

THE PROCESS OF CONTROLLED DECENTRALIZATION IN EGYPTIAN LOCAL FINANCE

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INTRODUCTION

THERE is a growing tendency to consider the central-local relationship not from the antithetic angle of local autonomy versus central power, but rather from the angle of how the interest of the citizens can best be served by central and local governments jointly. This gave rise to the theory that the local-central relationship should be considered as that of partnership and cooperation with the overall objective to provide the best possible and most efficient services for the people.

Our understanding and conceptual framework—for the purpose of this study—of the central-local relationship includes the central control exercised by the central government that is necessary to maintain a sense or a feeling of national unity and supervise the provision of services and development in an effective way, as well as the central services to reinforce the authority of the local government so as to enable it to become a real partner in the local and national development. In dealing with this subject from its two dimensions, control and assistance, in the case of Egypt, two aspects will be considered: (1) how this central-local relationship emphasized the general democratic value that can be realized through vital local institutions; and (2) how this relation has supported and strengthened the capability of local authorities to provide basic public services adequately and effectively.

Our approach to the study of the central-local relationship in Egypt will not be a traditional one, in which emphasis is laid primarily on formal institutions and officially prescribed relationships and rules. The approach will examine documents and laws, but it will place an equal emphasis on non-formal relationships which stem from the political, social, economic, and cultural context of the country.

The report is divided into three sections. In Section I the factors that have an impact on the central-local relationship in Egypt are discussed, while in Section II an analytical review of the central-local relationship is presented. Section III deals with considerations on some of the issues raised in the previous two parts of this study.

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I. FACTORS INFLUENCING CENTRAL-LOCAL RELATIONSHIP IN EGYPT

A. *Historical, Social, and Cultural Factors*

The succession of foreign influence in Egypt before 1952, especially the influence of France and Turkey, reinforced the traditionally paternalistic character of the social structure and social relationships. The government tended to be centralistic and the development of discretion in local government was inhibited.

After the 1952 revolution, Egypt entered a phase of decentralization by establishing field branches of the central ministries. The enactment of the Local Administration Law 124 (1960) was the first and most important step in the direction of decentralization, which was followed by several successive laws regulating the existing system of local government in Egypt.

Centralization has been a feature of Egyptian life for centuries. Depending mainly on the Nile as a source of life, the government has had to allocate the Nile waters centrally to ensure that the water was distributed equitably. Moreover, since the Egyptian people have historically looked to the government to provide services and jobs needed for them, hence they have become largely dependent on the government to meet almost all their needs.

Furthermore, Egypt, being a homogeneous country, found it easy for her to reinforce the trend toward centralism. There are many unifying factors which were responsible for a high degree of centralism.

These may explain why local authorities in Egypt have been established from "above," in contrast to the situation in many other countries with a longer tradition of democracy, in which these institutions historically evolved gradually from "below," where the central government only developed afterwards at a later stage of history.

This background of strong centrism is probably responsible for what is well known in Egypt now as "local centralism." It became clear after the enactment of all these successive laws that the major beneficiary of local autonomy was the governorate. Power and function scarcely filtered down to the district and village level. This may be due to a number of reasons, the most important of which are: larger jurisdiction of the governorate in the field of administrative expertise, ability to organize a coherent program of development, and/or scarcity for local authorities of financial and human resources that governorates had at their disposal at their headquarters. The net effect was to strengthen the governorate which serves in the dual capacity both for the central government as well as for the local government. The same pressures toward centralism or resistance to decentralization may be the reason why all local units of the same type are brought under a uniform structure including capacities to function and financial power, in spite of the fact that these localities show many social, economic, and cultural disparities.

The above indicates that sociocultural factors play an important role, although frequently hidden, in the central-local relationship. These factors are important because they form the environment within which the local government system functions.

B. *Changes in the Character of Egyptian Communities*

The communities served by local government unit itself underwent rapid changes in the 1970s and 1980s. Urbanization in Egypt progressed and exceeded the ability of local government units to manage, as 44 per cent of the Egyptian population lives in urban communities [1], and the rate of urban population growth is substantially above the national growth rate. Drastic changes in the rural areas coupled with rapid urbanization altered the nature of the problems which local government units were requested to solve. Rural electrification, migration to the urban areas and abroad from the rural areas, and a host of other factors influenced the central-local relationship. The effect of all these factors was reflected in the fundamental change of popular conceptualization of effective local government, which raised questions concerning the usefulness of existing units of local government in improving the standard of living.

In addition, the criteria laid down for the subdivision of Egypt into the governorates, districts, towns, and villages are very vague, especially the criteria for the change of a village into a town (urban center) with the urban status. Various pressure groups can influence the governor or the minister to issue a decree transforming a village into a town with added power, regardless of the type of economic activity it exercises and its ambiguous urban character. This is one of the main reasons for the confusion between the urban and rural characterization or distinctive terms in characterizing settlements [6].

On the other hand, after the Local Administration Law 124 (1960) was enacted, the local councils continued to function, with few exceptions, within the older boundaries of the earlier local units. These areas bear few resemblances to the present population and areas which show a more urbanized pattern and they spill over the old borders of the past. Cairo governorate, for example, no longer covers the Cairo area which has spilled over to include the cities of Giza and Shubra el Kheima in the two neighboring governorates. These older boundaries were originally demarcated with a view to levying taxes and ensuring security.

C. *Technology and Its Impact on Local Government*

Expansion of the range, scope, and complexity of public services brought about by technological development, population growth, urbanization, and other factors has markedly influenced the public services provided and maintained by the local units. Local authorities were requested to maintain services provided by highly qualified and trained personnel with comparatively more sophisticated equipment and working procedures. In Egypt, a common approach was adopted whenever such a case emerged, and an organization with single purpose was created to carry out specific functions which used to be performed by the local government. The device was simple and conducive to professional management. However this approach resulted in reversing the trend toward centralism. Furthermore, the

frequent resort to it encouraged the proliferation of public agencies and further complicated problems of administration at the local level. This is quite clear in the area of urban public transport, water, sewage, and electricity. It is noteworthy that the creation of these many separate agencies contributed to the distortion of citizens' understanding of local government and administration which still should be built and developed.

The progress in technology coupled with the changes in the character of the Egyptian communities in the last two decades, raises serious questions regarding the continued existence of separate units of local government. If neighboring communities could avail themselves of better, albeit more expensive, skills and management tools by combining their limited resources which are inadequate when they are made use of independently, why do they not go all the way and completely merge the local government units concerned? Why do they not have fewer but larger local governorates? These questions as well as the related ones prompted the authorities to give a serious consideration to the alternative arrangements for restructuring local government systems, by trying to determine the range of public services that the local units should perform and to formulate the various relationships they should have with each other, with the national government as well as with other local organizations. The formation of relatively larger local government units probably may solve the problems. However, there are certain advantages and disadvantages.

The successive local government laws enacted since 1971 included articles establishing regions and involving regional planning. A Presidential Decree 495 (economic regions) was issued in 1977 to establish eight economic regions (which were reduced to seven in 1984). Unfortunately the regional planning agencies have neither the power nor the authority, neither sufficient financial resources nor qualified personnel to assume their responsibilities.

D. Character of National Leadership

When President Sadat took over, the climate for change was very much favorable, coupled with Sadat's policy for the liberalization of the Egyptian economy and claims for democracy and power-sharing. Thus Sadat's era witnessed massive and successive programs for local government reforms in Egypt. The reforms were associated with Sadat. The favorable climate ensured the passage of appropriate legislation but it did neither ensure the support and the realization of the importance of civil servants to the reform programs, nor provide the machinery necessary to implement the law.

As the local government reforms were associated with the national political leader (Sadat), sometimes his style of decision-making was characterized by his seeming disregard for the consequences of courses of action, two examples of which can be quoted in this respect.

(1) Local Government Law 43 (1979) guaranteed the rights of women representatives in the locally elected councils at various levels to encourage women to participate in public affairs. But this representation did not take into consideration the prevailing sociocultural context which prohibits women from public life in villages, especially in Upper Egypt and desert areas in the frontier governorates.

In the previous elections female civil servants at sub-national levels were recommended to be nominated and eventually got the reserved seats. These seats for women were canceled in the recent amendment of the law (Local Administration Law 145 [1988]).

(2) As a step toward real decentralization and democracy, Sadat in 1980 decided that the governors appointed to the respective governorates should originate from these governorates. This experiment was doomed to failure after one year and Sadat was forced to dismiss thirteen governors, and replace them with those who were thought to be highly competent and certified professionals. The governors appointed no longer have to originate from the governorate which they head. Needless to reemphasize the fact that Sadat was the national leader who sought to delegate more power to the elected councils, and gave the governor the rank of minister rather than deputy minister as was previously the case. However, it is important also to note that what has been attempted through legal changes is to move decision-making from the center to the periphery without making any basic change in the methodology or manner in which decisions are made.

E. Local Leadership

With the trend toward decentralization, the local government burdened with a host of new responsibilities, needed a new and creative local leadership. When the system took its first effective step toward decentralization a large number of military elites penetrated the local government service. A large number of army and police officers were transferred to fill key positions in the local government (governors, governorate secretaries-general, and chief executives of districts and towns). Training of the military and police administration was not directly transferable to the public administrators. Moreover, the rapid turnover was creating problems in leadership.

F. Partisan Politics and Local Government

There are many examples illustrating how the reform programs of the local government were used for the ends of partisan politics. The latest successive amendments of the law of local government in Egypt issued in 1979, 1980, and 1988 deliberately aimed at preventing the competing or potentially competing political forces from ascendancy. The central government, through all these legislations, was determined to set out measures and arrangements to secure the central control of the ruling party, National Democratic Party (NDP), in the local elections and in the selection of locally elected members in the party.

It should be noted that Local Government Law 52 (1975) stipulated for the first time that local councils were to be directly elected. Local Government Law 50 (1981) introduced the election system by using the voting lists whereby the party winning the majority would get all the seats of the local council. This is a unique system by which the ruling party takes over all the seats and in fact selects members of local councils. It was definitely a setback for the trend toward the promotion of democracy at the local government level.

An analysis of the two local elections of 1975 and 1979 indicated that more than 75 per cent of the counsillers were ex-counsillers. This percentage increased

to about 90 per cent in the rural areas [4]. Most of them were elected due to their family status or their personal capacity and not on the basis of political doctrine or ideology.

G. *Bureaucratic Power*

Egypt inherited from the colonial powers highly trained indigenous civil servants. These civil servants tended to overemphasize efficiency in technical performance, being more accustomed to the exercise of power, and often found it exceedingly difficult to accept the local groups who express their own views or exercise their power. Their social and political values were sometimes so different from those of the masses that it became exceedingly difficult for the two groups to understand each other. Such central and local bureaucrats resented any competitive power base outside the center, and resisted efforts to create an effective local government organization which, from their point of view, could become a potential threat to the centrally-established power base. These central bureaucrats may, when pressured, seem willing to delegate certain tasks to the local authorities, but they intentionally undermined these efforts toward decentralization through depriving the local authorities of the financial and policy-making means necessary for effective implementation. It is quite clear in Egypt that the central bureaucrats exercise the central control over such matters as planning, drafting of budget, personnel and job classification, and the allocation of development funds.

Moreover, at the local level, a survey conducted by an evaluation team in July 1986 [4] revealed that the attitudes of the department heads of service ministries were less responsive to the concerns of the local public. They represent the older and traditional way of doing things. Not surprisingly they are more likely to oppose an increased involvement of the locally elected councils in public affairs than other local government personnel.

H. *Bilateral and International Foreign Assistance*

International and bilateral donors have shown great interest in supporting the government of Egypt in its efforts to promote the decentralization of functions and resources as well as the democratization of administration and government. USAID stands as the major donor with massive planned assistance in the area of decentralization development. USAID started its assistance as early as 1974/75 and continued its support to decentralization on a pilot basis until five joint activities were developed in 1978 under the program labeled Development Decentralization I (DDI); Basic Village Services (BVS); Provincial City Development (PCD); Decentralization Support Fund (DSF); and Neighborhood Urban Services (NUS). The total amount of USAID assistance to these projects in ten years amounted to approximately U.S.\$ one billion. The assistance was used to initiate, promote, and execute approximately 16,000 projects in the local communities (feeder roads, water system, sanitation, small industries, etc.) besides building the local capacity to plan, manage, and evaluate local development projects.¹

¹ For further information see USAID project papers, documents, and evaluation reports on these projects.

So far the USAID has provided immediate assistance and services to the rural and the poor urban areas, while reinforcing functional, political, and fiscal decentralization. The assistance has enabled local entities to assume their responsibilities in providing services and undertaking economic activities in support of their local development funds. The most important contribution, however, is the funding which has been made available, almost directly to the local units, with little interference from the central government. This provides a very useful demonstration of decentralization in expenditure. In terms of programming these funds, the decision of the local unit is paramount and cannot be preempted by units higher in the local government hierarchy.

II. ANALYSIS AND REVIEW OF CENTRAL-LOCAL RELATIONSHIP IN EGYPT

The central control and services provided to the local authorities, as outlined below, are organized under the political and legal control, including the processes of policy and decision-making, planning, drafting of budget, finance, and personnel system. These controls will be analytically presented, and the processes will be reviewed to illustrate the formal and informal interactions between the central government and local authorities from two angles. First, we deal with the central control over the local government units, and, second, we deal with the services rendered by the first to the latter.

A. *Central Government Political and Legal Control*

1. *The local government council*

The selection of the member of the local government council was a matter of considerable importance. It determined the manner in which and the extent to which the inhabitants of localities, through their representatives, were able to exercise their authority in the implementation of measures to fulfill local needs. It affected the extent of the impact which the decision of the central government on national matters exerted on every part of the country. In a very real sense it affected the fortunes of political parties and even the legitimacy of the central government. For these and other reasons, many central governments in the world sought to evolve different approaches and political strategies concerning the membership of local government councils.

Before the introduction of the multiparty system in Egypt, the single political organization at that time—the Arab Socialist Union (ASU)—aimed at limiting the membership of local councils to its own members. For example, the executive committees of ASU at the village, town, and governorate levels in Egypt automatically became the elected members of the local councils at each level. The absence of separate elections was justified by the belief that the most articulate members of the society were composed of those who were also members of ASU, and that separate elections for these councils were undesirable under the conditions prevailing in the country. Moreover, a strong link between the local government system and the political organization seemed to be preferred by the political leaders of the country.

The local elections actually took place in Egypt in 1975, after the promulgation of the Local Government Law 52 (1975), when local councils were formed through popular elections. However, with the adoption of a multiparty system, the ruling National Democratic Party (NDP) made arrangements for passing an amendment to the Local Government Law 50 (1981) in order to limit the membership of local councils to its own members. The law stipulated that local elections should be held on the basis of the voting lists in the constituencies, where the party that wins the majority (more than 50 per cent) acquires all the seats of the local council.

Apparently this is a unique system, as it is neither a proportional representation of party lists according to the votes, nor an election of individuals who stand independently or individuals who represent parties in their personal and political capacities. The system as such does not even go along with the stipulations of the election law of the People's Assembly. The latter is based on the proportional representation of party lists on the condition that the party to be represented should obtain 8 per cent of the votes at the national level. However, the election coincides with the election of the *Shura* council (upper consultative council).

The constitutional basis for the election laws at the national and local levels, was heavily biased, as they prohibit independent individuals from being nominated and hence being elected. In an attempt to alleviate this shortcoming, a new amendment had to be issued before the new local elections. This was done in June 1988. Recently a bill has been passed to amend the present legislation on candidacy for the *Shura* council. The amendments made it possible for individuals to contest on an individual basis rather than on party lists. This new bill invokes the rule of absolute majority in the decision on the winners of seats in the *Shura* council. This bill will pave the way for the return to the old system which had been considered by the Egyptians to be more democratic. It is expected that elections of the People's Assembly and the local people's councils will follow gradually the same direction.

2. *The governor*

The status and power of the governor have clearly been strengthened under the successive local government laws. The governor is given, as regards the grade, a salary and pension, and enjoys the same status as that of a minister. He has all the powers delegated to ministers concerning all public utilities and institutions in his governorate. He is the head of all these institutions, as well as of all the employees in his governorate. The governor is the representative of the central government in the governorate. He is responsible, in his capacity, for supervising the implementation of central public policy, and the execution of all laws within the governorate. It is true that the status of the governor was enhanced to become more powerful, more prestigious, and more accessible to the central level. It has not, however, provided him with better qualified staff, or with added control over local revenue generation, beyond the local services and development funds.

The effectiveness of governors, chiefs of districts and villages, in carrying out their assignment, may be seriously hampered by the high turnover in these positions. The Sadat's era (1971-81) was characterized by a very high rate of turnover and

there were 139 changes of governors in 26 governorates. The average tenure of a governor was less than one year (ten months) during this period.

3. *Delegation of power and function*

The actual delegation of responsibility in the public functions was to some extent determined by both technical and political considerations. Through the successive laws pertaining to local government the authority and responsibility for the delivery of basic human services were shifted from the central ministries to the departments in the governorates, districts, and villages. The transfer of functions covered areas such as housing, health, education, social welfare, local transport and road, etc. The only major exception has been the new areas of provision of water and sewer services which appear to be firmly controlled by the central authorities and agencies (see Table I).

Each of the central ministries whose operational functions were transferred to the local authorities is bound to provide the local authorities with general advisory instructions, explaining and elaborating the process of implementation of national policy as regards each function. Moreover, each of these ministries, through its inspectors, makes a periodical inspection in relation to the discharge of their duties by local authorities. If the inspector discovers a gross negligence, an illegal behavior, or an undue deviation from the general policy, he reports his findings to the local authority concerned, to his own ministry, to the governor, and to the minister of local government. In addition, each of these ministries is requested by the law to be responsive to any demand formulated by the local authority for technical assistance or advice.

4. *Legal and administrative central control*

The need for developing control mechanisms over the local government system was clear. In a country like Egypt, where there is a scarcity of resources and personnel, in order to undertake development programs which require implementation as extensively and as quickly as possible, the government emphasized the urgency of responsible management of resources.

The following types of control over the local government were exercised by the central government. (1) Dissolution of the local council and substitution thereof by the central government. (2) General supervision, that is, the authority to maintain the operation of local units within the framework of national policies and programs. (3) Review of the local government budget with jurisdiction to modify as well as audit financial operations, approve capital loans, and control over tax levies. (4) Jurisdiction to promulgate, modify, and approve the basic laws, rules, and regulations controlling the structure and operations of local government units. (5) Jurisdiction to modify, suspend, or quash resolutions, ordinances, and other decisions of the local councils as specified by the law. (6) Modification of boundaries of local units of government. These control mechanisms were exercised by the central government represented in its central ministries and also through the governors who represent also the central government within the jurisdiction of the governorates.

TABLE I
FUNCTIONS OF LOCAL AUTHORITIES IN EGYPT

Function	Local Units				
	Governorate	District	Town	Hay	Village
Education:					
Technical and teacher schools					
Secondary (all)	+ - X	- X	+ X	X	X
Preparatory and primary	+ -	-	X	-	X
Health:					
Public and specialized clinics	+ - X				
Nursing schools	+ - X				
Units of health education	+ - X				
Regional stores	+ - X				
Public health laboratories	+ - X				
Central hospitals		- X	+ X	- X	
Emergency units		- X	X	- X	
School health unit			+ X		
Family control		- X	X	X	X
Health control		- X	X	X	
Health offices					
Motherhood and childhood		+ X	- X		X
Health units			+ X		X
Housing, physical cleaning establishments:					
Investigation and planning					
Implementation	+ -	- X	+ X	- X	X

TABLE I (Continued)

Function	Local Units				
	Governorate	District	Town	Hay	Village
Social affairs:					
Establishment and administration	- X				X
Implementation of governorate plan		- X	- X	- X	- X
Implementation of ministerial plan	+ X	- X	+ X	- X	+ X
Supplies and internal commerce:					
Committees of price control		+ - X			
Directives for foodstuff distribution		- X			
Supervision and control of foodstuff distribution	+ - X				
Control of commercial chambers	X				
Distribution of foodstuffs	+ X	- X	- X	- X	X
Weights and measures	-	- X	- X	- X	X
Agriculture:					
Implementation of public plan and crops policy	- X	- X		+ X	- X
Land reclamation:					
Policy of land distribution	X				
Providing requirements of reclamation	X				
New communities	X				
Agricultural collectives	X				
Irrigation:					
Implementation of the ministerial policy	- X	-	-	-	-
Manpower and training:					
Planning and development	+ - X	- X	- X	- X	X

TABLE I (Continued)

Function	Local Units					
	Governorate	District	Town	Hay	Village	
Care of manpower	+ - X	- X	+ - X	- X	- X	X
Culture and information:						
Libraries, museums, movies, and theaters	+ - X	X	X	X		X
Clubs, associations, and popular culture	+ - X					
Art galleries and shows	+ - X					
Control of information offices	+ - X					
Youth:						
Preparation of executive plans and programs	X					
Carrying out youth centers	+ -				-	X
Control of existing agencies	-	- X	+ - X	- X	+ -	X
Finance by self-reliance	X	X	+ X	X		X
Tourism:						
Determination of tourist areas	X					
License	X					
Promotion of internal tourism	- X	X	- X	X		X
Communications	+ -	-	-	-	-	
Transportation	-	-	-	-	-	
Electricity:						
Approval of electrification plans	- X	X	- X	X	-	X
Establishment and reparation of networks		X	X	X		X
Control of consumption		X	X	X		X

TABLE I (Continued)

Function	Local Units				
	Governorate	District	Town	Hay	Village
Industry	- X				
Economic affairs	+ X	X	X	X	X
Cooperation	+ X	- X	+ - X	- X	+ - X
Building and development of villages	- X	X			X
Security	+ - X				
Al-Azhar mosque and university	X				
Public endowment	- X	- X	- X	- X	- X

Source: Compiled by Sayed Ghanim from executive regulations for Laws No. 124/1960, No. 52/1975, and No. 43/1979. There is no executive regulations for Law No. 50/1981, as it is an amendment of Law No. 43. It is included in [2, Vol. 2].

+ Local unit responsible for function during 1960-75.

- Local unit responsible for function during 1975-79.

X Local unit responsible for function during 1979-.

The central agency responsible for the local government played a special role in this respect. With the initiation of a modern system of local government in Egypt by the promulgation of the Local Administration Law 124 (1960), the ministry of local government was created in March 1960, with the following objectives. (1) To act on behalf of the local units to accelerate the realization of their demands toward the technical ministries. (2) To act, in a concerted fashion, as a vigilant overseer of all the matters related to the local authorities, and also as a paternal supervisor. (3) To assume, with exact knowledge of the circumstances and conditions of all the local authorities, the role of an impartial distributor of the state's grant-in-aid to the local authorities and also the role of guarantor of fair share in the receipts of the common fund to each provincial council. (4) To achieve a balanced coordination of the activities of technical ministries toward the local authorities, with a view to correcting the over-enthusiastic tendency of each ministry to consider its own function as the main field of local competence.

The fulfillment of the role of the Ministry of Local Government mentioned above was the main reason for giving the portfolio to the prime minister (called at that time head of Executive Council of Egypt when Syria and Egypt merged in the United Arab Republic in 1958-61) when the Local Administration Law 124 (1960) was introduced and the post of deputy prime minister for local government and services was created in the later period. The minister of local government could not compel his colleagues in other ministries to act in the best interests of the local authorities. The supervisory competence of the deputy prime minister, however, covered all the ministries concerned with functions delegated to the local authorities.

In 1965, with the reshuffle of the cabinet, the prime minister replaced the minister of local government with the secretariat general of the local government (al-Afmana Al-'Ammalil-Hukmi al-Mahalli) headed by the minister of state who served at the pleasure of the prime minister. This action was justified at that time as an attempt to accelerate the decentralization process through the direct supervision of the prime minister himself over the ministers and governors.

Since that time the ministry has recovered its status as ministry. Several times, it reverted to the status of secretariat general. In all the cases, it was never able to play its previous effective role as a liaison between the local authorities and central ministries or as a promoter of the decentralization process. The function of the secretariat general for local government presently is to assist the central government in performing its supervisory activities on the local authorities.

The extension of technical assistance by the central government to the local authorities for regional development is operated presently by two semi-autonomous central agencies: the Organization for Reconstruction and Development of the Egyptian Village (ORDEV), and the Handicraft and Productive Cooperative Organization (HPCO). ORDEV was established in 1973 as a central agency with a view to promoting the effective development of the rural communities in Egypt. In addition to its central staff, it also maintains staff at the governorate and district levels. HPCO is responsible for the development of local small industries in various localities. The two agencies report to the minister in charge of the local government, and are subject to his supervision.

B. *Policy and Decision-Making Process*

Since 1971 and with the advent of the Sadat regime in Egypt, the government has steadily pursued a somewhat ambiguous and occasionally inconsistent policy of decentralization. Liberalization, or the *infitah*, the most comprehensive statement of which is *The October Working Paper* [7] of 1974, charts, in a broad form, economic, political, and administrative changes, and represents a departure from centralization of virtually all the decision-making process. This marked the third substantial step in the direction of decentralization which began in 1952 and was further promoted in 1960.

This third movement away from centralization was motivated, in part, by the recognition that the central government organs in charge of the management of development tasks were unable to cope with this assignment. However, one basic and pervasive issue which impeded this sound tendency toward the decentralization of the decision-making process, was the fact that in many cases policies contradicted each other and the loci of decision-making were seldom sufficient to implement an administrative action in a complete and integrated sense. Coordinative, cooperative, or other intra-governmental linkages were, for the most part, not in place. The decentralization policy itself lacks the definition and cohesion necessary to provide a proper framework for the implementation of decentralization in any of its current proposed forms.

On the other hand, no sustained effort to modernize or reform the Egyptian administration has been made. There have been many attempts to initiate a comprehensive review process (more than 156 separate reform proposals have been submitted since 1956 [9]), but they have seldom proved to be of long duration. In addition, the Egyptian officials are prone to seek policy as well as decision-making changes by "getting the law right." However, the more basic problem is actually of human nature. Those who have acquired their career experience by shirking responsibility and exercising jurisdiction are slow to change simply because the laws frequently change. Still, the legal context is as important as to get the law right.

Naturally, the question arises: can the new laws solve problems? It must be borne in mind that any reform certainly calls for new laws and regulations. What is equally important, however, is that even the best possible legislation is full of dilemmas and problems at the stage of implementation. Through the past years and since 1960 six laws have been promulgated to promote the development of the local government in Egypt. The seriousness of the purpose can be questioned since the laws are modified so frequently. This is especially true when the change does not involve any new shift or basic development. Consequently, changes and amendments of the laws controlling the local government, cannot in this sense, contribute to the development and the gradual evolution of the system. The factors of decentralization which are constantly changing do not permit the local institutions to accommodate themselves to those changes, which also require gradual understanding and participation by the citizens.

C. *Planning Process*

Planning began in 1960 when Egypt developed its first and comprehensive ambitious national plan for the period 1960 to 1964. It was the first and only implemented socioeconomic national plan. Thereafter, due to the special situation and international circumstances surrounding Egypt, annual development plans were drafted. In 1982, Egypt resumed for the first time the drafting of a new five-year socioeconomic development plan for the period 1982/83–86/87, which was followed by the five-year plan for the period 1987/88–91/92.

With the first five-year plan for the period 1960–64, the government established the Ministry of Planning which was in charge of national economic planning. The Institute of National Planning was established, as a separate organization from the ministry, although under the jurisdiction of the minister. The latter had two tasks: (1) research requirements for planning; and (2) the organization of training programs to develop planners.

A network of planning departments was established across the different ministries, agencies, and governorates. These planning units collected, compiled, and analyzed data, and prepared the draft plans in their specialized areas of activity like education, transport, health, industry, etc. The role of the Ministry of Planning consisted of integrating the different sectoral plans and producing a balanced and comprehensive national plan. The planning units in the governorates integrated the sectoral draft plans within the governorate in one balanced and comprehensive draft plan.

In 1980, the Ministry of Planning decided to establish the National Investment Bank. Its main resources were derived from those investment funds allocated to the various governmental departments (chapter 3 of the budget). The establishment of such a bank aimed at granting more flexibility and mobility to the implementation of development projects. Obviously it removed such items from the budget and facilitated the balancing of the budget.

In *The October Working Paper* [7] of 1974, President Sadat reemphasized a long-standing concept in relation to the planning process in stating that "our principle stems from the centralization in planning and decentralization in implementation." The laws of the local government in 1975, 1979, 1981, and 1982, included specific articles on the regional planning and economic regions.

It is clear from the examination of Figure 1, that the formal planning process is rather complex, involving many ministries as well as the different levels of government. It is obvious that decisions still remain centralized in the central ministries. Although it is not represented in the formal process, the Ministry of Finance through its budget jurisdiction exercised the final control over all the plans.

Planning at the local level appears to be a monetary planning, based largely on the lists of expected requirements mainly formulated by the locally elected councils that seek the fulfillment of their needs. The sphere of jurisdiction for the local level planners is considerably limited even if they try to recommend broad alternative courses of action required for development.

On the other hand, there is an accumulation of well-trained planning personnel both in the ministries and the local authorities. However, we face an acute deficiency of those personnel with useful experience and training for execution.

A review of the practices of the planning process at the national and the local levels indicates that the scope allowed for the local level planners for extending advice is severely limited. Furthermore, it can generally attract little investment. Meanwhile, although in principle a variety of types of local plans can be formulated, their range is likely to be restricted mainly due to the fact that the local authorities have no discretion in adopting policies and measures different from those of the center.

Very limited effort has been made to support regional attempts at economic development. Despite its good intentions, the Ministry of Planning has been unable to provide its regional branches with sufficient staff to function properly as regional planning authority. The branches are operated by one under-secretary and one or two other persons. They have been unable to involve all the relevant departments in the regional planning process, or in the implementation of the plans agreed upon.

New problems are created with the regionalization and decentralization. On the one hand, the government appears to be delegating power to the governorates, while at the same time giving priorities to regionalizing decision-making via the national planning mechanism.

D. Budgeting Process and Finance

The budgeting process is taken care of by the Ministry of Finance. Figure 2 outlines the process from the level of governorate to the Ministry of Finance through the ministries, clearly revealing the influential role of the Ministry of Finance in the government. The auditing, however, is performed by a separate body under the People's Assembly, the Central Agency for Auditing.

We have to mention some key points with respect to the budgeting process:

(1) The Ministry of Finance plays a dominant role in determining the structure, the priorities, and the allocation to the different sections of the budget.

(2) The Ministry of Finance is faced annually with the need for reducing the expenditures requested by the various ministries and by the elected local councils to a level consistent with the estimated revenues for the whole country. If serious conflicts arise, the final appeal is forwarded to the prime minister.

(3) Elected local councils are criticized for formulating additional requests, especially for chapter 3 (projects), which eventually have to be cut at the ministerial level. Generally, the governor finds it politically advantageous to submit all the requests in the budget endorsed by the elected officials, thus forcing the Ministry of Finance or the Ministry of Planning to perform the unpleasant task of cutting or trimming the projects requested by the local councils.

(4) The Egyptian budgetary system still stresses the traditional budget functions of control and accountability rather than using it as the instrument for project evaluation, program monitoring, or resource allocation.

(5) The major emphasis of the present budgeting system is placed on expenditures relating to salaries, wages, bonus, office supplies, new investments, etc., with

its organizational responsibility for expenditures such as identification of the appropriate level of accountability for each type of disbursement. A budget structured in this manner provides only information concerning the revenues and expenditures, and does not pave the way for the evaluation of alternative activities (see Figure 2).

Egypt's commitment to local autonomy and the eventual development of decentralized local government institutions will be reflected in the extent to which the local government units are or can become financially independent. In order to determine the extent to which fiscal decentralization has been realized in Egypt, several indicators must be carefully evaluated over time. These include: the level of transfer of resources from the central to the local governments; the amount of resources generated at the local level; and the extent of jurisdiction over the resources at the local level [5].

Normally, a higher degree of fiscal decentralization is achieved when all of the above indicators register a higher rate compared with the previous years. However, it is difficult to analyze indicators of actual fiscal decentralization as certain types of expenditures and revenues may be uncontrollable. Care is taken to exclude from the analysis those portions of central and local budgets that may give false signals as to the progress made in financial decentralization. Moreover, decentralization as a process is subtle and imprecise. Therefore a longer period of time may be necessary for comparative analysis. Consequently, the findings presented here are more based on judgment than on information with precise quantitative results.

1. *Decentralization within the budget*

The revenues and expenditures must be examined independently to separate the service delivery (expenditures) from sourcing resources (revenues). By definition, the total expenditures must be equal to the total revenues. That is why the analysis of decentralization in the two contexts differs only because of the central government's grant-in-aid to the local authorities.

(a) *Expenditures*

Expenditures at the central and local levels are divided into four chapters: chapter 1—salaries, wages, and fringe benefits; chapter 2—current expenditures; chapter 3—investment expenditures; and chapter 4—capital transfers.

A comparison of the growth rates in expenditures from 1976 to 1982/83 (Table II) indicates that the expenditures of the central government grew by 934.9 per cent, while those of local government grew by only 331.6 per cent. However, these figures are not an accurate reflection of decentralization.

Dramatic evidence of decentralization is found in the increase in the investment expenditures (Table III). This increase led to the decline in the share of local expenditures in the other three chapters as the investment reached 17.5 per cent of the total expenditures in 1982/83. Local government investments increased by nineteen times while those of the central government by less than five times (Tables III and IV). The reason for the difference lies partially in the small base for the local investment in 1976. At that time the capital revenues at the local level exceeded the capital expenditures. In other words, there was no central transfer for these purposes. Large transfers to the local level for investments

TABLE II
PERCENT CHANGE FOR SELECTED REVENUES AND EXPENDITURES
CATEGORIES, 1976 TO 1982/83

	(%)	
	Local Government	Central Government
Revenues:		
Chapter 1	291.7	501.9
Chapter 2	160.9	4,041.9
Total current revenues	248.5	723.7
Chapter 3	- 80.0	110.0
Chapter 4	—	28,953.8
Total	204.2	674.5
Expenditures:		
Chapter 1	292.4	292.0
Chapter 2	183.7	1,073.7
Total current expenditures	271.0	618.7
Chapter 3	1,756.9	380.0
Chapter 4	280.4	9,745.8
Total capital expenditures	1,551.0	1,536.4
Total	331.6	934.9

Sources: [3, 1976] [3, 1982/83].

TABLE III
LOCAL GOVERNMENT EXPENDITURES BY USE FOR SELECTED YEARS
AS REPORTED IN THE CENTRAL BUDGET

	(£E million)					
	1976		1979		1982/83	
	Budget	%	Budget	%	Budget	%
Chapter 1: Wages	297.126	76.1	529.900	74.0	1,166.000	69.3
Chapter 2: Operating expenditures	72.970	18.7	99.506	14.0	207.050	12.3
Commodity inputs	25.124	6.4	50.484	7.1	99.350	5.9
Service inputs	22.211	5.7	23.864	3.3	43.263	2.6
Goods purchased for resale	11.832	3.0	0.803	0.1	1.005	0.1
Current transfers	4.221	1.1	7.555	1.1	8.056	0.5
Appropriated transfers	6.500	1.7	6.959	1.0	15.346	0.9
Total credits	2.964	0.8	9.871	1.4	40.030	2.4
Chapter 3: Investment expenditures	15.880	4.1	79.621	11.1	294.800	17.5
Chapter 4: Capital transfers	4.042	1.0	6.095	0.9	15.374	0.9
Grand total	390.018	100.0	715.122	100.0	1,683.224	100.0

Sources: [3, 1976] [3, 1979] [3, 1982/83].

TABLE IV
CENTRAL GOVERNMENT EXPENDITURES BY USE FOR SELECTED YEARS

	(£ E million)					
	1976		1979		1982/83	
	Budget	%	Budget	%	Budget	%
Chapter 1: Wages	252.194	27.7	379.839	8.8	988.666	10.5
Chapter 2: Operating expenditures	503.062	55.3	2,644.638	61.4	5,904.603	62.7
Commodity inputs	33.153	3.6	36.458	0.8	83.571	0.9
Service inputs	51.672	5.7	79.051	1.8	156.665	1.7
Goods purchased for resale	—	—	—	—	—	—
Current transfers	2.933	0.3	442.584	10.3	965.965	10.3
Appropriated transfers	62.047	6.8	1,635.244	38.0	2,618.261	27.8
Total credits	353.257	38.8	451.300	10.5	2,080.141	22.1
Chapter 3: Investment expenditures	135.300	14.9	288.128	6.7	649.378	6.9
Chapter 4: Capital transfers	19.000	2.1	992.800	23.1	1,870.700	19.9
Grand total	909.556	100.0	4,305.405	100.0	9,413.347	100.0

Source: The same as in Table III.

began with the advent of the National Investment Bank in 1980 which contributed significantly to this increase. The weight of self-sourcing in financing for investment is limited at the local level, because adequate depreciation accounts are not developed.

The degree of decentralization in investment remains obscure. Investments are earmarked locally but the priorities are jointly set with the Ministry of Planning, and changes in the priorities are authorized after the approval of the budget, by the minister. Local authorities receive quarterly installments instead of the transfer in the beginning of the year. The National Investment Bank requires evidence of progress on the project before forwarding the quarterly revenues.

(b) *Revenues*

The revenues of the central government have increased much more rapidly than the local revenues (Tables II and V). Analysis does not indicate any substantial decentralization in revenues because the local tax base is inadequate. The land and buildings taxes are based on the 1939 and 1964 appraisals, respectively, and exemptions that eliminate half or more of tax liabilities on land. The rates of additional tax on imports and exports are decided through the control of the central government. Revenues for special funds depend, to some extent, on the levies based on the production of agricultural commodities, which are not very elastic to income. Improvements in the structure of local revenues are indispensable if decentralization is to proceed.

Another indication of the decentralization of revenues is the proportion of self-sourcing revenues to the expenditures. Increases in the self-sourcing revenues indicate that the local governments have experienced an increase in their own capabilities to finance their own expenditures. This ratio grew considerably

TABLE V
LOCAL GOVERNMENT REVENUES BY SOURCE FOR SELECTED YEARS
AS REPORTED IN THE CENTRAL BUDGET

	(£E million)					
	1976		1979		1982/83 ^a	
	Budget	%	Budget	%	Budget	%
Chapter 1: Sovereignty revenues—by the central government:						
Land tax	14.059	13.6	13.386	10.2	30.000	9.6
Building tax	4.800	4.7	5.280	4.0	7.117	2.2
Entertainment tax	1.920	1.9	3.331	2.5	3.692	1.1
Vehicle tax	13.677	13.3	21.854	16.7	37.391	11.9
Share in joint revenues ^b	10.812	10.5	24.307	18.5	66.418	21.2
Share in joint fund ^c	9.812	9.5	23.307	17.8	65.418	20.8
Additional tax on Suez Canal Authority	0.570	0.6	3.000	2.3	8.000	2.6
Total	55.650	54.0	94.465	72.0	218.000	69.5
Chapter 2: Other current revenues:						
Revenues from utilities	13.903	13.5	3.591	2.7	6.933	2.2
Local taxes and duties	6.404	6.2	9.144	7.0	15.826	5.0
Various revenues	4.105	4.0	5.523	4.2	10.435	3.3
Quarrying revenues	0.529	0.5	0.904	0.7	1.494	0.5
Revenues from other local activities ^d	2.467	2.4	9.328	7.1	36.800	11.7
Total	27.408	26.6	28.490	21.7	71.487	22.8
Chapter 3: Own source capital revenues	20.000	19.4	1.100	0.8	4.000	1.3
Chapter 4: Capital loans and credit facilities	—	—	7.100	5.4	20.000	6.4
Total	103.058	100.0	131.155	100.0	313.487	100.0

Source: The same as in Table III.

^a While 1976 and 1979 are calendar years, 1982/83 indicates fiscal year.

^b Share in joint revenues is 50 per cent of the collections from the additional tax on imports and exports. Prior to 1982/83 revenues were also obtained from additional taxes on movable property and business profits. The revenues remain where the tax is imposed.

^c Share in the joint fund is 50 per cent of the collections from the additional tax on imports and exports less £E 1 million. The revenues are distributed by the secretariat for local government.

^d This item includes the local services and development fund, the economy housing fund, and the cleansing fund.

between 1979 and 1981/82 (Table VI). The revenues from the surtax on business profit and movable property expanded rapidly. The revenues of these surtaxes decreased in 1981/82. The increase in the salary and wage bill may be an important reason for the decrease of the ratio.

TABLE VI
SOURCES OF CURRENT FINANCE AS REPORTED IN
THE CENTRAL BUDGET, 1976 TO 1982/83

	Own Source Revenues As % of Expenditures ^a	Central Government Subsidy As % of Expenditures
1976	22.4	77.6
1977	22.8	77.2
1978	23.1	76.9
1979	19.5	80.5
1980	22.0	78.0
1980/81	27.8	72.2
1981/82	28.8	71.2
1982/83 ^b	21.0	79.0

Source: [3, various years].

^a Calculated as chapters 1 and 2 revenues less the transfer divided by chapters 1 and 2 expenditures.

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

(c) *Comparison among governorates: per capita revenues and expenditures*

Per capita expenditures must be compared when analyzing individual governorates because of the considerable differences in the population. Per capita expenditures for the local governments as a whole exhibit a trend similar to that described above. It reveals the difference in investment expenditures (chapter 3) as the per capita expenditures ranged from £E 0.43 in 1976 to £E 7.24 in 1982/83 (Tables VII and VIII). Second, the low level of revenues and expenditures in the local government is highlighted by the per capita expenditures. The expenditures reported here are probably slightly higher than the actual figure, as the population in 1980 was used for the calculation for the year 1982/83.

Per capita revenues in 1982/83 varied between £E 66.24 in Port Said and £E 3.84 in Fayoum. Port Said is a special case because it receives the third largest amount of the share in the joint revenues and the second largest payment from the additional tax on the Suez Canal. The tax on import is also one of the major sources of the governorate's revenues. These revenues originate from the import business and charges of the ports and the Suez Canal. Therefore these revenues are not closely related to the taxes levied on residents. The access to such types of revenues in the less populated areas account for the high per capita revenues in some governorates. The same factor explains also why per capita revenues in the governorates of Fayoum, Minia, Sohag, Qena, and Assiut, in Upper Egypt, are the lowest.

Per capita expenditures range between £E 206.16 in Sinai and £E 28.72 in Beheira. Major items for heavy expenditures result from investment activity, but the same pattern also holds for the current expenditures. Those governorates with heavy investment also have heavy current expenditures.

Expenditure trends certainly reflect to some extent the national priorities. An important question raised here is whether the ability of a local government to

TABLE VII
PER CAPITA REVENUES AND EXPENDITURES BY GOVERNORATE FOR 1976

(£E)

	Revenues			Expenditures			
	Chapter 1	Chapter 2	Total	Chapter 1	Chapter 2	Chapter 3	Total
Cairo	2.92	0.92	3.84	8.52	1.85	0.43	10.80
Giza	0.97	0.63	1.60	6.13	1.71	0.28	8.12
Qaliubia	0.79	0.79	1.58	7.84	2.11	1.24	11.19
Alexandria	0.43	0.71	1.14	8.61	2.08	0.09	10.80
Matrouh	4.04	2.83	6.87	13.88	11.40	3.05	28.33
Beheira	1.24	0.59	2.13	5.92	1.58	0.40	7.90
Gharbia	1.29	1.13	2.42	8.73	2.06	0.46	11.25
Menoufia	0.88	0.53	1.41	9.80	1.67	0.25	11.72
Kafr el Sheikh	0.83	0.52	1.35	6.94	1.66	0.25	8.85
Port Said	2.42	1.67	4.09	17.81	6.00	0.16	23.97
Ismailia	2.03	0.77	2.30	10.65	2.78	0.27	13.70
Suez	3.57	1.62	5.19	11.13	5.40	0.21	16.74
Sinai	1.80	—	1.80	3.61	1.79	1.46	6.86
Red Sea	11.28	1.80	13.08	21.44	15.83	5.16	55.51
Sharkia	0.89	0.60	1.49	7.45	1.45	0.18	9.08
Dakahlia	1.32	0.67	1.99	8.27	1.72	0.28	10.27
Damietta	1.51	1.46	2.97	11.65	3.15	1.61	16.41
Fayoum	0.81	0.56	1.37	7.77	1.82	0.25	9.84
Beni Suef	0.91	0.65	1.56	8.60	1.87	0.40	10.87
Minia	1.00	0.60	1.60	6.90	1.52	0.31	8.73
Assiut	0.75	0.55	1.30	7.10	1.82	0.15	9.07
Sohag	0.81	0.56	1.37	7.57	1.61	0.20	9.38
Qena	0.76	0.59	1.35	7.59	1.86	0.25	9.70
Aswan	1.23	1.90	3.13	12.84	5.23	0.36	18.43
New Valley	4.13	1.67	5.80	22.60	10.67	2.70	36.00
Average	1.51	0.75	2.26	8.08	1.98	0.43	10.49

Source: [3, 1976].

raise revenues exerts an impact on its expenditures. The implication is important, because the governorates display a limited decentralized authority over their own expenditures if they cannot raise more revenues to finance more expenditures. It is generally understood that expenditures are negotiated between the governor and the Ministry of Planning in case of the capital account and between the governor and the Ministry of Finance in case of the current account. Accordingly, if the local revenues increase, the central government reduces the transfer, without any change in the expenditures. Thus, since the local authorities cannot increase their local expenditures by raising corresponding local revenues, there is a strong evidence that little decentralization of authority has been achieved.

2. Decentralization outside the national budget

The local government units use a series of special funds that are not incorporated into the general state budget in order to finance the additional service delivery.

TABLE VIII
PER CAPITA REVENUES AND EXPENDITURES BY GOVERNORATE FOR 1982/83

(£E)

	Revenues			Expenditures			
	Chapter 1	Chapter 2	Total	Chapter 1	Chapter 2	Chapter 3	Total
Cairo	9.86	2.77	12.63	25.94	4.81	12.17	42.92
Giza	4.07	1.18	5.25	19.61	3.65	9.73	32.99
Qaliubia	3.64	1.11	4.75	29.15	4.35	6.06	39.56
Alexandria	11.06	2.58	13.64	28.40	5.56	6.87	40.83
Matrouh	2.47	4.04	6.51	38.05	20.19	52.20	110.44
Beheira	3.71	1.02	4.73	22.18	3.39	3.15	28.72
Gharbia	3.86	1.90	5.76	31.99	4.54	3.34	39.87
Menoufia	3.54	0.83	4.37	37.98	4.05	4.35	46.38
Kafir el Sheikh	3.25	1.17	4.42	26.54	4.31	6.56	37.41
Port Said	31.30	34.94	66.24	79.11	49.86	18.04	147.01
Ismailia	15.63	1.87	17.50	43.68	11.27	12.31	67.26
Suez	24.52	6.17	30.69	52.33	20.47	28.59	101.39
Sinai ^a	17.66	2.59	20.25	82.33	28.43	95.40	206.16
Red Sea	9.13	13.81	22.93	71.10	53.98	60.87	185.95
Sharkia	3.40	1.15	4.55	30.59	3.36	3.20	37.15
Dakahlia	4.09	1.02	5.11	27.29	3.50	5.02	35.81
Damietta	3.97	2.34	6.31	35.00	7.08	14.07	56.15
Fayoum	2.99	0.85	3.84	27.85	3.97	5.45	37.27
Beni Suef	3.51	1.45	5.06	31.22	4.49	6.29	42.00
Minia	3.22	0.65	3.87	23.61	3.00	3.58	30.19
Assiut	3.30	0.79	4.09	25.76	3.87	4.84	34.47
Sohag	3.13	0.91	4.04	26.97	3.92	3.60	34.49
Qena	3.18	0.91	4.04	25.90	5.08	4.73	35.71
Aswan	3.39	2.54	5.93	43.24	12.95	10.76	66.95
New Valley	2.14	4.23	6.37	87.91	32.33	53.14	173.38
Average	5.35	1.76	7.11	28.64	5.08	7.24	40.96

Source: [3, 1982/83].

Note: Per capita values are calculated using the CAPMAS population estimates for 1980.

^a North and South Sinai are added together.

An important characteristic of those funds is that the revenues are not returned back to the treasury if they are not spent in the years raised. Many of the funds carry over their balances from year to year. Frequently, these funds were created through the initiative of the local governments, but now are generally formulated in the law. The most important ones among the special funds are: the local service and development fund, the economy housing fund, the cleansing fund, the gasoline price fund, the education fund, the industrial area service fund, the health improvement fund, and the land reclamation fund.

The first three of them are aggregated and included in both the expenditures and revenues in the local government accounts of the general state budget. The purpose for listing them in the budget is to provide the national authorities with

information on the size of these funds. This factor raises two concerns. First, as the funds increase over time, the central government may be inclined to exert control and thereby reduce the local flexibility. Second, the central government may choose to reduce subsidies in items that use substantially these funds. In other words, the central government may view those funds as a substitution for national resources. The initiative taken by the local governorates to help themselves may actually be penalized in the end.

E. *Personnel System*

Local government personnel systems can be defined and classified into three types: (1) a separate personnel system for each local authority; (2) a unified personnel system for all the local authorities; and (3) an integrated national and local personnel system [8].

When the decentralization process was initiated, Egypt adopted the integrated national and local personnel system, which is generally one component of the centralized administration carried over into the system of decentralized administration. The distinctive characteristic of this system is the vertical as well as horizontal transferability of personnel. The personnel in the central as well as in the local administration are subject to the same law (Civil Service Law 47 [1978]), and they are integrated in the same career service.

Governors, who are presidential appointees, perform all the functions relating to the personnel of local authorities. The ministers perform the same functions in relation to the personnel of their ministries. However, the directors of functionaries (health, education, etc.) are still paid and promoted by their respective ministries, although upon the recommendation of the governors to whom they report with respect to their performance.

The integrated national and local personnel system has many advantages. It ensures the same salaries, conditions of service, and retirement benefits, as well as the widest possible career opportunities in public service. At the same time an integrated service is likely to have serious disadvantages. The staff may not be as responsive as they should be to the local authorities. There is always the danger of excessive centralization of authority, with qualified staff retained at the central and governorate levels lacking in their adaptation to the local needs.

The Central Agency for Organization and Administration (CAOA) is generally entrusted with the implementation of the civil service law. The organization of work in the central government and local units as well as management training is also part of the functions of this agency. The Ministry of Manpower and Training deals also with personnel affairs, since it is responsible for placing new graduates (from university and high school) and providing them with vocational training. The government is the employer of last resort (every graduate is guaranteed a job). CAO A and the Ministry of Manpower and Training are responsible for implementing the government policy of "decentralizing" manpower, and appointing unskilled staff to the local units each year. The Civil Service Law 47 (1978) is in fact the law that holds good for the employees of central and local authorities. Those who are employed by the public sector companies are subject to another law (Civil Service Law 48 [1978]).

There is a clear difference between the policies and procedures governing personnel affairs on the one hand, and personnel management in real practice on the other hand. Performance appraisal, for example, is an important function specified by the law, but in reality it is the function subjected to the largest abuse, as almost all the employees get the highest merit rates.

One of the very popular slogans prevailing in Egypt since long time is "the right man in the right position." This slogan has not been materialized, and is being ignored in real practice. There are two contradicting feelings in Egypt concerning the civil service: the first is, that there is an excessive number of employees; and the second is, that the number of intellectuals and professionals who work in the central ministries and local government units is decreasing, both of them resulting in the continuous decline in productivity. Low wages and salaries as well as the trend of a wage system based solely upon pricing the educational certificates add to the acute problems facing the personnel system.

F. *General Remarks and Observations*

(1) Irrespective of what the law provides, most processes involve to a great extent informal, personal interactions. These personal relations are far more important in determining what is achieved, and what is not achieved than the prescribed formal linkages between the different levels of the bureaucracy. This aspect of informality to a greater extent introduces random, subjective, and often arbitrary elements into the decision-making process of the local government.

(2) The dependence on authority and extremely individualistic character of the Egyptian society are inevitably reflected in the processes described previously.

(3) The excessive tendency to bureaucratization and fragmentation of the decision-making procedures of the local government has had and will continue to have political implications. Under such a system, it is difficult for any political figure or group to generate substantial or potential political oppositions.

(4) Competency for effective exercise of the decision-making process on a decentralized basis is obviously lacking, which tends to reinforce the centralized decision-making process at the national and governorate levels.

(5) There are no clear-cut demarcations in power and responsibilities.

(6) There is an excessive dependence on committees which are requested to review issues and make recommendations. As a result, the decision-making process tends to be lengthy and time-consuming.

(7) Decisions are not often based on sound and adequate information that reflects the real situations and capabilities. In the meantime, the decision-making process is not usually supported by research and studies.

(8) The supervision and control are of a restrictive and detailed type, that concentrates more on procedures rather than on the achievement of the objectives.

(9) The capacity of local units to raise funds is extremely limited, and the central government is far from welcoming localized endeavor to acquire additional tax sources. The governorate is left only to lobbying for more central grants.

(10) The percentage of funds transferred from the central government's grant-in-aid in the budget in the local government increased substantially in the last few years due to the growing wage bill and the increased cost of debt service.

Moreover, the governorates and local units are unable to collect the revenues due to them under the law because of the outmoded tax records and collection administrations.

III. CENTRAL-LOCAL RELATIONSHIP: THE LAWS AND BEYOND

This section outlines considerations on some of the issues raised in the previous two sections. The review of the central-local relationship of the Egyptian government has presented some theoretical and actual challenges, the most important being the promotion of the capacity building of the local units to implement the decentralization, or in other words, the linkage of the decentralization to the capacity building.

In Egypt, the government has been looked upon, until now, as the provider of development resources. In this context, there is no use for villagers to conceive projects until the officials of the local government are prepared to work with them to obtain the necessary resources for development from the government. At the same time it is useless to aim at the decentralization far ahead because, in this case, the final results will reflect the design and implementation of all the projects by government officials at the lower level.

The problem lies in the extent to which the central government is willing or can be convinced, to delegate its authority to the lower levels. Unless there is a political will at the national level, the probability that decentralization will actually be realized is very low. Even when the political will actually existed during President Sadat's term of office, effective implementation was extremely difficult because the government and the political leadership had to deal with powerful line ministries.

As reviewed through this study, the present situation in Egypt is likely to continue in the near future with some variations in controlled decentralization. In other words, the center must maintain a symbolic representation of control while giving to the field personnel the autonomy and resources to demonstrate their capabilities. Controlled decentralization requires strong linkages as well as shared responsibilities between the center and the periphery. Such controlled decentralization may strike a viable balance between the center and the periphery, by retaining the best features of the centralization and the decentralization in the following ways: (1) by combining the long-range perspective of the center with the short-range perspective of the local context which requires additional political criteria; (2) by motivating officials to be more responsive to the needs of the local population; (3) by increasing efficiency; and (4) by achieving both economic and political goals.

Efforts to shift power and control for development initiatives to the lower level institutions in Egypt require the recognition of the systematic and interrelated nature of decentralization, participation, and capacity building. Participation should be a prerequisite for decentralization. There is a viable link between the decentralization and capacity building although they are opposite ends of the same process. Without the local capacity, decentralization cannot be effective, but

without decentralization of some portions of authority, particularly over the local resources, no effective capacity can be built. Based on our previous review a number of salient features were identified which could form the basis for the reform policy for the local government.

A. *Decentralization*

Decentralization is a concept often used and misunderstood. Too often it is assumed that the objective is the complete transfer of all but coordinative activities from the central government to the lower levels. This complete transfer of authority is one extreme aspect of the continuum of decentralization strategies. In determining the appropriate degree of decentralization, the nature and kind of relevant activities should be considered.

In the case of Egypt, the question that could be raised is what functions should be performed at the central, regional, governorate, district (*markaz*), and village levels to achieve the particular objectives for decentralization. Within this framework, appropriate emphasis should be placed on the fact that the decentralization is not an end in itself, but rather a means to achieve certain development objectives. It becomes therefore necessary to determine what development objectives are best achieved in a decentralized mode, rather than simply working out projects to achieve the decentralization.

The experience gained so far during the decentralization process which started in 1960, suggests that legally, decentralization is and will remain a loosely defined concept among the Egyptian officials, and that efforts to impose too rigid a structure or too precise an objective upon the process which is changing continuously will be strongly resisted. Although the present laws call for a greater degree of local involvement while the local officials actively seek greater participation, everyone clearly regards the central organizations as having a legitimate and necessary role in planning and implementing the local development activities. Thus it would be more accurate to define the decentralization in Egypt as the efforts to widen the decision-making process in order to achieve greater effectiveness and efficiency by using the development resources at all levels of government.

The problems raised concerning activities in the future need to be placed within the broader context of the Egyptian government's efforts to move from the highly centralized economic planning to more flexible approaches which encourage greater initiatives from the public and private sectors. It is clearly recognized that the tasks of increasing the gross national product and raising the standard of living are too large and variable depending on the regions to be achieved by the centralized approach to resource management. It is further recognized that excessive centralization markedly inhibits the local efforts to find effective alternatives. For example, the local officials consider that their initiatives are often stymied by the imposition of sector targets determined by the center which pays too little attention to the regional or local conditions.

B. *Local Capacity Building*

Capacity is sometimes equated with training, but capacity building is not just training. This is illustrated by the massive input in the training of the local officials

since the actual application of the local government system in 1960 until now, and its impact on the development and evolution of the decentralization process. It is obvious that the training of individuals did not automatically increase the organizational capability. This fact demonstrates that capacity building cannot be acquired solely by the training of individuals and more efficient use of techniques, but that it entails the need to empower those who contribute to the achievement of self-sustaining development.

The studies and research works conducted in this area suggest that the major deficiencies that any plan for local capacity building should deal with fall within three principal areas:

(1) The absence of well-defined planning and management systems which relate resources to functions resulting in outputs. The present governorate plans are often limited to budget allocation for sector-wise items which does not evaluate the objectives or link specific activities of the sector to the area-based needs and priorities. Thus the projects become an aggregation of separate activities selected by the field departments and popular councils of the towns or villages from the lists of standard projects designed by the central ministries.

(2) The limited capacity of local government agencies to deal with planning and implementation systems. The magnitude of this problem includes the definition of performance indicators, the need to address incentive issues and to overcome the numerous inefficiencies in the existing administrative support operations which are essential to sustain planning and implementation functions.

(3) The limited skill of the local government personnel, as well as the limited capacity of the local government to utilize the skill and expertise presently available among central and regional government offices, specialized institutes, and universities.

As such the problem is not primarily one of limited capability of individuals to undertake the tasks assigned to them, but the failure of the planning system to define, assign, and coordinate those tasks.

Hence the problem is not only the lack of personnel with sufficient skill, but also the institutional structure in which those individuals interact.

C. *Evolution of the System: Where Will It Go?*

Our review of the evolution of local government in Egypt suggests that it experienced three stages in the last thirty-five years as follows:

Stage 1 (1952–61): This stage is characterized by the highly centralized, authoritarian management by the central government through the directors of provinces who served at the pleasure of the Minister of Interior and the *umdan* mayor system. The latter served the same minister and held his position generally as a consequence of the dominance of his family in the local economy. The system consisted of municipal and village councils in major cities and villages. These councils suffered from shortage of resources, weak citizen participation, and lack of real power in local affairs.

Stage 2 (1960–75): At this stage, the system operated through a "unified council," composed of elected members of the Arab Socialist Union (ASU), a few selected members, and the local ministerial representatives. Its chief characteristic

was the close central supervision over local affairs through governmental representatives who controlled virtually all the services and other resources allocated to the village.

Stage 3 (1975-): The third stage started with the promulgation of the Local Government Law 52 (1975) which established a "two-branch" system of local government. One branch is an elected local council whose task is to identify the local needs, propose programs, and design a draft budget compatible with the local interests. The other branch is an executive council representing the service ministries. The latter remains dominant because it still controls most of the resources and because its expertise in budget formulation and project management is essential to the elected council.

It is considered and expected that a fourth stage will emerge where a system of local self-government functions, financed by revenues most of which are locally generated, and by relatively independent allocation of capital expenditure, and where representatives of service ministries at the local level play the roles of implementing, advising, and facilitating the local effort for self-improvement. Whether this fourth stage is likely to emerge, what form it will take, and how long the maturation process will take before it becomes viable, are all serious issues in the overall program of governmental decentralization.

Within the Egyptian political context, the issue of participation in local government awaits a solution. After the local election under the Local Government Law 52 (1975), the government decided to restrict the actual participation to the ruling party by passing the election law of party list.

There is a definite suspicion that the decentralization process already under way in Egypt will strip much of the authority, budget, and personnel of service ministries from Cairo's hand and make them effective agents of the governors. The organizational structure suggested by various laws for the local government, including the most recent ones, is a matrix, whose "rows" enumerate programs for which the governor is responsible, and whose "columns" enumerate the line item resources acquired from the service ministries. This is an unstable organizational structure.

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