

Governors Without Governance
Constitutional, Legal and Administrative Frameworks of Local Government in Egypt

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First, what are the basic characteristics of the constitutional, legal and administrative frameworks of local government in Egypt?

Second, what are the major challenges and chances for community-based and participatory development policy in Egypt?

Third, what improvements can/should be achieved through the current political, organizational, fiscal and cultural settings of community development and local governance, and what of those settings can/should be revisited and changed?

So, the study will follow these lines of analysis, and will attempt to assess some of the strategic components of community development context in Egypt.

Legal context of decentralization

The historical review of the Egyptian legislature suggests that it celebrates, in theory, local governance, yet reality shows a number of obstacles which complicated the realization of this commitment.

So, since 1960, eight laws of local system have been issued, one replacing the other. The main laws are: law 57 of 1971, law 52 of 1975 and the (current) law 43 of 1979. Furthermore, the last law has been amended several times by law 50 of 1981, law 186 of 1981, law 26 of 1982, law 106 of 1987, law 145 of 1988 and law 9 of 1989*.

These amendments reflect a negative component in the process of legal designing of local administration policies, that is to say that several rapid changes would harm the evolution and stabilization of local system. The legislator has been changing the structure and jurisdiction of the local units, but still approaching the central/local relationship as a patron/client one, i.e. that local units are mainly tools for implementation of the centrally-made public policies; that local units still greatly depend on governmental subsidies (around 80% of the budgets) to achieve their plans; that chiefs of local units are appointed by the central authorities; and last but not least, that even the heads of hamlets, e.g. the smallest rural communities below the village level, are not elected any more since 1994. This means that the legal framework of local administration continues to reflect government hesitation about local governance.

The administrative system is the system through which decentralization would be realized and people-centered development achieved. Yet, in the Egyptian terminology and practice, the term "administrative system" refers to three branches:

*There is a growing debate on these laws, including the law of NGO's, calling for a new unified law that is more conducive to local governance on the one hand and enhancement of community-based development and involvement of local dwellers in decision-making, in rural and urban areas. On the other hand, Chair of Local Administration Committee at the Egyptian Parliament (The People's Assembly) declared that the Committee was preparing a new draft law to be discussed by the Assembly within the 3rd Legislative Cycle 1997/98 (Al-Ahram Newspaper, December 1, 1997). Yet, it did not happen, and the issue is still pending on the Assembly's agenda.

first, public administration, which is the central apparatus of ministries (i.e. ministerial offices in the capital) and other central authorities & agencies (e.g. the Central Agency for Public Mobilization and Statistics "CAPMAS", and the Central Authority for Organization and Administration "CAOA".);

second, public enterprises administration, emerging through the process of privatizing public sector projects and adopting a market-oriented management style (i.e. the law 203 / 1991), so that the projects are gathered in seventeen big holding companies with various affiliates, and are directed by free handed managers responsible before a general assembly consisting of both officials and professional experts; and,

third, local administration, which refers to the local units at sub-national levels. This local administration system is the substantial framework for local planning and decentralization. The governmental branch concerned with and supervising the local system is the Ministry of Local Development (MOLD*).

Local councils appeared during the French occupation (1798-1801) under the name of Diwan "council" to set up civic administration. Mohamed Ali expanded these Diwans, yet all of them were of consultative nature; and none of them was elected until 1866, i.e. when the Majlis Shura El-Nowab was established. Although it still was of consultative nature, it is considered the real nucleus of parliamentarism in Egypt. Under the British occupation, the Mudiryyah (province) system was created as an area division of the central government. A further development took place by the first modern constitution of 1923, which recognized Mudiryyahs, towns and villages a full legal status, and a regional decentralization started thereby. As for the municipalities (small towns & villages), the first municipal council was that of the city of Alexandria, established by the decree of Jan./5/1890.

The law 145 of 1944 adopted a unified system; however, there had been a special legal status recognized for few urban municipalities, like that of Cairo (by the law 98/1950), and Alexandria (by the law 147/1950). Nevertheless, the first comprehensive unified system of local administration was adopted by the law 124/1960. It was a three tier-system including the Mudiryyah (later called the Mohafaza meaning Governorate), the Madina (city) and the Qariya (village). In each unit of these levels there was a local council composed have locally elected and centrally appointed officials. The law 52/1975 created two additional tiers: the Markaz (literally "Center") and the Hay or District (the term District (with a capital D) is used loosely to describe any territorial subdivision of a Governorate, yet, it is conveniently used to mean cities' subdivisions).

* It is noteworthy to say that the name of this ministerial authority has been, and still is, confusing. As will be shown later, the name of the ministry has been changing over a very short time, from one title to another, e.g. minister of local government, to minister of local administration (MOLA), to minister of state (without portfolio) for rural development (MORD), to minister of local development (MOLD). Sometimes the post itself was dismantled, and the prime minister was responsible for, among others, the chair of the Higher Council for Local Administration. So, please use at least the three terms (MOLA and MOLD) interchangeably.

All local councils were exclusively elected; while appointed members formed "executive committees" (later turned into "executive councils"). This was the beginning of the so-called "dual, or double chambered- system" in local administration.

The law 43/1979 enacted this system, and changed the names of local councils and executive committees into local popular councils and local executive councils respectively. Despite later amendments, the law 43/1979 is the current legal basis of the local administration system in Egypt.

The 5-tier System of Local Administration

The administrative system is the "nerve system" of state and society in Egypt. It is via this system that decentralization would be realized and development achieved. Yet, one should distinguish between the "administrative system" in general, and the "local administrative" system in particular. In the Egyptian terminology and practice, the term "administrative system" refers to, or more properly includes three branches as follows:

First, public administration, which is the central apparatus of ministries (i.e. ministerial offices in the capital) and other central authorities & agencies (e.g. the Central Agency for Public Mobility and Statistics "CAPMAS", and the Central Authority for Organization and Administration "CAOA"..).

Second, public enterprise administration, emerging through the process of privatizing public sector projects and adopting a market-oriented management style. The bulk of these projects is still owned by the state, however its legal and organizational status has been reformed by the law 203 / 1991, so that the projects are gathered in seventeen big holding companies with various affiliates, and are directed by free handed managers responsible before a general assembly consisting of both officials and professional experts.

Third, local administration, which refers to the local units' structures & functions.

According to the law 43/1979, local communities are enrolled in a five tier-system of local administration as follows:

1.) The (twenty-six) Governorates are either fully urban (these are four Governorates: Cairo, Suez and Port Said) or combined from urban & rural communities. (Until 1991, Alexandria was administratively a fully urban Governorate, then a presidential decree annexed some rural areas to it from Matrouh Governorate, i.e. Borg el Arab *Markaz* & city and its satellite villages).

This distinction is reflected in the lower levels, i.e. fully urban Governorates have no *Markaz*, since the *Markaz* is a sort of conglomeration of villages. Moreover, Governorates may be composed of one city, like in the two cases of Cairo and Alexandria. Hence, these one-city-Governorates are solely divided into Districts (i.e. urban neighborhoods). Cairo consists of twenty-three Districts; Alexandria consists of six Districts.

2.) The *Markaz* includes a capital city of the *Markaz*, other cities if existing, and a group of villages. It is like center vis-a-vis the constituent villages. Before 1975, the *Markaz* was essentially an area division for functionally proper management of state activities (e.g. security purposes and registration for military service..). Now, each of the 166 *Markazes* has an autonomous legal status as a local unit, supervising the lower villages.

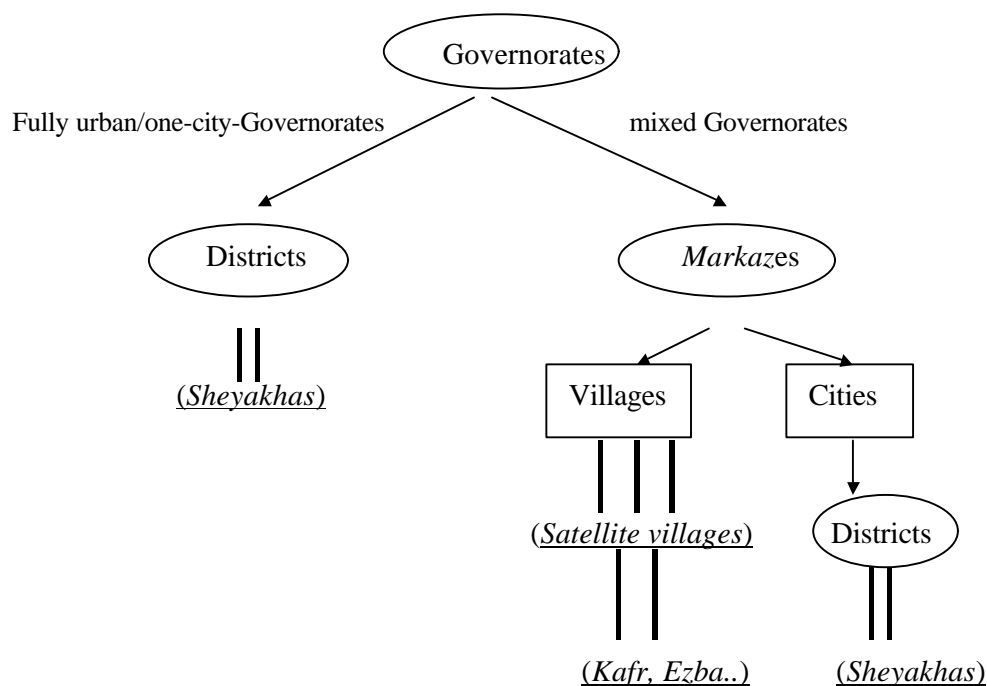
3.) The City exists in all Governorates: as a one-city-Governorate, as the capital of a Governorate, the capital of a *Markaz*, and constituent city in a *Markaz*. Moreover, a City may be recognized with a special status enacted by a special law, i.e. the City of Luxor, by the law No.9/1989. Cities are divided into Districts if functionally necessary. There are over 200 Cities.

4.) The District is the smallest local unit in urban communities. However, Districts differ from one Governorate to another in terms of size, population and political and economic circumstances. Districts in Cairo and Alexandria come on the higher-ranking Districts in Egypt, i.e. the two are the political and economic capitals respectively. There are 55 Districts according to the 1988 election statistics. In addition to this, Districts used to be further divided into sub-District neighborhoods called Sheyakha , which served as a smaller area division adequate for efficient service delivery, e.g. vaccination campaigns, public facilities, etc.

5.) The Village is the smallest local unit in rural communities. However, Villages differ from each other in terms of the legal status. There are approximately 4358 villages of which only 920 are village local units; the rest villages are satellite villages. Any village that is not integrated into a Village Local Unit should be included in the jurisdiction of the closer *Markaz*. Moreover, these satellite villages are further divided into sub-village neighborhoods, called Hessa (portions), e.g. Kafr, Ezba, Nagei ..etc. In every satellite or sub-village, where there is no police station, there should be an Omda. The Minister of Interior since late 1994, appoints mayors. They are mainly responsible for keeping security and resolving social and land conflicts, irrigation matters and the like.

The administrative chart of local system can be illustrated as follows:

Figure 1: Structure of local system in Egypt



N.B. Between brackets underlined communities are not local units; these are functionally smaller area divisions.

Changing Ministerial Domain of Local Development

In summer 1997, the Ministry of Local Administration was dismantled, instead, a Ministry of Rural Development was created. However, the ministerial jurisdiction of local development is still effective; yet it is now in the mandate of the Prime Minister. The “new” minister of Rural Development is a minister of state (i.e. minister without portfolio, who has only a functional/consultative position; with no executive authority on local units).

Shifting from "Governance" to "Administration"

In the 1970's, Sadat declared a new policy for democratization and local governance. The law of localities was titled “local governance law”, and Governors were seen as representative of the President within their jurisdiction. Yet, this policy was actually ceremonial, and incompatible with the legal/constitutional framework, i.e. the constitution considers local units as only administrative bodies, within the executive branch of government (articles 161-163).

In general, the local system combines representative and administrative functions, as follows.

1. Each local unit should be governed through the collaboration of a local popular council and a local executive council. The major function of both is to

better implement public policies at local level. This is the way in which the legislator perceived the *raison-d'être* of local administration. According to the constitution, the local units are (regional) organs of the Executive. Hence, the term "local governance" adopted in the law No.43/1979 had been *inappropriate*, and, therefore later, changed to "local administration" by the law No. 145/1988.

2. However, the popular councils play a political and cultural role, that is to say, community representation & participation in local affairs.

3. At least workers & peasants should constitutionally, occupy fifty percent of the seats of the popular councils. A seat in each council was reserved for women's representation until later reallocated (by the law 145/1988) for non-partisan (i.e. independent) candidates.

This has effectively wiped down women's participation in decision making, so that an overall decline in women's representation in these local councils from 23% in 1979 to only 4% in 1992 has been reported.

4. Executive councils play two roles: representing the central government and implementing popular councils' recommendations, where not contradictory with public policies. The government appoints chiefs of executive councils as follows:

- * The President appoints Governors;
- * The Prime Minister appoints Chiefs of *Markazes*, Cities and Districts;
- * The respective Governor appoints Chiefs of Villages.

Control Grid of Local System

Local units fall under a complex control grid, both from outside and inside the administrative system. The external control comes from the center: Governors are appointed by a presidential decree; the parliament issues local administration laws, and its members can attend and discuss any matter in local popular councils; the media, especially the press- and more specifically the opposition's press- has an increasing influence on local units so that Governors are usually alert to what is published about them and their Governorates, and assign some of the personnel to react effectively; the Cabinet issues and regulates services' charges and dissolves local popular councils; the Prime Minister issues the executive regulations of the local administration laws, approves Governorates' bank loans, and substitutes any local unit if its performance is considered unsatisfactory; the Minister of Local Administration monitors the performance of local units and submits a yearly report to the parliament, resolves conflicts among local popular and executive councils, and redistributes the money of the Joint Revenue Fund.

The internal control is reflected in the administrative hierarchy of the local system: higher executive and popular levels control the activities of the lower ones (e.g. approving the decisions, investigating officials, monitoring performance..); there is a system of checks & balances between executive and

popular councils (e.g. the latter monitor the activities of the local executives through demanding explanations and raising questions; and the chief executives can veto/ ignore popular councils' recommendations, claiming them to be irrelevant, or being outside the jurisdiction of the local unit).

Planning for Local Development

There are at least three basic requirements for effective local planning: a) the planning information system; b) the capability of directing resources for chosen projects & activities, and, c) the planning capacity of the administration.

a) Analyzing the planning system & dynamics at local levels, one could notice real constraints, which need to be coped with , in order to increase the local units' capacity to revise and integrate goals of its plan. In general, one notices that the information provided to local planners is bureaucratically collected and assessed, and as such is less reliable.

Information collection procedures are usually: 1.) the respective departments assess the situation in their fields of interest, 2.) the local units may establish working groups for follow-up in the field.

Main sources of information are hence: data base developed by the respective sectional department ; field follow-up done by District's working groups, assessment of recommendations and priorities set by the District's popular council and its members' requests, analysis of citizens' complaints, key-informants in the local community, particularly of NGO's.

As for the planning & information system, local units' organizational structure includes sectional departments, of which the most important for planning is "the Planning & Monitoring Department". Computerizing the data & information collection system relevant to efficient planning exists or is under development.

Nevertheless, there is a comprehensive data base line on all services , and the sectional departments use it to assess needs and finance necessary in its jurisdiction, so as to be incorporated into the local unit's annual plan.

As for raising and directing funding for locally chosen projects, local developers (i.e. chiefs, community leaders..) are constrained by a complex legal structure and fiscal regulations.

b)The local planning capacity is generally modest and is tending towards the so-called "planning by justification" more than practicing "planning by objectives". The following is a more detailed analysis. Main sources for collecting planning information are : data base developed by the respective sectional departments ; field visits done by local unit's working groups; assessment of recommendations and priorities set by the local unit's popular

council and its members' requests, analysis of citizens' complaints; local key-informants in local community, particularly of NGO's.

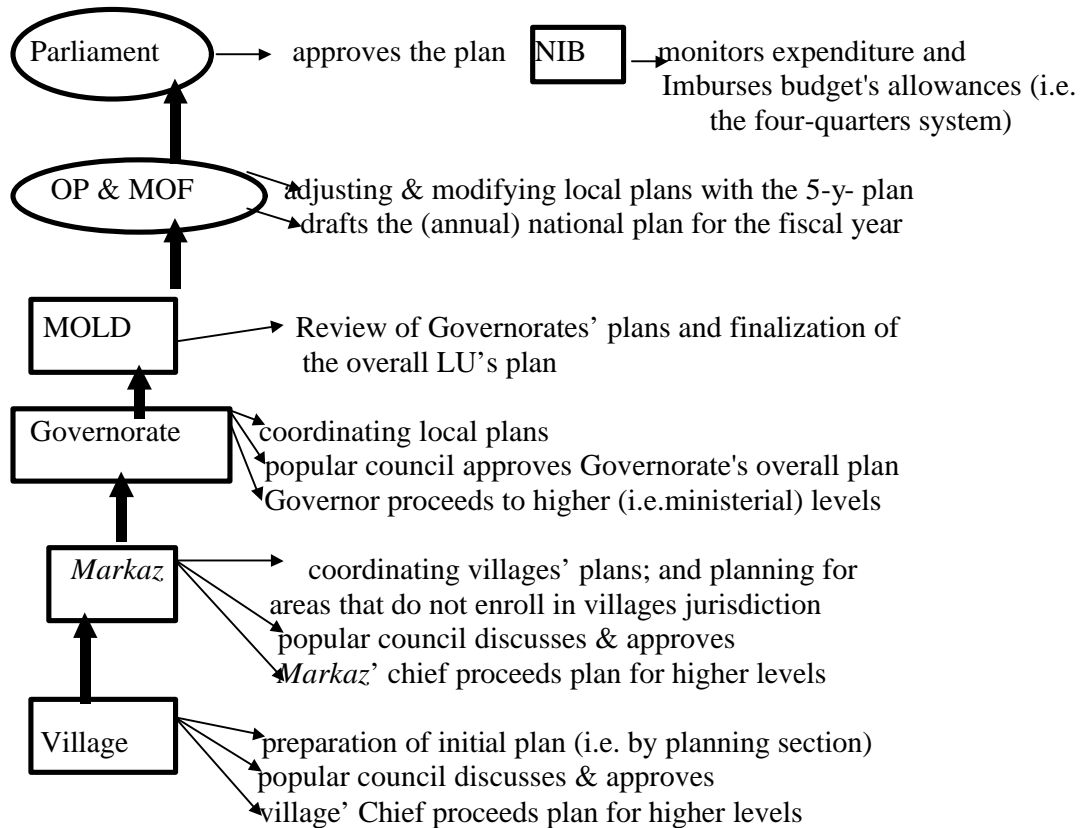
According to the law of the plan of 1973, the budgets of local units, like the governmental budget, are composed of Bab's (parts), Mokawenat (components) and Benoud's (items). Recurrent or operational activities in the first and second Bab's of the budget (i.e. wages & salaries, and production requirements) do not fluctuate dramatically in a year. As for the most vital part of the plan, i.e. the third Bab of investment, the designed projects are identified through two channels: central and local.

Central ministries prepare their own plans too, which will be achieved at local levels. Projects of the social services, health and education in particular are more centrally planned; local units follow and monitor. For example, when the Ministry of Education plans to build some new schools, it allocates and includes them into the Governorates' plans. So, the Governorates' education directorates are responsible for technical matters (e.g. school system, staffing..); while the local units are responsible for allocating the land, supervising the construction, following up and maintaining the infrastructure and services, etc.

It may happen, however, that centrally planned projects are not very favored by the local units, especially by members of popular councils, who prefer to have fully local-made plans relevant to their community needs, which they arguably know better!!.

c) *Locally suggested projects* go through the following procedures. The local chief and also the respective local popular councils propose new projects and activities (e.g. to supplement a squatter area with a lighting system) which need to be financially planned. Talking of planning information system, the planning department assesses and designs the requirements of the project. In doing this, it may follow a previous similar project in the District's -or other fellow District's- experience with some additional costs to cope with the present level of prices, or ask for information from the technical officials. Private consultants are also hired in case of big projects. Then, the LU' Chief discusses the projects and integrates them into the scheme of the local unit's annual plan.

Figure 2: Planning cycle at local level



In a general meeting at the Governorate's headquarters, each local chief accompanies 4-5 of his major assistants (directors of planning, finance, projects, technical & engineering affairs, District's secretary general..) to meet with the secretary general and directors of planning, properties, finance of the Governorate's. The meeting deals with sectors of activities and each local unit submits its plans & needs for a give&take discussion, e.g. for electricity, the chief explains the local unit's efforts to accomplish the previous year's projects in this field, and may defend shortcomings because of whatever reasons, then asks for funding to complete those projects.

Then, the Governorate's officials negotiate the requested funding with regards to other local units' needs and the regular budget of the entire Governorate, then a compromise is reached.. and so on for the other projects. As a basic principle, unfinished projects take priority over new ones. Yet, new projects would meanwhile receive a part of the requested funding.

After the scheme of the plan & budget is discussed at the Governorate's level, it is submitted to the local executive council for technical finalization, then to the local popular council for approval, and to the Governorate's executive council for technical finalization of the entire Governorate's plan. The District's

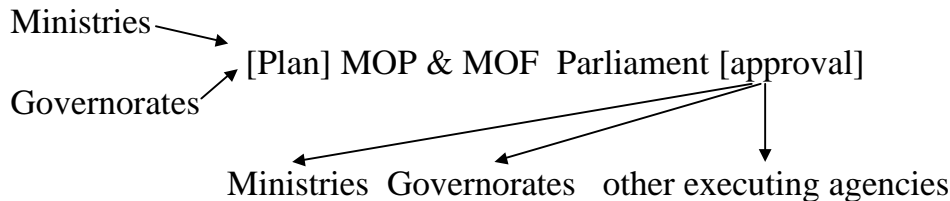
popular council discusses and approves the plan and refers it to the Governorate's popular council.

The popular council, without major amendments or substantial change usually approves the plan, since the plan itself is prepared in close contact and collaboration between the executive and popular personnel. The Governorate's popular council then discusses and approves entire Governorate's plan in coordination with the Governor, who approves the scheme of the Governorate's plan. In the meantime, the Governorate's Secretary General and major officials would elaborate on that scheme with the central officials in Cairo, i.e. department of planning & follow up at the Ministry of Local Administration (MOLA). Central authorities (i.e. of finance and planning) finalize the Governorates' plans and integrate them in the national plan to be approved at ministerial and parliamentary levels, then by the President. The allocated funding is then redistributed through the National Investment Bank (NIB), then to the below local units for implementation.

Raising and directing funds

As for locally chosen projects, local developers (i.e. chiefs, community leaders..) are constrained by a complex legal structure and fiscal regulations.

Figure 3: Complicated budgeting procedures



Imbursement procedures

1. Until very recently -1991- the National Investment Bank (NIB) imburshed the total money specified for Governorates' budgets as a lump sum; now the imbursement is allowed in four quarters, i.e. every three months.

2. To receive their allocated money, Governorates should submit necessary financial documents of expenditure proving that they have already spent the previous lump properly, i.e. according the approved budget. Yet, starting project implementation, i.e. contracting, requires that the local unit have the money already.

3. Hence, the problem is two-fold:

First, the imbursement procedures usually take time, perhaps up to three months, following the legal and bureaucratic regulations in designing

and doing the bidding, etc., especially for bigger projects, and preparing contracts and other documents to be submitted to the NIB.

Second, the NIB, in its turn, follows complicated regulations to approve the documents and imburse money to Governorates, and specifies deadline time for them to use it.

4. The result is that Governorates may receive the money short before the specified period is over, after which money can not be imbursed, or until the end of the financial year, after which the unused money is returned to the national treasury. Most of local units can not, therefore, fully accomplish the yearly-approved projects in their plans.

5. As for the unachieved projects, most of them are practically included in the next year plans - as "projects under completion"- or the executive leader (e.g. Governors) try to finance them through the Local Development Fund, or remain uncompleted for a some longer time!

6. Imbursement of resources practically demands:

a) the collaboration with, and using consultative opinion of, the financial department, as being the respective delegate of the Governorate's financial directorate and

b) the coordination with, and the approval of, the chairman of the respective popular council.

7. However, in case of small amounts (few hundred pounds for a reception, or a workshop..), the local chief initiates and freely decides about.

Social Development Fund (SDF)

1. The more flexible source of funds is the SDF (Special Development Funds/ or, formally, Local Development and Services Accounts). There are national SDF, like the Joint Revenue Fund at the MLA; and also "sub-national" special funds, which are most vital for the local fiscal autonomy and control of revenues & expenditures. Also, Governorates have their own special funds based on the local administration laws and ministerial decrees.

2. The law No. 43 of 1979 (article 36), as amended by the law No. 145 of 1988, issued the establishment of a special fund for Housing, Agricultural & Reclamated Lands, and Local Services & Development (SDF). The latter is the most vital source for additional finance at Governorate level. For instance the total 1993-94 budget of the SDF in Alexandria was 8,9 million pounds (that is more than one fifth of the Governorate's investment resources in the same year); whereas that of the SDF in Cairo was 23,2 million pounds (that is almost a quarter of the total allocated budget of the squatters in the same year).

3. Main sources of finance for the SDF are governed by the rules and regulations set forth in the MOLA decree No.8 of 1976, which sets the sources

of revenues and rates of fees and charges which can be imposed. Services' charges and special fees can be imposed and the Governorate's popular council should approve donations and grants (governmental or non-governmental).

Another vital source of revenue for the SDF is rental income of housing units financed through the SDF and profits from income generating projects funded through the SDF.

4. The money of the special funds is as much legally protected and supervised as public money (e.g. final account is checked by financial department and the Central Agency for Auditing, and violation is considered a public offense).

Yet, the major advantage of special funds is that their resources (although classified as a current revenue item in the Governorate's budget) are allocated at sub-national level as a cumulative balance of funds rolled over from prior years, so that the local units can preserve any saved surplus for next year.

A second major advantage of the SDF, from the perspective of motivating management personnel, is that it provides the executing agencies' personnel with an additional source (sometime 50%) of income, i.e. they supplement their income by incentives they receive for their contribution in the management of the SDF' projects (hence, the concern, or even the rush for being involved in these projects, and making them more sustainable and profit making).

5. The SDF' resources are used according to a plan approved by the respective Governorate's popular council. One major objective of this SDF is to provide local budgets with supplementary finance to carry out projects of the development plan in case the allocated resources in the budget are not sufficient, especially vital projects and those delivering daily services. That is to say that most of the outflow from the SDF tends to be for further capital expenditures, so as to give the local units access to resources beyond those centrally allocated for local administration purposes by the national budget, and to provide them with a flexible mechanism for using locally-generated funds. The board of the SDF, headed by the Governor, decides about such requests.

6. The SDF helps local units raise more community participation. "Cash donations" are transferred to the Governorate's SDF, for they are considered public money. Districts have no "special funds", except for that of general cleansing. However, "Local in-kind donations" can be given directly to the local unit. "Voluntary Contributions" may be also annexed to services' charges. Of the stressed suggestions for increasing the local units' financial capacity is to enable villages to have their own independent Local Development Fund. An approval of the Prime Minister is sufficient.

7. One major objective of this Fund is to provide local budgets with supplementary finance in case of need.

8. SDFs are autonomous from national level, i.e. the board of the Fund, headed by the LU' Chief, decides about its policy. SDF are also decentralized, subject to supervision and control of local popular councils.

9. It should be highlighted that governors are allowed to approve sub-accounts in the SDF for lower levels, including Districts.

10. According to Prime Minister's decree No. 578 of 1986, governors are authorized with the following:

- = setting rules of expenditure via SDF at Governorate level and below,
- = allocating temporary sub-accounts in the SDFs (of the Governorate, *Markaz*, city and village) for projects financed by community participation,
- = authorizing sub-accounts in the Governorate's SDF or the city's SDF to finance District's projects,
- = these sub-accounts will be closed at the end of the projects.

Fiscal System of Local development

Sources of Finance of Local Development

There are two main sources for finance in the existing local system: the major one is governmental subsidies or grants, constituting round 80% of the resources; and the other is additional/ local funding, mainly through Special Funds, of which the Services Development Fund "SDF" is more vital.

Financial dynamics in the existing local system can be described as follows:

1- Lack of funds in the local councils not only makes fund-raising a major concern of these councils but also gives greater power to the executive branch of the system. Local finances represent the major channel through which the government influences the local administration system.

2- A major source of finance for local units and the Ministry of Local Administration (MOLA) has been the Joint Revenues Account of Governorates (about L.E100 million annually). Half of the amount goes into the budgets of the Governorates where the import-export, movable properties, industrial and commercial taxes were collected. Thus, Cairo, Alexandria, Port Said and Aswan Governorates get together some 30% of the amount. The other half goes to the MOLA, to be used in local developmental projects especially in deprived Governorates. Yet , the Ministry of Finance approves the MOLA's use of money on the condition that the Ministry of Planning gives prior approval for the MOLA's projects. Governorates should submit their proposals for local developmental projects in accordance with the national plan directives.

Thus, it appears that the Ministry of Finance has traditionally discouraged the creation of a budgetary system at the local level that would be independent of the central government's overall plans. However, a great deal depends on the negotiating powers of a governor and the weight of support "he" (since all

governors have been and still are males!) is receiving from the Minister of Local Administration.

3- Although, in theory, each popular council is supposed to develop a draft budget outlining the four major categories (i.e. wages, salaries, bonuses..; current expenditure; investments and capital transfer), the reality is different. A popular council does give a great input to the draft budget that is eventually sent forward to the higher level of administration; but most of these inputs which go beyond the initial guidelines stipulated by the ministerial representatives in the Governorates (i.e. sectorial directorates) are quietly ignored at the central government level.

4- The central government and line ministries, as well as the governor and Governorate's financial directorate, play important roles in the budgetary process. The more a governor is development-oriented and committed to decentralization, the more he allows for cooperation between local institutions (appointed and elected) and motivates popular council to raise funds locally and to activate community participation, instead of being greatly dependent on or clients of the central government. Yet, the complicated budgetary process also stands in the way of an ambitious and energetic outlook of a governor (making some of them less enthusiastic for recalling for decentralization; others taking politically miscalculated risks and thus facing a critical situation with the central government!).

Fiscal policy and impediments of budgetary process

The budget is the executive device of the plan, and the basic instrument for achieving fiscal policies of the economy. There are many impediments in the budgetary process. These can be analyzed as follows:

a. in early spring every year, the various ministries develop rough and initial estimates of their budgets for the next financial year, in accordance with the 5-year plan. These estimates are gradually filtered down through the hierarchies of each ministry (i.e. at Governorate level, down to village or urban District levels.

b. The role of the executives is obvious in all these transactions, that chief executives practically prepare and finalize the local budgets without major substantial changes through popular councils. That is because popular councils, although being given the right for self administration and defining local community needs, lack the competence to prepare these budgets. At the same time, executive councils (i.e. sectorial directorates) are those who receive governmental directives for preparing the budgets, and then submit these budget drafts to popular councils for approval.

c. The intervention of the Ministry of Finance takes the form of a "book of instructions" which is distributed to Governorates (i.e. financial directorates).

This book specifically outlines the procedural steps required for the preparation of the local budgets.

d. The four main sections "Babs" of the budget are prepared in a way that reflects the degree of centralism. The Babs I and II are for wages & salaries and current expenditures (i.e. on operation and maintenance) are actually forecast of the local unit; but do not fluctuate dramatically in a year. The Bab III is practically a list of desired investments, without financial data; this financial data is supplied later by the planning and financial directorates at the Governorate level. Bab IV is for capital transfers. Funds of both Babs III and IV are controlled and allocated at the central government level (i.e. Ministries of Planning and Finance).

e. After discussions at local level, popular councils will approve draft budgets. Usually popular council request increasing the total draft budget presented to them by executive councils. They often have an unrealistic view of what the government can or should do for them and how much will be approved for their local budgets. Some popular representatives get frustrated; others attempt however to get the most they can from the Governorate or /and the central government.

f. After all local budgets have been approved , they are sent to the Governorate financial directorate to proceed with finalizing the "general draft budget of the Governorate". Although the law allows no amendments in budgets that are approved by lower popular councils, the Governorate, especially the governor, does adapt the budgets of its constituent lower local units, so that they balance and be more realistic to the central government. Once the Governorate popular council has approved the Governorate draft budget, it is sent to central ministries (in sections) to prepare total budget of each Ministry, and negotiate it with Ministers of Finance and Planning. The negotiations end up with some reduction in sectorial budgets (as a general trend of the structural adjustment is to reduce public expenditure gradually). Then, the Governor informs local units within the Governorate of the actual funds available in each budget category.

g. Until 1991, the National Investment Bank (NIB) imburse the total money specified for Governorates' budgets as a lump sum; now the imbursement is released in four quarters, i.e. every three months. Yet, the problem is that the imbursement procedures usually take time in Governorates perhaps up to three months (e.g. following the legal and bureaucratic regulations in designing and doing the bidding..), and the NIB also follows complicated regulations to approve the documents and imburse money to Governorates. The result is that Governorates may receive the money shortly before the end of the financial year. Most local units cannot, therefore, fully accomplish the yearly approved projects in their plans; the average of achievement is at the best around 80-90%.

h. Full implementation of the “development plan” at local levels is politically expected, and the fiscal balance should, administratively, be confirmed (e.g. no money should be still unused by the last day of the financial year; or the money will be returned to the national treasury).

i. As for the re-allocation of resources, although the government admits that the improvement of national and sub-national planning could only be reached through decentralization, the establishment and controlling of budget allocation and fiscal systems are still the prerogative of the central level. The problem of the financial system is henceforth not quantitative as much as qualitative, i.e. the local unit's financial capacity is restricted by the budgetary system, which is not very flexible. Re-allocating the resources among Bab's (e.g. from wages & salaries to investment.) necessitates a parliamentary approval; among Components (e.g. from general cleaning to street lighting and roads maintenance..) it needs the approval of the Minister of Planning; among items (e.g. from cleaning houses to cleaning streets..) it is possible upon the Governor's approval. Local Chiefs can reallocate resources among similar items, e.g. from elevators' maintenance to lighting equipment, for both belong to the item of electrical maintenance. Yet, the re-allocation and use of saved resources is limited. For instance, the amount of money allocated in the local budgets for governmental elevators' maintenance assumed to be fixed in official buildings can not be used for different objectives like social services, although some of the local units do not have elevators!.

j. The more flexible source of funds is the SDF. There are national SDFs, like the Joint Revenue Fund at the MLA; and also "sub-national" special funds, which are most vital for the local fiscal autonomy and control of revenues & expenditures. Governorates have their own special funds based on the local administration laws and ministerial decrees.

The law No. 43 of 1979 (article 36), as amended by the law No. 145 of 1988, issued the establishment of special fund for Housing, Agricultural & Reclamated Lands and for Local Services & Development (SDF). The latter is the most vital source for additional finance at Governorate level.

Main sources of finance for the SDF are governed by the rules and regulations set forth in the MOLA decree No.8 of 1976, which sets the sources of revenues and rates of fees and charges which can be imposed. Services' charges and special fees can be imposed and the Governorate's popular council should approve donations and grants (governmental or non-governmental). Another vital source of revenue for the SDF is rental income of housing units financed through the SDF and profits from income generating projects funded through the SDF.

The money of the special funds is as legally protected and supervised as public money (e.g. final account is checked by financial department and the

Central Agency for Auditing, and violation is considered a public offense). Yet, the major advantage of special funds is that their resources (although classified as a current revenue item in the Governorate's budget) are allocated at sub-national level as a cumulative balance of funds rolled over from prior years, so that the local units can preserve any saved surplus for next year.

A second major advantage of the SDF, from the perspective of motivating management personnel, is that it provides the executing agencies' personnel with an additional source (sometime 50%!!) of income, i.e. they supplement their income by incentives they receive for their contribution in the management of the SDF' projects (hence, the concern, or even the rush for being involved in these projects, and making them more sustainable and profit making).

k. One of the frequently quoted problems of the budget control is that created by the law 9 of 1983 (bedding & vending law). This law imposes tight constraints on governmental agencies in expending their budgets and achieving projects. A lot of time and resources are wasted in following the legal procedures of that law. The law presumes that governmental activities should be done through open bidding, except for some purchases of low value for which petty cash may be used. The law permits the authorized officials to approve direct purchases within 2000 pounds, and contract construction works within 4000 pounds "in case of necessity". Above that ceiling, local governmental agencies should follow the bidding criteria. Yet, under inflation and after fifteen years (since the law of 1983) of increasing prices, this ceiling is no longer meaningful for local autonomy •.

Those procedures include:

- = preparation of bidder lists & specification for every activity and project (by a joint committee of procurement and contracts department, technical engineer, financial department..),
- = calling for bids in three widely-read newspapers and waiting for the vendors,
- = forming a vending committee to select vendors,
- = forming an "envelope opening" & vendor selection committee if the bid's value is over 7000 pounds,
- = forming a monitoring committee to control the delivery of the selected contracted vendor..

These committees usually take long time to meet and decide. Moreover, there are many times in practice that these committees are formed on paper and/or take decisions through "signing the formulas and meeting proceeding" one after another, without serious evaluation of the bids, except for selecting the "cheapest". Although the law necessitates the selection of the best quality and

• In September 1998, the Minister of Finance has signed new implementation orders of the law, providing more flexibility in the law.

lowest cost vendor, the "cheapest" criteria is usually followed since it is more acceptable and safer vis-a-vis the auditing & accounting inspectors who review the committees' selections! Sometimes the bidding committee prefers to recall for bids again in case that the vendors are "not satisfactory". There is an

wise the People's Assembly should approve the loan); approved by the respective popular council; restricted to 40% of the annual revenues of the local unit, other wise the Prime Minister should approve the loan.

b.) "Off-budget sources"; but defined by the law, i.e. special funds. The first form of special funds is the "national" Common Revenues' Fund, which is financed through some local taxes (e.g. Governorates' shares of taxes on industrial and commercial profits are 50%; the other 50% is collected by the Governorates but transmitted to the Common Revenues' Fund), as well as some national revenues (e.g. the 2% share of the tax on Suez Canal Authority profits, collected by the Ministry of Finance and forwarded to the Ministry of Local Administration). The Minister of Local Administration redistributes the revenues in a way that might balance financial capacities of Governorates.

The second form of special funds is "sub-national" special funds, which are most vital for the local fiscal autonomy and control of revenues & expenditures.

c.) Sources off the budget and not included in the local administration law, e.g. Fund of Cleansing, based on the law No. 38 of 1967. Main sources for this fund are: 2% charges imposed on dwellers for public cleansing, allocated resources for cleansing in the Governorate's budget, the overhead paid by contracted garbage collectors, donations for cleansing purposes. Moreover, there are no financial/accountancy departments at village level through which the villages can receive their allocations directly; not via the *Markaz* level.

Concluding remarks

It is now obvious that Egypt has no stable policy concerning the local system, at least since the inauguration of the constitution of 1971. Two main observations can be made in this respect:

First, the degree & quality of decentralization in Egypt has been a matter of wide debate, both at the political and academic levels. In particular, legal amendments in the jurisdiction of local units and interface between the two branches of a local unit, i.e. executive vs popular councils, are of a great importance. With the local elections taking place in April 2002, reforming the local system has become a center of interest in the public eye.

Second, it seems that the Egyptian legislature has taken by the left hand what it gave with the right hand! In the laws, local units have theoretically a great potential to fulfill local governance; however, the degree of decentralization in reality is mediocre. Astonishingly enough, the same laws provide and justify centralization. Hence, it is the policy maker who will decide to what side the state will lean, under the same blanket of law. For instance, a great part of local communities, in fact the most flourishing and successful cases in Egypt, is put off the conventional settings of local administration, that is the New Settlements/Communities. There are about 15 very successful new towns (e.g. the 10th of Ramadan, the 6th of October) which are exempted from the control grid of local autonomy. Those towns do not have the bi-cameral system of one elected and one appointed councils, and are not even under the ministerial control of the Ministry of Local Administration; they are rather managed by a

joint committee (board of trustees) that is more representative of businessmen community, households, labor and consumers. The law acknowledges the necessity of applying the local units law to these new towns; yet it leaves it up to the government to decide at what time and under which circumstances. So, pragmatic analysts demand that local units enjoy a simimilar status to that of the new communities; while advocates of new communities warn from adhering 'sucessful' new communities to the notorious and complicated local system. The state can have a full option to decide which way to go, with no need for any legal amendments! So, the legislature gave away the power to decide to the executive, then turning the issue of legal and constitutional settings of local development into a matter of politics; not as a principle of good governance, like how it should be.

Terms & abbreviations

CAA:	Central Auditing Agency
CAOA	Central Agency for Organization & Administration
CAPMAS	Central Authority for Public Mobilization and Statistics
GoE	Government of Egypt
LU	Local Unit
MOLA	Ministry of Local Administration (now MRD, see below)
MRD	Ministry of Rural development
MSA	Ministry of Social Affairs
NIB	National Investment Bank
ORDEV	Organization for reconstruction & Development of Egyptian Village- the official sponsor and solely governmental agency responsible for <i>Shrouk</i>
O&M	Operation and maintenance
SDF	Special Development Fund
SSc	Scientific <i>Shrouk</i> Committee
CAOA	Central Agency for Organization & Administration
CDA	Community Development Associations

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Field work

The researcher had conducted a number of “in-depth” interviews, attended many village meetings, focus groups (for women and for men), formal meetings with local officials (Governors, *SHROUK* managers, and *SHROUK*'s committee members as well as the “*SHROUK* scientific coordinators”).

In addition, there have been cases, where the researcher was asked to contribute to and help the *SHROUK*' committee to solve some administrative problems and provide technical assistance (for example, to design a campaign to raise funds from the local/village dwellers).

Also, the researcher had taken part in preparatory meetings between ORDEV and potential international donors to *SHROUK*, including UNDP, the WB. In such activities, the researcher learnt more about the workings of *SHROUK*, its policy towards NGOs and civil society in general, and national politics related to rural development strategy.