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AN ASSESSMENT OF EGYPT'S BUDGETARY INSTITUTIONS

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Abstract

This paper assesses the effectiveness of Egypt's budgetary institutions in achieving long-term fiscal sustainability in light of growing literature. The paper finds that while the budgetary process in Egypt is clearly-defined and its rules are closely followed, there is a need for several reforms. These include imposing limits on public expenditure, shifting from yearly to multiyear budgeting, and making budgetary information more accessible to the public.

ملخص

تهدف هذه الورقة إلى تقييم مدى فعالية مؤسسات الموازنة العامة في مصر من حيث تحقيق الاستدامة المالية في الأجل الطويل، وذلك استنادا إلى الخبرات الدولية في هذا المجال. وتخلص الورقة إلى أنه على الرغم من أن عملية إعداد الموازنة في مصر تتسم بالوضوح والالتزام بقواعد محددة، إلا أن هناك حاجة إلى تبني مجموعة من الإصلاحات، ومنها فرض قيود على الإنفاق العام، والتحول من إعداد الموازنة سنويا إلى نظام الموازنة المعدة لعدة سنوات، وأخيرا إتاحة بيانات الموازنة للجمهور على نطاق واسع.

1. INTRODUCTION

Budgetary institutions are all the rules and regulations according to which budgets are drafted, approved and implemented. Therefore, budgetary outcomes depend on how well these rules are both created and observed. As pointed out by Schiavo-Campo and Tommasi (1999):

> "… the term 'institution' is used as a synonym for 'organization' … institutions are best understood as rules, and are thus distinct from the organizations that function under them. To use a sports analogy, the game of football is played better or worse depending on the players, but all players must adapt to the same rules; the 'institution' of football does not change unless the basic rules are changed (e.g., by allowing the use of hands)."

Such rules may be both formal (i.e., as defined in laws, regulations and operating manuals) and informal (i.e., often unstated but reflected in behavioral and cultural norms): the existence of strong informal rules can exert a powerful influence on the extent to which in practice the formal rules are complied with or not.

Very early in the development of budgeting, efforts were made to codify basic budgetary routines into a set of practical rules that should be followed by all governments, regardless of the political-legal-administrative framework within which budget activities are carried out. As Schick (1999) has noted:

> "These basic principles have been elaborated and refined over the years, but they have remarkable staying power. They include *comprehensiveness* (the budget should include all revenue and expenditure); *accuracy* (the budget should record actual transactions and flows); *annuality* (the budget should cover a fixed period of time, typically a single fiscal year); *authoritativeness* (public funds should be spent as authorized by law); and *transparency* (the government should publish timely information on estimated and actual expenditures)."

In fact, cross-country research has demonstrated that budgetary institutions matter greatly for outcomes – not only for the development and welfare impact of public expenditures, but for broader macro-fiscal sustainability.

The increased interest in the link between fiscal sustainability and budgetary institutions was partly spurred by the international financial crisis of 1997. Researchers in academia as well as those in international financial institutions found that the root fiscal causes of the crisis were the relative lack of transparency and accountability in the worst-affected economies in addition to the lack of short-term control of expenditures.[1] As a result, over the past few years, the agenda for fiscal reform in developing countries – which had earlier focused on consolidating budgets and improving the mechanisms for fiscal federalism and decentralization – has increasingly centered on fiscal transparency and accountability.

This recent emphasis on fiscal transparency and accountability goes beyond the more straightforward approach of short-term fiscal adjustment, which attempted to manage unsustainable flows by cutting discretionary public expenditures. Attempts to meet year-to-year fiscal imbalances by cutting real wages, subsidies, public investment or social expenditures have generally proved unsustainable. These cuts, arguably effective in the short run to 'balance the books,' are often reversed over the medium term due to political realities. In addition, urgent cuts often hurt longer-term growth and social welfare when they hinder the ability to meet underlying social and economic objectives. Government budgets exist mostly to collect revenues and deliver public services. Thus, budgetary reforms fail when the delivery of socially desirable services is undercut by inadequate funding, inefficiencies in budget processes and management systems, or poor incentives. The reform of budgetary institutions, therefore, aims to combine the maintenance of appropriate macro-fiscal balance and a serviceable stream of public debt, and the efficient and effective provision of public services.

Reforming budgetary institutions has a more medium-term scope. Such reforms focus on changing incentives in order to use the budget as a tool for realizing longer-term public policy goals. Institutional reforms also attempt to clearly analyze and set governance mechanisms for interactions among the key players in the budgetary process: the president, prime minister, finance minister and ministers responsible for spending programs within the executive branch, the judiciary, the legislature (and the various political and social constituencies they represent), and oversight bodies such as the supreme audit institution and various citizens' groups.

[1] See, for example, Marcel and Tokman (2001).

To improve the efficiency and stability of their budgets, many countries are implementing medium-term performance budgeting, which infuses budget formulation and execution with greater transparency and accountability for outcomes. With performance-budgeting, managers are held responsible for and their incentives are tied to the performance of their organizations, the use of budgetary funds and their effects are tracked, and subsequent budgets are dependent on achieving results. This wave of interest in more modern budget management techniques has not bypassed the Middle East and North Africa (MENA) region. Several Gulf countries, notably Bahrain and Qatar, are incorporating elements of performance budgeting in their budget management systems. Iran is in the middle of a multi-year budget reform program that aims to introduce performance-oriented budget preparation and execution. Other governments – including those in Jordan, Tunisia, Morocco and Egypt – have also expressed interest in moving toward performance-oriented budgeting to improve the efficiency and stability of their budgets (World Bank, 2003a).

This paper assesses the impact of Egypt's budgetary institutions on development, welfare and longer-term fiscal sustainability, and offers ideas to strengthen its budgetary institutions. It first takes a brief look at the literature that links such institutional reform to fiscal sustainability, laying out the broad empirical framework for how budgetary institutions affect fiscal outcomes. It then assesses Egypt's budgetary institutions in this context. Section 4 looks at international reform experiences to suggest approaches that might be adopted in Egypt. The final section offers some concluding remarks.

2. Budgetary Institutions and Fiscal Sustainability

The importance of good budgetary institutions has been known for decades, but literature on the specific link between fiscal sustainability and budgetary institutions is nascent. However, there is an emerging body of work, mostly from developed countries (including inter-state analyses for the US) that has emphasized the relationship between budgetary rules and fiscal outcomes. Good budgetary institutions, which address issues of transparency and accountability, assist the performance of economic authorities, while reducing their incentives to be fiscally irresponsible (see Rogoff, 1990).

It should be noted that "accountability" is not easy to define. It has been argued that the concept is inherently relative and requires specifying accountability to whom and for what purposes. In the MENA region, a recent World Bank report (World Bank, 2003a) defines accountability as a core value of good governance that rests on two pillars: transparency and contestability – the right to know and the right to contest. The report distinguishes between internal and external accountability. Internal accountability may include checks on the executive branch of government exercised by the judiciary or the legislature, or the monitoring and audit of government performance. External accountability is enhanced when the recipients of public services, or other groups of citizens, can hold service providers and policymakers accountable by means of elections or feedback mechanisms (World Bank, 2003a). Good budgetary institutions are critical for ensuring internal accountability and better service delivery outcomes. But the budget system is only as effective as the civil service that administers it. Civil service performance improves with greater external accountability, notably by empowering citizens to demand better public services.

Premchand (1999b) has attempted to define public accountability according to three broad areas: general, fiscal and managerial accountability: see Box 1.

Box 1. Concepts of Accountability

General Accountability Accountability for actions Sanctions where justification is not adequate Ability to revoke a mandate Public scrutiny of government actions Citizen participation in the design of programs
Fiscal Accountability Approval of policies and actions having financial implications by a representative body Approval of an annual or medium-term budget Framework to ensure that in the process of economic management no actions are taken to impair the fiscal capacity of the community
Managerial Accountability Appropriate rules are observed and budgetary authority is not abused Risks are taken within delegated powers to achieve objectives Responsibility for service delivery within specified cost, quality and time schedules Observance of economy and efficiency

Source: Premchand (1999b).

Campos and Pradhan (1997) identify key institutional arrangements that can potentially lead to an effective public expenditure management system (Table 1). These arrangements are organized around the following three basic objectives which are now widely accepted as fundamental to the tasks of government budgeting:

- **Aggregate fiscal discipline** requires that spending (and other budget) totals be set independently of and before decisions are made on the various components of the budget. Moreover, the aggregates must be sustainable over the medium- and long terms through policies and instruments that enable the government to maintain discipline year after year.

- **Allocative efficiency** requires controlling the elements of expenditure by sectors and programs consistent with the government's stated policy objectives.

- **Operational efficiency** requires economizing the operations of government by controlling items of expenditure (personnel, supplies, equipment, and so on) by government agencies, and ensuring that the services delivered meet the requirements of end users and consumers.

Table 1. Key Institutional Arrangements and Expenditure Outcomes

Institutional Arrangements	Accountability	Transparency
I. Aggregate fiscal discipline		
A. Macro framework and coordination mechanisms	*Ex-post* reconciliation	Published
B. Dominance of central ministries	Sanctions	Made public
C. Formal constraints	Openness of financial markets	Freedom of the press
D. Hard budget constraints		
E. Comprehensiveness of the budget		
II. Allocative efficiency		
A. Forward estimates	Reporting on outcomes	Published
B. Comprehensiveness of the budget	*Ex-post* evaluations	Freedom of the press
C. Flexibility of line agencies	Hard budget constraints	Made public
D. Breadth of consultations	Technical capacity of parliament	Comprehensible
E. Use of objective criteria		
III. Technical efficiency		
A. Civil service pay & merit-based recruitment/promotion	Clarity of purpose/task	Published
B. Managerial autonomy of line agencies	Chief executive tenure	Made public
C. Predictability of resource flow	Financial accounts, audits, client surveys, Contestability in service delivery	Freedom of the press

Source: Campos and Pradhan (1997).

At their simplest, good budgetary institutions provide the mechanisms to avert the so-called tragedy of the commons. If unconstrained by rules that are specifically designed to achieve a socially optimal outcome (a sustainable budget deficit), there are incentives for each of the agents who are part of the budget-setting process[2] to impose excessive demands on the budget by proposing unlimited spending on favored programs and projects. If all such proposals are accommodated, they would overwhelm the present and future resources of the economy.

The "commons" problem – which is essentially an issue of incentives – also impairs allocative efficiency by discouraging claimants from reallocating resources from lower to higher priority programs. Spenders get more by demanding incremental funds, not by volunteering to shift funds to more effective uses. Operational efficiency is also downgraded since the formal rules generally emphasize compliance and control, not managerial initiative and performance: such rules penalize managers for underspending not for underperforming.

To prevent such problems, many countries have created institutions that regulate how much discretion there is in planning budgetary expenditures, and that provide accountability for how well budgetary resources are spent. These institutions may range from those that are rigid and rules-based (such as balanced-budget amendments in some US states) to those that allow for more discretionary oversight (such as placing the Ministry of Finance in a position to arbitrate among competing demands). The institutional rules may be direct – as when the Parliament has the ability to question the executive on the efficacy of spending and to impose sanctions – or indirect, as when the availability of information to the legislature and public on budgetary process and outcomes promotes fiscal discipline.

Direct rules on budgetary prudence have been adopted in many countries, both developed and developing. For example, in the EU, all member countries have agreed to limit budget deficits to no more than 3 percent of their respective GDPs and debt-to-GDP ratios to no more than 65 percent.[3] Countries as dissimilar as Brazil and New Zealand have laws on fiscal responsibility that limit budget deficits by incorporating indicators and targets that the

[2] These agents are line ministries, legislators, lobbyists and special interest groups.

[3] However, this arrangement is currently coming under political stress because of the problems faced by some member states (e.g., France) in complying with the formal 3 percent of GDP requirement, and because of uncertainties about whether and in what form sanctions for non-compliance may be imposed.

government is legally bound to meet. Similarly, the constitutions of Colombia, Peru, the Philippines and Uruguay prevent parliaments from exceeding the president's proposed budget expenditure envelope. In Chile, the legislature can increase the proposed budget for individual items only if revenue sources can be identified (Andrews and Campos, 2003). In Tunisia, public spending systems, control of public funds, and the accountability arrangements for their use, are already quite strong, which bodes well for maintaining global fiscal discipline. But implementation of performance-based budgeting reforms, envisioned by the government, would call for a more supportive institutional environment in order to achieve (i) greater *comprehensiveness of the budget* to provide a common platform to compare different policy commitments; and (ii) a rolling *Medium-term Expenditure Framework* to help strengthen the overall fiscal framework and provide the necessary foundation for active public debt management (World Bank, 2003b).

Other indirect incentives to promote budgetary prudence are provided by mechanisms of increased transparency. After the 1997 financial crises, the International Monetary Fund (IMF) introduced revised codes of good practices on fiscal transparency (summarized in Annex 1), that state, most importantly, that "the public should be provided with full information on the past, current, and projected fiscal activity of government." The assumption, of course, is that full and open disclosure of the budgetary details will ensure that the government is accountable to the people for both the quantity and quality of its spending of public resources, including policy tradeoffs that are made within the budget.

According to Schick (1999), the key aspects of budgeting that affect expenditure outcomes are institutional arrangements; the types of information available for making and enforcing expenditure decisions; the incentives provided to spenders and controllers to behave in ways that promote desired outcomes; the issuance and implementation of substantive, *ex ante* budget rules; and ex post accountability for budget outcomes.

A familiar study of the relationship between budgetary institutions and fiscal outcomes by Alesina et al. (1999) shows that for Latin American countries, low budget deficits have resulted, in varying degrees, from three main institutional sources: laws (or binding constraints) that limit the permissible size of deficits; "top bottom" voting procedures that give one minister more power than others; and budget transparency. A recent econometric study by Alt and Lassen (2003) concludes that fiscal transparency leads to substantially lower fiscal deficits and debt accumulation in many countries. Their results suggest that “increasing fiscal transparency is an important element of improving fiscal performance, and that fiscal institutions really do affect fiscal outcomes.”

Another recent empirical study shows that the quality of budget institutions has a strong positive correlation with the quality of overall governance, both in MENA countries and in key comparator countries, including Brazil, Indonesia and the Republic of Korea (Esfahani, 2000). The causality runs in both directions. More effective budgetary arrangements contribute to better quality governance, and good governance matters to public sector performance. The better the overall quality of governance, the more likely that accountability arrangements related to the budget process will be effective. Better budgeting mechanisms make for better service delivery outcomes. The study also shows that MENA countries generally compare well with other countries in terms of linking planning and budgeting, using cost-benefit analysis, and managing budgetary flows. But they score considerably lower in the performance orientation of budgeting and the strength of internal accountability. These weaknesses result in inadequate attention to program implementation and monitoring, and, consequently, average service delivery performance.

As mentioned earlier, the EU and some Latin American and MENA countries have legal rules that ensure that the budget is prudently managed. The key idea is to ensure that the budget’s adherence to a medium-term macroeconomic program, or public borrowing limits, is determined *ex ante*. This differs from the common situation where the level of the fiscal deficit or the government’s borrowing requirement is the result of negotiations after decisions on the levels and composition of expenditure have already been made.

In terms of intra-government voting and veto procedures, budgetary discipline seems more correlated with institutions that give strong prerogatives to the government rather than the legislature during the approval stage of the budget. An important factor in many countries is the rules that determine in what areas, and to what extent, the legislature may amend the budget proposed by the executive.[4] Also, during negotiations within the executive branch itself, budgetary prudence is more assured if one minister (normally the finance minister) has veto power over the spending ministers. However, while veto power by the finance minister may improve overall budgetary prudence, it does not guarantee budgetary discipline by the spending ministries in the absence of an adequate incentive framework governing the behavior of government officials in the line ministries. Incentives may be strengthened through the development of a performance-budgeting system which, in favorable conditions, can be a helpful mechanism for promoting accountability.

Finally, it is well-understood that even the best laws and budgetary rules can be weakened if there is limited availability of information. Schick (1999) has pointed out that: "Information, like the 'commons,' is a constrained resource, not only because it costs money to produce and distribute, but because the amount of information that can be generated and considered in the compressed budget schedule is severely limited. Ignorance and information asymmetry are widespread behavioral conditions in contemporary budgeting, even in countries that have state-of-the-art expenditure management systems… It is to the advantage of the spenders to 'capture' budget makers by supplying information that enhances the probability that they will get what they want."

For institutional arrangements to be binding the mechanisms for compliance must be transparent. Mechanisms are also needed to hold the government and its ministries accountable for poor performance. If, for example, budget documents are unintelligible or unrelated to the real fiscal situation, or if the budget cannot be delivered because of weak control mechanisms, or does not provide adequate information on the transactions of state and local governments or public enterprises, fiscal prudence will suffer. Transparency and accountability mechanisms, therefore, work by imposing implicit costs on politicians and bureaucrats for violating rules. Several empirical studies for developed countries have highlighted the importance of transparency for achieving fiscal balance.[5]

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[4] In some countries, for example, any amendments proposed by the legislature must be fiscally neutral, i.e., they have zero net impact on the budget deficit. In other countries, the legislature cannot make changes to the revenue side of the budget or certain programs (e.g., defense) may be off-limits.

[5] See, for instance, Alesina, Marè and Perotti (1996) on Italy, and Tanzi (1995) on several other OECD countries.

3. Egypt's Budgetary Institutions: An Overview[6]

This section assesses the effectiveness of Egypt's budgetary institutions in achieving long-term fiscal sustainability. Following a description of Egypt's budgetary process, it examines the budgetary rules and procedures in Egypt from the perspectives of both transparency and accountability.

3.1 The Budgetary Process

Egypt has relatively well-developed budgetary institutions, with clearly delineated rules that are followed quite faithfully in the budget process. The 'rules of the game,' therefore, are clear and well-understood and implemented by the key players. In Egypt, the key players in the budgetary process include (i) the Prime Minister's Office, which is responsible for overall economic development and for setting sector priorities and the accompanying budget allocation, (ii) the Ministry of Planning (MOP), which prepares the investment budget; (iii) the Ministry of Finance (MOF), which is responsible for the preparation and implementation of fiscal and budget policies; and (iv) the line ministries, which are responsible for implementing sector policies within the budget resources allocated to them.

The fiscal year in Egypt runs from July 1 to June 30. The budget process has five main stages:

- <u>Negotiations:</u> Conducted at the working level among the governorates, line ministries, and the MOF, completed by end-December each year.
- <u>Consolidation:</u> Undertaken by the Cabinet – a draft consolidated budget is submitted to the People's Assembly (the legislature) by end-April.
- <u>Modification:</u> After discussions and modifications, final approval by the People's Assembly takes place prior to end-June.
- <u>Implementation:</u> Disbursing and monitoring of budget allocations occur over the course of the fiscal year.

[6] This section is based mainly on World Bank (2001).

- Review: Budget execution is reviewed by the Central Accounting Office (Egypt's supreme audit institution).

A key institutional issue during the budget negotiations stage is that the 'rules of the game' in Egypt do not involve setting budget envelopes or ceilings. Thus, the government spending agencies (ministries, economic authorities, and local authorities) prepare their proposed budgets without pre-specified limits within an overall fiscal envelope. Governorates' budgets are based upon individual proposals made by line ministry representatives in the governorates, coordinated with their respective central ministries.

Budget proposals prepared by the spending agencies are largely based on past budget allocations, updated by assumptions received from the MOF on movements in prices, wages, interest rates, unemployment, and so on, and prepared with the understanding that the proposed figures will be eventually pared down during negotiations. The governorates negotiate their budget proposals with the MOF in the presence of the line ministry representatives. Once negotiations with each of the governorates are completed, the line ministries prepare their overall consolidated budget.

As for the investment budget, no formal negotiations take place. The proposals of the line ministries are reviewed by the MOP and by the National Investment Bank (NIB), which acts as the financier for the investment budget. The MOP also initiates a number of projects on its own and is broadly guided in this process by the Five-Year Plan. Although the MOF's role in the preparation of the investment budget is mostly that of an observer, the NIB now reports to the Minister of Finance.

Inter-ministerial disagreements are resolved during the next stage, when the projections for the four budget chapters are consolidated into one document by the MOF. The key player is the Group of Economic Ministers, comprising the Ministers of Finance, Planning, and Foreign Trade, the Governor of the Central Bank of Egypt, as well as several other key ministers. The outcome is then presented to the full cabinet for approval.

At the People's Assembly, the budget is scrutinized by the Committee for Planning and Budgeting and specialized line committees. The committees also discuss the overall budgets of the governorates. All proposed amendments from assembly members must be channeled through these committees, and their approval requires the consent of the MOF and the line ministries. After this review, as specified in the constitution, the draft budget is submitted to the assembly which must approve the budget item by item or reject it. Prior to the vote, parliamentarians subject the Minister of Finance and the line ministries to intense questioning about each item of the budget. The budget is typically finalized by end-June, but in case of a delay (which is unusual), the monthly allocations of the previous year's budget are renewed on an interim basis.

Once approved, the budget execution is monitored and supervised by the MOF for all non-investment expenditures, and by the MOP and NIB for the investment expenditures. The MOF exerts *ex ante* control on all expenditures through its financial controllers, who have representatives in all spending agencies.

The Central Accounting Office (CAO) – which in recent years has been brought under the authority of the President rather than the People's Assembly – is responsible for the *ex post* review of the final budget accounts and reports its findings to the assembly. The process of reviewing the accounts and finalizing the expenditure estimates begins immediately upon the completion of the fiscal year in June. Before December, the line ministries forward their accounts to the MOF to be reviewed and finalized by end-February or early-March. The CAO audits these statements and prepares its own final report, which tends to focus on the accounting irregularities of spending agencies resulting from such measures as depreciation rules, the calculation of reserves, and the proper level of inventories, rather than on larger issues relating to the efficiency and effectiveness of budget execution and the delivery of public services. By end-March the official final accounts are sent by the MOF to the People's Assembly together with the final report of the CAO. These documents are then discussed by the People's Assembly.

3.2 Budgetary Rules and Procedures

Budgetary rules and procedures in Egypt have many strengths. For example, the role of the executive, legislative and judicial branches of government are clearly defined in the constitution, as are the roles and responsibilities of governorates, local authorities and other entities receiving funds from the budget. Moreover, the legal and administrative framework for the budget establishes sound basic principles of fiscal management including a strong emphasis on compliance, and steps have been taken to improve fiscal transparency and the regularity of general government financial operations. Budget and accounting data are compiled in a way that is comparable with IMF and other international standards. While long-term fiscal sustainability issues are not considered systematically in the budget process, certain key aspects are under review. For example, pension reform is a government reform priority and its related issues will increasingly be considered in the budget context. Finally, although tax laws are complex and offer many concessions and exemptions, the authorities are considering introducing a series of measures to streamline tax laws, reduce distortions and improve transparency. Such measures include, for example, unifying corporate tax laws, developing a new personal income tax law and rationalizing tax holidays and special tax regimes.

However, while the budgeting rules in Egypt have clarity, they do not necessarily promote longer-term fiscal sustainability, value for money in public expenditure or an integrated set of development objectives. The focus, instead, is mainly on managing short-term financial flows and achieving compliance with the law. The existing institutions rely fairly heavily on *discretion* rather than constraints with respect to public expenditures.[7] Six specific issues stand out when examining the existing budget system in Egypt:

Favoring discretion rather than rules

a) During budget negotiations there are no rules for setting overall budgetary envelopes. As a result, individual spending agencies do not prioritize their initial budgetary submissions, and instead rely on inflated 'wishlists' that they know will be pared down later during negotiations.

The budget circular does not provide budget envelopes or ceilings that would encourage line ministries to better identify their priorities. In countries that have undergone institutional fiscal reforms, these envelopes are provided by spending agencies following detailed negotiations at the Cabinet level, which attempt to contain expenditures within an overall spending ceiling as derived from an agreed medium-term expenditure framework (MTEF). An MTEF links medium-term planning and priority setting with the annual budget, and therefore links budgetary

[7] It should be noted, however, that a series of pilot studies are considering developing performance budgeting in selected ministries and agencies.

expenditures to socially desired outcomes. The sectoral allocations are generally the product of political compromise, but analytical work such as public expenditure reviews (PERs) can provide a basis for informed, less politically slanted decisions (Andrews and Campos, 2003).

Without such a budget envelope, line ministries have an incentive to prepare unconstrained budgets based upon perceived needs, with budget demands far exceeding the previous year's allocations. Ministries are asked to extrapolate their previous level of expenditures and make marginal adjustments for new initiatives. This process leaves little incentive for ministries to search for least-cost options and to seek long-term total cost effectiveness, which in turn delays the approval of the budget due to the extended negotiations needed to reach an acceptable outcome. In FY2000, for instance, the Ministry of Health and Population (MOHP) in Egypt finally received an approved budget that was about one-third of the requested budget.

b) During budget implementation there are extensive revisions to the budget over the course of the fiscal year, and there is limited correspondence with the budgets approved by the legislature at the beginning of the fiscal year.

In recent years, budgets in Egypt have been revised extensively in mid-year, new expenditures introduced, and other planned expenditures reduced. While this is a familiar procedure in many countries, such re-adjustments change the original priorities set by the legislative process and by the Cabinet, and may undermine the arduous negotiations and tradeoffs that took place in order for the budget to pass in the legislature.

As a result, incentives to treat the planned budget envelope as a hard budget constraint are relatively weak. Essentially, there are continuous budget negotiations based on new options and spending programs. For example, a new program of additional compensatory subsidies on basic commodities was introduced in September 2003 at a reputed cost of LE 1.4 billion. Historically, other programs have been initiated that advocate the creation of public sector jobs or the completion of investment projects. Again, data show that in FY1997 and FY1998, actual investment budget expenditures exceeded the planned budget by an average of about 65 percent, or over 2 percent of GDP.

Limited external accountability mechanisms

c) During budget preparation the budget is heavily debated in Parliament and the budget debate is televised. However, there is relatively little discussion or dissemination of the proposed budget documents outside the Parliament.

In the cases of Latin American and East Asian countries, accountability through greater transparency about budget priorities, especially those reflected in actual spending rather than planned expenditures, plays a large role in ensuring fiscal rectitude. In addition, the budget requires clearly-defined objectives, explicit expenditure allocations, and performance indicators that can be monitored.

In Egypt, detailed budgets are made available to Parliament, which engages in spirited televised debate on budget proposals. However, even after the budget has been approved by Parliament, it is only made available to the public at a relatively aggregated level. In theory, the budget can be made available at the discretion of the MOF if it is given a valid rationale as to why the requester needs access to the budgetary information. But even then it is not likely that the detailed budget will be made available. Even within the government itself, sections of the document are only available on a "need-to-know" basis.

d) After budget implementation, available data on actual expenditures are not sufficient to analyze the reasons for the deviations of actual spending from budgeted.

Upon completing the execution of the budget, most countries prepare a consolidated report on the actual expenditures of all budget entities, government revenues and other fiscal information. Such reports may also include, when available, information (including performance indicators) on the effectiveness, efficiency and cost of projects and programs financed through the budget. This information is frequently disseminated to the legislature, Central Accounting Office (for auditing) and the wider public.

In Egypt, the only publicly accessible information on budget outturns is derived from the Monthly Statistical Bulletin of the Central Bank of Egypt (CBE) and the CBE's website, which reports the actual consolidated fiscal accounts of the general government (see Annex 2). While this is important information in relation to the current status of overall fiscal balances, it is not sufficient for a full analysis of the extent to which changes in expenditures have improved or worsened the fiscal situation. For example, in comparing budget sector outturns between 1999/2000 and 2000/2001 in Annex 2, the factors that led to the increase of LE 4,523 million (almost 1.2 percent of the 2000/2001 GDP, or one-fifth of that year's budget sector deficit) in the 'other expenditures' category, cannot be deduced.

The MOF requires that all budget entities submit their monthly reports by the tenth day following the end of the month. It then compiles an aggregate report on cash transactions of the budgetary sector of the government by the end of the month. However, these reports are made available only within the government.

Moreover, since the recurrent budget reports on a cash basis, arrears appear only implicitly and with a delay as a charge to be paid from the next year's budget out of the MOF's contingency allocation. The investment budget is reported on an accrual basis. Accounts payable records are maintained for the investment budget and arrears are paid against these liabilities. However, information on the stock of arrears is not systematically reported.

e) In both budget preparation and execution, there are no detailed analyses of developmental objectives and how the budget aims to achieve them through specific public expenditures.

Although the budget is debated in the People's Assembly, the budgetary data made available are incomplete and do not include, for example, information on the objectives of public expenditure programs. Specifically, the budget documents do not relate the authorized spending limits to the achievement of objectives and to well-defined outputs and outcomes. As a result, debate in the Assembly is restricted to how much is spent in broad public policy areas, without consideration for the efficiency and effectiveness of spending by different sectors and programs. Therefore, approval by the Assembly and MOF focus solely on financial aspects of the budget. The government's macroeconomic models, assumptions and forecasts are not made available for external scrutiny.

Moreover, appropriate expenditure tracking is difficult due to insufficient information defining the links between activities (projects and programs) financed through the budget, the inputs (employees, equipment and other resources) required to produce these activities, and the services and other outputs delivered to final users. The level of aggregation of the budget also makes it difficult to determine the intended use of resources. For example, the consolidation of the wages and salaries of the Ministry of Education does not allow for tracking whether the funds are spent on administrative staff or teachers. But looking at numbers obtained from sources other than the Ministry of Education, it is clear that the number of new hires has exceeded the needs imposed by new students entering the school system. In parallel, there has been proportionately more administrative staff hired than teachers, especially at the primary level. The lack of such information on the way public funds are spent makes fiscal rationalization at the program level a challenging task in Egypt.

f) The budget is not sufficiently comprehensive and omits significant items that may impact fiscal sustainability. The recurrent and investment budgets are not consolidated, and there is a lack of information on the quasi-fiscal activities and contingent liabilities of the government, which may have a significant impact on medium-term fiscal sustainability.

The preparation and execution of both the recurrent and investment budgets are currently divided between the MOF and MOP, respectively. This has resulted in a softer budget constraint than would be the case if a single authority were to effectively manage the overall budget, mainly because the fiscal consequences of major changes to the investment budget are not directly linked to, and evaluated in, the recurrent budget. Therefore, those overseeing the budget process, notably the People's Assembly, do not have a full picture of the medium-term impact of a specific investment – a situation compounded by the lack of detail in the budget presentation.

There is also an important and continuing agenda to include within the framework of a comprehensive budget analysis. It consists of five key elements that are important to the achievement of fiscal sustainability: tax expenditures (revenue losses from tax exemptions and concessions); the assets of public authorities and public enterprises; the quasi-fiscal operations of these authorities and enterprises; the contingent liabilities of the government (including existing guarantees and indemnities); and its on-lending operations. The calculation of tax expenditures could be facilitated by the simple act of zero-rating (rather than exempting) taxes for eligible companies under the proposed income tax law and the investment law. Exercises to estimate contingent liabilities, on-lending operations, and the assets and activities of public authorities and enterprises, could be initiated immediately, so as to be ready within a short period of time, and published or shared with the Assembly, as appropriate.

4. International Experience in Reforming Budgetary Institutions

In assessing the quality of budgetary institutions in Egypt, it may be helpful draw on the experience of other countries that have undertaken such reform. This section presents an overview of the literature on this topic and gives two specific country examples to illustrate the diverse experiences in this field.

Premchand (1999a) has illustrated the evolution of public expenditure management systems over the last 50 years. According to Premchand, such systems went through a number of changes following World War II. First, it was recognized that there was a need for explicit medium-term financial planning, for developing a program structure, and for a shift away from the traditional emphasis on inputs to objectives and accomplishments. Second, there was a switch in emphasis from “due process” to techniques that introduce a performance-focus into the budget. Third, analytical and quantitative tools and techniques such as cost-benefit analysis were developed to improve decisions about the allocation of resources to competing ends.

However, these developments did little initially to address the inexorable growth in public expenditures. They spawned further attempts to contain expenditures while, at the same time, increasing accountability. These efforts can be classified in stages. *Stage I*: securing fiscal consolidation (i.e., restructuring government agencies and the civil service), privatizing state enterprises and reforming entitlement programs. As a result of such reforms, the terms “lean and mean” and “getting more for less” became part of the operational lexicon of public expenditure management. *Stage II*: drawing inspiration from the practices of the corporate world which, in turn, emphasized the provision of managerial autonomy, decentralizing spending authorities to line ministries and agencies, specifying results and binding resource ceilings, and enhancing individual accountability and client orientation. *Stage III*: emphasizing improved governance through transparency, accountability, developing codes of civil conduct based on recognized ethical practices, and strengthening legislatures, supreme audit institutions and other oversight bodies.

The second and third stages are the foundation for what came to be known as new public management (NPM), pioneered in the 1970s and 1980s in Australia, New Zealand and the UK, and followed subsequently in many other countries.

Another important development in many countries has been the trend toward the decentralization of policy responsibilities and fiscal control from central government to sub-national government (regions, municipalities, etc.). This aspect of the second stage has largely been driven by a concern to increase local accountability. According to Dorotinsky and Floyd's recent study of African experience (2003), however, this has created problems both for budget formulation and budget execution, for example:

> "The trend towards decentralization of resources and responsibility for key sectors is sweeping the continent even before national gains can be consolidated. Capacity at the local level for financial management is even weaker than at national level, and there have been few sustained efforts at local capacity-building. Key challenges include how to retain improvements at the center while decentralization is underway, build new capacity at local levels, and align local budgets with national budget formulation."

The changing paradigms and themes of public expenditure management (PEM) are illustrated in Tables 2 and 3. The approaches illustrated in these two boxes have given rise to a number of difficulties. For example, many features of the public services provided by the budget are legislated, so how can public interest be balanced with the increased pressures and associated lobbying that will be experienced by the legislature, or program managers who determine the way services are delivered? Similarly, how can the role of the legislature be balanced with the increasing demands of citizens' groups and representative bodies (such as NGOs) for more influence over the design and implementation of public expenditure programs? How can the legislature's need to control public funds be balanced with the executive branch's need for greater flexibility and task-orientation in the provision of public services? How can the concept of a budget "entity" around which activities, outputs and performance measurement are focused, be reconciled with the administrative concept of a ministry or agency? Finally, should new budget laws, procedures and systems be implemented sequentially or through a "big bang" approach in which reform of such systems is considered part of a wider effort to modernize public institutions and public management procedures?[8]

Table 2. Changing Paradigms in Public Expenditure Management

Control through budget line items paradigm	Control minutiae Develop the budget through an aggregation process Emphasize accounting and payment controls Receive prior approval from the ministry of Finance in most cases Emphasize inputs and "due process"
Performance budgeting paradigm	Emphasize outcomes, outputs and performance Specify results Develop program-oriented classification Emphasize cost controls
Planning paradigm	Emphasize development programs and projects Explore alternatives and apply quantitative techniques of analysis Longer-term horizon Program classification
Macroeconomic policy paradigm	Contain budget deficits Moderate expenditure growth rates Ensure that budget outcomes are congruent with intent
Fiscal consolidation paradigm	Restructure government operations with emphasis on subcontracting and privatization Reorganize the civil service Privatize public enterprises Reform benefit and entitlement programs
Corporate practice paradigm	Create task-oriented agencies Determine of global budgetary ceilings Provision of managerial autonomy Specify results Develop performance contracts Enhance client orientation
Governance paradigm	Enhance transparency of government transactions Enhance accountability Promote ethical practices
Decentralization paradigm	Shift responsibility for budgets to sub-national government Create rules for transferring resources Broaden local revenue base

Source: Adapted from Premchand (1999a).

[8] "Experience has shown that a broad frontal approach (i.e., broad and comprehensive program of public sector reform simultaneously along many fronts) may not be the most effective strategy if it meets with too much political resistance or encounters too many institutional, technical or capacity-related barriers" (World Bank, 2003c, 11).

Table 3. New Public Management (NPM) and Public Expenditure Management Systems

Major Themes of NPM	*Financial Management Improvements*
Policy Improvement	Medium-term rolling expenditure planning (MTEF) Risk management Specification of resource ceilings and results
Organizational restructuring	Establishment of task-oriented agencies Improved internal control systems Appointment of chief financial officers Establishment of treasury divisions
Market testing	Renewed emphasis on competitive tendering and bidding Seller/buyer nexus
Transparency	Improved budget classification Data on costs and performance Frequent publication of financial statements Financial management initiative for reorganizing internal information systems Frequent publication of data through electronic media
Accountability	Performance contracts Role of legislatures, budget and finance committees Strengthening supreme audit institutions Role of specialized oversight bodies and media
Application of electronic technology	Integrated financial management systems covering financial planning, budgeting, accounting and reporting

Source: Adapted from Premchand (1999a).

The process of reforming budgetary institutions is continuous even in countries that are widely regarded as being relatively advanced in this field. This is partly due to the need to adapt constantly to new developments in technology and to new management theories and developments in cultural and societal norms, standards and behaviors. It is also partly because in retrospect old theories and initiatives do not always stand the test of time.[9] Achieving sustainable reform is also extremely difficult in practice. As Schick (2003) has pointed out in relation to performance budgeting:

> "Performance budgeting is an old idea with a disappointing past and an uncertain future. Its American debut took place in 1949 when the Hoover Commission on the Organization of the Executive Branch of the Government recommended that 'the whole budgetary concept of the federal government should be refashioned by the adoption of a budget based upon functions, activities and projects; this we

[9] Two examples in the public expenditure management field over the last 30 years are planning-programming-budgeting systems (PPBS) and zero-based budgeting. Both are now widely discredited because they overloaded the information-processing capacity of central controllers and departmental spenders, and the increased budgetary conflict between controllers and spenders.

> designate a 'performance budget.' The fact that this concept re-emerged half a century later (relabeled by some as performance-based budgeting) suggests the lack of progress in the intervening years. Despite repeated efforts, the budget of almost all countries is centered around inputs, the items that go into running government organizations, such as personnel, supplies, travel and accommodation."

The other side of performance budgeting is its excessive reliance on input controls and "due process." According to Schick (1999), "The term 'due process' connotes the judgment that if the procedures are sound, the outcomes are the right ones…that is the outcomes should be assessed in terms of the procedures that generate them, not in terms of substantive criteria." He also states that a government cannot effectively manage its expenditure if due process is materially breached but, nevertheless, "due process is an inadequate basis for managing public expenditure because it systematically leads to unwanted or adverse outcomes."

A related issue is the extent to which reform initiatives that have been successfully introduced in many developed countries can be adapted to the very different legal, technical and cultural requirements of developing countries. Examples of such reforms include medium-term fiscal and expenditure frameworks (MTEF), performance-related budgeting; accrual accounting and budgeting approaches; and integrated financial management information systems (IFMIS). Such reforms have often been introduced with strong encouragement and technical/financial support from the World Bank and other donors. However, evidence suggests that such reforms have met with mixed success. This may be due to a number of reasons: (i) lack of sensitivity to local legal, administrative and cultural conditions; (ii) the loan-driven incentives of the development agencies, which tend to favor the implementation of standardized, "off-the-shelf" solutions to budgetary problems that successfully disburse large amounts of aid. While not necessarily irrelevant to a country's needs, such solutions require a level of preparation, customization, and follow-up through capacity building and training that is not always undertaken by the Bank or the government agencies concerned; (iii) failure to ensure that the political and technical pre-conditions essential for the successful implementation of the reform are present; and (iv) lack of attention to the governance and institutional environment, to issues of change management, and to the need for careful sequencing of reforms.

Dorotinsky and Floyd (2003) offer some useful guidance on how reform efforts in developing countries might be strengthened to overcome these problems and be made more sustainable. These include developing a consistent set of performance indicators to track developments in public expenditure management; monitoring expenditure accountability benchmarks to support system improvement; and avoiding the dangers of "reform overload," since the needs of developing countries greatly overshadow the capacity or political willingness of governments to implement a reform program. [10]

It is widely accepted that successful development requires markets supported by solid public institutions, including budgetary institutions. However, there is an important (and unresolved) debate about whether institutions should be imported from models based on international experience or be "home grown." Rodrik (2000) argues that, while all successful societies are open to learning and draw on experience and precedents in other societies, developing countries "should have more confidence in themselves and in domestic institution building, and place less faith on the global economy and blueprints emanating there from."

To illustrate some of the issues reviewed above, Box 2 summarizes the experiences of institutional reform in two middle-income countries that are dealing with the challenges of budgetary reform. Morocco is at a relatively early stage in the reform process, while Turkey is somewhat further ahead. The two countries are tackling reform in very different ways and have different priorities. Turkey has made good use of a Public Expenditure and Institutional Review (PEIR) while related diagnostic assessments of public expenditure and civil service issues have been carried out in Morocco. Both countries have used development partners such as the World Bank and IMF to provide policy analysis and advice on new legislation, information technology, change management strategies and other aspects of institutional reform.

[10] In the context of the Bank's experience with reforming budgetary institutions in many African countries, Dorotinsky and Floyd (2003) comment that "what is not formally monitored is often ignored, and degrades over time."

Box 2. Country Examples – Morocco and Turkey

Morocco: Participatory Public Expenditure Program

Excessive centralization in public expenditure management and civil service rigidity are viewed in Morocco as the two critical underlying constraints on efficiency and allocation of public spending and overall fiscal stability. Many studies and initiatives have been undertaken, but until recently with little concrete action. This reflected a lack of political will on the Moroccan side, and piecemeal, fiscal-based approaches on the World Bank side.

In 2000, the authorities expressed interest in deconcentrating the management of public expenditure and in simplifying procedures. The Ministry of Finance and spending agencies appeared willing to improve the efficiency of expenditures. With the help of the World Bank, the government set up working groups on budgetary management and civil service issues, with the mandate to propose ready-to-be-approved institutional reforms.

A first group of reforms was finalized within seven months (April-October 2001). As for budgetary management, changes in laws and regulations were approved at the end of 2001in conjunction with the 2002 budget law, which shifted the system toward more deconcentrated, performance-based budgeting. Implementation will be gradual, starting with the Ministry of Health, and will include all ministries by 2004. For civil service reform, the working groups prepared a decree to increase internal mobility and established a realistic strategy of civil service reform.

The remaining challenges include: (i) generalized implementation of a system of performance indicators and decentralized programming; (ii) progress of civil service reform on the basis of the established strategy; and (iii) deepening and broadening the reform of budgetary management. An important lesson that can be drawn from the Moroccan experience is that the reform must be sustained over several years, and be focused and modular, to help achieve rapid results even where reforms typically require a medium-to long-term horizon.

Turkey: Public Expenditure and Institutional Review

Turkey is in the process of reforming its budgetary institutions on several fronts. The government has just finalized the draft Public Financial Management and Control law for submission to Parliament. The law sets out a comprehensive framework for budget preparation, execution, and control. It consolidates into the central government budget, under a common classification, revolving and extra budgetary funds, annexed institutions, and all regulatory agencies, bringing the latter under parliament's oversight while preserving their financial and administrative autonomy. It also eliminates earmarking mechanisms (separate legislation to bring the existing earmarked revenues on budget will be passed this year). The bill clarifies the roles and responsibilities of the key institutions involved in fiscal management, with the Ministry of Finance responsible for the budget and for setting standards for accounting, financial control, and reporting throughout the general government. The law also expands the coverage of Turkish Court of Accounts (TCA) external audits to all of general government and brings internal audit to EU standards.

Turkey has also prepared new state enterprise governance legislation, with appropriate transparency and fiscal control arrangements. As a result of an extensive inter-agency consultation process, and in close collaboration with the World Bank, Turkey has drafted a series of amendments to bring the Public Procurement Law in line with international standards. Finally, Turkey is in the process of preparing legislation on public administration reform, to create a more favorable legal and institutional environment for the efficient, transparent, and participatory provision of public services. As a first stage, a framework law will set out principles of governance and clarify the division of labor between central agencies and local governments. Informed by a forthcoming functional review of government, adjustments will be made in ministry laws and a new regulatory board law will be prepared to set standards and increase accountability (while preserving the financial and administrative autonomy of regulatory boards). New laws to regulate local governments will refine their budget systems, and ensure strict control of their borrowing.

Source: World Bank (2003c).

5. A CONCLUDING NOTE

This paper suggests that Egypt's budgetary institutions have both strengths and weaknesses. It finds that although Egypt's system of intra-government controls is adequate, its mechanisms can be improved to ensure both adherence to budgetary rules and greater transparency. To enhance these institutions, lessons learned from countries that have already embarked on budgetary reform should be considered. First, budget institutions are key to ensuring fiscal sustainability. Measures to improve the transparency and accountability of budget processes and procedures are particularly important. Second, there is no blueprint for successful institutional reform. The experiences of countries that have undertaken similar reforms can be instructive, but each country needs to develop its own approach to institution building based on its national cultural, legal and historical characteristics (Rodrik, 2000). Third, modernizing a country's budgetary institutions is a very labor-intensive process, involving serious commitment over a sustained period of time. Without strong leadership, political consensus, and consultation with a wide range of partners, there is a possibility that the reform strategy will overlook critical elements and become too narrowly focused on minor or technical reforms. If the reform strategy goes off track, it may not be easy (or even possible) to rectify. Finally, developing an effective change management strategy, which in turn requires understanding a country's institutional and governance environment is just as important as well-defined and effectively implemented "technical" reforms of budget laws, processes and procedures.

Annex 1. IMF Code of Good Practices on Fiscal Transparency: Excerpts

1.1 The government sector should be distinguished from the rest of the public sector and from the rest of the economy, and policy and management roles within the public sector should be clear and publicly disclosed.

1.2 There should be a clear legal and administrative framework for fiscal management.

2.1 The public should be provided with full information on the past, current, and projected fiscal activity of government.

2.1.1 The budget documentation, final accounts, and other fiscal reports for the public should cover all budgetary and extra budgetary activities of the central government, and the consolidated fiscal position of the central government should be published.

2.1.2 Information comparable to that in the annual budget should be provided for the outturns of the two preceding fiscal years, together with forecasts of the main budget aggregates for two years following the budget.

2.1.3 Statements describing the nature and fiscal significance of central government contingent liabilities and tax expenditures, and of quasi-fiscal activities, should be part of the budget documentation.

2.1.4 The central government should publish full information on the level and composition of its debt and financial assets.

2.1.5 Where sub-national levels of government are significant, their combined fiscal position and the consolidated fiscal position of the general government should be published.

2.2 A commitment should be made to the timely publication of fiscal information.

2.2.1 The publication of fiscal information should be a legal obligation of government.

2.2.2 Advance release date calendars for fiscal information should be announced.

3.1 The budget documentation should specify fiscal policy objectives, the macroeconomic framework, the policy basis for the budget, and identifiable major fiscal risks.

3.1.1 A statement of fiscal policy objectives and an assessment of fiscal sustainability should provide the framework for the annual budget.

3.1.2 Any fiscal rules that have been adopted (e.g., a balanced budget requirement or borrowing limits for sub-national levels of government) should be clearly specified.

3.1.3 The annual budget should be prepared and presented within a comprehensive and consistent quantitative macroeconomic framework, and the main assumptions underlying the budget should be provided.

3.1.4 New policies being introduced in the annual budget should be clearly described.

3.1.5 Major fiscal risks should be identified and quantified where possible, including variations in economic assumptions and the uncertain costs of specific expenditure commitments (e.g., financial restructuring).

3.2 Budget information should be presented in a way that facilitates policy analysis and promotes accountability.

3.3 Procedures for the execution and monitoring of approved expenditure and for collecting revenue should be clearly specified.

3.4 There should be regular fiscal reporting to the legislature and the public.

3.4.1 A mid-year report on budget developments should be presented to the legislature. More frequent (at least quarterly) reports should also be published.

3.4.2 Final accounts should be presented to the legislature within a year of the end of the fiscal year.

3.4.3 Results achieved relative to the objectives of major budget programs should be presented to the legislature annually.

4.1 Fiscal data should meet accepted data quality standards.

4.2 Fiscal information should be subjected to independent scrutiny.

Source: IMF (2003). Available at: http://www.imf.org/external/np/fad/trans/code.htm.
Available in Arabic at: http://www.imf.org/external/np/fad/trans/ara/codea.pdf.

ANNEX 2. CONSOLIDATED FISCAL OPERATIONS OF GENERAL GOVERNMENT IN EGYPT

	1999/2000 (Actual)			2000/2001 (Actual)			2001/2002 (Actual)			2002/2003 (Pre-Actual)		
	The Budget Sector	The Budget Sector, NIB & GASC	The Budget Sector, NIB, GASC & SIFs	The Budget Sector	The Budget Sector, NIB & GASC	The Budget Sector, NIB, GASC & SIFs	The Budget Sector	The Budget Sector, NIB & GASC	The Budget Sector, NIB, GASC & SIFs	The Budget Sector	The Budget Sector, NIB & GASC	The Budget Sector, NIB, GASC & SIFs
Total Revenue and Grants (A+B)	**75399**	**85293**	**97672**	**76139**	**86615**	**101051**	**78968**	**90862**	**104042**	**85854**	**99294**	**115467**
(A) Total Revenue	73626	83520	95899	74568	85044	99480	75255	87149	100329	82585	96025	112198
Current Revenue	72504	82398	94777	72776	83252	97688	74060	85954	99134	81435	94875	111048
Tax Revenue	49621	49621	49621	51358	51358	51358	51726	51726	51726	57550	57550	57550
Income Taxes	20104	20104	20104	21235	21235	21235	21625	21625	21625	23214	23214	23214
Goods and Services	20085	20085	20085	20793	20793	20793	20580	20580	20580	23066	23066	23066
International Trade	9295	9295	9295	9184	9184	9184	9323	9323	9323	11079	11079	11079
Others	137	137	137	146	146	146	198	198	198	191	191	191
Non-Tax Revenue	22883	32777	45156	21418	31894	46330	22334	34228	47408	23885	37325	53498
Capital Revenue	1122	1122	1122	1792	1792	1792	1195	1195	1195	1150	1150	1150
(B) Grants	1773	1773	1773	1571	1571	1571	3713	3713	3713	3269	3269	3269
Tot Exp. and N. Lending (C+D)	**88600**	**105545**	**101834**	**96121**	**111529**	**109069**	**101153**	**119142**	**113665**	**111228**	**132071**	**127382**
(C) Total Expenditure	86464	96609	92950	95942	107420	105086	100739	112610	106506	110595	124968	120162
Current Expenditure	69758	79903	76244	80843	92321	89987	85472	97343	91239	94180	108553	103747
Wages and salaries	22180	22180	22421	25217	25217	25482	28238	28238	28500	31621	31621	31928
Defense	8516	8516	8516	9731	9731	9731	10218	10218	10218	11155	11155	11155
Interest	18597	28805	16303	20907	32483	18833	22903	35095	20352	26517	41243	24140
Domestic	16800	27008	14506	19074	30650	17000	20570	32762	18019	23496	38222	21119
Foreign	1797	1797	1797	1833	1833	1833	2333	2333	2333	3021	3021	3021
Other	20465	20402	29004	24988	24890	35941	24113	23792	32169	24887	24534	36524
Capital Expenditure	16706	16706	16706	15099	15099	15099	15267	15267	15267	16415	16415	16415
(D) Lending Minus Repayments	2136	8936	8884	179	4109	3983	414	6532	7159	633	7103	7220
Overall Deficit/Surplus (A+B)-(C+D)	**-13201**	**-20252**	**-4162**	**-19982**	**-24914**	**-8018**	**-22185**	**-28280**	**-9623**	**-25374**	**-32777**	**-11915**
Overall Def. or Surplus/GDP	-3.90%	-6.00%	-1.20%	-5.50%	-6.90%	-2.20%	-5.80%	-7.40%	-2.50%	-6.3%	-8.1%	-2.9%

Source: Central Bank of Egypt. Available at: http://www.cbe.org.eg/Monthly%20Statstical%20Bulletin.htm.

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