
133	Osaka, Japan	92	Houston, USA
130	Helsinki, Finland	92	Miami, USA
126	Dakar, Senegal	91	Montreal, Canada
123	Zurich, Switzerland	88	Cleveland, USA
122	Abidjan, Ivory Coast	85	Singapore
121	Geneva	85	Athens, Greece
119	Copenhagen	83	Abu Dhabi, U.A.E.
117	Stockholm	83	Kuala Lumpur,
116	Taipei, Taiwan	82	Amman, Jordan
111	Paris, France	82	Dubai, U.A.E.
109	Lyon, France	78	Panama City, Panama
109	Brussels, Belgium	77	Lisbon, Portugal
107	Tel Aviv, Israel	77	Tunis, Tunisia
106	Barcelona, Spain	75	Casablanca, Morocco
106	Dublin, Ireland	75	Sao Paulo, Brazil
106	Luxembourg	74	Rio de Janeiro, Brazil
104	Madrid, Spain	73	Jakarta, Indonesia
104	Rome, Italy	72	Bangkok, Thailand
103	London	72	Bombay, India
102	Lome, Togo	72	Karachi, Pakistan
102	Munich, West Germany	70	Lagos, Nigeria
101	Toronto, Canada	70	Nairobi, Kenya
100	Beijing, China	68	Mexico City, Mexico
100	Dusseldorf, West Germany	68	Istanbul, Turkey
100	Lima, Peru	66	Johannesburg, South Africa
100	New York, USA	66	San Jose, Costa Rica
99	Algiers, Algeria	65	Santiago, Chile
98	Frankfurt, West Germany	62	Cairo, Egypt
98	Hamburg, West Germany	59	Guatemala City, Guatemala
98	Melbourne, Australia	58	Bogota, Colombia
97	Sydney, Australia	58	Montevideo, Uruguay
96	Chicago, USA	56	Buenos Aires, Argentina
96	Amsterdam, Netherlands	56	Harare, Zimbabwe
95	Seoul, South Korea	52	Budapest, Hungary
95	Washington, D.C., USA	52	Asuncion, Paraguay
94	Brisbane, Australia	40	Quito, Ecuador

Source: Geneva Corporate Resources Group; USA Today, May 12, 1990, p4A.

Table B-5
Petrol Tax Revenue Potential in Giza
FY 1991/2

(LE 000's)

	<u># of</u> <u>Registr</u> (<1> (x)	<u>VKT</u> (=) p/yr	<u>Total Km</u> (/) (Millions)	<u>VKT</u> (=) p/liter	<u>Total</u> <u>Liters</u> (000's)
Car	161,800	20,000	3,236	12.5	258,880
Taxi	30,700	40,000	1,228	8.0	153,500
Bus	3,300	30,000	99	4.8	20,625
Truck	43,200	30,000	1,296	2.0	648,000
MTC	39,000	12,000	468	15.0	<u>31,200</u>
Total Liters Sold					1,112,205
Total Revenues (LE 0.60 price p/ltr, 5% Sales Tax)					33,370

<1> Estimates based on 1987 data from the Ministry of Interior, Traffic Department.

ANNEX C: LOCAL REVENUE GENERATION

<u>TABLE</u>	<u>TITLE</u>	<u>PAGE</u>
9-A	Local Governorates Condensed Comparative Statement of Revenue & Expenditure, FY 1987/8	1

Table 9-A
Local Governorates
Condensed Comparative Statement of Revenue & Expenditure
FY 1987/8

LE ('00's)

Recurrent Expenditures & Revenues	Port						Local Admin	
	Giza	Said	Cairo	Alex	Suez	Qalub.	Urban	All
Recurrent Expenditures:								
Bab I: Wages	93,044	44,534	213,881	126,791	20,187	108,070	606,307	2,223,000
Bab II: Curr Exp & Transfers	25,907	20,282	66,551	46,488	8,586	18,945	186,759	520,000
Total Recurrent Expenditures	118,951	64,816	280,232	173,279	28,773	127,015	793,066	2,743,000
Recurrent Revenues:								
Bab I: Sovereign Revenues	15,821	7,968	62,679	26,721	5,108	6,522	124,819	228,000
Bab II: Curr Local Revenues	16,665	15,102	48,013	38,361	5,727	14,989	138,857	373,000
Curr Subsidies (Grants)	86,465	41,746	169,540	108,197	17,938	105,504	529,390	2,142,000
Total Recurrent Revenues	118,951	64,816	280,232	173,279	28,773	127,015	793,066	2,743,000
Capital Investment Expenditures & Debt Servicing								
Capital Expenditures:								
Bab III: Investments	20,048	18,242	64,515	20,618	7,388	24,667	155,478	475,000
Bab IV: Debt Servicing (Prncpl)	4,315	1,377	28,653	7,173	1,426	3,440	46,384	81,000
Total Capital Investment Exp	24,363	19,619	93,168	27,791	8,814	28,107	201,862	556,000
Capital Revenues:								
Bab III: Self Financing	1,969	104	3,973	3,408	332	4,051	13,837	34,000
NIB	13,430	6,037	44,746	14,787	5,867	11,273	96,140	318,000
Credit Facilities	4,649	12,101	15,796	2,423	1,189	9,343	45,501	123,000
Total Cptl Fin: Srcs	20,048	18,242	64,515	20,618	7,388	24,667	155,478	475,000
Bab IV: Local Loans	241	1,028	18,375	3,089	1,033	2,954	26,720	25,000
Self Financing	745	10	83	3	0	14	855	24,000
Capital Subsidies	3,329	339	10,195	4,081	391	472	18,807	32,000
Total Loan Repay: Srcs	4,315	1,377	28,653	7,173	1,424	3,440	46,382	81,000
Total Capital Revenues	24,363	19,619	93,168	27,791	8,812	28,107	201,860	556,000

Note: Includes Dewan, Service Directorate and Special Funds.

Bab III revenues show financing sources for the Bab III capital expenditures, and Bab IV revenues show sources for Bab IV loan principal repayment expenditures. In practice, the governorates tend to include some of the fixed asset financing i.e. Bab III revenues, with the sources of loan repayments, i.e. Bab IV revenues.

ANNEX D: POLICY/SERVICE DELIVERY

	<u>PAGE</u>
Combined - Balance Sheet	1
- Statement of Revenue & Expenditures	2
General Fund - Balance Sheet	4
- Statement of Revenue & Expenditure	5
Housing Fund - Balance Sheet	7
- Statement of Revenue & Expenditure	8
Organization Chart - Port Said Governorate	9
Chart of Accounts	12

Governorate of xxxx General Fund
Combined Balance Sheet
Year ended June 30, 19xx

LE (000's)

Assets	Combined General	
	<u>19xx</u>	<u>19x-1</u>
Current Assets		
Cash.....	xxx,xxx	xxx,xxx
Investments.....	xxx,xxx	xxx,xxx
Receivables		
Taxes.....	xxx,xxx	xxx,xxx
Other Governments.....	xxx,xxx	xxx,xxx
General.....	xxx,xxx	xxx,xxx
Inventories.....	xxx,xxx	xxx,xxx
Other Current Assets.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total Current Assets.....	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Long Term Receivables		
Land Inventory.....	xxx,xxx	xxx,xxx
Other Long Term Assets.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total Long Term Assets.....	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Assets.....	<u><u>x,xxx,xxx</u></u>	<u><u>x,xxx,xxx</u></u>
Liabilities		
Current Liabilities		
Short Term Borrowing.....	xxx,xxx	xxx,xxx
Accounts Payable.....	xxx,xxx	xxx,xxx
Accrued Interest.....	xxx,xxx	xxx,xxx
Contractors Holdbacks.....	xxx,xxx	xxx,xxx
Deferred Revenues.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total Short Term Liabilities.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Long Term Debt.....	xxx,xxx	xxx,xxx
Capital Deposits.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total Liabilities.....	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Equity		
Equity in Capital Assets.....	xxx,xxx	xxx,xxx
Surplus.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Total Equity.....	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Total Liabilities & Equity.....	<u><u>x,xxx,xxx</u></u>	<u><u>x,xxx,xxx</u></u>

82

Governorate of xxxx General Fund
Combined Statement of Revenue & Expenditure
Year ended June 30, 19xx LE (000's)

Revenue	<u>19xx</u>	<u>19x-1</u>
Taxes		
Property	xx,xxx	xx,xxx
Agricultural.....	xx,xxx	xx,xxx
Building.....	xx,xxx	xx,xxx
Revenue in lieu of property taxes.....	xx,xxx	xx,xxx
Automobile.....	<u>xx,xxx</u>	<u>xx,xxx</u>
Subtotal.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Other Local Taxes		
Entertainment	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>
Sovereign Taxes.		
Joint Revenue.....	xx,xxx	xx,xxx
Joint Fund.....	xx,xxx	xx,xxx
Suez Canal.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Subtotal.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Sale of Goods & Services		
User Fees.....	xxx,xxx	xxx,xxx
Service Directorates.....	xxx,xxx	xxx,xxx
Commercial Shops.....	xxx,xxx	xxx,xxx
Productive Projects.....	xxx,xxx	xxx,xxx
Quarries.....	xxx,xxx	xxx,xxx
Other Local Revenues.....	<u>xxx,xxx</u>	<u>x, x, xxx</u>
Subtotal.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
Unconditional Transfers from Gov'ts		
Grant in aid.....	<u>xx,xxx</u>	<u>xx,xxx</u>
Conditional Transfers from Gov'ts		
Grant in aid.....	<u>xx,xxx</u>	<u>xx,xxx</u>
Total revenue.....	<u><u>x,xxx,xxx</u></u>	<u><u>x,xxx,xxx</u></u>

Income Statement (cont.)

Expenditure	<u>19xx</u>	<u>19x-1</u>
General Government.....	xxx,xxx	xxx,xxx
Agriculture.....	xxx,xxx	xxx,xxx
Veterinarian.....	xxx,xxx	xxx,xxx
Transportation & Roads.....	xxx,xxx	xxx,xxx
Food Supply.....	xxx,xxx	xxx,xxx
Real Estate.....	xxx,xxx	xxx,xxx
Housing.....	xxx,xxx	xxx,xxx
Health.....	xxx,xxx	xxx,xxx
Social Affairs.....	xxx,xxx	xxx,xxx
Manpower.....	xxx,xxx	xxx,xxx
Education.....	xx,xxx	xx,xxx
Youth & Sport.....	xxx,xxx	xxx,xxx
Organization & Administration.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>
 Total Expenditure.....	 <u>x,xxx,xxx</u>	 <u>x,xxx,xxx</u>

Excess of Revenue Over Expenditure	<u>xx,xxx</u>	<u>xx,xxx</u>
------------------------------------	---------------	---------------

Allocated as Follows:

Contribution to General Surplus		
Unappropriated.....	xx,xxx	xx,xxx
Mil Rate Stabilization Reserve.....	xx,xxx	xx,xxx
Other Reserves.....	xx,xxx	xx,xxx
Contribution to Other Reserves.....	xx,xxx	xx,xxx
Transfers to Capital Deposits.....	xx,xxx	xx,xxx
 Total Excess Allocations.....	 <u>xx,xxx</u>	 <u>xx,xxx</u>

84

Governorate of XXXX General Fund

Balance Sheet

Year ended June 30, 19xx

LE (000's)

Assets	Combined General		Secretary Gen.		General Dept.		Building Cnstr.		Economic Dvlpmnt.		Communication		Analysis & Rprting.	
	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1
Current Assets														
Cash.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Investments.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Receivables														
Taxes.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Governments.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
General.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Inventories.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Current Assets.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Current Assets.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Long Term Receivables														
Land Inventory.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Long Term Assets.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Long Term Assets.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Total Assets.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Liabilities														
Current Liabilities														
Short Term Borrowing.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Accounts Payable.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Accrued Interest.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Contractors Holdbacks.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Deferred Revenues.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Short Term Liabilities.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Long Term Debt.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Capital Deposits.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Liabilities.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Equity														
Equity in Capital Assets.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Surplus.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Equity.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Total Liabilities & Equity.....	x,xxx,xxx	x,xxx,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx

D-4

5

Governorate of xxxx General Fund
Statement of Revenue & Expenditure
Year ended June 30, 19xx

L.E (000's)

	Combined General		Secretary Gen.		General Dept.		Building Cnstr.		Economic Dvlpmt.		Communication		Analysis & Rptng.	
	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1
Revenue														
Taxes														
Property	xx,xxx	xx,xxx	xxx											
Agricultural.....	xx,xxx	xx,xxx	xxx											
Building.....	xx,xxx	xx,xxx	xxx											
Revenue in lieu of property taxes.....	xx,xxx	xx,xxx	xxx											
Automobile.....	xx,xxx	xx,xxx	xxx											
Subtotal	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>x,xxx</u>											
Other Local Taxes														
Entertainment	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx</u>											
Sovereign Taxes.														
Joint Revenue.....	xx,xxx	xx,xxx	xxx											
Joint Fund.....	xx,xxx	xx,xxx	xxx											
Suez Canal.....	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xxx</u>											
Subtotal	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>x,xxx</u>											
Sale of Goods & Services.														
User Fees.....	xxx,xxx	xxx,xxx	xxx											
Service Directorates.....	xxx,xxx	xxx,xxx	xxx											
Commercial Shops.....	xxx,xxx	xxx,xxx	xxx											
Productive Projects.....	xxx,xxx	xxx,xxx	xxx											
Quarries.....	xxx,xxx	xxx,xxx	xxx											
Other Local Revenues.....	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx</u>											
Subtotal	<u>xxx,xxx</u>	<u>xxx,xxx</u>	<u>xxx</u>											
Unconditional Transfers from Gov'ts														
Grant in aid.....	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xxx</u>											
Conditional Transfers from Gov'ts														
Grant in aid.....	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xxx</u>											
Total revenue.....	<u><u>x,xxx,xxx</u></u>	<u><u>x,xxx,xxx</u></u>	<u><u>x,xxx</u></u>											

(Statement of Revenue and Expenditure, continued)

LE (000's)

Expenditure	Combined General		Secretary Gen.		General Dept.		Building Cnstr.		Economic Dvlpmt.		Communication		Analysis & Rprting.	
	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1	19xx	19x-1
General Government.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Agriculture.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Veterinarian.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Transportation & Roads.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Food Supply.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Real Estate.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Housing.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Health.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Social Affairs.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Manpower.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Education.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Youth & Sport.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Organization & Administration.....	xxx,xxx	xxx,xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Total Expenditure.....	<u>x,xxx,xxx</u>	<u>x,xxx,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>	<u>x,xxx</u>

Excess of Revenue Over Expenditure	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>xxx</u>											
------------------------------------	---------------	---------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------

Allocated as Follows:

Contribution to General Surplus

Unappropriated.....

Mil Rate Stabilization Reserve.....

Other Reserves.....

Contribution to Other Reserves.....

Transfers to Capital Deposits.....

Total Excess Allocations

Unappropriated.....	xx,xxx	xx,xxx	xxx											
Mil Rate Stabilization Reserve.....	xx,xxx	xx,xxx	xxx											
Other Reserves.....	xx,xxx	xx,xxx	xxx											
Contribution to Other Reserves.....	xx,xxx	xx,xxx	xxx											
Transfers to Capital Deposits.....	xx,xxx	xx,xxx	xxx											
Total Excess Allocations	<u>xx,xxx</u>	<u>xx,xxx</u>	<u>x,xxx</u>											

16

GOVERNORATE OF XXXX
HOUSING FUND
BALANCE SHEET

Year ended June 30, 19xx (in thousands of Egyptian pounds)

	19xx	19x-1
ASSETS		
Cash.....	x,xxx	x,xxx
Investments.....		
Due from other governments...	x,xxx	x,xxx
Other receivables.....		
Due from other funds.....	x,xxx	x,xxx
Other current assets.....		
	-----	-----
	x,xxx	x,xxx
Capital assets.....	xx,xxx	xx,xxx
Land inventory.....	x,xxx	x,xxx
	-----	-----
	xx,xxx	xx,xxx
	=====	=====
LIABILITIES		
Short-term borrowing.....		
Accounts payable.....	x,xxx	x,xxx
Accrued interest.....	xxx	xxx
Contractors' holdbacks.....		
Deferred revenue.....		
	-----	-----
	x,xxx	x,xxx
Long-term debt.....	xx,xxx	xx,xxx
	-----	-----
EQUITY		
Equity in capital assets.....	x,xxx	x,xxx
Surplus.....	xxx	xxx
	-----	-----
	x,xxx	x,xxx
	-----	-----
	xx,xxx	xx,xxx
	=====	=====

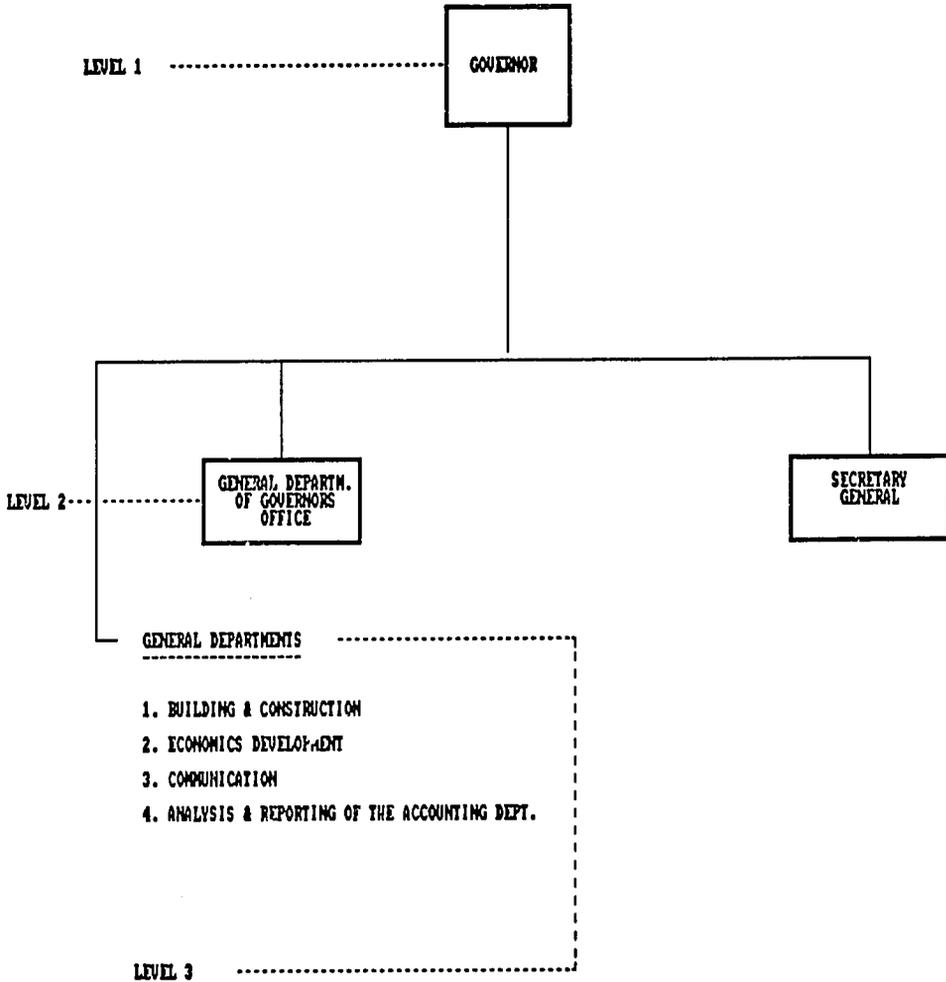
65

GOVERNORATE OF XXXX
HOUSING FUND
STATEMENT OF REVENUE & EXPENDITURE
Year ended June 30, 19xx (in thousands of Egyptian pounds)

	19xx	19x-1
REVENUE		
Rentals.....	x,xxx	x,xxx
Other government subsidy...	xxx	xxx
Interest.....	xxx	xxx
	-----	-----
	x,xxx	x,xxx
	-----	-----
EXPENDITURE		
Fiscal charges.....	x,xxx	x,xxx
Utilities.....	xxx	xxx
Municipal taxes.....	xxx	xxx
Insurance.....	xx	xx
Maintenance.....	xxx	xxx
Ground rent.....	xx	xx
Other.....	xxx	xxx
	-----	-----
	x,xxx	x,xxx
Administration.....	xxx	xxx
	-----	-----
	x,xxx	x,xxx
	-----	-----
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE.....	x,xxx	x,xxx
	=====	=====
Allocated as follows:		
Contributions to reserves...		
Subsidy from governorate....	x,xxx	x,xxx
	-----	-----
	x,xxx	x,xxx
	=====	=====

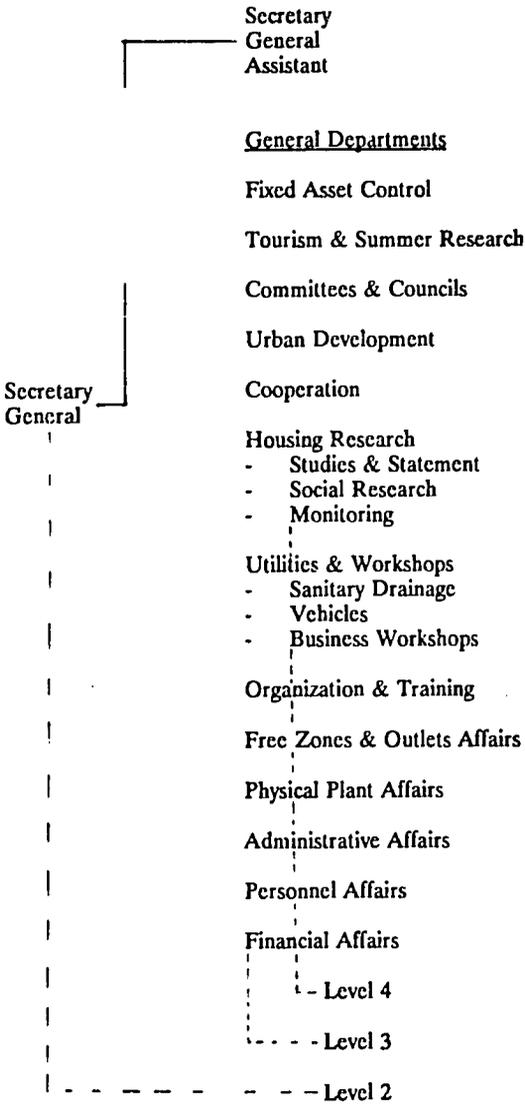
89

OVERVIEW

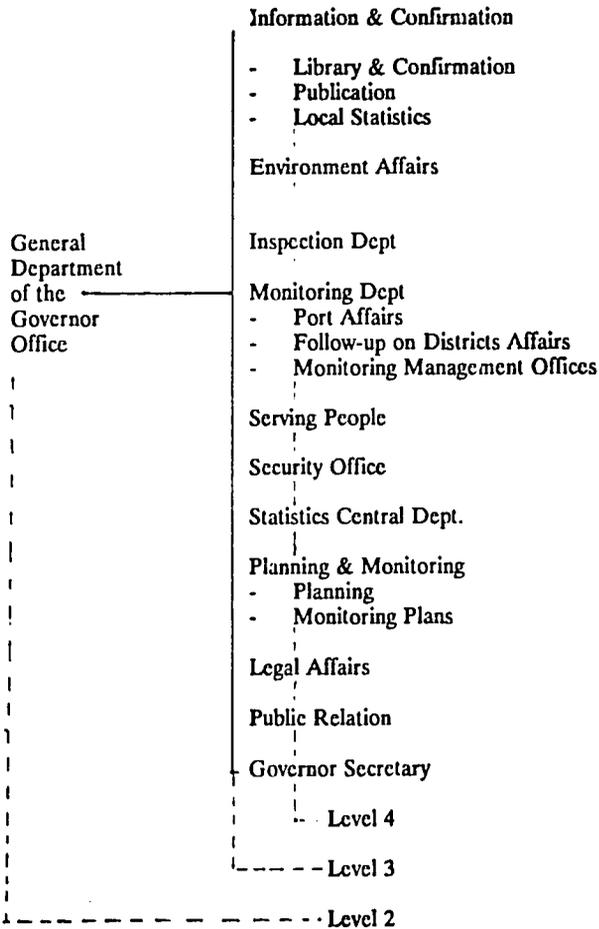


90

SECRETARY GENERAL



**GOVERNORS OFFICE
GENERAL DEPARTMENTS
(SUPPORT)**



ANNEX E: BIBLIOGRAPHY

**LOCAL RESOURCE MANAGEMENT
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15