



A Guide to the Egyptian Budget



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PREFACE

A Guide to the Egyptian Budget is intended to help enable civil society groups in Egypt to play a larger role in a sphere of political life in which, up until now, few have been very active — the development and implementation of the government's budget.

A government's budget is considered by most people to be a heavy, technical, and somewhat mysterious document. It can be that. But it is, at the same time, much more. It is the government's principal economic policy tool, one that has very significant, concrete impacts on people's lives. It can play a critical role in adding to or easing the worries and challenges people face in finding a decently paying job, seeing a capable doctor when they are ill, ensuring that their children get a good education, or feeling safe drinking the water that comes into the home. Whether people can read the budget or not, every day — and in numerous ways — they experience the effects of the political and economic priorities that have defined the budget and that shape the way government raises and spends public money.

While people understand in a general sense that the budget touches their lives, most would find it difficult, if not impossible, to read the actual document. Nor would they know how to monitor its implementation, or even influence what is in it. This is where civil society groups come in. Civil society groups play a crucial role in identifying and understanding critical issues facing society, in bringing that understanding to the broader public, and in mobilizing and advocating for change to enhance the quality of people's lives. Civil society groups can play this very important role in Egypt with regard to the government's budget.

A Guide to the Egyptian Budget is designed to provide these groups (and others) with a simple, accurate description of the process by which the Egyptian budget is developed and implemented, together with a summary of what a reader will see in the budget (its contents).

The guide is divided into four chapters:

1. Why should you care about the budget?
2. The government's budget: how it is developed and implemented, what it looks like, where you can find it
3. Where does the money in the budget come from?
4. How is the money allocated and spent?

These chapters are followed by a few appendices that provide more detailed information about the budget together with suggestions for resources if you want to learn more.

Our hope in producing this guide is that the information it presents will enable civil society groups and communities to become more active in influencing the content and process of the Egyptian budget, all with the goal of enhancing the quality of life of all Egyptians.

A Guide to the Egyptian Budget is a collaborative project undertaken by the Budgetary and Human Rights Observatory (BAHRO) and the International Budget Partnership (IBP). We would like, in particular, to acknowledge the contribution of Helmy Khalifa of BAHRO, who shared his very substantial knowledge and understanding of the Egyptian budget. The guide was written by IBP Program Officer Mohamed Mansour Hassan and edited by Ann Blyberg.

We hope you will find *A Guide to the Egyptian Budget* informative, accessible, and useful. As always, we welcome your comments, thoughts, and suggestions.

Warren Krafchik
August 2014

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CHAPTER 1

Why Should You Care About The Budget?

Amal attends a primary school not too far from her home. Her parents are unhappy with the education she is receiving. She regularly comes home after school with stories about her day that indicate that little learning is actually taking place in the classroom. Her teacher is frequently absent and, even when at school, spends a lot of time outside the classroom talking on her cell phone or with other teachers. Her teacher complains within their hearing that she is paid too little. She says it is difficult to teach with so many children in one classroom, particularly when the children are crowded next to each other at too few desks; they get fidgety and distracted. Her parents know that Amal could get a better education in a private school, but with three other children to support, they cannot afford it. When the teachers went on strike last year, Amal's parents felt conflicted. They were angry at the teachers for putting their own concerns above the children's welfare. At the same time, they recognized that the teachers are paid little, and perhaps if they were paid more, they would be more conscientious in doing their jobs.

To parents in Egypt this is a familiar story. But it is not simply a story about children. It is a story about the Egyptian government's priorities, about its budget. The government funds these schools, so why are the classrooms crowded? Why are teachers so poorly motivated, and why, when they are playing such a crucial role in children's future, are they poorly paid? Does the government give the schools too little money, and the schools can't do any better? Or, are they given enough money, but they don't use it well? These are only a few of many possible questions.

Important questions. Because woven through the story of Amal is another story, the story of the government's budget. It takes detective work to spot and follow the threads: work assessing the situation on the ground, tracking down different pieces of information, talking with "witnesses" like teachers and parents, and putting it all together. The point of all this detective work? To be able to tell that other story. The real story about the place of education in the government's priorities, about the government's budget, and how it has — or has not — been used to help Amal learn.

What is the Government's Budget?

The passage in Box 1.1 succinctly summarizes a number of key points about the government's budget. Before going on, you might underline phrases that seem particularly interesting or important to you, and reflect on them for a few minutes.

Box 1.1: The Government's Budget

'The budget expresses the objectives and aspirations of the government in power. In a democratic society, these objectives and aspirations should, at least in theory, reflect those of the majority of the electorate. Government really has no money of its own. In the budget — in outlining its plans for spending money — it is explaining how it is going to spend money that belongs to the public. In a democratic society, citizens give the government a mandate via their votes. Politicians are obliged to translate that mandate into policies and plans that are, in part, reflected in the budget. . . .'

No government in the world has infinite public resources at its disposal. At the same time, there is a boundless array of needs to be met through public expenditure. The budget thus always incorporates trade-offs between different spending priorities and includes value judgements about which services, and whose interests, are most important. The budget is clearly a political and contestable document.

— Judith Streak, *Monitoring Government Budgets to Advance Child Rights: A Guide for NGOs*, Cape Town, South Africa: Idasa, 2003, pp. 1-2.

Let's take a look at some of the phrases:

- **'Government really has no money of its own.'** Governments collect the money managed in the budget from people and companies through taxes, fees, and other forms of revenue. It is natural and appropriate that people (and companies) expect that they will get something of value in return.
- **'In the budget — in outlining its plans for spending money — it is explaining how it is going to spend money that belongs to the public.'** The government's budget is its main instrument for establishing its plans to achieve desired economic, social, and political goals. It is a mirror that reflects the true priorities of government, priorities that are implicit in how it allocates funds and how it collects revenues. Whom does it take money from? And whom does it spend money on?
- **'In a democratic society, citizens give the government a mandate via their votes. Politicians are obliged to translate that mandate into policies and plans that are, in part, reflected in the budget.'** The budget is an important tool for accountability. The budget should reflect the electorate's wishes. Are spending priorities in line with what people said they wanted when they elected the government? Analyses of the budget — which is, after all, a statement of both what the government intends to spend and what it actually spent — can provide important answers to that question.
- **'No government in the world has infinite public resources at its disposal. At the same time, there is a boundless array of needs to be met through public expenditure.'** The budget can be very frustrating, because, of course, there never is enough money to do everything that people in a society want to see done. Governments everywhere are always saying in response to requests or complaints, "We don't have enough money." And that may well be true. But, then again, it may not.
- **The budget is clearly a political and contestable document.** Most people think of the budget as something technical, pages and pages of numbers. And it is that. But it is also a statement of a society's values and priorities. In a democratic society, those values and priorities are regularly

contested, in elections and between elections. Between political parties, between and within the executive and legislative branches, between people and their representatives in government, and between people in communities. Because of the central role of the budget in realizing a government's policies and plans, this process of discussion and debate about the budget is essential if a democratic society is to flourish, if the government is to truly represent the people.

What Difference Does Knowing About the Budget Make?

Knowing about the budget is essential if a person wants to take part in this democratic debate and affect how the government manages public money. Armed with knowledge about government revenue, allocations, and expenditures, there are many ways that communities and civil society organizations around the world have changed government priorities and the way that government raises money, improved the quality of government expenditures, and stopped government waste.

This section started with an education story. Box 1.2 turns to another example.

Box 1.2: Quality of Education Reforms

Between 2004 and 2007 Tanzania made significant strides in increasing school enrollment, particularly in primary school. However, repeated questions were raised about the quality of the education students were receiving. HakiElimu, a local civil society organization that works to ensure that all the country's children receive high-quality basic education, decided to look further into the situation.

The organization first conducted a survey that identified three major issues contributing to the inadequate quality of education: poor teaching, bad working conditions for teachers, and low teacher morale due to low pay. Half of the teachers surveyed told HakiElimu that they would quit teaching if they could find an alternative job, and more than three-quarters said their salaries were inadequate. Armed with this information, HakiElimu launched a campaign aimed at three groups:

- communities (parents, teachers, students and community leaders), with the aim of influencing local decision making;
- the general public, in order to sustain a national movement around education by stimulating engagement, information sharing, dialogue, and networking; and
- policymakers, through broadening public participation in critical national policy-making processes.

Part of HakiElimu's research underlying its campaign considered budget questions: Where was education money being directed? How much of the budget was devoted to teachers' salaries? Were all the funds allocated for primary education actually being spent? Were funds allocated for the schools arriving to them on time? It took its findings on these questions, as well as the results of its other research, to the three target groups. These groups worked together to mobilize and advocate for changes in government policy, practices, and budgets aimed at improving the quality of primary education in the country.



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Over the course of three years HakiElimu and its partners played a central role in:

- increasing the minimum wages of teachers;
- increasing the number of teachers employed in primary schools, resulting in an improvement in the teacher-student ratio;
- increasing public awareness of teachers' welfare and training; and

- enabling a more open debate over education issues.

Notes: This summary is based on "Quality of Education Reforms: The Case of HakiElimu's Campaign of 2005-2007," International Budget Partnership, From Analysis to Impact: Partnership Initiative Case Study Series. Available at: <http://internationalbudget.org/wp-content/uploads/LP-case-study-HakiElimu-summary.pdf> More stories of CSO budget work can be found at: <http://internationalbudget.org/library/publications/ibp-impact-case-studies/>

Civil society groups all over the world have used their knowledge about their governments' budgets not only to improve education, but also to secure clean water for communities, accessible health care for pregnant women, school lunch programs for children from poor communities,

and decent housing for people who would otherwise be homeless. There are many tools and methodologies groups can use to achieve such gains. Central among them is a basic understanding of the structure, processes, and content of their government's budget.

CHAPTER 2

The Government's Budget: How it is Developed and Implemented, What it Looks Like, Where You Can Find it

It is possible for civil society to influence the many ways in which the government's budget affects, for good or ill, numerous aspects of people's lives. However, as with mastering any skill — whether baking bread, sewing a shirt or programming a computer — learning how to influence the budget starts with learning the basics. The basics underlying effective budget analysis and advocacy include knowing about:

- **The laws that govern the budget.** What laws govern the making and execution of the Egyptian budget?
- **The process governments follow to develop and implement the budget.** What happens, and when? What documents are essential to the budget, and how do they fit into the process? Who are the key players, and what roles do they play?

- **The formats (including the “classifications”)** used to present budgets. What does the budget look like? What do the different formats tell us?
- **The location of budget documents.** Where can members of the public get copies of budget documents? What can we get there?

Let's look at each of these basics, in turn.

The Laws that Govern the Budget

A government's budget is a central feature in the political process of a country. In a country governed by the rule of law, the way the budget is developed and implemented, and who is responsible for developing and implementing it, should be clearly spelled out in law. Sometimes a country's constitution contains provisions governing the budget. Other times the principal provisions are set out in budget or finance laws. Often the budget is addressed in both.



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The Egyptian Constitution of 2014 refers to relevant budget laws (see below), while at the same time addressing some specifics itself. For example, it sets out the process to be used by the House of Representatives to consider and approve the budget, and review the related financial reports. It talks about the budgets of local government units, and defines the important role of the Central Auditing Agency. With regard to allocations (discussed in Chapter 4 of this guide), it notably stipulates that the allocation for health should amount to no less than 3 percent of the Gross National Product (GNP), education no less than 4 percent, universities no less than 2 percent, and scientific research no less than 1 percent, with gradual increases in these allocations until they conform with international levels.

Egyptian Law No. 53/1973 and its amendments, along with related executive regulations, provide a detailed legal framework for the state budget. The following are among the most important provisions in this budget law:

- The Egyptian fiscal year starts on July 1 and runs through June 30 of the following year. A fiscal year is the span of time within which a government implements its annual budget.
- The state budget operates on a cash basis. This means that revenue can be considered revenue only when it has actually been received, for example, from taxpayers. Similarly, it considers that money has been “spent” only when funds have actually been disbursed. Funds that have been committed (through contracts with suppliers, for example), but not yet disbursed, are not considered “spent.”
- The state budget does not include the budgets of “economic agencies” (such as the Suez Canal Authority) and “special funds of an economic nature” (such as the investment fund

for government deposits and insurance). The budgets of these entities operate independently of the state budget. The only relationship between them is that any surplus realized by these “economic agencies” goes into the state budget, and any loans or contributions the agencies receive from the state are reflected in the latter’s budget. In the case of “special funds,” the law requires that a percentage of their revenue goes into the general treasury.

- The government generally must not spend above what is allocated to each major heading (or chapter) in a ministry budget. In addition, it must not spend on items that are not already set out in the budget. As an example, it must not spend funds to build a highway if such a project was not allocated funds in the original budget. If, however, a ministry believes it needs to make a change in its spending, it must first consult with the Ministry of Finance and obtain prior approval from the parliament, which must pass a law permitting the change.
- Transfers between line items within the same major heading (chapter) are allowed, provided that those transfers do not exceed 10 percent of the total allocation for that chapter (or 1 percent of the total budget allocated for the ministry requesting the transfer, whichever is less) and that the Ministry of Finance approves the transfers.

The Budget Process, Documents, and Actors

A government’s budget process — the process of developing, implementing (or executing), and evaluating the budget — has four phases. The following paragraphs provide more detail about each phase, and specifically what they look like in Egypt.

Box 2.1: The Open Budget Survey

The International Budget Partnership's biennial Open Budget Survey (OBS) is the only independent, comparative, and regular assessment of budget transparency, public engagement, and accountability in the world. The OBS now covers 100 countries and for each it provides a comprehensive assessment of:

- the public's access to timely and comprehensive budget information at different phases of the budget process;
- opportunities for the public to participate in that process; and
- the strength of oversight institutions (i.e., the legislature and supreme audit institution).

To date, there have been four rounds of the Open Budget Survey (2006, 2008, 2010, and 2012), and Egypt has been included in all of them. To read more about the OBS and to review Egypt's transparency score through these four rounds, please visit: www.openbudgetindex.org.

The discussion of the budget process below refers to the eight key budget documents that all governments should make publicly available according to international good practice, and that the OBS assesses. Table 2.1 presents the publication status of these documents in Egypt over the four rounds of the OBS.

Formulation Phase

In this phase, the government identifies its macroeconomic assumptions (that is, its assumptions about likely economic growth, inflation, foreign currency fluctuations, etc.) for the country in the coming year. On the basis of these assumptions it develops an estimate of anticipated total revenue and expenditure. In Egypt, these macroeconomic assumptions and estimates of total revenue and expenditures are developed by the Ministry of Finance and the Ministry of Planning, together with the Central Bank.

Once these assumptions and estimates have been agreed upon, the government should issue a **Pre-Budget Statement** providing the legislature, and public more generally, with the parameters of the next fiscal year's budget (normally about six months before the start of the fiscal year). However, the Egyptian government does not issue this document.

In Egypt the government uses guidance provided by the Ministry of Finance through a budget circular (more information below) in developing its macroeconomic assumptions and broad estimates of revenue and expenditure. While this is happening, all ministries, departments, and agencies (MDAs) develop their budgets. They send the budgets to the relevant sector ministries, which in turn integrate them into the sector ministry's budget and forward the results to the Ministry of Finance. The Governorate budgets, which are approved earlier by local popular councils, are also sent to the Ministry of Local Development.

After receiving and compiling these various budgets, the Ministry of Finance discusses them with the cabinet, which reaches a consensus on a budget proposal. The cabinet submits its proposal to the President who forwards it to the parliament for discussion and approval ("enactment"). The proposal, which is considered the most important budget document as it lays out the government's plans for raising and spending public funds, is called the **Executive's Budget Proposal**.

Table 2.1: Does the Egyptian government make budget information available to the public?

Key Budget Document	2006	2008	2010	2012
Pre-Budget Statement	Red	Red	Red	Red
Executive's Budget Proposal	Yellow	Green	Green	Yellow
Enacted Budget	Green	Green	Green	Green
Citizens Budget	Red	Red	Red	Red
In-Year Reports	Green	Green	Green	Green
Mid-Year Review	Green	Red	Green	Red
Year-End Report	Green	Yellow	Green	Green
Audit Report	Yellow	Yellow	Yellow	Yellow
Red – Not Produced Yellow – Internal Use Only, Not Published Green – Published				

Source: International Budget Partnership, Open Budget Survey 2006, 2008, 2010, 2012.

Discussion and Approval ("Enactment") Phase

The Enactment Phase starts when the President presents the Executive's Budget Proposal to the House of Representatives. In Egypt, the parliament examines the budget primarily through the Plan and Budget Committee, which appoints other committees (Health Committee, Housing Committee, Education Committee, etc.) to do in-depth reviews of the budgets related to their respective areas.

The Plan and Budget Committee and the sector-related committees discuss questions they have about the budget with the executive. The Egyptian parliament has the right to amend the budget in consultation with the executive provided that its amendments do not increase the deficit.

In other words, if the committee wants to ask for additional funds for A, it must provide a workable proposal for how those additional funds could be taken from B or C, or how additional revenue could be raised to cover the proposed additional expenditures.

When the committee finalizes its discussions with the executive, the proposed budget, as amended, is put to the full parliament (chapter by chapter) for a vote. When approved, the House of Representatives passes it in a law, which is then approved by the President.

This **Enacted Budget** is a key budget document. It should be issued before the start of the fiscal year. There should be opportunities during the Enactment Phase for the public, civil society, and the media to participate in the process.

Box 2.2: Enacted Budget leaves out important details

It is worth noting that while relevant committees in the House of Representatives discuss the budgets of Defense, the parliament, the Judiciary and the Central Auditing Agency, when the budget itself is approved, the line item allocations for each of these MDAs are aggregated and presented in one lump sum and provided under chapter 5: Other Expenditures. This means, for example, that while the total allocated for Defense is set out in the Enacted Budget, it is not possible to learn how much has been allocated for, say, wages. This type of bundling of expenditures is not standard practice internationally.

Another document that should be issued along with the Enacted Budget is a **Citizens Budget**. A Citizens Budget is a simplified, nontechnical presentation of a budget document (in this case, the Enacted Budget) — one that ordinary people can understand. (Citizens Budgets can, and ideally should, be issued for all key budget reports. As a start, Egypt should begin to produce and publish such easily accessible budget presentations for not only the Enacted Budget but also the Executive's Budget Proposal.)

Before moving on to the Implementation Phase, let's use what we have learnt about these first two phases of the budget process to start creating a timeline. We will add information as we go.

As mentioned, the fiscal year in Egypt starts 1 July and runs to 30 June of the following year. This means that for the 2014/15 fiscal year (FY 2014/15), for example, the two relevant dates would be 1 July 2014 and 30 June 2015. We can start our timeline for FY 2014/15 using these two dates (see Figure 2.1).

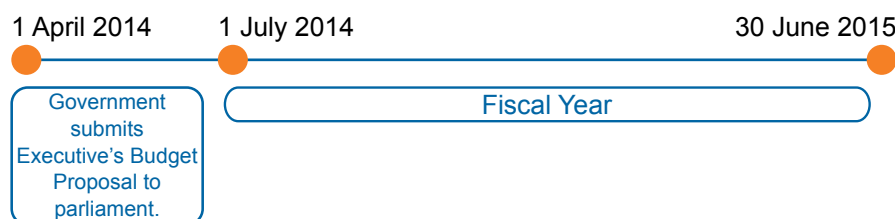
Figure 2.1: Timeline for FY2014/15, the Implementation Phase



The Egyptian Constitution mandates that the executive branch of the government should present its proposal for the coming fiscal year's budget (that is, the Executive's Budget Proposal) to the parliament three months before the start of the fiscal year. These three months are important

for providing that body adequate time to discuss, question, and amend the budget, if need be, before the beginning of the fiscal year. Three months before the start of the fiscal year would be 1 April. Let's add that date to the timeline (see Figure 2.2).

Figure 2.2: Timeline for FY2014/15, adding the Discussion and Approval Phase

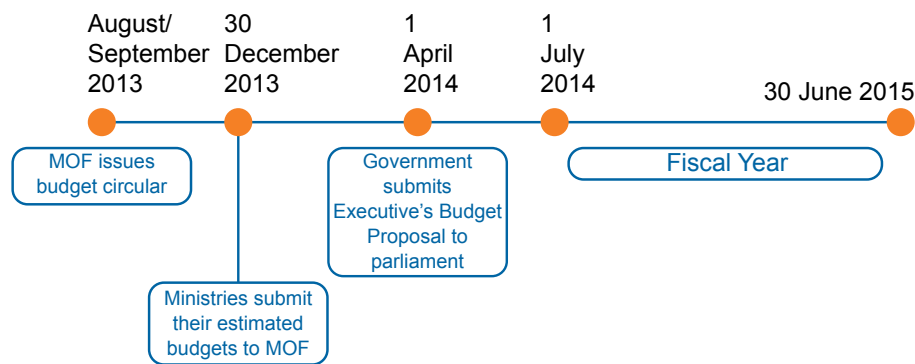


In order to have the budget proposal ready to submit to the parliament in April, the executive starts working on it nine months earlier. That is when the Ministry of Finance issues the budget circular (not to be confused with the Pre-Budget Statement described above), which calls on the ministries and administrative sectors to prepare their estimates of budget expenditures and anticipated revenue for the next fiscal year and provides guidance for doing so. The estimates for the ministries and sectors are based on their projected needs and on actual expenditure and

revenue data from the past three years' executed budgets. The Ministry of Finance usually requests that these estimates (proposals) be submitted six months before the beginning of the fiscal year. The Ministry of Finance then negotiates with the other ministries to reach consensus on the proposed budget that will be submitted to the parliament in April.

Before we move on to the Implementation Phase, let's add this new information to the timeline (see Figure 2.3).

Figure 2.3: Timeline for FY2014/15, adding the Formulation Phase



Implementation ("Execution") Phase

Once the budget has been enacted into law, the executive can start implementing it. That is, collecting and spending funds according to the functions, line items, and ceilings specified in the budget.

The Ministry of Finance advances payments to line ministries (e.g., the Ministry of Health and Population, the Ministry of Foreign Affairs) and other spending units on a monthly basis according to their needs. Ministries and other spending units, in turn, collect fees and other revenues and undertake expenditures for salaries, procurement of goods, etc. They must keep records of all transactions in their account books.

The line ministries also report monthly to the Ministry of Finance on their revenue and expenditures. The Ministry of Finance integrates the information and issues cumulative, aggregate **Monthly In-Year Reports** throughout the fiscal year. These reflect the actual funds collected and spent to date by the entire government. These In-Year Reports are key budget documents.

Midway through the year, the executive should review revenue and expenditures for the first six months and analyze economic and political developments (local and international) that may have had, or will likely have, a significant impact on the budget. On the basis of this analysis the government re-examines the assumptions related to macroeconomic indicators that it had used in

initially formulating the budget. If it concludes that significant modifications are needed to its macroeconomic assumptions, its estimate of revenue likely to be collected, and so on, the executive may amend the budget. It would then issue a **Mid-Year Review** that presents revenue and expenditure data for the first six months of the fiscal year along with the government's analysis, and sets out the anticipated changes to the budget. The proposed changes reflected in the report must be approved by the House of Representatives through the same process that was used in enacting the original budget.

The Mid-Year Review is a key budget document but is not currently available on the Egyptian Ministry of Finance website.

Following the end of the fiscal year, in other words in July, ministries and other administrative units begin to compile their actual revenue and expenditure figures, forwarding their reports to the Ministry of Finance. It normally takes around four months for the executive to close all the books and produce its **Year-End Report**, called in Egypt the Final Accounts Report (another key budget document). In other words, the Final Accounts Report for FY 2014/15 should be ready sometime in October 2015.

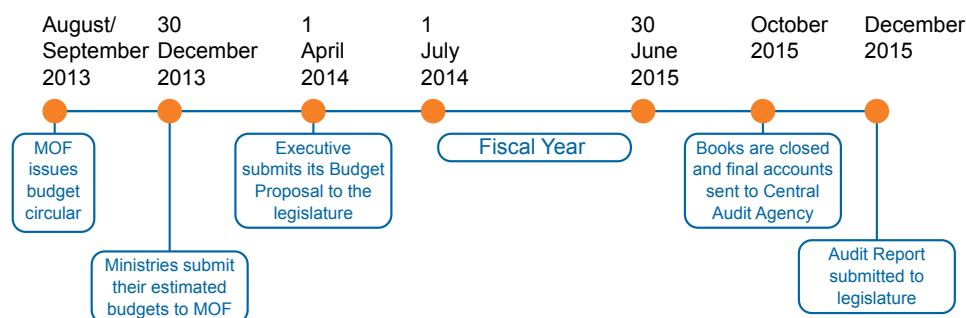
Audit Phase

The Final Accounts Report (Year-End Report) is sent to the Central Audit Agency to be audited for accuracy in accounting as well as compliance with laws and administrative regulations. In Egypt the Central Audit Agency is supposed to finalize and submit its audit within two months of receiving the Final Accounts Report. Its **Audit Report** is submitted to the Ministry of Finance and to the parliament, whereas its recommendations and suggestions for corrective actions are discussed with the executive. The executive's Final Accounts Report is then approved by the House of Representatives and passed through a law signed by the President. This Final Accounts Law is then published on the Ministry of Finance website.

While the Audit Report is a key budget document that is discussed in the House of Representatives, it is not published in Egypt and is considered classified.

We can now integrate this information about the Implementation and Audit Phases into the timeline (see Figure 2.4).

Figure 2.4: Timeline for FY2014/15, adding the Audit Phase



The Components of the Egyptian Budget and the Formats (or “Classifications”) Used to Present it

The Egyptian budget comprises the budgets (both revenue and expenditures) of the following.

- **Central Administration:** This includes all ministries’ central offices, plus the offices of miscellaneous agencies and other bodies that work at the central level.
- **Local Administration:** This refers to the central offices of the 26 Governorates, plus the directorate offices for the Governorates of state ministries.
- **Service Authorities:** This includes miscellaneous governmental entities that provide services at the central or local levels (for example, the General Authority for Exports and Imports Control, and the National Council for Women).

Governments normally develop their budgets using different formats (called “classifications”). Each classification has a “look” that provides a particular “picture” of the budget. Each is helpful for conveying specific information about its content. The Egyptian budget law and regulations provide that the state budget should be presented in three of these classifications — economic, administrative, and functional. The following is a brief introduction to the classifications and the way they appear in the Egyptian budget.

Economic Classification

An economic classification of a budget essentially answers the question: Where does the government’s revenue come from, and what will the money in the budget buy?

In Egypt, the budget is voted upon in the House of Representatives and reported upon in the

format of the economic classification, so this is a particularly important classification to understand.

On the resources side, the economic classification for the budget is organized into the following five chapters:

I. General Revenue

1. Taxes
2. Grants
3. Other (nontax) revenue

II. Funding Resources

4. Receipts from lending and sales of financial assets
5. Borrowing and sales of securities

On the uses (Total Expenditures) side, the economic classification is organized into eight major chapters, each of which can be disaggregated into line items:

I. General Expenditures

1. Wages and compensation of employees
2. Purchase of goods and services
3. Interest
4. Subsidies, grants, and social benefits
5. Other expenditures
6. Purchase of nonfinancial assets (investments)

II. Acquisition of Financial Assets

7. Acquisition of domestic and foreign financial assets

III. Loans Repayment

8. Domestic and foreign loans repayment

More detailed information is provided on the meaning of these different line items in Chapters 3 and 4 of this guide.

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Using this information, Table 2.2 below shows how a simple economic classification for the

Egyptian budget would look.

Table 2.2: Simple Economic Classification of the Egyptian Budget

Uses (Total Expenditure)	
I. General Expenditure	
1. Wages and compensation of employees	
2. Purchase of goods and services	
3. Interest	
4. Subsidies, grants, and social benefits	
5. Other expenditures	
6. Purchase of nonfinancial assets (investments)	
II. Acquisition of Assets	
7. Acquisition of domestic and foreign assets	
III. Loan Repayment	
8. Domestic and foreign loan repayment	
Resources (Total Revenue)	
I. General Revenue	
1. Taxes	
2. Grants	
3 Other (nontax) revenue	
II. Funding resources	
4. Receipts from lending and sales of financial assets	
5. Borrowing and sales of securities	

One of the ways the government presents its budget is with an economic classification that shows how much has been raised and spent in the three different components of the budget: central government budget, local government

budgets, and service authorities' budgets. That budget looks quite similar to the listing above, except that it breaks out the figures for each chapter for these three levels (see Table 2.3).

Table 2.3: Sample format of Economic classification over the three parts of the budget

	Central Admin.	Local Admin.	Service Auth.	Total
Uses (Total Expenditure)				
I. General Expenditure				
1. Wages and compensation of employees				
2. Purchase of goods and services				
3. Interest				
4. Subsidies, grants, and social benefits				
5. Other expenditures				
6. Purchase of nonfinancial assets (investments)				
II. Acquisition of Assets				
7. Acquisition of domestic and foreign assets				
III. Loan Repayment				
8. Domestic and foreign loan repayment				
Resources (Total Revenue)				
I. General Revenue				
1. Taxes				
2. Grants				
3. Other (nontax) revenue				
II. Funding resources				
4. Receipts from lending and sales of financial assets				
5. Borrowing and sales of securities				

It is important to remember these principal headings and chapters, because you will see them repeatedly in the Egyptian budget. At the same time, you will not often see them in this format, as Egyptian budget documents rarely present the economic classification in such a simple form. The classification is normally combined with the functional and/or administrative classification.

Functional Classification

It is likely that the economic classification of the budget does not tell you all you want and need to know about what the government is doing with your money. It tells you what the government is paying for (salaries, commodities, services, and so on), but it does not tell you the purposes to which these are directed. This is where the functional classification comes in.

A functional classification looks at broad purposes or functions of government and lets budget readers know which ministries or departments will be spending funds to achieve that broad purpose. This classification also reflects the fact that spending by a government for a particular purpose may well be undertaken by different ministries or departments. If a government has as a purpose, for example, to provide education to the people, responsibility for seeing that this purpose is realized will likely fall to not just the Ministry of Education but also to the Ministry of Higher Education.

Each broad function in a functional classification is thus a bit like an umbrella, with more than one ministry, department, or agency (MDA) under it.

The Egyptian budget is organized according to 10 key functions. Each function is assigned its own code; these codes are different from those assigned under an economic classification (see Table 2.4).

Table 2.4: Codes for the 10 key functions in the Egyptian Budget

Code	Function
701	General Public Services
702	Defense and National Security
703	Public Order and Safety
704	Economic Affairs
705	Environment Protection
706	Housing and Community Amenities
707	Health
708	Youth, Culture, and Religious Affairs
709	Education
710	Social Protection

We define each function below so you will be better able to read the functional classification of the budget.

701 - General Public Services

Includes MDAs that have broad legislative, administrative, regulatory, and information responsibilities. This is where to find the budgets for legislative bodies, audit institutions, executive and regulatory authorities, institutions that work on public financial affairs and public debt, foreign affairs, research and development, and so on.

702 - Defense and National Security

Relates to both military and civil defense. While it comprises a few MDAs, the principal one here is the armed forces. It is worth mentioning that the constitution stipulates that the armed forces budget is discussed in parliament and, when approved, it is incorporated as one single figure into the state budget.

703 - Public Order and Safety

Includes allocations and expenditures for police services, fire fighters, prisons, and the judicial system.

704 - Economic Affairs

Includes a wide variety of services having to do with the economy, such as public economic and trade affairs, agriculture, irrigation, mining, industry, fuel and energy, transportation (land, sea and air), as well as communication services.

705 - Environment Protection

Includes the management and disposal of waste, discharge of sewage and fighting pollution, as well as services and activities related to climate, soil, and groundwater.

706 - Housing and Community Amenities

Comprises services related to housing

development (new construction, renovation, and repairs of public housing, and housing for people with special needs) as well as the provision of housing loan subsidies. It is also concerned with the planning of new urban communities and developing public utilities, such as water supply and street lighting.

707 - Health

Includes the provision and development of health services, as well as the development and implementation of standards for physicians, pharmacists, hospitals, clinics, medical equipment, and so on.

708 - Youth, Culture and Religious Affairs

Includes sports, culture, arts, and museum and religious services.

709 - Education

Comprises the development, formulation, and delivery of government policies and programs at all levels of education (preschool, primary, preparatory, secondary, as well as university and higher education).

710 - Social Protection

Relates to disabilities, aging, and unemployment. It also includes subsidies for low-cost housing for low-income people, whether in cash or in-kind, and ensures through subsidies and other types of support that the poor have access to health services.

Administrative Classification

An administrative classification provides useful information about which body (normally, a ministry, department, or agency) in a government will be spending and reporting on what amounts of money in the budget. In other words, this classification answers the question: Who is responsible for this money? (In some cases the same body will also be responsible for collecting some of the related revenue, in the form of fees, etc.)

The Egyptian budget is not produced in a pure administrative classification, which would look something like Table 2.5 (administrative classification for sample of MDAs).

Table 2.5: Administrative Classification for Sample of MDAs

Ministry, Department, or Agency	Budget for FY XX
Ministry of Finance	
Ministry of Planning	
Ministry of Foreign Affairs	
Ministry of State for Local Development	
Ministry of State for Administrative Development	
Ministry of State for Scientific Research	
State Presidency	
Parliament	
Central Audit Agency	
Central Agency for Organization and Administration	

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Instead, in the Egyptian budget, the administrative classification is combined with the functional classification.

As was mentioned earlier, the Egyptian budget includes the budgets of the central and local administrations, as well as the budgets of general

service authorities and funds of a special nature. Expenditures by MDAs (the administrative classification) within these three levels fit into the functional classification. Table 2.6 is an example of what this combination looks like, using a sample of MDAs under Function 4 (Economic Affairs).

Table 2.6: Sample of MDAs under Economic Affairs

(4) Economic Affairs
(MDAs from Central Administration)
Central Department of Ministry of Trade and Industry
Central Department of Ministry of Investment
Central Department of Ministry of Irrigation and Water Resources
Central Department of Ministry of Manpower and Immigration
Central Department of Ministry of Agriculture and Land Reclamation
Central Department of Ministry of Petroleum and Metallurgical Wealth
Central Department of Ministry of Electricity and Energy
Central Department of Ministry of Transport
Central Department of Ministry of Tourism
Nuclear and Radiological Supervisory Authority
Industrial Supervision Department
Desert Research Institute
Assay and Balances Department


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(Service Authority entries)
General Authority for Exports and Imports Control
General Authority for Financial Control
General Authority for Maritime Safety
General Authority for Agrarian Reform
General Authority for Veterinary Services
General Authority for Fish Resources Development
General Authority for Standardization and Quality
General Authority for Roads, Bridges, and Land Transport
National Center for Water Research
Egyptian Exports Development Fund
Consumer Protection Agency
Executive Agency for Land Improvement Projects
National Authority for Tunnels
National Institute for Communications
(Offices at local administration/Governorate level)
Organization and Administration Directorate
Supply and Internal Trade Directorate
Manpower Directorate
Agriculture Directorate
Veterinary Services Directorate
Roads and Transport Directorate

Location of Budget Documents

Budget documents are available on the Ministry of Finance's website. The link to the Arabic version of the website is available at

www.MOF.gov.eg/arabic/pages/home.aspx. An English version of the website is also available at www.MOF.gov.eg/english/pages/home.aspx.

CHAPTER 3

Where Does the Money in the Budget Come From

Government has no money of its own. It collects money for the budget from people and companies through taxes, fees, and other forms of revenue. The government collects *your* money in order to pay for goods and services in such areas as housing, education, health, and security that you and others in the country need. When it can't collect enough to pay for what it expects to spend, it does what individuals, families, and companies do: it borrows.

This chapter describes the three principal sources of funds for the Egyptian budget,

starting with an overview and then looking at each of the sources in some detail.

Overview of Revenue Sources

The Egyptian government has three broad sources of funds for the budget:

- General Revenue, which includes taxes, grants from domestic and external sources, as well as income from economic bodies and government services;
- proceeds from lending and from sales of financial assets; and
- borrowing and sales of government securities.

Figure 3.1: Composition of Total Revenue, FY2013/14 Budget

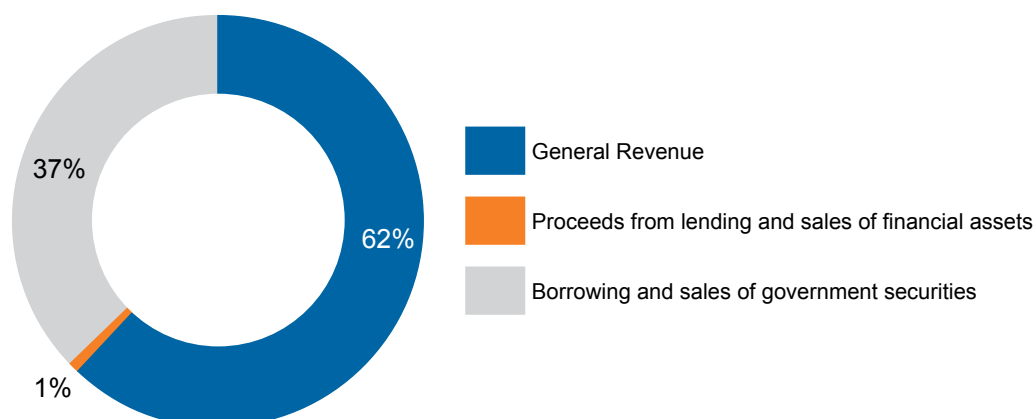


Figure 3.1 illustrates that when the 2013/14 budget was enacted by parliament it was expected that General Revenue would account for 62 percent of the total funds required for the budget.² Proceeds from lending and sales of assets would be around 1 percent, while the government would have to borrow the remaining 37 percent.

This breakdown of how the government expected to cover its expenditures in FY2013/14 is more

or less in line with its budgets for several of the previous years. When you look at the budget itself, however, you will not see this colorful graph, but instead charts similar to Table 3.1 below. This sets out information from not only the FY2013/14 budget but also the budgets of the three preceding years. The information is presented in both Egyptian pounds (in millions LE) and in percentages (shares of total revenue).

Table 3.1: Composition of Total Revenue, FY2010/11 – FY2013/14

	In millions LE				In percentages			
	2010/11 Audited budget	2011/12 Audited budget	2012/13 Audited budget	2013/14 Allocated Budget	2010/11	2011/12	2012/13	2013/14
General revenue	265,286	303,622	350,322	505,499	61	59	53	62
Proceeds from lending and sales of financial assets	5,649	4,575	4,468	11,224	1	1	1	1
Borrowing and sales of securities	166,612	203,180	311,035	300,249	38	40	47	37
Total revenue	437,547	511,377	665,826	816,973	100	100	100	100

Digging a Bit Deeper

Moving beyond this broad overview, let's take a closer look at each of the three sources of government funds, starting with General Revenue.

General Revenue

General Revenue includes:

- a. Various types of taxes. Taxes may be levied on income as it is earned. These include taxes on salaries or companies' profits, and are called direct taxes. Other taxes may be collected when money is spent to buy goods or services. These include sales taxes and

customs taxes and are called indirect taxes (because they are not imposed directly on people's income).

- b. Grants, whether received from local or external sources.
- c. Other (nontax) revenue, which in Egypt's case is derived from surpluses and profits of economic bodies and public sector companies (such as the Suez Canal Authority), and from fees charged for government services (including legal and registration fees, customs services, public facilities rentals, and so on).

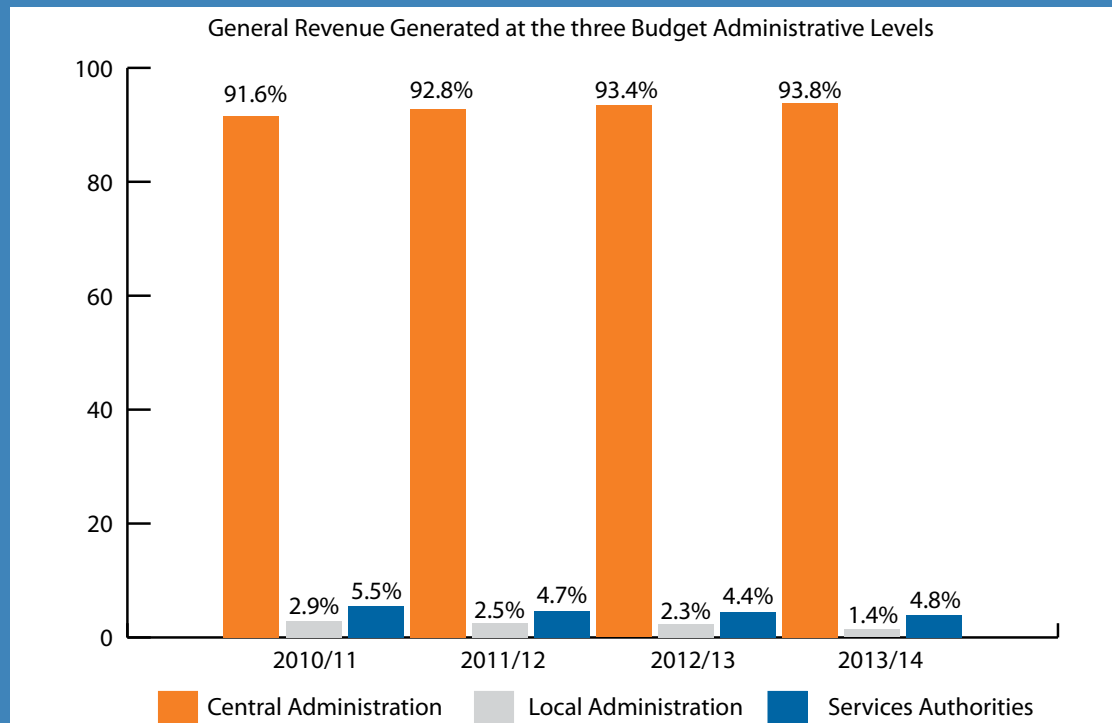
² This analysis does not include the additional resources (29.7 billion LE) that were added later through Presidential Decree 105/2013.

Box 3.1: General Revenue across the budget's three administrative levels

General Revenue in the state budget is generated at the three levels mentioned above.

1. Central Administration: Revenue here is primarily collected by various administrations within the Ministry of Finance, such as Tax Administrations (income, sales, etc.), Customs Administration, and so on. Central administration collects 92 to 94 percent of the revenue.
2. Local Administration: Revenue recorded as generated at the Governorate level is principally composed of borrowing by the central government for entities and projects at that level. Local Administration collects 1 to 3 percent of revenue.
3. Service Authorities: Revenue from governmental service entities, such as the National Council for Women, National Population Council, and General Authority for Literacy and Adult Education, comes from fees for services provided. Service Authorities collect 4.5 to 5.5 percent of revenue.

This information can be presented in chart form.



It also can be presented in the following table format.

Line Item	In millions LE				In percentages			
	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget	2010/11	2011/12	2012/13	2013/14
Central Administration	243,059	281,679	327,075	473,911	91.6	92.8	93.4	93.8
Local Administration	7,703	7,564	7,923	7,250	2.9	2.5	2.3	1.4
Service Authorities	14,524	14,379	15,324	24,337	5.5	4.7	4.4	4.8
Total Resources	437,547	511,377	718,026	816,973	100	100	100	100

Figure 3.2: General Revenue Breakdown for FY2010/11 – FY 2012/13

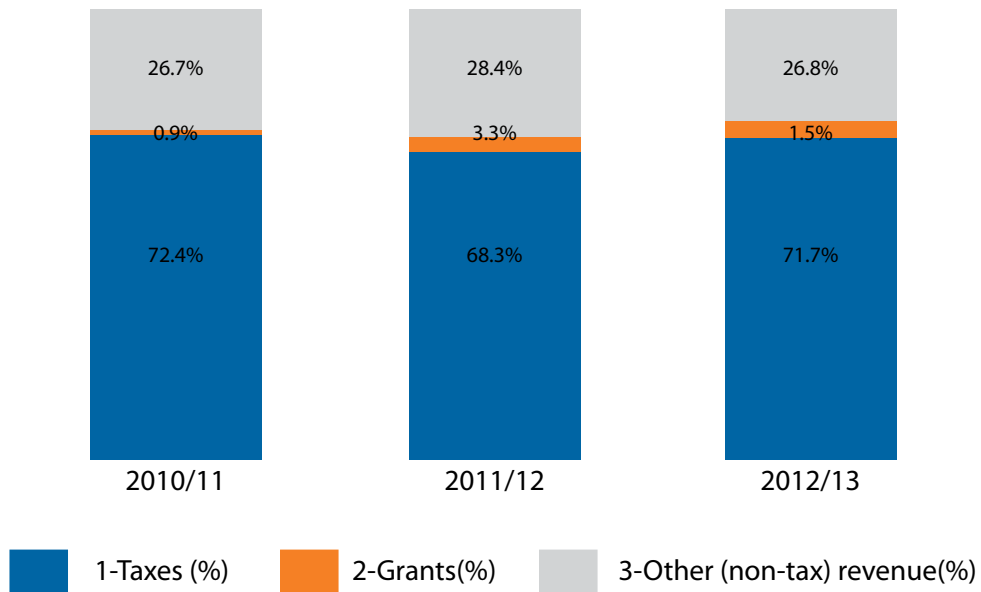


Figure 3.2 gives you a general idea of the share that each of these sources — taxes, grants, and other (nontax) revenue — contributes to General Revenue. The shares are calculated on the basis of the most recent audited budgets. Because the budgets have been audited, they reflect the most accurate information about recent government revenue.

We see in the graph that taxes make up the largest part of General Revenue, so let's turn now to taxes.

Taxes

Taxes represent around 70 percent of General Revenue. Virtually all of these taxes are collected by the central administration, with less than 1 percent being collected by Local Administrations or Service Authorities.

Taxes are divided into five main categories.

1. *Taxes on income and from profits on capital:* This category brings in around 45 percent of all taxes and includes taxes on salaries earned by employees, as well as taxes on individual income from commercial and industrial activities. It also includes taxes on "capital gains" (that is, increases in the value of investments), as well as taxes on companies' profits or net income, that is, their income after they have deducted associated expenses.
2. *Taxes on property:* This category comprises taxes paid by the owners on land, buildings, and cars on changes of title, as well as taxes on general treasury short-term (less than a year) and longer-term bonds. Bonds make up the overwhelming share of government income in this category. For instance, in the FY2011/12 audited budget, out of the LE 13 billion collected as property taxes, LE

10.5 billion came from the tax on financial transactions, while LE 2 billion came from

Box 3.2: Property Tax

Property tax on land and buildings can be an important source of income for governments. However, this type of tax is often unpopular among owners of land and buildings, and can be challenging to collect.

the tax on cars. Only LE 0.5 billion from land and buildings.

3. *Taxes on goods and services:* This category accounts for around 40 percent of all taxes paid and includes sales taxes on both local and imported goods and services, with some basic commodities exempted. Exemptions include local dairy products, vegetables, fruits, grains, salt, all kinds of bread, noodles made of plain flour, subsidized vegetable oils, food made and sold in shops and restaurants not oriented to tourists, natural gas, butane, popular clothing, writing and printing paper, as well as books, magazines and newspapers.
4. *Taxes on international trade:* These taxes include customs duties on imports, as well as taxes on exports.
5. *Other taxes:* This category includes a number of less significant taxes, such as those imposed on capital movements from banks.

In recent years categories 1 and 3 (income taxes and sales taxes) have accounted for around 86 percent of all taxes paid. Figure 3.3 illustrates the situation in one year, FY2011/12.

Figure 3.3: Composition of Taxes, FY2011/12 Audited Budget

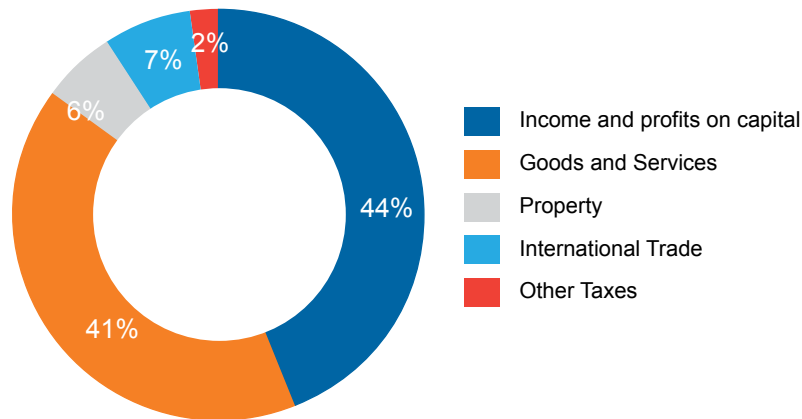


Table 3.2, constructed from the government's budget proposal for FY2013/14 as well as its audited budgets for the three previous years,

paints a similar picture, except that that it presents numbers (in millions LE) and the shares (percentages) of taxes collected from each source.

Table 3.2: Composition of Taxes, FY2010/11 – FY2013/14

Taxes on:	2010/11 Audited Budget	%	2011/12 Audited Budget	%	2012/13 Audited Budget	%	2013/14 Allocated Budget	%
Income and profits on capital	89,593	47	91,245	44	117,762	47	158,951	44
Goods and services	76,068	40	84,594	41	92,924	37	145,184	40
Property	9,452	5	13,089	6	16,453	7	24,092	7
International trade	13,858	7	14,788	7	16,771	7	21,546	6
Other taxes	3,102	2	3,694	2	7,208	3	8,956	2
Total Taxes	192,072	100	207,410	100	251,119	100	358,729	100

Altogether, taxes amount to approximately 15 percent of Gross Domestic Product (GDP) — ranging from 17 percent in the FY2013/14 allocated budget to 13 percent in the FY2011/12 audited budget.

Let us dig a bit deeper into the first tax category — taxes on income and profits on capital — which constitutes about 45 percent of all taxes Egyptians pay. Table 3.3 shows how government breaks these down.

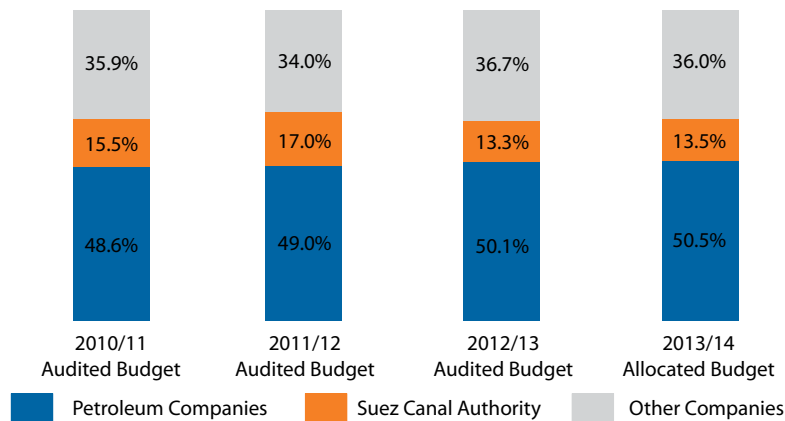
Table 3.3: Taxes on income and profits on capital, FY2010/11 – FY2013/14

Taxes on:	2010/11 Audited Budget	%	2011/12 Audited Budget	%	2012/13 Audited Budget	%	2013/14 Allocated Budget	%
Tax on individual salaries	13,392	15	16,010	18	19,708	17	21,417	13
Tax on individual income other than salaries	5,485	6	5,582	6	6,436	5	11,944	8
Tax on capital gains	177	0	104	0	87	0	4,330	3
Tax on companies' net income	70,538	79	69,550	76	91,531	78	121,260	76
Total	89,593	100	91,245	100	117,762	100	158,951	100

As you can see, three-quarters of income tax comes from companies, while around one quarter comes from individuals. Out of the taxes paid by individuals, around 70 percent are paid by salaried individuals (employees) and 30 percent by those whose income is not from salaries (private physicians, lawyers, consultants, artists, etc.).

Of the share of income taxes paid by companies, almost two-thirds come from two sources: petroleum companies (half of the revenue raised through income taxes paid by companies); and the Suez Canal Authority (another 15 percent). The remaining third comes from other sources, like the Central Bank of Egypt, the Railway Authority, etc. Figure 3.4 illustrates the breakdown.

Figure 3.4: Income Tax paid by Companies, FY2010/11 – FY2013/14



Moving on from taxes, let's look now at another component of General Revenue.

Grants

In this context, grants mean transfers that are made to the government in cash, goods, or services that the government is not required to repay. The grants come from three main sources:

- foreign governments;
- international organizations, such as the United Nations; and
- units in the general government sector.

Grants are classified according to the nature of the activity they are intended to fund. There are recurrent grants, which pay for the government's ongoing expenditures; and capital grants, which are to be used to acquire capital assets, such as large-scale equipment, land, and buildings. Most grants are directed to capital expenditures.

There is an important distinction to mention at this point. Grants from foreign governments may be provided "on budget" or "off budget." The former are channeled through the government's budget to be spent according to the priorities it sets out; grants provided "on budget" give the government discretion over how to best use the funds to meet priorities and are subject to the same oversight and controls as all budget resources. In many

countries, however, the majority of grants from foreign donors are provided "off budget." In general this means that the grants are not recorded in the budget, but are accounted for outside the government's budget, with the related spending and accounting remaining largely under the control of the donor.

This is important for Egypt because of the large grants it has historically received from the U.S. Agency for International Development (USAID). Most of these grants, which have amounted to approximately US\$1.5 billion annually, are earmarked for the military (most recently, US\$1.25 billion was directed to the military out of US\$1.55 billion). These grants are considered "off budget" and are largely composed of in-kind donations of weapons systems (airplanes, tanks, etc.), as well as training and other forms of technical assistance.

In general, "on budget" grants do not make up a significant share of the Egyptian budget. Over the past eight years such grants have typically comprised between 0.5 percent and 2 percent of the total budget. Their share went up in the year FY2011/12, most likely because of the economic problems the country faced after the January 2011 revolution. Also unusual during that time was the large share of the grants directed to recurrent costs. However, in the FY2013/14 allocated budget, total grants had gone down to 0.3 percent of total budget, of which 80 percent were capital and 20 percent recurrent. Figure 3.5 illustrates these trends.

Figure 3.5: Composition of Grants, FY2010/11 to FY2013/14

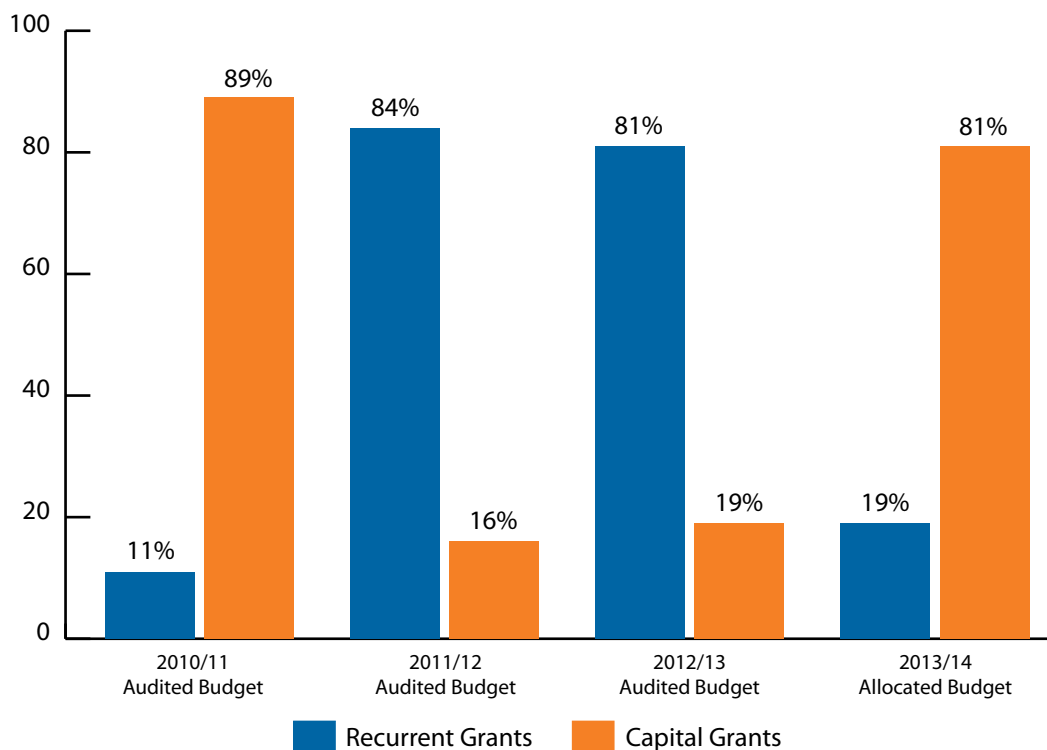


Table 3.4 gives more detailed figures about these grants, shown in millions LE.

Table 3.4: Composition of Grants, FY2010/11 – FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
Grants				
a. Foreign Governments	924.0	9,338.7	4,820.6	1,546.0
Recurrent Grants	202.6	8,409.4	4,127.9	369.8
Capital Grants	721.4	929.3	692.7	1,176.2
b. International Organizations	392.2	95.0	111.7	257.0
Recurrent Grants	2.5	0.8	1.1	1.4
Capital Grants	389.7	94.2	110.7	255.6
c. Government Units	970.4	670.0	275.4	554.6
Recurrent Grants	46.4	61.1	75.7	87.8
Capital Grants	924.0	608.9	199.7	466.8
Total grants (a + b + c)	2,286.6	10,103.7	5,207.7	2,358
Total budget	437,548	511,377	665,826	816,973
Grants as a share of total budget	0.5%	2.0%	0.8%	0.3%

Ninety percent of these grants have been designated to projects at the Central Administration level, with only a small share being directed to projects at the local level (between 1 percent and 4 percent) or to projects of service authorities (between 6 percent and 12 percent).

Other (nontax) revenues

Nontax revenues generally make up more than one-quarter of General Revenue and are thus a significant source of income for the government. This revenue mainly comes from profits of economic agencies and public sector banks, such as the Suez Canal Authority, General Petroleum Authority, Cairo Transport Authority, National Post Authority, National Bank of Egypt, and Egyptian Real Estate Bank.

In order to provide these economic agencies and banks with autonomy in managing their business, their budgets are managed independently of the government's budget. However, profits and losses of these agencies and banks are absorbed into the budget under this line item.

"Other (nontax) revenues" also includes revenues from services provided by the government through, for example, legal and registration fees, custom services, and public facilities rental. It also includes fines, royalties, and fees for government licensing for such items as mobile phones, cement and steel plants, and other services.

Table 3.5 sets out the principal sources of non-tax revenue (in millions LE).

Table 3.5: Sources of Nontax Revenue, FY2010/11 – FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
Total Other (nontax) Revenue	70,927	86,108	93,996	144,413
Profits of Petroleum Authority	21,009	15,026	18,785	38,985
Profits of Suez Canal Authority	15,251	16,118	16,375	21,673
Sales of government services	17,280	17,789	22,708	20,946
Profits of Central Bank	498	15,012	11,317	10,000
Profits of government and public sector companies	3,263	3,824	3,509	5,975
Profits of other economic agencies	1,278	2,207	1,914	2,900
Oil royalties	1,465	2,800	2,933	2,316
Interests collected from lending and bonds	1,130	1,078	837	1,800
Penal fines and forfeitures	640	519	479	679

Proceeds from lending and sales of financial assets

In addition to the funds in General Revenue, government also relies on proceeds from lending and sales of financial assets. These resources primarily come from premiums (or interest) the government collects from loans it has made, for example, to public sector companies, the

National Investment Bank, holding companies, and economic agencies. They also include revenues from bills (short-term bonds) and (longer-term) bonds, and from the sale of assets and property rights (which happens during privatization).

Table 3.6 provides figures for some of these proceeds in recent years (in millions LE).

Table 3.6: Proceeds from lending and sales of financial assets, FY2010/11-FY 2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
Proceeds from lending and sales of financial assets	5,649	4,575	4,468	11,224
Premiums from public sector companies	3,242	2,382	2,362	7,250
Premiums from economic agencies	0	0	0	301
Premiums from other entities	867	17	37	2,314
Proceeds from privatization	21	0.0	12	500

This category of revenue (Proceeds) constitutes only a small share (1 percent to 2 percent of total budget resources). Far larger is borrowing and sales of securities, to which we now turn.

Borrowing and sales of securities

When the government foresees that it will not bring in adequate revenue through the first two means (General Revenue and the proceeds just discussed) to carry out its plans for the coming year, it turns to borrowing and selling securities to make up the difference.

Government can borrow from local banks or agencies. It can also borrow from external lenders, such as other governments, international

commercial banks, or international financial institutions such as the World Bank and International Monetary Fund.

In addition to borrowing, the government can also issue financial securities or bonds, which it can sell on the local or international markets. These bonds/securities are, in effect, another form of borrowing, as the government collects the money when it sells the bonds, with the promise of giving it back after a certain period with interest.

Table 3.7 looks at the trends in government borrowing and sales of securities (in millions LE) over the past four years.

Table 3.7: Trends in Government Borrowing and Sales of Securities, FY2010/11-FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
Borrowing and sales of securities				
Domestic	165,238	197,725	286,006	296,691
Borrowing from local banks/ agencies	18,256	12,233	24,119	0.0
Issuance and sale of local securities	146,982	185,492	261,887	296,691
Foreign	1,374	5,455	25,029	3,558
Borrowing from international entities	1,374	5,455	25,029	3,558
Issuance and sale of international securities	0.0	0.0	0	0.0
Total borrowing and sales of securities	166,612	203,180	311.035	300,249

It is worth noting here that during any given fiscal year, as the government borrows new funds, it will most likely be paying premiums on loans it had taken on in prior years. Paying those premiums decreases the government's overall debt. In FY2013/14 the government borrowed close to LE 300 billion to help finance the FY2013/14 budget, adding this amount to its overall debt. But, when in the same year the government paid back LE 114 billion in

loan premiums, it decreased the overall debt by that amount. Thus the net increase in the overall debt was not LE 300 billion (the amount borrowed), but instead the difference between the funds borrowed and the loan premiums paid: LE 300 billion minus LE 114 billion, or LE 186 billion. Another way to say this is that the "net" borrowing by the government was LE 186 billion. Table 3.8 illustrates this (in billion LE).

Table 3.8: Increase in Overall Government Debt, FY2010/11-FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
a. Total borrowing and sales of securities	166.6	203.2	311.0	300.2
b. Payments of loan premiums	32.1	36.5	71.3	114.4
c. Increase in overall debt (a – b) (i.e., net borrowing)	134.5	166.7	239.7	185.8

One of the calculations that economists make to assess government's fiscal health is the share of the budget that is financed by borrowing. Table

3.9 shows the trends in the government's "net" borrowing as a share of the budget over the past few years.

Table 3.9: Trends in Net Government Borrowing as a Share of Total Budget, FY2010/11-FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
c. Net borrowing (a – b)	134.5	166.7	239.7	185.8
d. Total budget	437.5	511.4	665.8	817.0
e. Net borrowing as a share (%) of the total budget ($c \div d \times 100$)	30.7%	32.6%	36%	23%

Can you see evidence of the fiscal decline during the economic downturn that Egypt experienced after 2011?

In Conclusion

If you have read carefully through the preceding pages on government revenue, you should be able to understand what Table 3.10 on total budget revenue for recent years is telling you. Can you?

Table 3.10: Composition of Total Revenue, FY2010/11 – FY2013/14

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget
Total Revenue				
General Revenue	265,286	303,622	350,322	505,499
Taxes	192,072	207,410	251,119	358,729
Grants	2,287	10,104	5,208	2,358
Other (nontax) revenue	70,927	86,108	93,996	144,413
Proceeds from lending and sales of financial assets	5,649	4,575	4,468	11,224
Total General Revenue + Proceeds	270,935	308,197	354,790	516,723
Total Revenue Needed for Budget	437,547	511,377	665,826	816,973
(Funds need to cover the difference)	166,612	203,180	311,035	300,249
Borrowing and sales of securities				
Borrowing from local banks/agencies	18,256	12,233	24,119	0
Sale of local securities	146,982	185,492	261,887	296,691
Total domestic borrowing and sale of securities	165,238	197,725	286,006	296,691
Borrowing from international entities	1,374	5,455	25,029	3,558
Sale of international securities	0	0	0	0
Total international borrowing and sale of securities	1,374	5,455	25,029	3,558
Total Revenue	437,547	511,377	665,826	816,973

CHAPTER 4

Allocations and Expenditures

Now that we've had a closer look at the resources (total revenue) that the government brings in, it is time to look at what goes out; in other words, what the government spends.

First, an essential distinction between allocations and expenditures:

- An allocation is the amount of money designated in the budget for a specific use.
- An expenditure is money actually spent.

When the budget is enacted in the beginning of the fiscal year, it establishes the amounts that the government intends to spend on specific activities or for specific items during the fiscal year; these are allocations. The monthly reports that the Ministry of Finance produces throughout the fiscal year (as well as the Final Accounts Report) provide information on what the government has actually spent on the same line items (i.e., the actual expenditures).

Throughout this chapter you will see numerous tables and graphs that refer to “audited budget” and “allocated budget.” An audited Budget is one that has been fully implemented (i.e., revenues collected and expenditures made) and has already been audited (see Chapter 2 on the budget process). An audited budget is a budget that has been enacted by the House of Representatives but, as of the writing of this guide, had not yet been fully implemented or audited. This distinction is important because there can be a significant difference between what is allocated for a particular purpose or MDA and what is actually spent. While this guide will not explore instances of discrepancies between allocations and expenditures in the Egyptian budget, civil society groups analyzing the budget should be alert to this issue, as these can be signs of budget problems like poor planning or mismanagement during implementation.

So, what is the Egyptian budget spent on?³ Because the economic classification of the state budget is the one most frequently debated and acted upon, most of Chapter 4 will be devoted to looking at expenditures as seen in that classification.⁴ We will then take a quick look at expenditures in the functional classification, before turning to “dual classifications” (i.e., formats used for the Egyptian budget that combine economic, functional, and administrative classifications in various ways). We will end this section with a quick look at expenditures within the three levels that comprise the state budget: Central Administration, Local Administration, and Service Authorities.

Allocations and Expenditures in The Economic Classification

You will recall that the economic classification answers the question: What does the government buy with the money in the budget? You will also remember that the economic classification is organized by eight chapters, each of which can be disaggregated into line items.

These are:

- I. General Expenditures
 1. Wages and compensation of employees
 2. Purchase of goods and services
 3. Interest
 4. Subsidies, grants, and social benefits
 5. Other expenditures
 6. Purchase of nonfinancial assets (investments)
- II. Acquisition of Financial Assets
 7. Acquisition of domestic and foreign financial assets
- III. Loan Repayment
 8. Domestic and foreign loan repayment

Some of the chapters are more “important” in budget terms, in that they make up larger shares of the budget than others. Before we go into some detail on each chapter, Figure 4.1 provides a picture of the relative importance of the different chapters in the budget. The figure is based on an average of the major line items in the economic classification for the FY2013/14 allocated budget together with the three prior audited budgets (FY2010/11, FY2011/12 and FY2012/13).

³ This analysis does not include the additional expenditures (29.7 billion LE) which were added later through Presidential Decree 105/2013.

⁴ For example, when the Executive’s Budget Proposal is voted on, chapter by chapter, in the House of Representatives, it is on the chapters in the economic classification that MPs vote. In addition, the Final Accounts Report (Year-End Report) publishes data only by economic classification, as does the Audit Report. In other words, both the Final Accounts Report and Audit Report are discussed in parliament by economic chapters.

Figure 4.1: Economic Classification: Chapters' Shares of the Budget, FY2010/11–FY2013/14

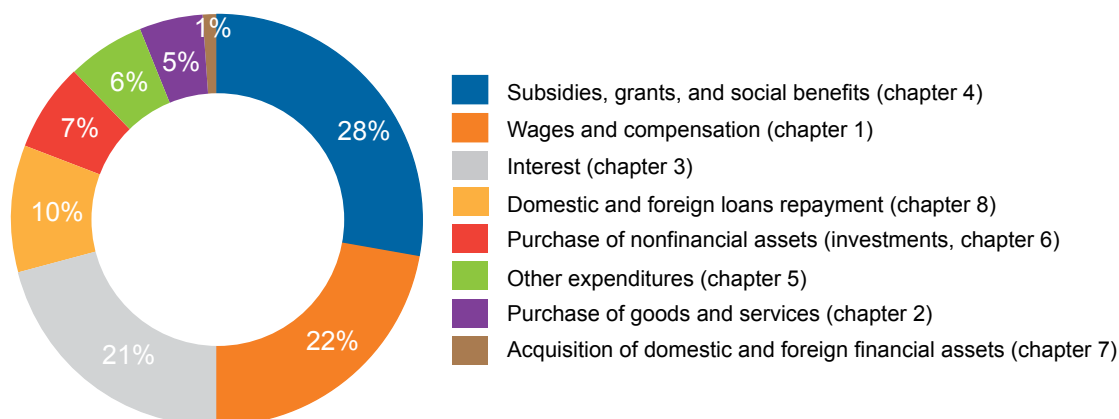


Figure 4.1 tells us at a glance that around 21 percent of the budget goes to interest payments on existing loans (chapter 3). When we add the 10 percent for repayment of principal on these same loans (chapter 8), we find that on average 31 percent of the budget is directed to the repayment of existing debts.

Subsidies, grants, and social benefits (chapter 4) take the largest single share of the budget – on average 28 percent. Another significant share of the budget (around 22 percent) goes to wages and compensation of government employees (chapter 1).

What does this mean? It means that after paying for the country's debts, the salaries of government employees, as well as subsidies and social benefits, we are left with only 19 percent of the budget. If then we subtract the 6 percent

devoted to other expenditures (chapter 5), which is principally lump sum allocations for special nature entities, such as the Armed Forces and the parliament (mentioned above), we are left with only 13 percent of the budget for the following:

- Purchase of goods and services (5 percent), which pays for raw materials such as fuel, oils and medicines, school textbooks, as well as spare parts and maintenance, etc.;
- Investments (7 percent), which includes costs related to building schools and hospitals, constructing new roads, buying land, and purchasing machinery and equipment, including buses; and
- Acquisition of domestic and foreign assets (1 percent).

Table 4.1: Economic Classification: Chapters' Shares of the Budget, FY2010/11-FY2013/14

	In millions LE				In percentages			
	2010/11 Audited budget	2011/12 Audited budget	2012/13 Audited budget	2013/14 Allocated budget	2010/11	2011/12	2012/13	2013/14
1- Wages and compensation	96,271	122,818	142,956	171,159	22	24	21	21
2- Purchase of goods and services	26,148	26,826	26,652	29,424	6	5	4	4
3- Interest	85,077	104,441	146,995	182,046	19	20	22	22
4- Subsidies, grants, and social benefits	123,125	150,193	197,093	204,739	28	29	30	25
5- Other expenditures	31,364	30,796	34,975	38,280	7	6	5	5
6- Purchase of nonfinancial assets (investments)	39,881	35,918	39,516	63,679	9	7	6	8
7- Acquisition of domestic and foreign financial assets	3,507	3,910	6,310	13,191	0.8	0.8	0.9	1.6
8- Domestic and foreign loans repayment	32,174	36,475	71,328	114,454	7	7	11	14
Total Expenditures (Uses)	437,547	511,377	718,026	816,973	100	100	100	100

Let's examine these chapters more deeply to see what each entails.

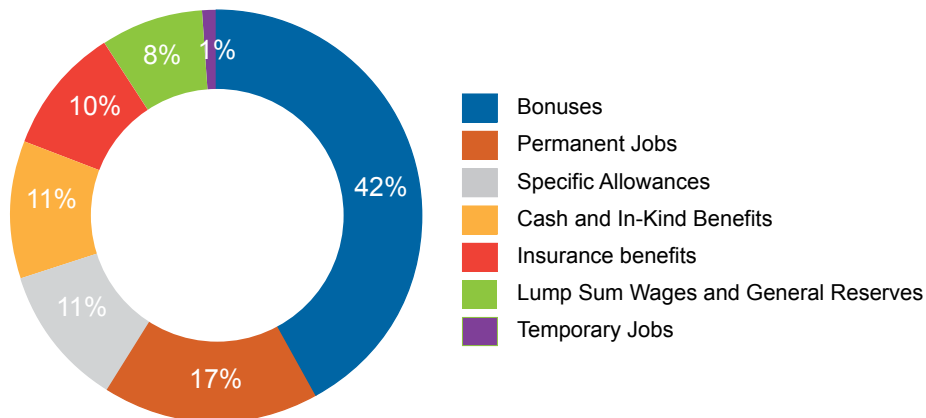
Wages and compensation of employees (chapter 1)

This chapter of the budget provides information about how much money is spent on wages and all other types of compensation, such as bonuses and allowances, for government employees, whether in cash or in-kind (like food,

clothing, and medical care). It also includes the government's (as employer) share in employees' social insurance. As is the case with every other chapter in the budget, this one includes an allocation for unforeseen expenditures called "Lump Sum and General Reserves".

As was mentioned earlier, this chapter comprised approximately 22 percent of the total budget over the last four years. Figure 4.2 shows the breakdown of that 22 percent into line items.

Figure 4.2: Breakdown of Wages and Compensation Chapter, FY2010/11-FY2013/14



Box 4.1: Understanding the Codes Used in Economic Classifications

When you look at the economic classification of the Egyptian budget, it will look like this:

Code	Chapter	Group	Item
2	Uses (Total Expenditures)		
2	1	General Expenditures	
2	1	1	Wages and Compensations
2	1	1	Wages and allowances (cash and in-kind)
2	1	1	0100 Permanent Jobs
2	1	1	0200 Temporary Jobs
2	1	1	0300 Bonuses
2	1	1	0400 Specific Allowances
2	1	1	0500 Cash benefits
2	1	1	0600 In-Kind benefits
2	1	1	2
2	1	1	Insurance Benefits
2	1	1	0100 Government (as Employer) share in Employees' Social insurance
2	1	1	0200 Other Insurance Benefits
2	1	1	3
2	1	1	Other Lump Sum Wages for Special Accounts and Funds
2	1	1	0100 Lump Sum Wages for Special Accounts and Funds
2	1	1	0200 General Reserve for Wages

Each transaction made (salaries paid, goods or services purchased, and so on) is coded when entered into the account books. Such coding allows the government to tally expenditures by code to determine the total spent on, for example, permanent jobs, in-kind benefits, or other insurance benefits.

Each transaction is assigned an eight-digit code.* As you know, there are eight major **chapters** for expenditures in the economic classification. Each chapter is divided into **groups** and each group is further divided into **items**. Line items can be further unpacked into **types**. Based on this, the codes are formulated as follows:

- The first digit (from left to right) in the code identifies if the transaction is related to Resources (Total Revenues) or Uses (Total Expenditures). **1** is for Resources, **2** for Uses. As we continue this example, let's stay with expenditures **2**.
- The next digit identifies if the transaction falls under General Expenditures **1**, Acquisition of Financial Assets **2**, or Loan Payments **3**. We will focus on General Expenditures.

- The third-from-the left digit tells us the relevant chapter (**1 – 6** for the above 6 chapters under General Expenditures). Thus, for example, all transactions related to Wages and Compensation should have as the first three digits in their code **211**, because the transaction falls under Uses (**2**), General Expenditures (**1**) and the first chapter, Wages and Compensation (**1**).
- The fourth digit identifies the group within the chapter. Under Wages and Compensation, we can find three groups: Wages and Allowances (cash and in-kind) **1**, Insurance Benefits **2**, and Other Lump Sum Wages and General Reserves **3**.
- The next two digits refer to the item within the group. In this same example, if we look at group **1** Wages and Allowances, there are six items under this group: Permanent Jobs **01**, Temporary Jobs **02**, Bonuses **03**, Specific Allowances **04**, Cash Benefits **05**, and In-Kind Benefits **06**.
- The last two digits (**xx**) of the code refer to the type of expense under each item. For instance, Permanent Jobs has the following four types of expenses:
 - **0101** Basic salaries
 - **0102** Cost of seconded officials
 - **0103** Cost of study leaves
 - **0104** Cost of employees' training grants.

Some items, like Bonuses, have 24 types (**0301** to **0324**). Allowances have 47 types (**0401-0447**).

Putting all of this together, you can now see why the line item for basic salaries of permanent staff in the government is coded **21110101**.

Uses	General Expenditures	Wages and Compensations	Cash and In-Kind	Permanent Jobs	Basic Salaries
2	1	1	1	01	01

Another example: Bonuses for academic and applied research are coded 21110312

Uses	General Expenditures	Wages and Compensations	Cash and In-Kind	Bonuses	Academic and Applied Research
2	1	1	1	03	12

* According to the Ministerial Decree of Executive Regulations for Budget Law, each budget line item is identified by a 10-digit code. However, in reality the budget uses an eight-digit code.

Figures 4.3 and 4.4 below show the trends (in Egyptian pounds and as a share of the total budget) for expenditures on Wages and Compensation over four fiscal years (FY2010/11 to FY2013/14). We can see that while the funds

dedicated to the chapter rose quite significantly, the chapter's proportion of the total budget decreased a little (which indicates that the budget as a whole increased significantly during this time frame).

Figure 4.3: Wages and Compensation in Millions LE, FY2010/11-FY2013/14

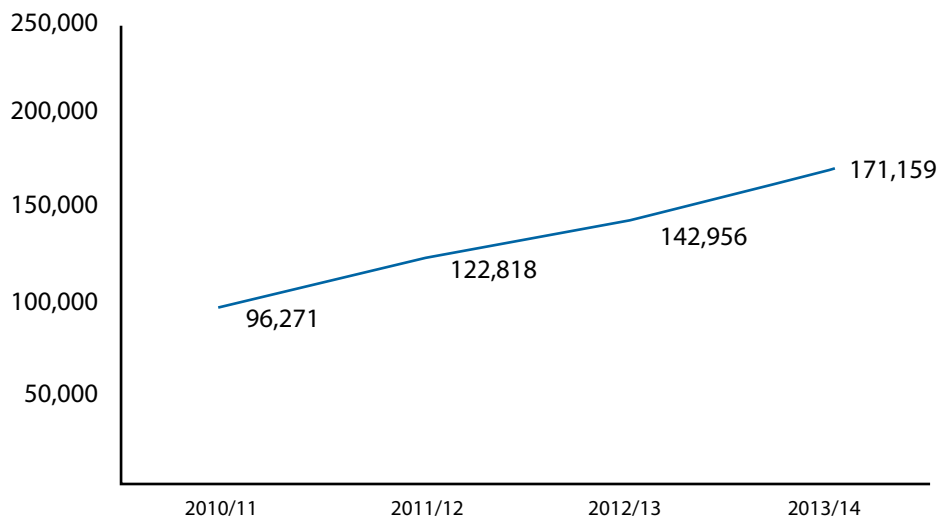
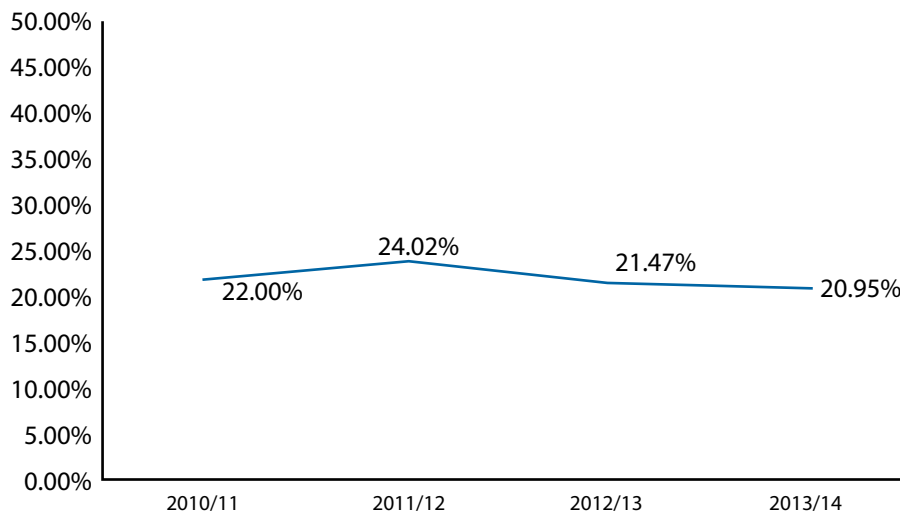


Figure 4.4: Wages and Compensation as a Share of the Budget, FY2010/11-FY2013/14



It is worth noting that while actual wages come to only 18 percent (17 percent for permanent employees, 1 percent for temporary) of the Wages and Compensation chapter, bonuses

represent around 42 percent; 53 percent when combined with allowances (11 percent). Bonuses and allowances are generally provided on a discretionary basis by an employer or supervisor,

while wages are contractual. Allocating such a large share of Wages and Compensation to bonuses and allowances provides ample room for employer favoritism and other forms of abuse.

Purchase of Goods and Services (chapter 2)

This chapter provides information on how much the government spends for the purchase of goods, such as:

- Medicine and food
- Fuel and oil for machinery and cars
- Spare parts and supplies
- Packaging materials
- Stationary and books
- Water and lighting

At the same time it includes expenditures on services, such as:

- Maintenance
- Publishing, advertising, receptions

- Printing, periodicals, and copyright expenses
- Transportation services and allowances
- Post and other communication
- Rent
- Exhibitions and conferences
- Cultural relations and foreign cooperation
- Research, development, and training of employees

Within the chapter, each of these items is further broken down by type, and there is also a "Lump sum and general reserves" group of expenditures (see Figure 4.5).

Interest (chapter 3)

As was mentioned in Chapter 3 of this guide, government borrows in order to cover the gap between anticipated revenues and projected expenditures. Egypt relies primarily on domestic borrowing (mainly through the issuance and sale of local securities), and almost 96 percent of the interest it pays is for domestic loans, as is illustrated in Table 4.2.

Figure 4.5: Procurement of Goods and Services in Millions LE, FY2010/11-FY2013/14

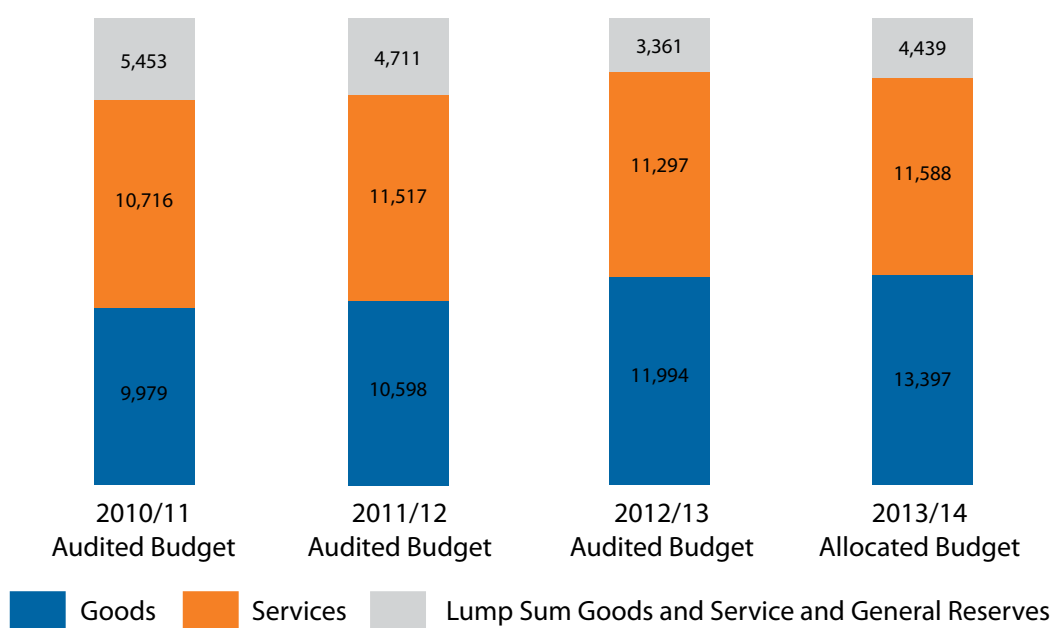


Table 4.2: Interest Paid for Foreign and Domestic Lenders, FY2010/11-FY2013/14

	In millions LEs				In percentages			
	2010/11 Audited budget	2011/12 Audited budget	2012/13 Audited budget	2013/14 Allocated budget	2010/11	2011/12	2012/13	2013/14
Foreign	3,416	3,418	3,896	7,462	4.0	3.3	2.7	4.1
Domestic	81,534	100,875	142,966	174,378	95.8	96.6	97.3	95.8
Lump Sum Interest and General Reserves	127	148	133	207	0.15	0.14	0.09	0.11
Total Interest	85,077	104,441	146,995	182,046	100	100	100	100

The interest government pays to domestic lenders is paid to governmental units, such as the National Investment Bank, the General Treasury, and other governmental entities, as well as to private commercial lenders, such as banks and investment funds. Interest payments to private lenders amount to between 75 and 88 percent of the domestic interest the government pays.

Subsidies, Grants, and Social Benefits (chapter 4)

As mentioned earlier, “Subsidies, Grants, and Social Benefits” represents the largest single share of the budget, constituting on average 28 percent of the total. Let’s examine each of these chapters composite parts in more detail.

Subsidies

The government uses these to reduce the cost of necessary goods and services and to support particular groups of people or industries. Subsidies may be provided either to consumers or to producers. This allows the latter to reduce their production costs and thus sell at a lower price. Subsidies constitute 85 percent of this chapter. In the FY2012/13 audited budget, for example, LE 171 billion was spent on subsidies out of the total chapter expenditure of LE 197 billion (87 percent). Of the LE 171 billion, LE 120 billion was for petroleum products (diesel, butane gas, benzene and natural gas); and another LE 32.5 billion was spent to support the purchase of essential foods, such as bread, food oil, sugar and rice. Table 4.3 provides more details.

Table 4.3: Subsidies – FY2012/13 Audited Budget

Description	Amount in millions LE	Share (%)
Petroleum products	120,000	70.3
Essential foods	32,551	19.1
Electricity	8,550	5.0
Export stimulation	3,067	1.8
Passenger transportation	1,237	0.7
Farmers	869	0.5
Interest on soft loans	722	0.4
Health insurance and medicine	458	0.3
Low-income housing	350	0.2
Industrial production	241	0.1
Miscellaneous/other	2,754	1.6
Total Subsidies	170,800	100

Grants

The government provides grants to foreign governments, international organizations, or certain governmental units. Grants are a minor category in this chapter, representing on average only 3 percent of the total (LE 5 billion in the 2012/13 Audited Budget). Grants to government units represent on average 97 percent of the grant total, while grants to foreign governments amount to 3 percent.

Social Benefits

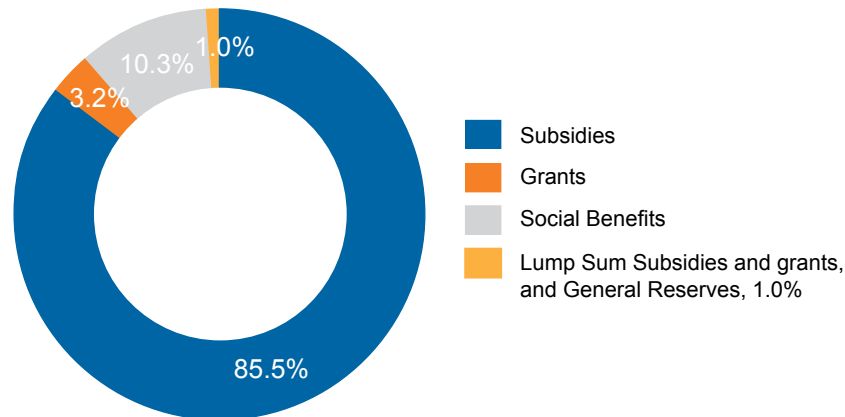
The government provides certain benefits to low-income citizens to enable them to maintain

a certain living standard and protect them against crises. These include the Social Solidarity Pension and the government's contribution to the Pensions Fund. These also include other benefits such as health services for the unemployed, burial expenses, etc. Social Benefits represent on average 10 percent of the chapter expenditures (LE 20.8 billion in 2012/13 audited budget).

Lump sum and general reserves

As in all chapters, there is also a "Lump sum and general reserves" line item that amounts to approximately 1 percent of the total for this chapter.

Figure 4.6: Subsidies, Grants and Social Benefits, FY2010/11-FY2013/14



This chapter is a major one, because it comprises almost 28 percent of the budget. It is important to consider what is included in it. Figure 4.6 shows clearly that subsidies constitute the largest single share, while social benefits come to only 10 percent. As was already mentioned, within subsidies, 70 percent of the funds go to subsidies of petroleum products. When looking at how spending is spread across certain categories it is important to ask such questions as: who benefits from the petroleum subsidies? Major industries and cars are heavy users of subsidized fuel, while the poor benefit less from that subsidy.

Other Expenditures (chapter 5)

This chapter includes the taxes, duties, and fees that government pays on goods and services it purchases (e.g., sales tax, custom duties, and registration fees). It also includes compensation and fines paid by the government.

The largest part of this chapter is a lump sum representing the budgets of the Armed Forces, the parliament, the Central Audit Agency, and judicial bodies. As was already mentioned in Chapter 2 of this guide, these entities do not have their budgets distributed over the economic

chapters detailed above. After discussion in the House of Representatives, their budgets are compiled into a single figure that goes under "Other Expenditures." In the FY2012/13 Audited Budget, this lump sum amounted to LE 31 billion, that is, 89 percent of the chapter total (LE 35 billion).

Purchase of Nonfinancial Assets (Investments, chapter 6)

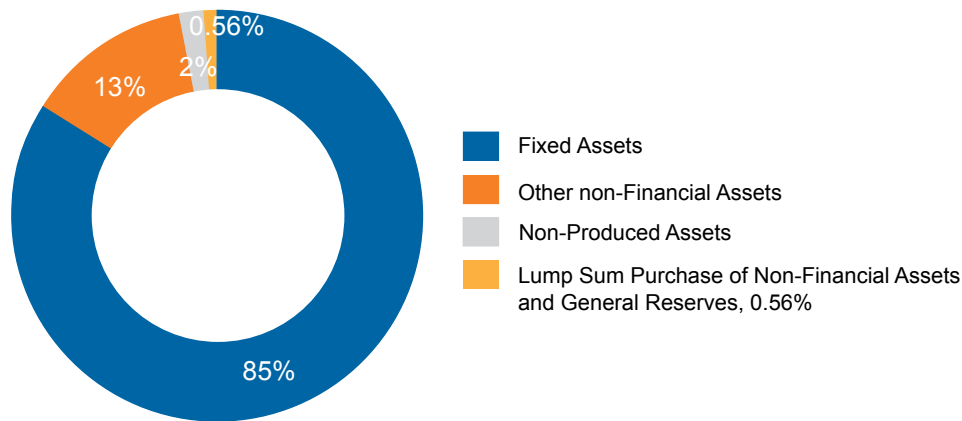
Purchase of Nonfinancial Assets is also an important chapter in the budget, as it represents government's investment in infrastructure. Expenditures in this chapter are for building roads, bridges and highways, houses, schools, sports and cultural centers, hospitals and health clinics, potable water and sewage plants, electrical power stations, railway lines and crossings, and so on. Purchases of land and investments in land reclamation, as well as in livestock and water resources, also fall under this chapter. The chapter is divided into four major groups:

- *Fixed assets* (i.e., buildings, roads, equipment, machinery, livestock, etc.), which amount to around 85 percent of chapter expenditures;

- *Nonproduced/natural assets* (that is, land), which come to only about 2 percent of chapter expenditures;
- *Other nonfinancial assets* (scholarships for study abroad, research and studies for investment projects, and advance payments to contractors). This represents about 13 percent of the expenditures; and
- *Lump Sum Purchase of Nonfinancial Assets and General Reserves* (0.56 percent).

Figure 4.7 shows the breakdown of this chapter.

Figure 4.7: Purchase of Non-Financial Assets (Investments), FY2010/11-FY2013/14



Acquisition of Financial Assets (chapter 7)

This chapter relates mostly to the government's lending to others and its purchase of equities. It represents around 1 percent of the total budget. It includes acquisition of domestic as well as foreign financial assets, with domestic assets constituting by far the dominant share. In the FY2012/13 audited budget, for example, 95 percent of acquisitions were for domestic financial assets (6,018 out of 6,310 million LEs). Of expenditures on these domestic financial assets, 87 percent were for shares and equities while 13 percent were directed to lending to economic authorities and holding companies. The Treasury's contribution to the cost of restructuring public companies is also included in this chapter.

Loan Repayments (chapter 8)

As the name suggests, this chapter includes expenditures for paying premiums on loans the government took out in previous years to bridge gaps between revenue and spending. Since the loans are mostly from domestic sources, repayments go primarily to them.

As was mentioned above, most domestic borrowing is in the form of the government issuing bonds and bills (short-term bonds). As a result, 80 percent of expenditures under this chapter are for repayment of domestic loans and making payments on domestic securities other than shares (that is, bonds and bills). Of this, repayment to domestic sources, payments on government bonds and bills represents the major part (on average, 86 percent). With regard to repayments to foreign lenders, in recent years all has gone to repay loans (not securities payments). Table 4.4 summarizes the relevant information.

Table 4.4: Repayments on Domestic and Foreign Loans in Millions LE

	2010/11 Audited Budget	2011/12 Audited Budget	2012/13 Audited Budget	2013/14 Allocated Budget	4-Year Average	4-Year Avg. %
Repayments on domestic and foreign loans	32,174	36,475	71,328	114,454	63,608	
Repayments on loans and amortization of domestic securities	22,830	21,143	60,006	99,640	50,905	80%
Amortization of domestic securities other than shares	22,248	20,500	45,515	87,500	43,941	
Repayments on domestic loans	582	643	14,491	12,140	6,964	
Other Outstanding Arrears	0	0	0	0	0	
Repayments on loans and amortization of foreign securities	9,211	15,176	11,209	14,644	12,560	20%
Amortization of foreign securities other than shares	0	0	0	0	0	
Repayments on foreign loans	9,211	15,176	11,209	14,644	12,560	
Lump Sum Loans Repayment and General Reserves	134	156	113	170	143	0.22%
Lump Sum Loans Repayment	134	156	113	170	143	
General Reserves for Loans Repayment	0	0	0	0	0	

Let's now turn briefly to allocations and expenditures as presented in a functional classification, before going on to "dual classifications."

ALLOCATIONS AND EXPENDITURES IN THE FUNCTIONAL CLASSIFICATION

You will recall that a functional classification organizes the budget by purposes or functions of government. Thus one of the useful pieces of information we can gain from looking at expenditures in a functional classification format

is the relative importance given, in budget terms, to the different functions of government.

Let's consider an overview of the average share (percentage) of the total budget provided to each function in the FY2013/14 and FY 2012/13 allocated budgets together with the audited budgets of the two previous fiscal years. We will start with a simple pie chart (see Figure 4.8). There is a saying, "A picture is worth a thousand words," and this could be said about a pie chart. It represents a compilation of a large number of figures, and provides a quick and simple story about what those figures are saying. What does this pie chart tell you about what the government considers important?

Figure 4.8: Average Shares of Functions in the Total Budget, FY2010/11-FY2013/14

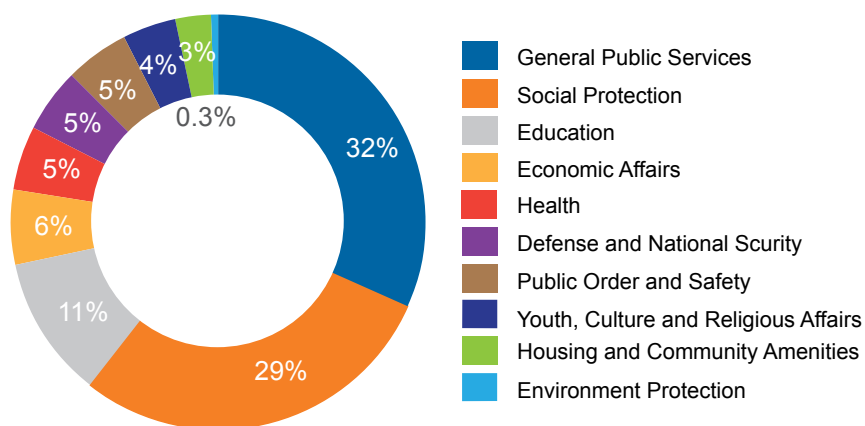


Figure 4.8 highlights the government's priorities. It shows, for example, the small share directed to government spending on health. While the 2001 Abuja Declaration of the African Union committed member states to devote at least 15

percent of their budgets to health, the Egyptian government is devoting only around 5 percent.

The chart was developed using the figures in the more detailed Table 4.5.

Table 4.5: Shares of Functions in the Budget, FY2010/11-FY2013/14

	In millions LE				In percentages			
	2010/11 Audited budget	2011/12 Audited budget	2012/13 Amended budget	2013/14 Allocated budget	2010/11	2011/12	2012/13	2013/14
701 - General Public Services	117,881	138,618	210,418	237,314	29	29	34	34
702 - Defense and National Security	26,724	26,244	27,529	30,947	7	6	4	4
703 - Public Order and Safety	20,723	27,584	26,331	32,481	5	6	4	5
704 - Economic Affairs	25,253	26,692	31,833	36,160	6	6	5	5
705 - Environment Protection	1,158	1,444	1,256	1,460	0.3	0.3	0.2	0.2
706 - Housing and Community Amenities	12,802	11,495	18,185	22,004	3	2	3	3
707 - Health	20,278	22,492	27,413	32,736	5	5	4	5
708 - Youth, Culture and Religious Affairs	14,978	17,496	20,365	23,815	4	4	3	3
709 - Education	48,214	56,409	64,035	80,860	12	12	10	12
710 - Social Protection	113,856	142,518	189,068	191,551	28	30	31	28
Total General Expenditures	401,867	470,992	616,434	689,327	100	100	100	100

Because the administrative classification (“who spends the money?”) in the Egyptian budget is always integrated with another classification, it would be easiest to look at expenditures presented in this classification through moving on to “dual classifications.”

ALLOCATIONS AND EXPENDITURES IN THE “DUAL CLASSIFICATION” FORMATS

Government budgets are rarely pure forms of one classification or another; they are normally a mix. This can be useful because, while it is helpful to know, for example, the total the government has spent or plans to spend on education as set out in the functional classification, it is also important

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to know on what those education funds are being spent (which would be provided in an economic classification): teachers' salaries, textbooks, construction of classrooms, etc.

The Egyptian budget uses what the government calls a "dual classification" for much of the budget; that is, presentations of the budget that combine economic, functional, and administrative classifications in various ways. The administrative classification combined with a functional classification enables a reader to see how much is spent, for example, on the function "health," and out of the total spent on health, how much is spent by the Ministry of Health central administration, by hospitals, by health centers, etc.

Let's take a look at how the economic classification is integrated with the functional classification for health, using General Expenditures as the starting point, and working down to chapters, groups and items.

As you can see in Table 4.6, the 10 functions in the functional budget are listed vertically in the first two columns, while the six economic chapters under General Expenditures are set out horizontally. This table tells you, for example, how much is allocated for Wages and Compensation of employees who work for the function of health.

Table 4.6: General Expenditures by functional classification for FY 2013/2014 in millions LE*

Code	Description	Wages and Compensation of employees	Purchase of Goods and Services	Interest on Loans	Subsidies, Grants, and Social Benefits	Other Expenditures	Purchase of Non-Financial Assets (Investments)	Totals
700000000	Total General Expenditures	171,159	29,424	182,046	204,739	38,280	63,679	689,327
701000000	General Public Services	26,987	10,428	181,713	5,753	4,155	8,278	237,314
702000000	Defense and National Security	93	33	0	0	30,706	115	30,947
703000000	Public Order and Safety	27,172	1,972	0	398	958	1,981	32,481
704000000	Economic Affairs	12,485	3,343	181	3,983	891	15,278	36,160
705000000	Environmental Protection	591	520	0	7	11	331	1,460
706000000	Housing and Community Amenities	799	271	96	354	23	20,460	22,004
707000000	Health	18,393	6,175	21	2,631	589	4,928	32,736
708000000	Youth, Culture and Religious Affairs	15,289	1,552	1	2,033	533	4,407	23,815
709000000	Education	67,513	5,057	35	173	396	7,685	80,860
710000000	Social Protection	1,837	74	1	189,406	18	216	191,551

* In the actual budget document, the figures are shown in LEs, not millions of LEs. In other words, the budget would show 798,949,000 for Wages and Compensation under Housing and Community Amenities, not 799. This chart and those that follow use "millions of LEs" (rounded up) for the sake of simplifying the presentation of the budget.

In Table 4.7, what is presented in one column in Table 4.6, Wages and Compensation, is expanded to show the three groups that comprise Wages and Compensation: 1) Wages and allowance (cash and in-kind), 2) Insurance

benefits, and 3) Lump sums and reserves. This table goes even further in providing us with a breakdown of the items under each of these three groups. Again, the items were mentioned in the discussion on economic classification.

Table 4.7: Expenditures by Functional Classification for FY 2013/2014 in millions LE by detailed economic classification

Description	Chapter 1: Wages and Compensation of employees												
	Group 1: Wages and allowances (cash and in-kind)							Group 2: Insurance Benefits			Group 3: Lump Sum Wages and General Reserves		
	"Item 1: Perm. Jobs"	"Item 2: Temp. Jobs"	Item 3: Bonuses	Item 4: Allowances	Item 5: Cash Benefits	"Item 6: In-Kind Benefits"	"Group 1 Totals"	"Item 1: Gov. Share"	Item 2: Other	"Group 2 Totals"	Item 1: Lump Sum Wages	Item 2: Gen. Reserves	"Group 3 Totals"
Total General Expenditures	8,010	824	28,483	4,706	5,110	2,241	49,374	3,617	734	4,351	8,769	3,055	11,824
General Public Services	1,021	132	9,023	1,921	2,907	55	15,058	524	79	603	66	3,055	3,121
Defense and National Security	20	15	41	0.20	2	4	81	7	2	9	0	0	0
Public Order and Safety	3,436	6	9,470	886	957	2,026	16,782	1,383	339	1,723	8,608	0	8,608
Economic Affairs	472	64	1,284	306	175	48	2,350	222	45	267	1	0	1
Environment Protection	9	2	22	0.26	2	0.39	37	4	0.26	4	32	0	32
Housing and Community Amenities	41	9	89	2	15	8	164	18	2	20	0	0	0
Health	170	112	1,065	37	60	55	1,499	113	19	132	27	0	27
Youth, Culture and Religious Affairs	2,581	245	5,784	1,178	896	8	10,692	1,193	230	1,423	10	0	10
Education	231	237	1,593	374	85	37	2,557	145	16	160	25	0	25
Social Protection	29	2	112	0.30	11	0.47	154	8	2	10	0	0	0

Table 4.8 below “unpacks” a functional classification, providing greater detail about what is allocated or spent under one of the broad categories. The example we use is General Public Services. First, listed vertically are the subfunctions under General Public Services as they are set out in the Egyptian budget, and under the subfunctions, the administrative bodies (MDAs) responsible for realizing those functions. Thus you can see here a combination of an economic

classification, a functional classification, and, with the administrative bodies being listed, an administrative classification.

With this format, it would be possible to learn many things — for example, how much in total the General Office of the Ministry of Foreign Affairs spends on Wages and Compensation for its employees.

Table 4.8: General Expenditures by detailed functional classification

Code	Description	Wages and Compensation of employees	Purchase of Goods and Services	Interest on Loans	Subsidies, Grants, and Social Benefits	Other Expenditures	Purchase of Non-Financial Assets (Investments)	Totals
701000000	General Public Services							
701100000	Executive and Regulative Authorities and Public Financial Affairs and Foreign Affairs							
701110000	Executive and Regulative Authorities							
101001	Parliament	0.0	0.0	0.0	0.0	381.0	1.0	382
101003	Supreme Committee for Elections	6.9	3.0	0.0	0.0	0.1	3.0	13
102001	State Presidency	287.6	22.0	0.0	1.5	0.3	18.9	330
103001	Cabinet Presidency	129.1	9.6	0.0	0.1	0.0	8.8	148
.....								
701120000	Public Financial Affairs							
101004	Central Auditing Agency	0.0	0.0	0.0	0.0	995.0	7.8	1,002.8
106001	General Office of Ministry of Finance	1,200.6	46.8	0.0	71.0	0.1	45.3	1,363.6
106007	Department of Sales Tax	1,159.2	68.0	0.0	80.5	0.2	40.0	1,347.8
.....								
701130000	Foreign Affairs							
107001	General Office of Ministry of Foreign Affairs	2,008.9	357.0	0.0	181.3	2.5	70.9	2,621
.....								



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Table 4.9 below breaks out the economic classification categories (the horizontal), while using an administrative classification (without the subfunctions) of General Public Services. The same sort of expansion could be used for any of the other functional classifications. What

does it tell us? It tells us, as just one example, that out of the LE 1,021 million allocated to General Public Services for Permanent Jobs (item 1) (see also Table 4.7) how much went to which administrative bodies.

Table 4.9: Expenditures by Detailed Functional Classification and Detailed Economic Classification

Description	Chapter 1: Wages and Compensation of employees												
	Group 1: Wages and allowances (cash and in-kind)							Group 2: Insurance Benefits			Group 3: Lump Sum Wages and General Reserves		
	"Item 1: Perm. Jobs"	"Item 2: Temp. Jobs"	Item 3: Bonuses	Item 4: Allowances	Item 5: Cash Benefits	"Item 6: In-Kind Benefits"	"Group 1 Totals"	"Item 1: Gov. Share"	Item 2: Other	"Group 2 Totals"	Item 1: Lump Sum Wages	Item 2: Gen. Reserves	"Group 3 Totals"
General Public Services													
Parliament	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Administrative Control Authority	17.2	0.2	181.4	0.8	5.8	10.5	215.9	7.7	0.9	8.6	0.0	0.0	0.0
Supreme Committee for Elections	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.9	0.0	6.9
State Presidency	13.9	3.5	230.0	1.4	5.5	24.5	278.8	8.2	0.6	8.8	0.0	0.0	0.0
Specialized National Councils	0.8	0.1	3.7	0.0	0.3	0.9	5.7	0.4	0.0	0.4	0.0	0.0	0.0
Cabinet Presidency	3.8	5.8	109.0	0.2	1.2	4.5	124.4	2.1	0.2	2.2	2.5	0.0	2.5
Central Agency for Organization and Admin.	13.7	1.4	110.3	0.1	5.0	0.2	130.7	7.1	0.6	7.7	0.0	0.0	0.0
Informationa and Decision Support Center	1.9	2.9	30.5	0.0	0.8	1.0	37.1	1.7	0.1	1.8	5.0	0.0	5.0
Central Auditing Agency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Office of Ministry of Finance	112.8	0.0	984.8	1.4	39.0	0.2	1,138.2	49.2	13.1	62.4	0.0	0.0	0.0
Department of General Tax	237.0	0.1	2,650.4	3.4	66.2	0.1	2,957.3	116.4	13.6	130.0	0.0	0.0	0.0
Department of Customs	104.5	0.3	1,209.0	1.3	37.8	2.5	1,355.4	54.1	3.9	58.0	0.0	0.0	0.0
Department of Sales Tax	88.0	0.2	979.9	0.8	30.3	0.0	1,099.2	55.9	4.1	60.0	0.0	0.0	0.0

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General Office of Ministry of Foreign Affairs	36.0	0.4	155.0	1,772.5	14.0	3.0	1,980.9	17.3	3.7	21.0	7.0	0.0	7.0
International Cooperation Department	3.6	0.1	1.4	0.0	1.3	0.0	6.5	1.0	0.0	1.0	35.0	0.0	35.0
National Planning Institute	2.7	5.8	13.8	1.1	1.0	0.1	24.5	1.8	0.5	2.3	0.0	0.0	0.0
Central Agency for Public Mobilization and Statistics	26.6	4.4	95.9	0.2	9.8	0.2	137.0	13.2	1.6	14.8	0.0	0.0	0.0
National Research Institute	33.7	71.2	205.2	98.0	10.6	1.8	420.6	16.5	3.5	20.0	0.0	0.0	0.0
Petroleum Research Institute	5.0	8.4	31.3	7.2	1.8	0.2	54.0	2.3	0.2	2.5	0.0	0.0	0.0
General Office of Ministry of Local Development	1.1	0.2	4.1	0.0	0.4	0.4	6.2	0.6	0.2	0.7	0.0	0.0	0.0

The combined information provided in such “dual classification” tables can be quite revealing, as the following figures show.

Figure 4.9 provides a picture of how the six chapters under General Expenditures (that is,

drawing on an economic classification) are allocated for one function, health, (using the functional classification) in the FY2013/14 budget. Figure 4.10 below provides a similar picture for education.

Figure 4.9: Distribution of Health Budget General Expenditures by Economic Chapter FY2013/14 Allocation Budget

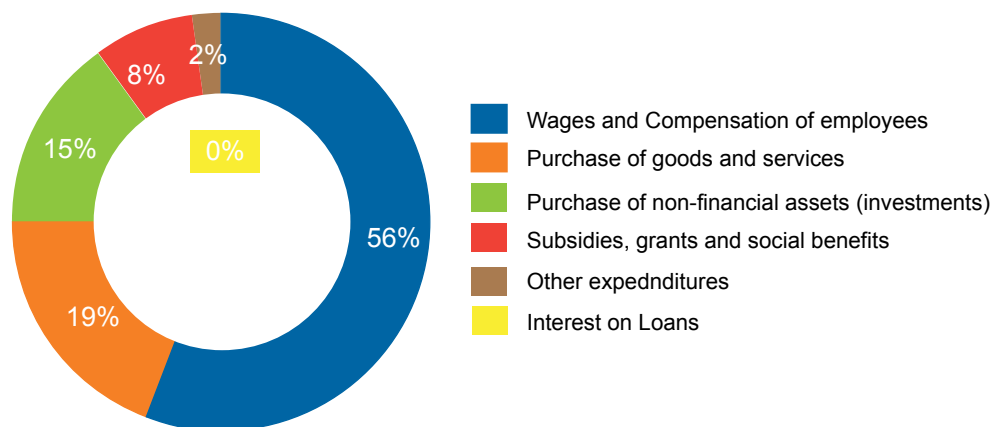
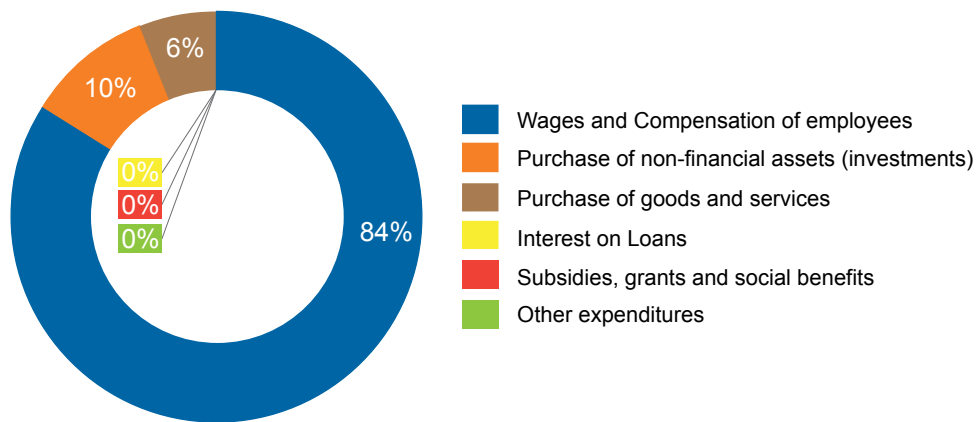


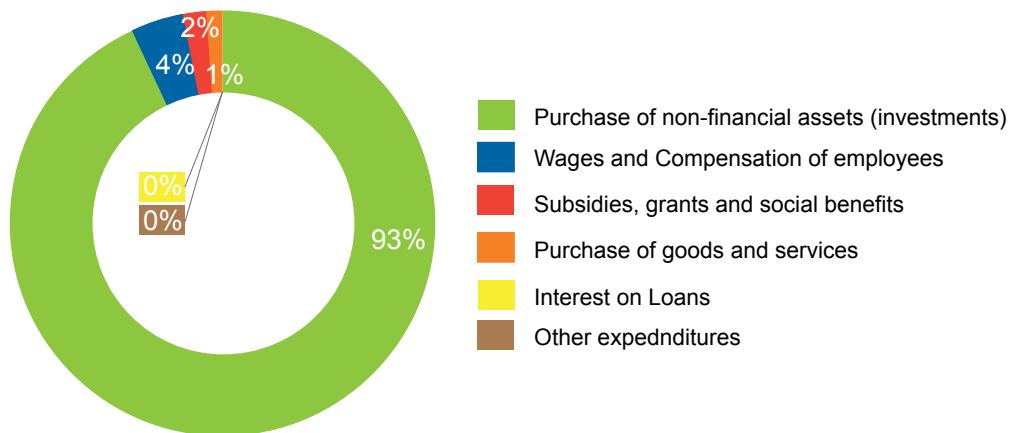
Figure 4.10: Distribution of Education Budget General Expenditures by Economic Chapter 2013/14
Allocated Budget



These two pie charts tell us quickly what we would likely conclude if we thought a bit about the sectors: Wages and Compensation make up the largest share of the budgets in these two areas (56 percent and 84 percent, respectively), because both rely heavily on personnel to provide the services (health providers and teachers).

By contrast, in the following chart for housing (Figure 4.11), we can see that the major share of the allocations (93 percent) goes to chapter 6 (Purchase of nonfinancial assets, investments).

Figure 4.11: Distribution of Housing General Expenditures by Economic Chapter 2013/14
Allocated Budget



One last point on budget presentations of allocations and expenditures. As has been already mentioned, the Egyptian state budget includes revenue derived from the Central Administration, Local Administration, and Service Authorities. Chapter 2 of this guide included a table that shows an economic classification with columns for information on how much out of total

revenues and total expenditures comes from each of these three budgets. Using information from actual tables in recent budgets, we can develop a picture of expenditures in the three components of the budget over the course of four years. As you can see in Figure 4.12, Central Administration spends 77 percent of the budget, while around 14 percent is spent at the Local Administration level, and 9 percent by Service Authorities.

Figure 4.12: General Expenditures by Administration Levels, FY2010/11-FY2013/14

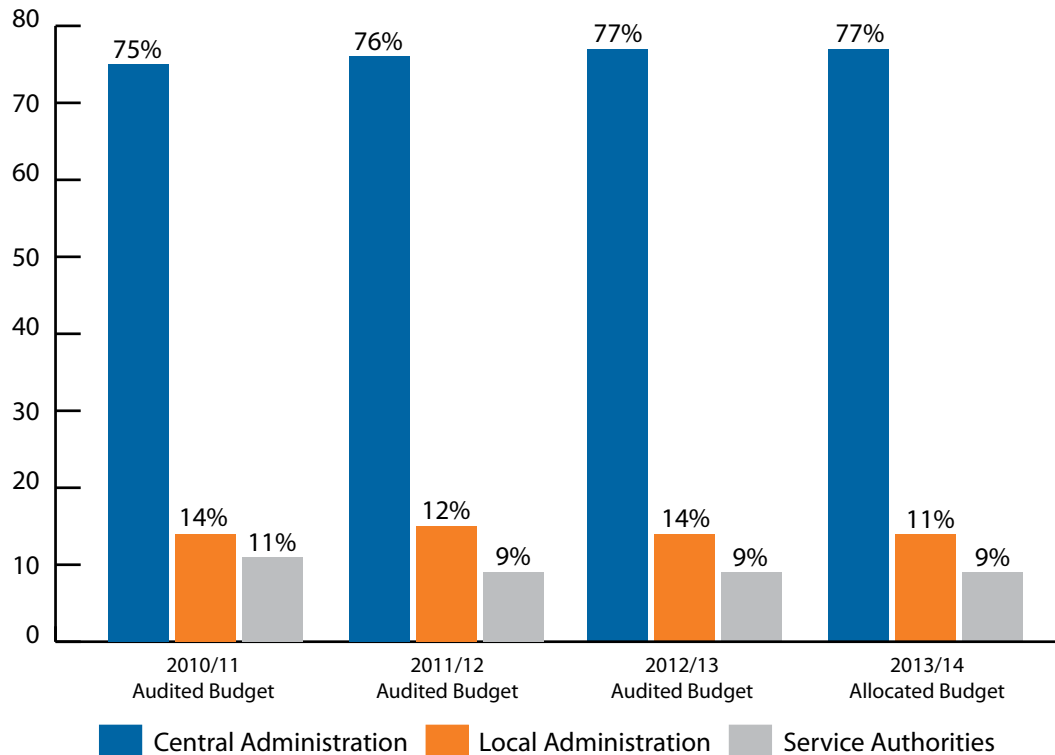


Table 4.10 shows this same information in table form.

Table 4.10: General Expenditures by Administration Levels, FY2010/11 – FY2013/14

Line Item	In millions LE				In percentages			
	2010/11	2012/13 Audited Budget	2011/12 Audited Budget	2010/11 Audited Budget	2010/11	2011/12	2012/13	2013/14
Central Administration	299,815	356,121	454,599	527,354	75	76	77	77
Local Administration	58,004	70,908	81,296	97,535	14	15	14	14
Service Authorities	44,048	43,963	52,292	64,438	11	9	9	9
Total General Expenditures	401,866	470,992	588,188	689,327	100	100	100	100

A final note on this: Each of the 10 functions in the functional classification includes MDAs based in Central Administration, Local Administration, and Service Authorities. The only exceptions are Defense (Function 2), Public Order and Safety (Function 3), and Environmental Protection

(Function 5). While certain aspects of these functions may be undertaken at the Local Administration level, their budgets are classified only under either Central Administration or Service Authorities.

Annex A: Glossary of Key Budget Terms

A	
Actual (vs. Estimate)	An actual amount paid or incurred (expenditure) and collected (revenues), as opposed to an estimated amount. Audit reports present actual expenditures/revenues, as opposed to the estimates provided in the budget proposal and enacted budget. See also Estimate.
Dual Classification	This classification lists the Functions, Ministries, Departments and Agencies within each function vertically with the economic classification horizontally across. This classification enables a more detailed track of expenditures and indicates by function which government entity (MDA) will be spending funds and ultimately be held accountable for their use.
Allocation	A sum of money designated for a specific use by the government.
Amended Budget	During the fiscal year, changes in the Resources and Uses of budget may be made compared to the original budget that was approved at the beginning of the year. This requires a set of procedures and official regulations to do the changes. It ultimately requires legislative approval.
Amendment Power	The legal power of the legislature to modify the draft budget proposed by the executive. Such power can vary significantly depending on the legal framework of a specific country: from no restriction on the right of the legislature to modify the budget to complete restriction of the right of the legislature to modify the budget (in the latter case, the legislature only has the power to approve or reject the budget).
Appropriation	An authority granted to the executive by the legislature to spend public funds up to a set limit for a specified purpose. Annual appropriations are made through annual budget laws, or in some countries, separate appropriation acts consistent with the budget. Supplementary budget appropriations are sometimes granted subsequent to the annual law if the annual appropriation is insufficient to meet the specified purpose. See also Supplementary Budget.



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Arrears (or Payment Arrears)	A type of debt that accrues as a result of the government's failure to make payments that are due by a specific date in a contract or within a normal period for a given transaction, i.e., bills from suppliers and service providers, salaries, transfers, debt service, etc. These payments must eventually be made, and therefore contribute to the country's debt stock. For example, if the government hires a contractor to build a road in a given fiscal year, but is unable to pay the contractor in that same year, this becomes an expenditure arrear that must be paid the following year (often with interest).
Asset	Government assets are things of value that the government owns or controls. Assets can include physical assets (such as land, buildings, and machinery) and financial assets (such as cash, bonds, or equities). Unlike private sector businesses, few governments maintain balance sheets that take into account the value of their assets and liabilities; however, many governments keep asset registries that list physical assets. Financial assets are usually tracked as part of the debt management process.
Audit	An audit is an official, expert examination of a government's public accounts. Through such an inspection, an auditor can check on the legal and financial compliance of the government's public financial management practices or its performance. Audits can either be internal (i.e., done by an office/entity within the audited agency/department) or external (i.e., done by an independent entity to meet statutory obligations and to assure the integrity of information provided in the government's reports).
B	
Budget	A comprehensive statement of government financial plans including expenditures, revenues, deficit or surplus, and debt. The budget is the government's main economic policy document, indicating how the government plans to use public resources to meet policy goals. As a statement of fiscal policy, the budget shows the nature and extent of the government's impact on the economy. The budget is prepared by the executive and then generally is submitted to the legislature to be reviewed, amended, and adopted as law. The budget preparation process begins many months before the start of the fiscal year covered by the budget, so that it can be enacted into law before the fiscal year begins.
Budget Cycle	The period of time in which a country's budget is formulated, approved, executed, and audited. It is made up of four stages: formulation, when the executive branch puts together the budget proposal; discussion/approval, when the legislature debates, alters, and approves the budget; execution, when the government implements the budget; and audit, when the supreme audit institution and the legislature account for and assess the expenditures made under the budget.


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C	
Capital Expenditure (vs. Recurrent Expenditure)	Funds spent for the acquisition of a long-term asset; the total spending on such asset would be divided over several years. This includes expenditure on equipment, land, buildings, legal expenses, and other transfer costs associated with property. See also Recurrent Expenditure.
Consumer Price Index (CPI)	Measure that reflects the price of a representative basket of consumer goods and services (i.e., goods and services that an ordinary citizen would need to spend money on and consider as their daily living expenses). It is used to measure the impact of inflation on the average consumer.
Contingency Fund (or Contingency Reserve)	A fund or a budget provision set aside within the annual budget total to be allocated at a later time and designed to meet unforeseen changes in external circumstances that require urgent expenditures (e.g., emergencies such as natural disasters). Their specific allocation might not require further legislative approval during budget execution (i.e., once the emergency takes place).
D	
Debt	The accumulated amount of money that the government owes. It can be internal or external (i.e., debt owed to creditors outside of a country, including debt owed to private commercial banks, other governments, or international financial institutions such as the World Bank and International Monetary Fund).
Deficit, Cash	The difference between general expenditure (the first 6 chapters of uses) and general revenue (the first 3 chapters of Resources) in a given budget year.
Deficit, Total	The Cash Deficit plus Net Financial Acquisition.
Deficit, Primary	Total Deficit minus Loan Interests.
Deficit, Actual / Financing Needs	The Total Deficit minus Net Privatization Income plus Loan Payments.
E	
Economic Classification	The classification of expenditures and assets according to the economic transactions involved or in ways that emphasize the economic nature of the transactions (salaries, interest, transfers, etc.).
Estimate (vs. Actual)	An approximation or prediction of the cost of activities, programs, projects, etc. as well as estimated revenues prepared for budgeting and planning purposes only. The executive's budget proposal and enacted budget are made up of estimates. See also Actual.
Expenditure	Funds that the government spends to meet its obligations and to achieve different national objectives.


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Extra-Budgetary Funds	Special funds owned by the government that are not part of the regular budget. The spending of such funds may take place according to different rules and not under the authority of the annual appropriation act. Such funds may receive revenues from earmarked taxes, possibly together with other sources, such as fees and contributions from the general revenue fund. See also Off-Budget Expenditure.
F	
Fiscal Year (also Budget Year)	A period of 12 consecutive months during which a government carries out its budget operations (revenue collection and budget implementation) according to what was agreed on and approved in the budget for that particular year. This 12-month period must be taken into account for taxing and accounting purposes. It may or may not coincide with the calendar year (January to December).
Functional Classification	A classification system that organizes government expenditure according to its various activities and policy objectives in different sectors, e.g. health, education, agriculture. This system is independent of the administrative units (i.e., ministry, department, or agency) that carry out the transactions. More than one ministry can contribute to a sector.
G	
Grants	Transfers made in cash, goods, or services for which no repayment is required by the government.
Gross Domestic Product (GDP)	Total value of final goods and services produced in a country during a calendar year. GDP per person – total GDP divided by the population – is the simplest overall measure of income in a country. The change in GDP from one year to another, if positive, is a measure of economic growth.
GDP Per Capita	GDP divided by total population. It is the simplest measure of comprehensive income in the country
I	
Intergovernmental Transfers	Transfers of funds from one level of government (usually the central government) to lower levels. In many countries, they are a significant source of revenue for subnational governments. The design of these transfers is critical for the efficiency and equity of local service provision and the fiscal health of subnational governments.
Inflation	Change in money value with time to be less. Where the number of currency units needed to buy the same commodity increases with time.
L	
Loans	Transfers for which repayment is required by the government.


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M	
Macroeconomic Framework	Assumptions or projections concerning economic growth, the fiscal surplus or deficit, the balance of payments, the exchange rate, inflation, credit growth and its share between the private sector, policies on external borrowing, and other macroeconomic estimates.
N	
Nominal Value (vs. Real Value)	Any price or value expressed simply in monetary terms (i.e., in units of a currency) at a particular time. Nominal value does not take into account the effect of changes in the value of money over time (inflation). Government budgets are in nominal terms and do not adjust totals for inflation. See also Real Value.
Net Financial Acquisitions	Is what the government paid for acquisition of domestic and foreign financial assets (without the contribution paid for companies restructuring) less the proceedings from lending and sales of financial assets (without the proceedings of privatization).
Net Privatization Income	Proceedings from privatization less the contribution paid for companies restructuring.
O	
Off-Budget Expenditure	Government transactions that are not included in the annual budget (e.g., direct loans, guarantees, and public-private partnerships, among others). See also Extra-Budgetary Funds.
R	
Real Value	A measure of the purchasing power of money that takes into consideration changes in the value of money over time (inflation). See also Nominal Value.
Recurrent Expenditure	Expenditure that does not result in the acquisition of long-term assets. It consists mainly of expenditure on salaries, goods and services, etc. See also Capital Expenditure.
Resources	A government's total annual amount of available resources, i.e., its income collected from taxes on salaries, company profits, sales, etc., as well from loans and foreign aid.
T	
Tax Burden	The impact that various taxes would have on different sectors of the population. For example, once income tax, value-added tax, and all other economic adjustments have been taken into consideration, what sector of the population is bearing the greatest cost of paying taxes?


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U	
Underfunding	When a sphere of government, department, ministry, or agency is not provided with the funds it needs to perform its functions or fulfill its mandate. Underfunding is a relative term and should be evaluated in relation to time, other implementing units at the same level of government or with a similar mandate, and responsibilities or legal obligations.
Underspending	When a sphere of government, department, ministry, or agency does not spend all of the money it has been allocated during the course of the financial period in which the funds were meant to be spent.
V	
Virement	The process of shifting an expenditure from one line item to another during the budget year. To prevent misuse of funds, spending agencies must normally go through approved administrative procedures to obtain permission to make such a transfer.
W	
Wastage	When a government agency or program is not producing the best/most outputs with the funds that it has been allocated.

Annex B: Economic Classification for Uses

Code					Description
		Chapter	Group	Item	
2	0	0	0	0000	Uses
2	1	0	0	0000	General Expenditures
2	1	1	0	0000	Wages and Compensations
2	1	1	1	0000	Wages and Allowances (cash and in-kind)
2	1	1	1	0100	Permanent Jobs
2	1	1	1	0200	Temporary Jobs
2	1	1	1	0300	Bonuses
2	1	1	1	0400	Specific Allowances
2	1	1	1	0500	Cash Benefits
2	1	1	1	0600	In-Kind Benefits
2	1	1	2	0000	Insurance Benefits
2	1	1	2	0100	Government (as Employer) share in Employees' Social Insurance
2	1	1	2	0200	Other Insurance Benefits
2	1	1	3	0000	Lump Sum Wages and General Reserves
2	1	1	3	0100	Lump Sum Wages
2	1	1	3	0200	General Reserves for Wages
2	1	2	0	0000	Procurement of Goods and Services
2	1	2	1	0000	Goods
2	1	2	1	0100	Raw Materials
2	1	2	1	0200	Operating Fuel and Oils
2	1	2	1	0300	Fuel and Oils for passenger cars


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2	1	2	1	0400	Spare Parts and Supplies
2	1	2	1	0500	Packaging and packing materials
2	1	2	1	0600	Stationary and books
2	1	2	1	0700	Water and Lighting
2	1	2	1	0800	Miscellaneous commodities' requirements
2	1	2	1	0900	Purchases for resale
2	1	2	2	0000	Services
2	1	2	2	0100	Maintenance Expenses
2	1	2	2	0200	Publishing, advertising, Publicity and reception
2	1	2	2	0300	Printing , periodicals and Copyright expenses
2	1	2	2	0400	Public transportation
2	1	2	2	0500	Post and communication
2	1	2	2	0600	Rent
2	1	2	2	0700	Expenses of organizing exhibitions , and conferences
2	1	2	2	0800	Costs of cultural relations and foreign cooperation
2	1	2	2	0900	Costs of researches, developments and training of employees
2	1	2	2	1000	Miscellaneous service expenses
2	1	2	3	0000	Lump Sum Goods and Services, and General Reserves
2	1	2	3	0100	Lump Sum Goods and Services for Special Accounts and Funds
2	1	2	3	0200	General Reserves for Goods and Services
2	1	3	0	0000	Interest
2	1	3	1	0000	Foreign
2	1	3	1	0100	Foreign Interests (To Non-Residents)
2	1	3	2	0000	Domestic
2	1	3	2	0100	Other Than Government Units
2	1	3	2	0200	Government Units
2	1	3	3	0000	Lump Sum Interest and General Reserves
2	1	3	3	0100	Lump Sum Interest
2	1	3	3	0200	General Reserves for Interest
2	1	4	0	0000	Subsidies, Grants and Social Benefits
2	1	4	1	0000	Subsidies


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2	1	4	1	0100	To Non-Financial Establishments
2	1	4	1	0200	To Financial Establishments
2	1	4	2	0000	Grants
2	1	4	2	0100	To Foreign Governments
2	1	4	2	0200	To International Organizations
2	1	4	2	0300	To Public Government Units
2	1	4	3	0000	Social Benefits
2	1	4	3	0100	Social Security
2	1	4	3	0200	Social Assistance
2	1	4	3	0300	Services expenses for non-employees
2	1	4	3	0400	Social benefits for employees
2	1	4	4	0000	Lump Sum Subsidies and Grants, and General Reserves
2	1	4	4	0100	Lump Sum Subsidies and Grants
2	1	4	4	0200	General Reserve for Subsidies and Grants
2	1	5	0	0000	Other Expenditures
2	1	5	1	0000	Current
2	1	5	1	0100	Tax and Fees
2	1	5	1	0200	Subscriptions
2	1	5	1	0300	Miscellaneous
2	1	5	2	0000	Lump Sum General Expenditures and General Reserves
2	1	5	2	0100	Lump Sum Other Expenditures
2	1	5	2	0200	General Reserves for Other Expenditures
2	1	6	0	0000	Purchase of Non-Financial Assets (Investments)
2	1	6	1	0000	Fixed Assets
2	1	6	1	0100	Direct Investment
2	1	6	1	0200	Expenses of first operating cycle
2	1	6	2	0000	Non-Produced Assets
2	1	6	2	0100	Natural Assets
2	1	6	3	0000	Other Non-Financial Assets
2	1	6	3	0100	Miscellaneous

2	1	6	4	0000	Lump Sum Purchase of Non-Financial Assets and General Reserves
2	1	6	4	0100	Lump Sum Purchase of Non-Financial Assets
2	1	6	4	0200	General Reserves for Purchase of Non-Financial Assets
2	2	0	0	0000	Acquisition of Financial Assets
2	2	7	0	0000	Acquisition of domestic and foreign financial assets
2	2	7	1	0000	Acquisition of domestic financial assets
2	2	7	1	0100	Securities other than shares
2	2	7	1	0200	Lending
2	2	7	1	0300	Shares and Other Equity
2	2	7	1	0400	Treasury contribution in the fund of restructuring finance
2	2	7	2	0000	Acquisition of foreign financial assets
2	2	7	2	0100	Securities other than shares
2	2	7	2	0200	Lending
2	2	7	2	0300	Shares and Other Equity
2	2	7	3	0000	Lump Sum Acquisition of domestic and foreign assets, and General Reserves
2	2	7	3	0100	Lump Sum Acquisition of domestic and foreign assets
2	2	7	3	0200	General Reserves for Acquisition of domestic and foreign assets
2	3	0	0	0000	Loans Repayment
2	3	8	0	0000	Domestic and foreign loans Repayment
2	3	8	1	0000	Loans Repayment and amortization of domestic securities
2	3	8	1	0100	Domestic Amortization of securities other than shares
2	3	8	1	0200	Domestic Loans Repayment
2	3	8	1	0300	Other Outstanding Arrears
2	3	8	2	0000	Loans Repayment and amortization of foreign securities
2	3	8	2	0100	Foreign Amortization of securities other than shares
2	3	8	2	0200	Foreign Loans Repayment
2	3	8	3	0000	Lump Sum Loans Repayment and General Reserves
2	3	8	3	0100	Lump Sum Loans Repayment
2	3	8	3	0200	General Reserves for Loans Repayment

Annex C: Economic Classification for Resources

Code					Description
		Chapter	Group	Item	
1	0	0	0	0000	Resources
1	1	0	0	0000	General Revenues
1	1	1	0	0000	Taxes
1	1	1	1	0000	Taxes on Income, Profits and Capital Gains
1	1	1	1	0100	Tax on income generated from employment
1	1	1	1	0200	Income tax on activity other than Employment
1	1	1	1	0300	Capital gains tax
1	1	1	1	0400	Taxes on corporate profits
1	1	1	1	0500	Miscellaneous
1	1	1	2	0000	Property Taxes
1	1	1	2	0100	Recurrent Taxes on property
1	1	1	2	0200	Taxes on financial and capital transactions
1	1	1	2	0300	Taxes and fees on cars
1	1	1	3	0000	Taxes on Goods and Services
1	1	1	3	0100	Sales tax on goods
1	1	1	3	0200	Sales tax on services
1	1	1	3	0300	Excises on domestic Goods (Table 1 Goods)
1	1	1	3	0400	Excises on imported Goods (Table 1 Goods)
1	1	1	3	0500	Taxes on Specific Services
1	1	1	3	0600	Stamp tax (excluding stamp tax on salaries)


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1	1	1	3	0700	Resources Development fees
1	1	1	3	0800	Taxes on use of goods and on permission to use goods or perform activities
1	1	1	4	0000	International Trade Taxes
1	1	1	4	0100	Customs and other import duties
1	1	1	4	0200	Other Taxes on international trade
1	1	1	5	0000	Other Taxes
1	1	1	5	0100	Paid solely by business
1	1	2	0	0000	Grants
1	1	2	1	0000	Grants from foreign governments
1	1	2	1	0100	Current Grants
1	1	2	1	0200	Capital Grants
1	1	2	2	0000	Grants from international organizations
1	1	2	2	0100	Current Grants
1	1	2	2	0200	Capital Grants
1	1	2	3	0000	Grants from other general government units
1	1	2	3	0100	Current Grants
1	1	2	3	0200	Capital Grants
1	1	3	0	0000	Other (non-tax) Revenue
1	1	3	1	0000	Property income
1	1	3	1	0100	Interests
1	1	3	1	0200	Dividends
1	1	3	1	0300	Rent
1	1	3	1	0400	Other Property income
1	1	3	2	0000	Sales of goods and services
1	1	3	2	0100	Administrative fees for Services
1	1	3	2	0200	Revenue of sold Goods
1	1	3	3	0000	Compensations and penalties
1	1	3	3	0100	Fines, penalties, and forfeits
1	1	3	4	0000	Voluntary transfers other than grants
1	1	3	4	0100	Current


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1	1	3	4	0200	Capital
1	1	3	5	0000	Miscellaneous and unidentified revenue
1	1	3	5	0100	Current
1	1	3	5	0200	Capital
1	2	0	0	0000	Proceeds from Acquisition
1	2	4	0	0000	Receipts of lending and sales of financial assets
1	2	4	1	0000	Domestic Receipts
1	2	4	1	0100	Sales of securities other than shares
1	2	4	1	0200	Premiums outcome of lending
1	2	4	1	0300	Sales of shares and other equity (Excluding privatization)
1	2	4	1	0400	Privatization
1	2	4	2	0000	Foreign Receipts
1	2	4	2	0100	Sales of securities other than shares
1	2	4	2	0200	Premiums outcome of lending
1	2	4	2	0300	Sales of shares and other equity
1	2	4	3	0000	Receipts from special Accounts and Funds
1	2	4	3	0100	Receivables from special accounts and funds
1	3	0	0	0000	Financing sources
1	3	5	0	0000	Borrowing & issuance of securities other than shares
1	3	5	1	0000	Domestic
1	3	5	1	0100	Issuance of securities other than shares
1	3	5	1	0200	Borrowing
1	3	5	2	0000	Foreign
1	3	5	2	0100	Issuance of securities other than shares
1	3	5	2	0200	Borrowing
1	3	5	3	0000	Borrowing from special accounts and funds
1	3	5	3	0100	Borrowing from special accounts and funds

Annex D: Functional Classification for State Budget

01 General Public Services		
	1	Executive and Regulative Authorities and Public Financial Affairs and Foreign Affairs
	2	Foreign Economic Aid
	3	General Services
	4	Essential Researches
	5	Research and development in the field of public services
	6	General public services unclassified elsewhere
	7	Public Debt Transactions
	8	General Transfers between the various levels of government
02 Defense and National Security		
	1	Military Defense
	5	Defence Affairs unclassified elsewhere
03 Public Order and Safety		
	1	Police Services
	2	Fire Protection Services
	3	Courts
	4	Prisons
	5	Research and development in the field of public order and safety
	6	Public Order and Safety unclassified elsewhere
04 Economic Affairs		
	1	Economic and Trade Affairs and General Labor-Force affairs
	2	Agriculture, Forestry, Land and Hunting Maritime Fishing
	3	Fuel and Energy
	4	Mining and Transformation Industry
	5	Transportation (Land, Marine, Railway and Air)

	6	Communications
	7	Other Industries
	8	Research and development in the field of economic affairs
	9	Economic Affairs unclassified elsewhere
05	Environmental Protection	
	1	Disposal of Waste
	2	Discharge of Sewage
	3	Pollution Reduction
	4	Protection of Biodiversity and Landscape
	5	Research and development in the field of environmental protection
	6	Environmental Protection unclassified elsewhere
06	Housing and Community Amenities	
	1	Housing Development
	2	Communities Development
	3	Water Supply
	4	Street Lighting
	5	Research and development in the field of Housing and Community Amenities
	6	Housing and Community Amenities unclassified elsewhere
07	Health	
	1	Products, Devices and Medical Equipment
	2	Outpatient Services
	3	Hospital Services
	4	General Health Services
	5	Research and development in the field of Health
	6	Health affairs unclassified elsewhere
08	Youth, Culture and Religious Affairs	
	1	Recreational and Sport Services
	2	Cultural Services
	3	Broadcasting and Publishing Services
	4	Religious and Other Community Services

	5	Research and development in the field of Youth, Culture and Religious Affairs
	6	Youth, Culture and Religious Affairs unclassified elsewhere
09	Education	
	1	Pre-University Education
	2	
	3	
	4	Higher Education
	5	Unidentified Level Education
	6	Assistance Services for Education
	7	Research and development in the field of Education
	8	Education affairs unclassified elsewhere
10	Social Protection	
	1	Sickness and Disability
	2	Aging
	3	Heirs
	4	Family and Kids
	5	Unemployment
	6	Housing
	7	Cash and In-Kind Benefits
	8	Research and development in the field of Social Protection
	9	Social Protection unclassified elsewhere

Annex E: Index of available tables in the Egyptian Budget

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Service Authorities Budget - Resources (Detailed Functional Classification with Aggregated and Detailed Economic classification) - Social Protection Sector

Annex F: Web links to Budget Data and IBP Publications

I) Local		
Ministry of Finance, Egypt	http://www.mof.gov.eg/english/pages/home.aspx	Budget Data/Documents
Ministry of Planning, Egypt	http://www.mop.gov.eg	Budget Data for Investments (Chapter 6 of Allocations Economic Classification)
Central Bank of Egypt	http://www.cbe.org.eg/English/	Monetary Policy, Research and Statistics
Central Agency for Public Mobilization and Statistics (CAPMAS), Egypt	http://capmas.gov.eg/?lang=2	Non-budget data like statistics for population, education, services, trade, transport, cultural statistic, etc...), it has also indicators (Social, demographic, tourism, foreign trade, etc...).
Central Agency for Organization and Administration, Egypt	http://www.caoa.gov.eg/Templates/Homepage.aspx?NRMODE=Published&NRNODEGUID={F9D55AAE-95FD-4B8C-901A-1F2CEFA2548A}&NRORIGINALURL=/Default&NR CACHEHINT=NoModifyGuest	Information about Egypt administrative body and number of employees.
The Egyptian Cabinet Information and Decision Support Center "IDSC"	http://www.idsc.gov.eg/default.aspx	Think Tank for the Egyptian Cabinet that has studies, research papers and policy briefs, public opinion polls, monthly bulletins for economic and social indicators, economy trends, etc....
II) International		
World Bank, Egypt	http://www.worldbank.org/en/country/egypt	World Bank projects in Egypt from 1947 to present. It also has development indicators, forecast and analysis of economic prospects as well as other non-budget data
International Monetary Fund, Egypt	http://www.imf.org/external/country/EGY/index.htm	Egypt Financial transactions and position with the Fund
IBP Publications	http://internationalbudget.org/library/publications/	Newsletter, Budget Briefs, Policy Notes, "How-to" Guides, Reports and Key Papers, and Impact Case Studies from around the world
IBP Open Budget Survey	http://internationalbudget.org/what-we-do/open-budget-survey/	Independent, comparative and regular measure of budget transparency and accountability around the world.

Budgetary and Human Rights Observatory (BAHRO)

BAHRO analyzes the state budget from a rights perspective and provides documentation of violations of socio-economic and cultural rights.

bahroegy@bahroegy.org
www.bahroegy.org

International Budget Partnership (IBP)

The International Budget Partnership collaborates with civil society around the world to use budget analysis and advocacy as a tool to improve effective governance and reduce poverty.

info@internationalbudget.org
www.internationalbudget.org

www.internationalbudget.org
www.bahroegy.org

Further Reading

Guide to Budget Work for NGOs

<http://internationalbudget.org/publications/a-guide-to-budget-work-for-ngos/>

Grassroots Mobilization for Budget Advocacy

<http://internationalbudget.org/publications/grassroots-mobilization-for-budget-advocacy/>

Social Audits as a Budget Monitoring Tool

<http://internationalbudget.org/publications/social-audits-as-a-budget-monitoring-tool/>



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Budgetary and Human Rights Observatory