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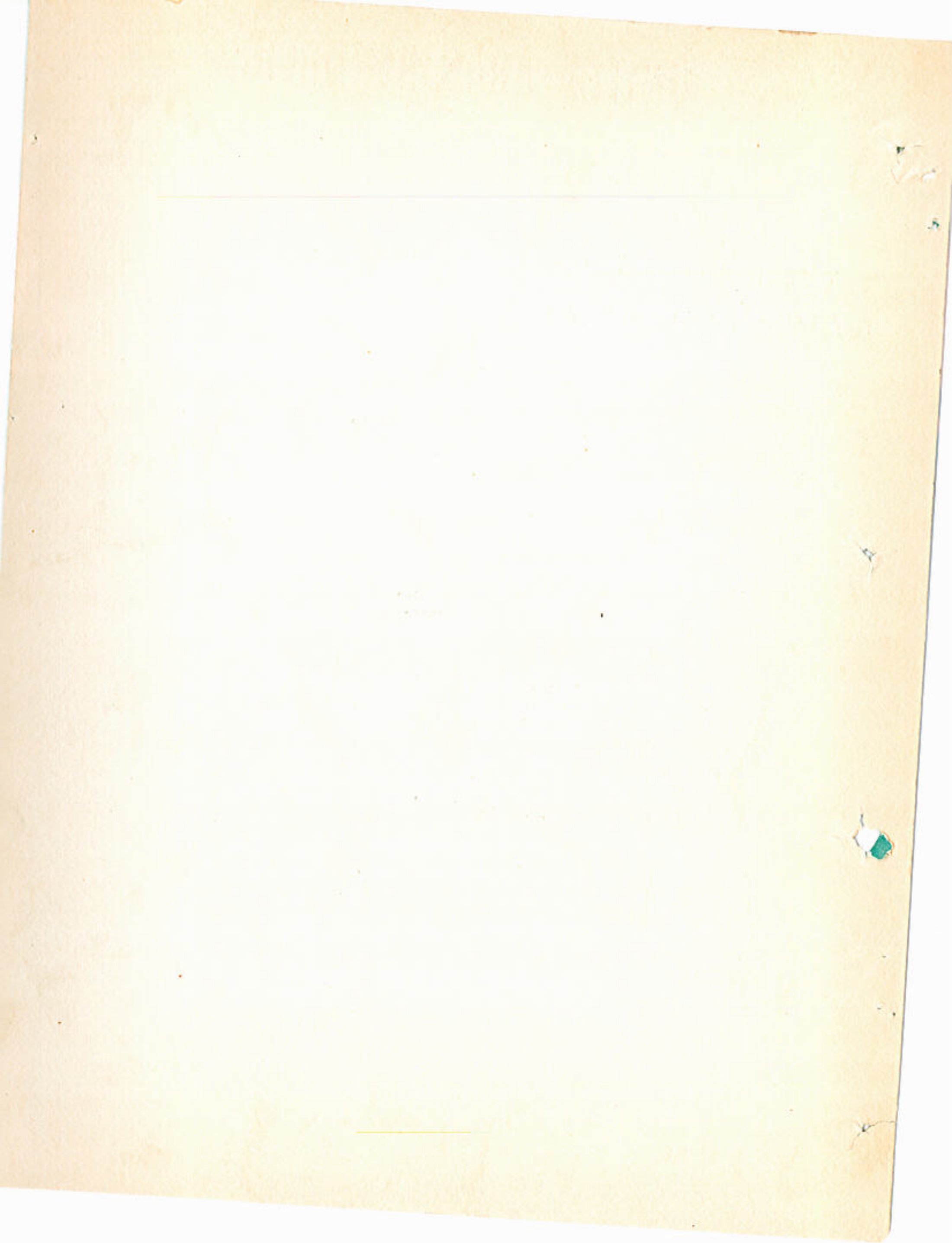


Memo. No. 167

Development Programming And
Public Budgeting in
U.A.R. (Egypt)
by

Dr. I. H. Abdel-Rahman

June 1961.



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PUBLIC BUDGETING
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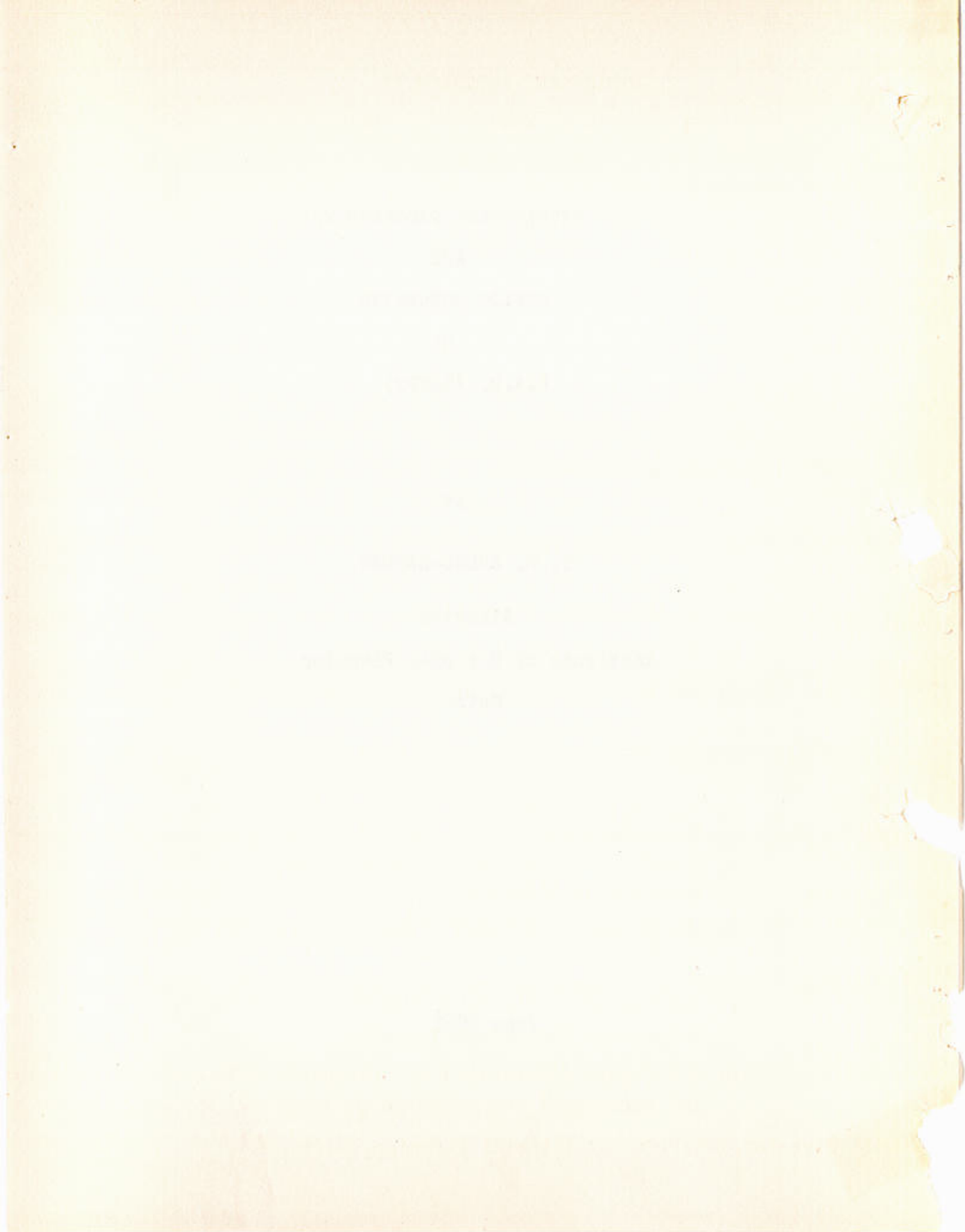
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DEVELOPMENT PROGRAMMING
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(EGYPT)

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I. H. ABDEL-RAHMAN

PART I.- INTRODUCTORY REMARKS

1.- The Scope and Limitations of the Study:


The purpose of this study is to examine the methods and procedures followed in preparing the State Budget in the U.A.R., with particular reference to two aspects. The first is to show the importance of the budget as an instrument of national development, hence the usefulness of any improvement in budgeting. The second aspect is to examine the applicability and limitations of introducing performance budgeting form, as opposed to line-budgeting, or object-expenditure form of budget which is most commonly used. As an important criterion of examination, we use the degree to which performance-budgeting could benefit planners of economic and social development in the new countries in drawing up good plans and in supervising, subsequently, the execution of the development policies and projects.

It would be useful, and essential, from the outset to notice that the present study refers only to experiences obtaining

in the U.A.R. (Egypt) in the recent years. Any generalisations would be considered the personal opinions of the writer, and should not be expected to apply to other situations except after proper examination. In giving comments and observations, the author has in view the case of the new countries emerging into a nationhood, without claiming, however any special knowledge of those countries. It seems more useful to the potential readers to have a number of views and suggestions, rather than to go through page after page of only documented facts.

2.- Development" defined :

"Development" has been used in the previous paragraph, without definition. It may not need one. Or, if a definition is sought, it will be difficult to reach. Economic development can be indicated by two main pointers: increase of production and increase of capacity to produce. The two pointers should ultimately lead to the same situation, but during periods of relatively rapid change, projects and policies that increase production may be over-emphasised (or under-emphasised) with respect to those that create capacities. In the field of social development, the most usual indicators are education (numbers and qualities), health and sanitary conditions, housing, public utilities, recreational facilities, employment, community life and generally cultural participation and self expression. Yardsticks in social development are more difficult to establish



numerically and quantitatively. Yet, apart from economic and social development, as summarily defined above, there exist other aspects of development such as political philosophy, national cohesion, sense of unity and belonging to the community, and establishment of a proper system of law and order. Would measures intended to further some or all of the just mentioned aspects, be considered, development or not? Without minimising the importance of these aspects, as a matter of fact they are of paramount importance, it is intended in the present study to use the term "Development" in the sense of measures that lead to:-

- a) increasing the availability of goods and services to the community,
- b) increasing the capacity of production of such goods and services.

3.- The Budget as a Plan of Financial Activities of the Public Authorities :

The term "budget" is also referred to as defining the "plan" of action of the public sector, written in financial terms. The public sector would include, central and local governments. Also it would include participation of the public sector in enterprises and activities, which are not fully owned by it. In some cases, "the budget document" as published does not include some of the financial operations and commitments in which

public authorities are involved internally or externally. Such operations are not going to be considered as long as they do not involve financial implications that call for budgetary action, although, they may be of great importance to social and economic development.

4.- Two Extreme Forms of The Budgets :

As will be indicated later, the two forms of budgeting, referred to, namely performance budgeting and line or object budgeting, are two extreme forms, defining a variety of mixed forms, which are used in practice, and which embody elements and features of each of the two forms. The performance budget states clearly the "task" which is aimed at in physical units and steps, and allocates to each task (a function - a sub-function - activities) the appropriate amounts of funds to engage personnel, buy materials and other expenditures needed to complete the indicated tasks. The line-budgets concentrates on the expenditure items, such payments of salaries and wages, and other aspects of expenditure, without specific reference to the duties and tasks to be performed, and without indicating in a "cost" form, the financial requirements of each activity. In line-budgets the administration is divided into units (Ministries, Departments, sections) and each unit is assigned funds to fulfill operations indicated in general terms, not necessarily in the budget document. It is thus more suitable for financial accountability,

without the details and complications of objective auditing of tasks performed and the costs entailed there in.

Without prejudging the issue, one may consider, that the best budgetary form (from the point of view of development) is the one that allows maximum insight in the cost and the nature of tasks accomplished, within the practical limits of proper accounting and the requirements of administration and execution.

5.- Two Pre-Requisites of Administration :

Managing state-business is a form of administration. Any administration per-necessity needs in its officials unity of purpose and integrity. No organisation or reform would be a substitute for that. No elaboration of forms or techniques can create purpose and integrity in the administration. In particular, the desire to develop cannot be created by performance budgeting; also the honesty and wisdom of using public funds cannot be guaranteed by the most intricate and complicated book-keeping procedures. The urge to develop economically and socially, and the sense of responsibility in charging public duty and using public funds, have to be initiated outside the system of administration.

Formulation and execution of public budgets are no exceptions to this principle. Hence, much depends upon the honesty, soundness and integrity of public administration as a whole. In

political sciences, such conditions are supposed to develop under systems of balanced authority , public responsibility, and peoples' participation. It is completely outside the scope of this article to go any further in explaining this point. But it must be said, that proper administrative procedures, including budgeting procedures and forms, should help the authorities, who ever they are, to assume their responsibilities and discharge their duties more successfully.

PART II.- PLANNING FOR DEVELOPMENT IN THE U.A.R.
(EGYPT).

6.- Successive Historical Stages Of Development Planning :

The U.A.R. follows in social and economic development, as at present, a national comprehensive plan, which was adopted in July 1960 to cover the period 1960-1965. This first five year plan is drawn up, within a development frame for 10 years (1960-1970), which according to estimates, would lead to the doubling of National Income (total and not per capita) in ten years.

Public Budgeting is accomplished now within the system of medium and long term planning. The budget being in itself a main instrument of executing the comprehensive plan, as will be described in some detail later in this study. Before 1960, there existed in the country sector-plans for agriculture, irrigation, industry, education, ... etc. Those sector plans were of varying durations (4-years - 10-years - 20-years,...) and with different characteristics. They were mostly public-investment programmes, but in certain cases, notably, the industrialization program of 1957 (generally known as the first five-year industrialisation plan), participation by the private sector was anticipated.

Still earlier, before 1952, there were not many well defined sector plans. Development was considered to be a series of "projects" which were voted in the budget from year to year.

Many of these projects created a long term commitment on the part of Government, which in some cases, for political or other reasons, it did not honour, yet the budget, from year to year carried the marks of layer after layer of projects and "plans".

The situation of development planning before 1960, is only of historical importance, and need not be considered in detail in this study, but since many countries have not reached the stage of comprehensive overall planning, it may be of use, to trace historically the evolution of development planning before 1960 in Egypt. In that period one may fairly say, that development activities, in the public sector, took place within the budget formulation, while after 1960, it is more true to say, that public budgeting takes place, within the comprehensive plan formulation.

7.- A Summary of 10-Year (1960-1970) Development Frame[†]

Agricultural production is estimated to increase by 60% in 10 years, owing to the extension of crop-area (by reclaiming new lands to cultivation, and changing from basin to perennial irrigation), and by increasing productivity per acre. Cotton is to increase by 32% only, while fruits - vegetables, animal production will increase in the average by about 70%. Basic industrial production (mining - electricity - metallurgy - machine building - chemical industry) will increase by more than 345 %, while consumer

[†] The Five-Year Plan (1960-1965) National Planning Commission (p. 7-18).

industries would increase by 85 % only, thus totaling 130% increase for industrial production as a whole. Transport will increase by 60% while communication will increase by 150 %. Public utilities and housing is to increase by 45 %. Public services (Education - Health-Social and Cultural services) will increase by 115 %. Public administrative services are expected to grow by 90 % .

The population will increase from 26 millions to 32 millions (at a rate of 2.5% annually), and the per-capita income will increase by 60 %. The share of agriculture in forming the national product will decrease from 31% in 1960 to 24.5 % in 1970, while share of Industry will increase from 25.4% to 34.2 % in the same period. Owing to population pressure, the services sector will change slightly downwards, with a relatively large absorbing of new employment.

A total investment (public and private) of 3600 million Egyptian Pounds is needed, at an average of 13 L.E. per-capita per year.

These estimates are based upon a techno-economic discussion and a resource - appraisal of the main sectors of development. The development plan for (1960-1965), which forms a part of the 10-year frame, has been drawn-up in great detail. It will be summarised in the next section. For each year, there will be an annual plan drawn as a part of the 5-year plan, with greater detail, and closer estimates. It is clear that the State budget, which is also annual will naturally be part of the annual plan.

The relation between Budget authorities, and National Planning authorities, is of great importance to the subject matter of the present study, because it is through such relations that planning and budgeting can be harmonised.

8.- The Five-Year Comprehensive Plan (1960-1965) . The Investment Plan :

The five year-plan document gives a summary of planned targets and the national-balance sheets. It does not contain a description of the investment projects. Such information is available in great detail in separate volumes issued by the responsible departments. The plan document also does not include an explicit account of the policies of implementation, though such policies were naturally considered in drawing up the plan. Through the established Cabinet-planning Committee (section 18), a mechanism of appraisal is continuously looking into plan-progress, discovering difficulties and suggests appropriate measures. Since the budget of the State is drawn on the basis of the development plan requirements, it becomes necessary, in order to understand the budget procedures in the U.A.R., to follow the form of the National Plan.

The plan-document is divided into twelve chapters as follows:

CHAPTER I. Capital Investment (Private and Public)
subdivided as follows:

TABLE I
Capital Investments (1960-1965)

Sector	%
Agriculture	13.7
Irrigation & Drainage	6.8
High Dam	2.9
Industry	26.7
Electricity	8.5
Transport & Communication	14.3
Suez Canal	2.1
Housing	8.6
Public Municipal Utilities	2.9
Services	6.2
Change in stocks	7.3
Total	100.0

The total investment outlay is 1700 million L.E.

Each investment title, is further subdivided into groups of projects. As an example, the following table (N°.II) gives the

subdivisions of Investments in Agriculture.

TABLE II
Investments in Agriculture (1960-1965)

Projects-group	Investment L.E.million
Agricultural Productivity:-	
1. Ministry of Agriculture	16.6
2. Ministry of Agrarian Reform	7.7
3. Ministry of Social Affairs (cooperation)	1.0
4. Combined Rural Units	3.3
5. Department of Coast-Guards and Fisheries	1.3
6. Qaliub Demonstration Area	0.1
7. Egyptian Agricultural Organisation	0.9
8. Agricultural Mechanisation	3.0
9. Soil Improvement Projects	3.0
10. Replacement investment	<u>15.0</u>
Total	51.9
Land Reclamation :-	
11. Tahrir Province	20.5
12. Desert Reclamation Authority	62.1
13. Land Reclamation Authority	87.8
14. American-Egyptian Rural Development Authority	<u>3.0</u>
Total	<u>173.4</u>
GENERAL TOTAL	225.3

As can be seen from the table, the projects of agriculture development are mostly grouped according to the Ministry or Government authority responsible for execution or supervision.

The first group of projects (Ministry of Agriculture) are enumerated by title in CHAPTER XI of the plan, under the following headings :-

TABLE III.- Projects of Ministry of Agriculture

Heading	Number of single projects
Soil improvement & Survey projects	5
Agricultural Crops projects	21
Horticultural improvement projects	15
Agricultural Industries projects	3
Plant Pathology and Protection	9
Animal Breeding, Husbandry, Dairy products	10
Animal Health & Veterinary projects	12
Fisheries	7
Agricultural machinery maintenance stations	7
Agricultural extension centers (58)	1
Land tenure, Agricultural Economics studies	5
TOTAL	95

Roughly, these groups of projects, correspond to Sections and

departments within the Ministry of Agriculture. The following are the main sections of the Ministry:

Departments : Agricultural Extension service
Plant Pathology and Protection
Agronomy
Horticulture
Veterinary
Agricultural Economics & Statistics

Divivions Cotton
 Animal Breeding
 Agricultural Engineering

Development Divisins Pest Control
 Soil Survey
 Seed-selection

There are however, projects which concern more than one department, and naturally, many departments are responsible for more than one investment development project.

CHAPTER XI of the plan-document, enumerates in all about 1400 different project titles, the total investment of which during the years (1960-1965) total about 1700 million L.E., as distributed in Table I. For each one of the some 1400 projects, there is a description form, prepared by the responsible agency, giving full particulars about the project.

9.- The 5-Year Plan : Production and Income Targets:

Chapter II of the plan document gives estimates of the total production, inputs and added value from production for the main sectors of the Economy, both for the base year (1959-1960) and for the end year of the plan (1964-1965). For illustration we give the line corresponding to Agriculture.

TABLE III.- Development of Agricultural Production

(In Million L.E.)

Products-Group	1959-1960			1964-1965		
	Total Production	Inputs	Added Value	Total Production	Inputs	Added Value
Cereals	129.1	51.3	77.8	172.6	62.3	110.3
beans	12.7	2.9	9.8	17.7	3.2	14.5
oil-seeds	8.6	0.6	8.0	13.3	2.6	10.7
Sugar cane	9.9	2.9	7.0	13.1	3.6	9.5
Cotton Fibres	135.5	20.8	114.7	168.4	23.8	144.6
Vegetable-onion	33.2	6.3	26.9	40.8	9.4	31.4
Fruit-Timber	25.2	2.4	22.8	30.5	3.0	27.5
Fodder	65.9	9.9	56.0	88.1	14.8	73.3
Other crops	0.5	0.1	0.4	0.5	0.1	0.4
Farm refuse	6.4	0.1	6.3	8.5	0.1	8.4
Animal Products	134.1	75.5	58.6	165.1	99.7	65.4
Bee Honey	0.3	0.1	0.2	0.5	0.1	0.4
Fisheries	12.4	1.0	11.4	17.1	1.8	15.3
TOTAL	573.8	173.9	399.9	736.2	224.5	511.7

Similar details are given for all other sectors of production (Industry - mining - power - construction - transport - communication - housing - public services - commerce - retail trade - personal services)

Agriculture-production in Egypt is essentially the responsibility of individual farmers, yet the capital investments in irrigation projects, land reclamation, and land productivity, combined with extension and credit activities, are designed, to lead to increase in agricultural production as indicated in table III above.

In industry, growth of production is more directly linked with capital investment, yet in Agriculture, where such close link does not exist, the machinery of agriculture in the Government, will have, ^{regard} in/to production targets, a defined task to achieve.

The sense of achievement, can thus be defined for the whole Ministry of Agriculture, and its branch departments. Achievement will be defined by executing investment projects (95 in number), and in actually realising the production increases in table III. Many departments are engaged in routine operations, yet they can find in the development plan a method of measuring the usefulness of their work, and its relevance to the economy. It is for the Minister of Agriculture, to break down the investment projects and the production targets, into tasks to be assigned to his subordinates, and scheduled to be achieved in the proper time.

These are the basic requirements to establish a performance - sense in public activities. It is to be noted here, that the size of investment and the targets for increased production as given in the plan, were proposed by the concerned departments originally, and were approved by them finally. Hence they are bound by their own judgement, and according to their accepted commitments .

The columns showing inputs (requirements for production) give a measure of efficiency, because they mean that increase in production, has to be achieved through a relatively smaller increase in requirements. Furthermore, when requirements are examined in kind, they indicate the necessary seeds, fertilisers, fuel, machines, etc. that must be assured to agricultural producers. This will be the responsibility of other Public departments to do, hence their performance will be defined.

The third columns (added value), is useful in showing the contribution of agriculture to National Income, but when subdivided further into: wages and profits, it links production activity to employment (through wages essentially) and to the level of personal consumption of the population. This point can be best illustrated by industrial employment and production.

10.- The 5-Year Plan : Employment and Consumption Targets :

Chapter VII of the Plan, gives estimates of labour force (employed and non-employed) in the different sectors of the

economy, together with the total annual wage bill, for the base year 1959-1960, and the last year of the plan-period 1964-1965. These estimates are related to population growth on the one hand, and to the increase in the number of jobs (due to investment and increased production) on the other hand. Fulfilling the employment target, requires training and labour - employment activities on the part of many government offices. The total wage bill helps to estimate personal expenditure on goods and services as expected in the coming years. Hence the task of securing adequate supply of basic consumption commodities (which is the responsibility of the Ministry of Supply in the first place) is defined, and proper policies and measures could be proposed to deal with it. This will be undoubtedly the subject of discussion between budget authorities and the Minister of supply, in budget season, and reference to supply targets as given in the plan will be mentioned.

The following table (number IV) summarises the employment situation in the Plan

TABLE IV.- Labour and Wage-bill

Sector	1959-1960		1964-1965	
	Total employment	Wage-Bill Million L.E.	Total employment	Wage-Bill Million L.E.
Agriculture	3245000	135	3800000	171
Industry-Construction	802000	125	1006000	188
Services	1928000	282	2195000	366
TOTAL	5975000	542	7001000	725

The increase of 200 000 additional workers in industry, in addition to replacement, defines to a larger extent the task of technical training for workers and technicians.

11.- The Five Year Plan - National Balance Sheets :

The third chapter in the plan document gives balance sheets for more than 300 commodities in the economy. The balance sheet is arranged as follows:

TABLE V.- Form of Material Balances

Sources		U s e s	
1. Domestic production		4. Exports	
2. Imports		5. Intermediate consumption	
3. Reduction in stocks		6. Final consumption	
.....		7. Investment	
Total Sources		=	Total uses

Exports and Imports, which are another form of balance sheets, are given in detail in Chapter IV. The data of exports and imports are included, with respect to the different commodities in the balance sheets of Chapter VI .

Chapter VI, gives balances between wages and profits (and other ownership rights) created in the production process in the various sectors of the Economy.

12.- The Presentation of Public Accounts in The Plan Document :

The Plan document presents the accounts of the public sector in three consecutive chapters. Chapter VIII, gives the accounts of the Public Administration, while Chapter IX, gives the account of the Public Business Sector, including all public enterprises. In Chapter X, which gives the Economic Budget, for the whole country, the public administration and the public business sector are treated separately within the frame of national accounts. The tables given in three above mentioned chapters, serve to show in detail the budget classification (revenues and expenditures), by which the data given in the budget document are translated into a national accounting and national planning form.

The budget document as approved by the legislative, is not classified functionally, but rather by departments and activities. The Plan document reclassifies all the information given in the budget, and presents it in the form that shows clearly the role of the public sector in the development of the national economy.

The following table (N°. V) gives the percentage distribution of total public expenditure and investment (in the public administration), under the different functions, for the year 1960-1961. Similar data exist for the five-year period (1960-1965) but it is more convenient to give here data for the first year, to be compared with the budget data.

TABLE V.- Percentage Distribution of Public
Expenditure and Investment in (1960-1961)
Public Administration, U.A.R. (EGYPT)

Function	Total Expenditure	Investment
General Governmental Functions		
1. Presidential, Legislative	3.6	0.2
2. Defence, Security, Justice	27.5	16.3
3. Economic, financial control	4.9	1.7
Sub-total	36.0	18.2
Direct Services to the Public		
4. Education	18.0	11.5
5. Health	5.8	2.6
6. Culture, Recreation	2.4	1.8
7. Social, Religious	2.2	0.8
8. Supply	2.1	-
9. Public Utilities	3.4	8.9
Sub-total	37.9	25.6
Indirect Services to the Public		
10. Scientific Research	1.1	1.9
11. Agriculture and Extension	3.3	5.0
12. Irrigation and Drainage	10.0	30.7
13. Medical & Educational Services	0.9	1.1
14. Roads, Harbours, Airports	5.1	16.4
15. Municipal Planning Services	1.6	1.1
Sub-total	22.0	56.2
Public Debt - Pensions	9.1	-
T O T A L	100.0	100.0

The actual total figures for 1960-1961 are

total expenditures 399 m. L.E.

" investments 85.8 m. L.E.

Each function, is further divided into sub-functions(not shown in the printed document); and for each item of expenditure, is further broken down into: wages - current supplies and expenditures - investment - and transfer payments

As an example, we give the following figures for the Function of Education :

Total expenditure	71.9 m. L.E.	
Wages and salaries	47.5	"
Current expenditure	9.3	"
Capital investment	9.9	"
Transfer payment	5.2	"

Since the plan-progress reporting system records periodically the number of students, teachers, schools and classes at all grades of education, it can be easily seen, that the system of classification, provides a good measure for the "task" of Education and its achievements.

The Government Business Sector accounts are all also classified functionally; and within each function, it is classified according to institutions (whether departments or public enterprises). The following table (N°.VI) summarises the expenditure (and investments) in this sector.

TABLE VI.- Government Business Sector -
Expenditures & Investments
1960-1961 (U. A. R.)

million L.E.

Function	Total expenditure	Investment
Agriculture	49.9	31.2
Power and Industry	163.6	67.8
Transport and Communication	106.7	55.8
Housing	9.4	8.8
Financial Institutions	5.9	-
Trade Organisations	1.3	0.9
TOTAL	336.8	164.5

In most of those agencies, commercial business accounting systems are used. The plan deals with those agencies as proper business enterprises, and therefore measures their total production, profits, interests and capital accounts.

As examples, we give hereafter data about the General Petroleum Authority (No.I) and the State Telegraph and Telephone administration (No.II) in the following table

TABLE VII.- Accounts of Government Business
Enterprises (1960-1961) U.A.R.(Egypt)

Million L.E.

Account	Agency I	Agency II
Total production	59.0	8.5
added value from prod.	7.0	7.8
wages and salaries	1.1	4.6
profits	5.7	3.2
interests	.2	-
State subsidy	-	1.0
Investments	1.4	4.2

The plan-progress reporting system requires each agency, to give periodically figures about its activities, including (in the case of the General Petroleum Authority) the crude oil procured, the refining capacities, the distribution and storage situation of each product, prices, exports, etc... From these data, control figures about cost, and efficiency are easily deduced and compared, and any appreciable change in them has to be accounted for.

13.- Public Development Activities Before the Comprehensive Plan:

The development activities of the public sector, have increased considerably in the last few years, especially since 1952, but they were not put within a general frame of a national plan, which covers all activities (both current and capital) of the public and private sectors, as was done for the first time in 1960.

It may be useful to review quickly the evolution of development policy in Egypt, so as to understand the role of the budget, which is gaining importance from year to year.

Development activities in the Egyptian economy have started in the early years of the 19th Century. A modern irrigation system has been developed, rules of land tenure established and a number of industries started. A system of harbour, railways and municipal developments opened the country to the influence of interaction with the outside world. The opening of the Suez Canal to international trade, the building of the Aswan Dam and the extension of the perennial irrigation system are important landmarks in

development. Two world wars, during which the country was effectively cut from the outside, helped to establish industries serving the local market. Cairo as a traditional cultural center for the Middle East and the Islamic Countries, developed into a big metropolis, and the country as a whole continued to play its traditional role in the field of culture and education.

Basic developments that took place during the 19th Century were essentially state activities. After the foreign occupation of the country in 1882, State activities in development were curtailed, especially in education and public works. Private foreign capital was encouraged to control the economy, protected by foreign influence and the system of capitulations inherited from the Ottoman period. The government assumed traditional responsibilities of enforcing the law and keeping justice. Defence, foreign policy and financial legislation was controlled by foreign authorities.

Capital, Irrigation, Projects, Transport by railways and harbours were the responsibility of the government; all other aspects of development were left to the private sector, which was largely influenced by foreign monopoly.

After the first world war, the country succeeded in acquiring politically a limited degree of independence. Under popular pressure an intensive program of education and health services was established. Egyptian privately owned industries were started and were subject to foreign competition, with no

protection from government, until the great depression years 1929-1932. With the continuous increase of population, the national income per capita was hardly rising at all during the first half of the 20th Century. (Table VIII and Table IX).

TABLE VIII.

An Estimate of General Trends of Population Growth, National Income and Capital Investment In U.A.R. (Egypt)[†]

Year	Population (millions)	National Income Current Prices Million L.E.	National Income (1954 prices) Million L.E.	Per Capita Income 1954 prices L.E.
1913	13.2	200	476	36.0
1925	14.1	265	530	37.5
1935	15.6	155	500	32.0
1940	16.9	191	503	29.5
1945	18.5	502	523	28.0
1952	21.3	748	693	32.5
1956	23.5	913	816	34.7

TABLE IX

Estimated Total Investments in Fixed Capital Formation in U.A.R. (EGYPT)[†]

Year	Investment (Million L.E.) current prices	Ratio of Capital Formation to National Income %
1935	11.0	7.0
1940	16.5	8.5
1945	13.5	3.0
1952	106.0	14.0
1956	124.0	13.5

[†] Summarised from National Planning Commission Note No. 122-January 1959.

During the years of the second world war, excessive war expenditure, against difficult financing, created inflationary pressures, that disrupted the social structure. Land fertility was reduced owing to the lack of fertilizers and the non-observance of the proper transportation system, the railways and the transport system almost collapsed under heavy pressure of war needs and shortage of maintenance and replacement equipment. The accumulated war time sterling balances were largely wasted in the years after the war to increase conspicuous consumption and non-essential investment. In the political field, the movement to end foreign occupation by military forces and the situation created in Palestine, combined with local factors, lead to a new regime in 1952. Foreign occupation by military forces ended in 1956. The Agrarian Reform, started in 1952, created effectively a rural revolution, which freed both manpower and capital for economic development.

The very short summary of political developments in the country across generations is meant to give an outline of budgetary form. It is far from adequate to be a history of development. The system of financing^{the} growing public expenditure has undergone several changes in the last fifty years. The scope of public activities has increased and extended to new areas. Government administrative machinery grew consequently and became more complex from year to year. The public budget had to cope with, and to attempt to serve, all these changes. A careful

analysis of the yearly budgets would reveal the essential elements in the field of economic and social development.

The machinery of Planning Development was almost non-existent before 1952. Several attempts to establish a general development agency in the country are on record in 1924^{when} Parliament decreed that Public reserve funds should be kept intact, until a general programme of development in the public sector is drawn. This programme was not drawn, until 1935, when a proposition for a number of projects totalling 36 million L.E. was submitted but never enacted. In 1936, a limited programme of public works (roads and barracks) was voted for military reasons. In 1938, a decision was taken to prepare a 3-years programme of public investments, but the threatening danger of world war and the outbreak of hostilities in 1939 prevented the implementation of the decision. In the years 1940-1945 several councils and committees were formed to draw up plans of development without success; until a 5-year program of public expenditure was announced in 1946, totalling 26 million, L.E. to be financed from public revenue reserves funds. During three decades, the basic drive for development was lacking, although financial resources were available. With the birth in 1952 of the urge for development through the revolutionary regime, more serious attempts were started successfully. The Agrairian Reform act, was soon followed by the establishment of Ministerial Committees to draft programmes of development for the main sectors of public activities, and a few months later early in 1953 the Council of National Production was formed, to study

concerted projects of agricultural and industrial development, and the necessary improvements in transport and communications. The Production Council was a planning, and an executive agency in the same time, outside the frame of traditional Ministries and departments. One year later, the Council of Public Services was established, and through its activities a social policy of development was established in many sectors.

The Production and Services Councils had budgets of their own, and programmes of development, while traditional Ministries had in the same time their own activities of development and all the qualified staff. Duplication in executive machinery of development was soon discovered and corrected, through the creation of "Public Enterprises" which are business-like public agencies working for development, management and production in specific areas. The overall planning activities were entrusted to the National Planning Commission, which has no executive responsibilities. Ministries and departments were re-organised, with the help of consultative coordinating bodies, to assume the task of sectoral planning and development.

During the period 1952-1957, the State budget provided, in the average, 27 m. L.E. for capital investment each year, later, public investment programmes expended considerably, as can be seen from the following figures.

TABLE X.- Growth of Public Investment Funds

Million L.E.	
Year	Capital Investment budgeted
1958-1959	55.1
1959-1960	118.0
1960-1961	285.8
1961-1962 [†]	315.0

[†] Proposed.

The total size of the State Budget has also increased considerably. This may be seen from the development of the State Revenues in the next table.

TABLE XI.- Public Revenues in the State Budget

million L.E.			
Revenue Source	1951-1952		1961-1962
		%	%
Taxes (except customs)	61.8	28.6	102.0 24.1
Customs duties	105.8	49.2	130.2 30.8
Profits of Public enterprises	39.0	18.2	115.4 27.3
Other sources	8.6	4.0	75.5 17.8
TOTAL REVENUES	215.2	100	423.0 100

PART III.

THE FORM AND PROCEDURES OF
THE BUDGET

14.- The Growth Of The State Budget

The budget of Egypt has grown considerably during the last fifty years. Total public expenditures which was 17 million L.E. in 1910, reached 77¹/₄ m. L.E. in 1961. The structure of the budget, also, increased in complexity, to cope with the complicated functions assumed by the State. The process of growth and change in the budget is still continuing and is not likely to stop, hence any system of budgeting, must accept change, especially in recently developing countries, otherwise it could not be accepted in practice.

The history of budgetary evolution is written down in the budget document. The division of the State machinery in Ministries, Departments, Agencies and Enterprises, indicates the extensiveness of State functions. The allocation of funds for employment of persons, procurement of supplies and services, and for establishing new capital projects reflect the State policy as regards the management of State affairs and the development of the Economy.

We should not expect a one to one correspondence between budget divisions^{and}/funds on the one hand, and State policies on the other hand. First, because in many cases, State policies are never

defined in such explicit terms so as to be examined in the Budget, and second, because the budget has many rigidities, and its formulation is in practice subject to a variety of forces; the result is that even if State Policies were explicitly given, the budget document could not, effectively, reflect them completely and immediately.

The employment, promotion and management of state officials is one of the most important problem, to be considered in budgeting and planning. In underdeveloped countries, where the economy has been stagnant ^{for years} by definition, public service usually affords better opportunities than private business and it carries with it authority and prestige, hence it is in high demand. When development starts, technical and qualified personnel become in short supply, and they are offered higher salaries and better pay outside public service. The Government may not be able to compete with the private sector in securing the necessary staff for its increasing responsibilities. The budget from year to year feels the pressure of the employment situation of government officials. The two mentioned examples of over-employment and under-employment are not the only ones, there are many budgetary measures and forms, which were especially introduced to meet personnel problems of one type or the other.

The existence of medium and long range plans is another measure which helps to rationalise budgeting. Without such plans, development in the public sector may not exist at all, may change

abritrarily from year to year with disastrous consequences, or may not be coordinated internally and with the developments of the private sector. As a matter of fact, development planning had its origin, in many countries, in the State budget. This is natural since the State has full control and authority in drawing its budget, while its authority on development forces in the private sector is essentially more limited. The Minister of Finance, responsible for drawing the budget, was and still is in some countries, the effective chief planner of development in the country.

Several types of "growth" can be recognised in the budget development. There is the mere numerical growth. The number of policemen or teachers employed by the State increase. Then there is the quality or type growth. Teachers, and schools, will multiply in type, in addition to increasing in number. Instead of 3 types - namely primary, secondary and high schools, we find more than 20 different types of schools at all grades. The third type of growth, is the establishment of "promoting" agencies. To start with we find control and executive agencies, but promoting agencies such as agricultural extension services and cultural and social development centers, do not exert any control and do not execute, but appeal, demonstrate and invite. The fourth type of administrative growth is the inter-departmental and coordinating units. These may be committees, boards or agencies, whose job brings them in contact with a number of existing public departments in

a supervisory, coordinating or advisory capacity. Then the coordinators need coordination and so on. Generally speaking, staff-units multiply quickly in a growing administration, they have the merit of helping senior executives to follow the activities in their agencies, yet in many cases staff-offices reduce the effectiveness of line-authority and direct administration.

A fifth type of growth, which is prominent in the newly developing countries, is the need to bring administration closer to political leadership. Screening and security tests, of one form or the other, is just one aspect of this type of growth. International participation in the United Nations, its agencies, and in international conferences, meetings and organisations is another important political aspect, which is growing in importance in recent years.

Development responsibilities of the State are increasing again in quantum and in type. More public funds are assigned to development and investment. Government studies projects, draws up plans, participates in the capital, borrows from foreign countries, and assumes direct responsibility of execution and management. Pre-investment studies, scientific research and technological experiments, patent control, and licensing systems, are examples of development activities in which Governments get engaged.

The budget has to accept and express -in financial terms - the public decisions in all these directions. The form of the

budget, the system of allocation of funds, and the re-organisation of departments, accomodate the new developments in a variety of ways. Performance budgeting, which depends essentially, on defining tasks and allocating resources of men and funds to these tasks, is particularly useful in development activities and business-like functions of the State.

15.- The Form of The U.A.R. Budget

The U.A.R. is composed of two Regions. Egypt and Syria. Some Government departments and agencies are (unified) in the sense that they act for the Republic as a whole and for the two regions: while there are departments that are limited to one or the other of the two regions. Hence the budget relevant to the Egyptian Region, will be composed of two parts, the first is a share in the unified budget, and the second is the special Egyptian budget.

The unified budget, includes the Presidential offices, the Legislative budget, Foreign Affairs, Defence, National Planning and State consultative and control agencies. For all other activities, agriculture for example, there is a Regional Ministry in Syria and a Regional Ministry in Egypt, and a Central Ministry of Agriculture in Cairo, usually of limited extension and staff, which coordinates the functions of agriculture in the two region and assumes responsibilities for foreign agricultural relations and national policy questions.

The budget office is attached to the Central Minister of the Treasury, who is responsible for proposing the draft State budget, with the assistance of the two Regional Ministers of Treasury and their staff. The Minister of National Planning is responsible for the plan studies and progress-reporting, in conjunction with Planning machinery which will be described later.

Public revenues are collected by regional agencies, and used to finance regional expenditure and also to contribute to the financing of the unified budget (which has no revenues except what is allocated to it from the two regions).

In addition to the main body of Public Ministries and Departments, there exist a large number (about 50) independent public agencies, each of which has its own budget. They are called the annexed budgets. Some of them are annexed to the Budget of Egypt, others to the Budget of Syria and some are annexed to the Unified Budget .

For historical reasons separate capital public investment budgets^{exist} for each of the two regions. They are not exactly identical in content and form. They have even different names. The Egyptian Capital budget is called "The production Budget", while in Syria it is called the "Development Budget".

The "ordinary" budget (non-capital) is financed from regularly revenue sources. It contains subsidies, and transfers to the annexed independent agencies to balance their budgets.

Any surplus, left after that, is transferred as a revenue to the capital budget. This source of capital financing is usually small and the capital budget depends mainly on extraordinary sources, namely domestic borrowing and foreign aid.

The following list gives a functional classification of the main Public Ministries, Departments, Independent Agencies and enterprises, mostly responsible for development activities.

TABLE XII.
A FUNCTIONALLY CLASSIFIED LIST
OF
GOVERNMENT, MINISTRIES, DEPARTMENTS, AGENCIES & ENTREPRISES
CONCERNED WITH DEVELOPMENT
IN
U. A. R.(EGYPT)

A.- AGRICULTURA AND LAND REFORM SECTOR

1. Ministry of Agriculture
2. Ministry of Agrarian Reform
3. Ministry of Defence (Coast and Fisheries Department)
4. Ministry of Local Governments (Combined rural development centers)
5. Desert Development Agency
6. Land Reclamation Agency
7. Tahrir Reclamation Authority
8. The Public Agency of Agricultural Production
9. The Joint Egyptian-American Rural Development Agency

B.- Irrigation, Drainage and Water Economy

- 10. The Ministry of Public Works - Irrigation Department
- 11. The High Dam Authority

C.- Power and Industry Sector

- 12. Ministry of Industry
- 13. The Five Year Industrialisation Program Agency
- 14. The Economic Development Organisation
- 15. The Misr-Group Organisation
- 16. The Nasr-Group Organisation
- 17. The Coopreative Agency for Industrial Production
- 18. The General Petroleum Agency
- 19. The Military Factories Authority
- 20. The Industrial Bank
- 21. Ministry of Defence (The Mobilisation Department)
- 22. Government Printing Agency
- 23. The General Committee of Electrification
- 24. Ministry of Public Works (Electrical Department,
Mechanical Workshop, Hydraelectric Power Agency)
- 25. U.A.R. Atomic Energy Agency (Power Production)

D.- Transport, Communication and Storage sector

- 26. Ministry of Transport and Communication
- 27. State Railways Administration
- 28. Telegraph and Telephone general public authority
- 29. Posts Administration

30. River Transport Authority
31. Department of Roads and Bridges
32. Land Transport Authority
33. Public Authority for Sea-Transport
34. The Suez Canal Public Authority
35. Ministry of Defence, Ports and Light-house Administration
36. Municipal Transport Systems (in big cities)
37. Radio, and television Administration
38. Public Authority for storage (wheat silos and cold
refrigerators essentially)
- (18). The General Petroleum Agency (Oil reserve systems and
pipe line transport net)

HOUSING AND URBANISATION

39. Ministry of Municipal and Rural Development
40. Ministry of Wakfs (Housing Program)
41. Ministry of Local Governments (24 Governorates)
42. Municipalities (in the big cities)
43. The Building Research Institute (The Public
Building Agency)

EDUCATION, RESEARCH AND TRAINING ORGANISATIONS

44. Ministry of Education
45. Ministry of Culture and National Guidance
46. Ministry of Wakfs (Religious activities, Islamic Council)
47. The Universities (Cairo, Ein Shams, Alexandria, Assiut)
48. The Azhar (Islamic Educational System)

49. The Higher Council of Science
50. The Higher Council of Art, Literature and Social Sciences
51. Institute of Public Administration
52. Institute of National Planning
53. The Central Statistical Committee
54. The National Research Center

SOCIAL, HEALTH AND LABOUR SECTOR

55. The Ministry of Social Affairs
56. The Ministry of Public Health
57. The Institute of Social Studies and Criminology
58. The Advisory Labour Council
59. The Social Insurance Agency (for workers)
60. The Youth Council
61. The National Union (Youth Agency)
62. The National Unions (Workers Agency)
63. The Qaliub Demonstration Area Administration
64. The General Agency for Pharmaceutical Products, and Medical Equipment.

ECONOMICS, FINANCE, DISTRIBUTION AND TRADING SECTOR

65. Ministry of the Treasury (Taxation & Customs and revenues Departments - Bureau of Budget).
66. Ministry of Economy (Cotton Trading, Foreign Trade, Banking, Exchange Control, Insurance and Trade practices).
67. Ministry of Supply (Physical rationing, Price control and marketing of basic commodities for consumption)

68. General Agency for Export promotion
69. General Agency for Exhibition and International Trade Fairs
70. The Household Cooperative Organization
71. The Agricultural Cooperative Organisation
72. The Agricultural Cooperative Bank
73. Chemical Fertilizer Price stabilisation Fund
74. Government Pension and Insurance Funds (for Government employees)
75. Post saving Bank.

16.- "Units" In The Egyptian Budgeting System :

It is clear that the administrative division of the Government is functional to a large extent, in the sense, that each division of the Administration is concerned with one function, a sub-function, or an activity of development. This is not strictly correct, since, there are functions which are common to more than one department, and conversely, one department may be responsible for more than one function.

A budget "unit" may be Ministry, a department of a Ministry, or an independent agency. The unit is defined by the fact that it has a separate administrative identity, and its funds in the budget are voted separately, so that it cannot be changed except by a new vote.

The projects of investment in the capital budget, are arranged in functional and administrative groups, which may be considered

to be separate budgetary units.

In all, there are about 250 units in the budget of EGYPT, as follows:

Ordinary Budget of Egypt (Southern Region)	
31 Sections comprising	78 units
Agencies and enterprises annexed to Egyptian budget	27 "
Unified Budget (Ministries and Departments)	24 "
Independent Agencies annexed to Unified Budget	14 "
Groups of projects in the Capital Budget	110 "
	<hr/>
TOTAL	255 "

The budget of each unit, is composed generally of 3-chapters. Chapter I, contains salaries and wages, and enumerates established posts one by one, specifying for each post its grade, and in many cases, the job title. Chapter II, includes the funds appropriated for supplies, Stationary, travel expenses, rents, procurement, maintenance, and other re-current items of expenditure. In Chapter III, will be found the funds allocated to investment and new development. The National assembly votes for the budget, chapter by chapter, This means that transfers between different Chapters, even in the same budget unit, need legislative approval, while within the same chapter, there is some flexibility of transfer of funds from one item to another, except in established posts, which are strictly controlled.

The head of an administration (forming one or more unit of budget) will have the right to use the allocated funds, and personnel to fulfill the regular tasks of his department (built up in time through law, and regulations) and also to execute projects indicated in the Chapter III of his budget or assigned to the department in the capital budget.

Budgets of 3 different types of units are summarised hereafter:

A.- Department of Roads and Bridges (Division N°.2 - in
Section 13 Ministry of Transport and
Communications)

Chapter 1.	Salaries of established posts, temporary appointees, wages, other personal remunerations	LE. 450000
Chapter 2.	Supplis - road maintenance expenses	" 2091000
Chapter 3.	New developments and construction	000000

REMARKS:

Chapter 1 enumerates the salaries and job
titiles of all established posts
which include
300 Senior officials and qualified engineers
450 Technicians, draughtsmen and assistants
300 clerical employees
250 drivers for motor cars and trucks
850 skilled workers - guards.

Chapter 2 is divided into 20 budget lines of current supplies, rents, stationary, maintenance and others.

Chapter 3 all funds have been transferred to the capital budget, starting from the year 1960-1961.

B.- Road Capital Budget (1960-1961) Division 20 - Projects of Roads and bridges assigned to the Ministry of Transport and Communication - Department of Roads and Bridges.

Total Fund for the years 1960-1961 L.E. 3 555 900
the funds are further sub-divided into 58 separate projects, each of which refers to a specific and single development project, As an example, we take project number 38:

Title of Project: Widening and asphaltting of the
road from Sherbin - Kafrel Sheikh -
Dessouk (Towns in the Delta)

Preliminary estimate of total costs	500 000 L.E.
Final estimate of total costs	930 000 "
Funds allotted in the current budget (1959-1960)	50 000 "
Estimate of total expenditures up to the end of 1959-1960	750 000 "
Funds allotted in the current budget 1960-1961	<u>100 000</u> "
Fund required in coming budgets to complete project	260 000 "

C.- State Railways: (Public enterprises) Budget for the
year 1960-1961)

Revenues:	a) current operation receipts	23 800 000 L.E.	
	b) Sales of goods and materials	750 000	"
	c) Contribution from capital budget for developments and renewals	<u>18 500 000</u>	"
	TOTAL REVENUE	43 050 000	"
Expenses	a) Operation costs	18 550 000	"
	b) Development and renewals [†]	<u>24 500 000</u>	"
		43 050 000	"

-
- [†] Remarks: (1) The capital budget enumerates in detail the development projects for the railways under 56 separate titles the data for which is arranged in the form given up for the road project.
- (2) The State Railway development budget is expected to be financed through credits from external loans to the amount of L.E. 10 300 000, while domestic resources will finance it up to L.E. 14 200 000.

17.- Flexibility of Accounting System

Operation departments have the right to use funds allotted to them in the budget without prior consultation with the budget office, except in particular cases. They have further

the right to transfer funds, from one budget line to another, within the same chapter, up to 10 % of the budgeted funds, and to any amount on approval of the budget office. Transfers from one chapter to another are not possible, except by legislative approval. The reason for this is that the parliamentary procedure calls for voting on the budget chapter by chapter, for each division of the same 253 divisions indicated above.

Since individual posts are mentioned in Chapter 1 of the budget of each division, then parliament votes effectively for each one of the 500 000 public employers. While current expenses for supplies and maintenance funds as indicated in Chapter II of the budget of each division, is usually divided into no more than 20 budget lines. Further, there is flexibilities in transferring of funds between these lines as indicated in the previous paragraph.

The budgetary items given in Chapter 3 of the budget, and in the capital-budget items groups, are still more flexible from the accounting point of view. The increase of flexibility from Chapter I to Chapters II and III, is due to the fact that in previous years, capital expenditure funds were not fully used, while new posts for personnel were always in demand, without justification.

Public enterprises and independent agencies, have the right to follow special accounting system which will suit the nature of their operations. Some of them, such as the State Railways

follow more or less the system of commercial accounts, while other such as the Universities, prefer to follow the Government accounting system with some modifications that suit the academic nature of University activities.

The Public General Auditor, has by law, to inspect and report about accounts of all public agencies, as well as, private agencies which receive a subsidy or financial guarantee from the Government. But in each case he has to audit the accounts, according to the established system in each agency.

In previous years, a lot of difficulties were created in executing capital development projects, because of the system of annual budgeting, and the need for requesting annual appropriations. Several development agencies demanded the right to carry un-expended appropriations in one financial year to the next. This procedure created a lot of practical difficulties, and is now not generally followed , and in fact it is no more necessary after the establishment of the National Plan of Development, which secures continuity of development expenditure. A constitutional argument arose in discussing the right of the legislative to vote the budget annually while long range investment projects (extending to future years) in fact create public commitments for the coming years which have to be observed . As back as 1914, it was decided to finance such projects from the public reserve funds accumulated from budget surpluses, and from non recurrent revenues. The same procedure was used in 1936 to

finance a programme of public roads and military barracks building obligated by the 1936 Egyptian British Treaty.

The government accounting system permitted some financial operations to be carried out completely outside the budget. Special laws were passed to finance and authorise operations such as cholera-epidemic campaign (1947), Cairo - riots-compensations (1951) war-damage compensations (1942), and cotton trading losses (1931-1934)

This leads us to refer to the importance of clarifying the financial situation of the government periodically, not only by accounting for public revenues and expenditures, but also through establishing an efficient system for auditing treasury accounts in general. The government receives sums of money, which are not its own, and pays loans, or finance operations by delegation (such as pest control since 1941, tile drainage project 1949, as well as profits and losses in trading operations.)

Through the existence of treasury accounts, which are not regularly audited and cleared, the budget becomes less and less representative of real government activities. Though we refer to such operations, as aspects of flexibility of public accounts, yet any undue use of such funds is most objectionable.

The unity of revenue accounts of the budget, from all sources, is a principle which need to be observed as accurately as possible. The creation of special revenue sources to be specifically assigned to certain types ^{of} expenditures, may be justified

in certain cases. One such case, is the earmarking of all dues, totally or partially, in oil exporting countries, to finance program of public investments and development plans .

18.- Machinery of Development Planning and Progress Reporting.

The machinery of Planning and progress reporting about development in Egypt is the same. The operation departments responsible for executing projects and implementing policies which are designed to realise targets, are required to report, periodically, about progress achieved and difficulties encountered. They report to the President of Republic through the Minister of National Planning and the Cabinet Planning Committee, which were responsible for drawing up the plans originally. The idea of uniting planning and reporting is derived from the principle of "continuous planning" which is basic in the U.A.R. planning system. Plans are not set, and left to be examined after five years or even after a year but the planning machinery must work continuously in reporting, management and studies.

Legal Basis of Reporting About Development

The U.A.R. law 232 - 1960, issued in July 1960, stipulates (article 12) that the Minister of National Planning submits to the President of the Republic periodic reports about the progress made in realising the objectives of the plan. He is wanted to

prepare also an annual report. All such reports would be transmitted to the National Assembly (which is the Legislative authority in the country), through the President.

Article 13 of the same public law, empowers the Minister of Planning to obtain from both public and private bodies all the information needed for planning and follow up, even if such information were of such a nature as to be harmful to the interests of the private body giving it, if made public. In such case, the data should be treated confidentially, used only by the control planning officials, and any infringement of rules of secrecy, will be punished by court (article 14).

Cabinet Committee of National Planning

Though the Minister of National Planning is legally responsible to the President of the Republic about programming and progress reports of development, yet he is wanted to consult continuously in this respect with a cabinet committee, presided over by him, and composed of a number of cabinet ministers mostly concerned with economic, industrial, agricultural and social development.

The presidential order number 1328 for the year 1960, gives the terms of reference of the cabinet committee, in regard to follow up of development, as follows:

- A) The Committee reviews the project of the annual plan before the President signs it (Article 1)

- B) The Committee studies the budget proposals, to insure that they conform to the 5 year plan and to the annual plans (Article 2)
- C) The committee discusses the progress reports prepared by the Minister of Planning, before they are submitted to the President, and may offer remarks, suggestions or recommendations relating to the better fulfillment of the plan targets (Article 3)
- D) The Committee, either by itself, or jointly with the Economic Committee of the Cabinet*, may examine any problem related to national development.

From this, it is seen clearly, that the cabinet committee of National Planning is an active committee, which meets frequently (twice or three times a month) and is capable by its membership and terms of reference to follow closely and continuously the progress of development.

The members of the committee (who are cabinet Ministers) act with the aid of the Planning staff, which is attached to each of them . The Planning staff in the Ministry is composed of:

- A) The Planning Committee of the Ministry
- B) The Planning Bureau of the Minister.

The Presidential order (Number 1329,1960) states that in each Ministry or Public agency, the following two bodies should be established by order of the Minister concerned :-

*Which is presided over now by the Minister of National Planning in his capacity as Vice-President of the Republic.

- A) A Planning Committee, under the chairmanship of the Minister . The Committee will be composed of senior officials and outside expert-members nominated by the Minister. A representative of the Central Planning Office attends the meetings, but has no vote (Article 2)
- B) A Planning technical bureau attached directly to the Office of the Minister, and supervised directly by the senior Undersecretary of State (Article 3)

The Planning Committee, and the technical planning bureau, advise the Minister in all problems related to National Planning. Such problems include, the preparation of the annual plans, the budget proposals, the periodic follow up and progress reports. They investigate also, the methods of coordination of planning and execution of different projects and policies in the department or agency.

Each Ministry or agency is required (Article 7) to submit each 3 months a progress ^{report} /about development, to the Minister of National Planning. The form of, and details included in the periodic reports, are specified before hand by the Minister of National Planning, so as to insure that the reporting will bring forward the relevant progress data, according to a unified system of and definitions classification. Verbal ambiguous statements would thus be reduced to a minimum.

The Progress Reporting Forms

The progress reporting forms, which are designed by the Minister of National Planning, and filled by the different Ministries, Departments and Agencies, number more than 50. Each form has been designed to reveal from the national planning point of view, the situation of development and progress in one sector.

Progress here means, the advance in building and construction of the fixed capital projects, in the different sectors, such as irrigations, industry, electric-power station, schools, etc. It means also, the progress in realising levels of production, exports, and import, and other items forming the national product. In education for example, the reporting would cover, new school buildings, as well as, the number of students enrolled in schools, and any major development in the school system, courses or regulations.

In addition to investment (in the physical sense) and production, the reporting forms cover activities, such as the money flows, the savings, banking accounts, insurance reserves, prices stocks and wages.

The reporting about investments is done at the level of the single project, or the level of a group of repetitive units (such a program of identical schools or low-cost houses).

The reporting about production, consumption, imports and exports, is done on the level of the sector target or group of commodities in the sector. For example in agriculture production,

cotton is reported in detail giving the individual varieties, while fruit and vegetables may be all grouped in one figure.

Lastly, the third type of reporting, which is the reporting about activities, has to be done according to the particulars in each case. Insurance activities will be reported in a manner different from banking activities. Still a special form is designed to follow up the working capital in the organised business sector.

In the following pages, summaries of 3 different types of forms are given, they are :

- A) Form to follow up the progress constructing industrial projects,
- B) Form to follow up the realisation of production targets and requirements in Agriculture ,
- C) Form to follow up the activities in the sector of organised business.

Consequently, these progress reports will by necessity originate in the individual enterprises, and dispersed branch - administration and then get reviewed and assembled at the level of the planning machinery of the Ministry, then it goes to the Central Planning Cabinet Committee.

Thus, the whole body of Administration, will be engaged in the reporting system, and consequently in preparing the data needed, and doing the analysis of performance required for the reporting system.

Statistics and Planning Data

The general information obtained through the regular established statistical offices and procedures, are clearly not sufficient to build up an effective system of follow up. Established statistical series date back to the pre-comprehensive planning period. They are extremely useful and necessary, but not sufficient, for the purpose. A close and continuous cooperation should be established between the statistical authorities and the planning and follow-up machinery. Such cooperation would create better coordination and understanding, but it is unlikely that statistical material, however, detailed accurate or comprehensive, will completely meet the needs of the planner, who needs by necessity to judge, balance and estimate alternative situations.

In the U.A.R. the Minister of National Planning, in line with this argument, is responsible for the statistical activities as well as for the Central Planning work and development reporting.

19.- Forms of Reporting Progress in Development. Some Examples

We give in this section summaries of three different types of forms used in reporting progress in Development. These forms are designed as mentioned before by the Central Planning Office, and are filled quarterly by the Ministries and Operation Agencies, and sent back to the Central Planning Office, where they are recorded and general progress reports prepared on the basis of the data assembled.

A. Form No.3 - Progress Report About Construction of An
Industrial Project.

The form is a folder of 20 pages and contains 14 different Tables.

It would need much space to be reproduced here. This is why only summaries of the important entries will be given.

Page 1-4. General outline of the procedure of reporting and its importance, and outline of the Industrial section of the Development Plan.

Page 5-6 Data about the project - Its location & Agency responsible for execution - Method of Financing - Public participation - Dates of start of construction - Completion - Start of production - Full production.

Titles of projects which are essential to the full working of the project and other ^{projects} /planned which are related to it. Account of the program of training needed - Difficulties encountered - Legislative, organisational and administrative measures proposed to aid the project.

Page 7-10 Tables (1-4) Investment and Construction information.

The following data is required:

1. Expenditure on Studies, Drawing, Investigation, General Administration for the project.
2. Cost of sites, whether arable or desert land

3. Building costs - Industrial building - Offices -
Housing - Roads and other constructions
4. Machinery and equipment (Mechanical - electrical -
others)
5. Transport equipment (Motorcars - Locomotives -
others)
6. Other construction costs .

Table 1 - The items are required with respect to the project as a whole with indication of progress accomplished up to the beginning of the current planning year, and as expected during the successive four quarters. Cost figures are subdivided into local currency and foreign currency.

Table 2 - Requests the same data - as actually happened in the quarter of year reported.

Table 3 - Requests data about employment needed for each of the previous 6 items in the project as a whole , and as expected during the current year, and the wages to be paid. The rest will be cost of material inputs used in construction.

Table 4 - Employment - Wages - Inputs actually incurred in the quarter of year reported.

Table 5 - The goods produced by the project (if it is actually producing) Total production - (quantity and unit

price) for produced commodities and the total production expected during the current year.

Table 6 - Actual production figures for the quarter in question

Tables 7-8 Material inputs required for production:-

1. Raw materials and semi-processed goods
2. Fuel and energy
3. Maintenance materials (lubricants)
4. Packing and other goods

as estimated for the successive quarters of the year (Table 7) and as actually took place during the quarter in question (Table 8)

Table (9-14) Labour employed in the project

A) Local Labour - Administrative

- For construction
- For production
- For transport - distribution ,
etc.

B) Foreign employees - same classification.

For each category - The Labour-employed is classified: Technical - Administrative - Skilled - unskilled.

Table (9) requests the precedent data for the whole year (estimate)

Tables (10-13) requests the precedent data for each of the 4 quarters of the year (estimated)

Table (14) requests the precedent data for the quarter reported (actual figures).

This form is to be filled by the authority responsible for the construction or working of the industrial project and is to be transmitted through the Ministry of Industry to the Central Planning Commission.

B. Form No.4 - Progress Reporting about Planned Targets in Agricultural Production.

Agricultural production takes place in millions of small farm-holdings. To follow the growth of production, the Ministry of Agriculture, is wanted to report quarterly, using all the statistical and other information available to it. The Minister would ask his staff to assemble data, analyse it, and report in the following form, which is made up of 2 tables only, one for production by agricultural commodities, and the other for inputs needed for agricultural production.

Table I. Agricultural Production is tabulated as follows:

- | | |
|---------------|--------------------------------------|
| 1. Cereals | wheat
barley
corn
rice |
| 2. Beans | horse beans
lentils |
| 3. Oil seeds | groundnuts
sesame
cotton seeds |
| 4. Sugar cane | |

- | | |
|----------------------|---|
| 5. Fibres | cotton
jute
flax |
| 6. Vegetables | |
| 7. Fruit | |
| 8. Forestry and Wood | |
| 9. Feeding materials | |
| 10. Animal products | labour energy
manures
dairy products
eggs
wool
honey |
| 11. Fisheries | fish
sponge
game |

For each of the above products, state area under cultivation, total volume of crop yielded per acre price (market) of unit product and mention whether estimate is preliminary or final.

Table II Labour and physical Inputs requested for agricultural production is divided into 11 main groups, as indicated in table 1, then opposite each agricultural commodity is given the labour and physical inputs needed as follows:

Crop

Area cultivated (1000 acres)

data in quantity and value unit

seeds

animal labour

animals manure

agricultural fodder

fuel and lubricants

nitrogeaneous fertilizers

phosphate fertilizers

potassium fertilizers

insecticides

herbicides

Animal feeding material

maintenance of machinery

others

Water used for irrigation

labour number wages

NOTE: Since agricultural production is seasonal, the above forms are filled as estimates for the whole yearly agricultural production, and then actual figures are reported ex post quarterly.

C. Form No.40 - Progress Report of Activities of the
Organised Business Sector.

This is yet a third type of reporting progress. It is not concerned with industrial projects or agriculture-production, but with the organised business companies chartered according to the Company Law (Number 26,1954). These companies total about 1500 in number (excluding Banks and Insurance Companies). Their activities are publically reported in their budgets and final accounts. A special department in the Ministry of Economy is responsible for applying the articles of Company Law, and receives official documents.

The reporting form, summarised here, requires the published company data, to be analysed in a national accounting form. Some of the data required in the form may be of confidential nature, and may be submitted with due reservations of the interests of the company.

It is to be noticed that the data, which refer to a single company or to a group of companies, will help to draw a general picture of the general economic and financial situation, which is of great importance to the Public finance authorities, the National Planning authorities, and the Budget Office.

1. Production Account :

- U s e s :
1. Raw materials, fuels, procurements, transport costs, commissions, advertisements, insurance.
 2. Salaries and wages, including subsidies to workers and physical privileges .
 3. Social insurance and compensations
 4. Interests paid on loans and discounts
 5. Rents paid for premises and equipment
 6. Depreciation costs
 7. Indirect taxes
 8. Balance gross profits transferred to appropriation accounts.

- Sources :
1. Sales
 2. Subsidies (for production or export)
 3. Collected interest
 4. Collected rents
 5. Balance (gross loss) transferred to appropriation accounts.

2. Appropriation Accounts

- U s e s :
1. Production gross loss
 2. Distributed profits
 3. Direct taxes
 4. Other transfer payments (including donations)
 5. Undistributed profits

Sources

1. Production gross profits
2. Revenues from investments in other capital and loans
3. Other profits, including liquidation of assets at values higher than book values
4. Net loss (if any)

3. Capital Account - with reference to previous year estimates

U s e s

1. Land property
2. Constructions and buildings
3. Machinery and equipment
4. Transport facilities
5. Other items of fixed investments
6. Stocks - in production - in stores - or in transport
7. Financial investments
8. Cash and banking accounts
9. Debtors

Sources

1. Paid capital
2. Reserve Funds (including replacements)
3. Issued bonds
4. Long term loans
5. Over draft banking accounts
6. Creditors
7. Undistributed profits

4. Share Ownership

Yearly changes in share-holders (when possible) as regards the participation of the following groups in the ownership of the corporation:

1. The Central Bank
2. Commercial Banks
3. Special Banks (Industrial - Agricultural)
4. Insurance Companies and Savings Banks
5. Co-operative Organisations
6. Public Enterprises
7. Private

5. Bond Holders

Distribution of ownership of bonds issued amongst the groups indicated in 4 above.

6. Information Concerning :

- loans given and obtained from different sources.
- creditors and debtors accounts from different sources
- portfolios of stocks and shares held

7. Employment and Wages :

Quarterly information of number and total wages and salaries paid, including insurance, bonus, cost of living and payments in kind.

20. Coordinating Budgetary and Planning Procedures

The inter-relation of budgeting and planning procedures can now be stated.

The planning machinery (Minister of National Planning and all other Ministers and heads of independent agencies and public enterprises) are continuously supervising execution and following the progress made towards the targets set in great detail in the annual plan.

The budget machinery (together with the public accounting system, branching down to the smallest administration unit) is following the execution of the budget as regards receipts and expenditures.

The operation departments, translate the accounting information, into plan-progress reports, hence acquire a method of measuring achievement with reference to a national frame.

Administrative heads of departments, estimate their need of funds in the next budget, the budgeted funds accorded to them finally are translated into the corresponding (targets) in the annual Plan. The executive progress during the year is measured against the (plan) targets, through the reporting mechanism.

Executive departments, make use of the funds given to them, whether in the ordinary budget or the capital budget, and they direct their technical personnel towards completing the work required, and encourage them to report about difficulties encountered, or bottlenecks discovered.

Year after year, it is hoped that this combination of National Planning and budgeting activities, would lead to an effective programming and performance technique in the public sector.

The combination of Planning and budgeting procedures in this manner extends from the Planning Cabinet Committee on the top, down to the sub-departmental levels, and thus it permeates the whole administration. It does not presuppose any drastic change in the experience and training of the accounting personnel, and it does not play havoc with the book-keeping routine activities, which have been established and accepted for years.

21. An Example: The Department of Roads and Bridges :

As an example, the budget of the Department of Roads and Bridges is considered (1960-1961)

In Chapter I. Salaries and wages, the budget is	317000 L.E.
In Chapter II. Current expenditure and supplies	2465000 L.E.
Capital Budget in Section 21 - Roads and Bridges	300000 L.E.

(covering 58 separate subjects).

The salaries provide for the employment of

277	Engineers and senior administrators
450	Assistan Engineers and technicians
290	Clerical Posts
1100	Drivers, skilled workers

In addition to that, in Chapter II, funds are allotted to maintenance workers who work along roads extending thousands of kilo meters. The total number of workers is about 17500.

For each one of the 58 projects (or groups of projects), the budget estimates give the following information :-

Preliminary estimate of cost project

Final estimate of cost of project

Expenditures incurred up to the end of the
last financial year

Funds allocated in the current year

The Department designs the projects and invite contractors to submit tenders for construction by public announcement. Engineers of the Department supervise the construction, and later the maintenance activities.

In the Annual Plan: Reference to Road activities (investment and use) is given in the annual plan in several tables as follows;

Capital formation: Table 10. Foreign exchange and local currency.

Table 11. Break down of investment cost into, cost of land expropriated cost of construction, equipment machines and transport facilities

Table 21. Added value created in Road construction.

Table 22. Road transport activity (road usage), total production and value added created in the economy.

Table 34. Imports of transport equipment

Table 39. Locally manufactured transport
equipment

Table 42. Wages and profits generated in Road
construction

Table 43. Wages and profits generated in Road
transport activity.

Table 51. Employment in Road construction and
Road transport

Table 57. Public revenues from Road Transport

Table 58-A- Public expenditure on Roads and
Bridges

The director of the Department of Roads and Bridges, has to study the situation of Road construction, Road Transport, and expenditures under the different items, in order to submit the periodic reports of progress, and in order to be able to negotiate proposals for the next budget.

PART IV

22.- Due Caution in Introducing New Budgetary Forms :

It is hoped, that all public departments and agencies will gradually acquire the necessary experience, to understand the concepts of planning for development , and to discover, how their respective activities can be represented within the wider frame of national growth* This gradual process of learning needs the full cooperation of technical and accounting staff members. It requires coordination and correspondence between higher and lower levels, and any effort exerted in this direction will be highly illuminating.

In such a manner, the objective of rational development can be achieved, because all members of the administrative will be logically involved. Budgetary reforms will not be **far** lagging behind in this respect. Administrative re-organisation recommendations have to be proposed from time to time, and the necessary change or modifications of accounting and book-keeping procedures could be introduced after practical examination, and actual experience.

The existing budgetary form, if well established, and however deficient it may be, for the purposes of programming development, is nevertheless acceptable from the accounting point of view. The officials handling the accounts had enough training in the job, though they may not understand enough the

the economic and development significance of the budgets they are handling. The ex-post analysis of budgets and public accounts is to be done in the start by Central Planning Offices and Senior Budgetary Officials, who can be assumed to have higher qualifications and wider outlook, towards the budgeting process and the functional aspects of Government financial activities. They can study carefully the different growth factors, devise systems of project appraisal, and fund allocation. When they finish their studies, they can propose the big lines by which the new budget could be formulated, and they can point out, the consequences of their propositions, if put in the usual budgetary form. Thus the outline of the budget can be reached. Further discussions and negotiations with the different departments will lead to the final draft of the budget document.

As explained before, with the existence of a medium or long term comprehensive plan of development, the budget drafting will not depend only upon the ex post analysis of previous years' actual accounts, but on the other hand, will benefit, from the general macro-economic estimation of the development situation during the coming year, as drawn up by the Central Planning Office. (In the form of the proposed annual plan for the coming year). This macro-economic document, when studied jointly with the senior budgetary officials, could be a useful basis for drawing the budget. This is an additional reason to call for caution, in introducing a relatively complicated budgetary form, while the

accounting staff members are not ready to handle it, and while an alternative exists instead of it.

The last point to be mentioned in this connection is attitude of technical officers in executive departments, As things stand now [in the U.A.R. (Egypt)], these officers are in fact the real originators of the projects in the form in which the projects reach the Central Planning Office for examination and inclusion in the general plan. The planning of projects and development operations at the level of technical officers of executive departments, is far from perfect, both technologically and financially. Furthermore, the difficulties of execution, such as the employment of skilled workers and exports, the procurement of foreign exchange funds, the complicated procedures necessary to prepare contracts and other problems, make it impossible for executive officers to time expenditure needed during the coming year, project by project. They prefer, to have the budget in a summary form, permitting them, to use whatever resources are to be made available to them. in any one of many project grouped together. They do not object to report exactly and whenever necessary about the situation of any specific project, but their executive performance will be impaired, if they are not given enough freedom to use the human and financial resources in a wider front. Over pinning of funds or personnel to limited operations and single projects, would appear, in their opinion, to be a false accuracy.

23.- Further Steps Required.

The described system of budgeting for development, emphasises the over-all approach. It defines the task of the administrative "unit", in terms of projects to be established, targets to be attained, and activities to be accomplished. The "resources" available to the head administrator, are shown in the budget, under three different chapters, as indicated above. Internal analysis of operations, may lead to better re-allocation of those resources, whether human or material. This is the duty expected from each senior administrator. The internal analysis, in the case of the Department of Roads and Bridges, would show in detail, the engineering man-hours needed ^{per}/kilometer of road built, the average time that elapses between starting the design of a road project, until a contractor starts actual construction, the proper ratio of supporting staff (technicians, clerks, administrators) to engineers, in construction operation, or maintenance activities, and so on. The internal analysis systems and norms of execution, need to be examined carefully, in successive years, and in different parts of the country, or perhaps also in different seasons of the year, before they are finally accepted. During the same time, normal administrative supervision, would show, how efficient and smooth is the operation of the work, so as not to introduce in the norms exaggerated estimates, one way or the other. Administrative re-organisation of units and tasks, may be recommended from time to time. simplifications of procedures and systems of routine operations would be looked into.

In short, the over_all-performance criteria, need to be supplemented by:

1. Internal analysis of resources and costs
2. Administrative controls of efficiency
3. Organisation and methods (O and M) improvements,
including management
4. Technical and legal revisions.

In such work, comparative studies with similar departments, or with operations in other countries, will be useful as a check and guide.

During the same time, a continuous training of staff is necessary, first to plan the operations and analyse reports of progress and secondly to suggest further propositions for improvement. Technical, administrative, and accounting staff members will be all equally involved in these processes.

It will be always advisable, to conserve a large degree of flexibility to the head administrators, to deploy their staff members and funds, to accomplish the group of tasks assigned to them. This is so, for two main reasons. The first is to benefit from direct judgement of the administrator on the spot, and the second is to allow for the many shortcomings of accurate administrative detailed planning, especially in a country in which a relatively accelerated development is taking place.