

Arab Republic of Egypt

(ةيبرعلا رسم ةيروهمج)



Capital: Cairo

Inhabitants: 80.335.036 (2007)

Area: 980,869 km²



1. Introduction

Egypt is situated in northeast Africa and borders the Mediterranean Sea to the north along 995 km, the Red Sea in the east along 1,941 km, Palestine and Israel in the northeast along 265 km, Libya in the west along 1,115 km and Sudan in the south along 1,280 km. It is estimated that Egypt covers an area of 1.2 million km². Cairo (around 8 million inhabitants) is the capital of Egypt.

According to estimates from 2007, the total population of Egypt is 80,335,036.

In terms of its Constitution, since Egypt became a Republic in 1953, the country had various Constitutions (1953, 1956, 1958, 1964) before the current Constitution was adopted in 1971. The 1971 Constitution was revised in 2005 to include a multi-party voting system for presidential election candidates, which is based on secret, universal and direct suffrage (Art. 76, new). This is also currently being revised under a referendum (26 March 2007 referendum).

Local-level organisation started in Egypt at the end of the 18th century under French occupation. In 1798, Napoleon Bonaparte decided to split the country into 16 sub-provinces. Under Muhammad Ali Pasha's reign in 1805, the country was split into 14 sub-provinces, which were further divided into various districts. In January 1883, Khedive Tawfiq adopted a basic law giving each sub-province an assembly elected for a 6-year period. Municipal councils were put in place for the first time following the creation of local authorities in Alexandria, which was given legal status on 5 January 1890. Local-level organisation features in Articles 132 and 133 of the 1923 Constitution, which states that all councils (municipal and regional) must be elected.

Today the country is organised on five levels. Art. 161 of the 1971 Constitution states that the Arab Republic of Egypt is divided into legally recognised administrative units. These are governorates, towns and villages. The Constitution also provides for other legally recognised administrative units to be established where it is in the public interest.

Law No. 52 of 1975 on Local Administrative Structure states in Art. 1 that local administration structures are made up of governorates, districts, towns, urban subdivisions and villages, which all have legal status.



Local popular councils are elected at all levels, but executive councils are appointed. Law No. 43 of 1979¹, which was amended, retains this local administrative structure².

2. Territorial Structure

Egypt has five territorial units: governorates, districts, towns, urban subdivisions and villages.

The 26 governorates are subdivided into districts, towns and villages (217 towns, 4,617 villages), apart from the city of Luxor, which has its own status.

Governorates are created and disbanded at the President of the Republic's decision. Governorates can be made up of one town only. *Districts, towns and urban subdivisions* are set up, disbanded and defined in area by the Prime Minister, following approval from the local popular council of the governorate. Name changes are also made in this way.

Villages are established, disbanded, defined by area and given new names at the Governor's decision, following proposals from the local popular council of the district in question and the agreement of the governorate local council. The area of a local village authority can be composed of groups of neighbouring villages.

¹ OJ No. 25 of 21 June 1979

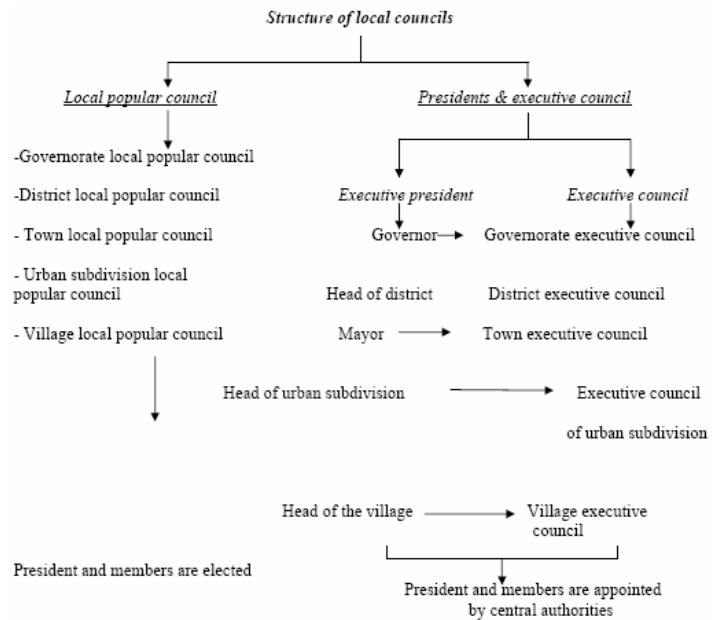
² - Law No. 50 of 1981 (OJ - 25 June 1981, No. 26); Law No. 168 of 1981 (OJ - 27 October 1981, No. 43 A, C); Law No. 26 of 1982 (OJ - 15 April 1982, No. 15); Law No. 106 of 1987 (OJ - No. 27 July 1987, No. 30 A); Law No. 145 of 1988 (OJ - 9 June 1988, No. 23 A); Law No. 9 of 1989 (OJ - 16 1989, No. 11); Law No. 84 of 1996 (OJ - 21 June 1996, No. 24 A); Law No. 225 of 1996 (OJ - 14 July 1996, No. 27 A); The local government system became applicable to local administration under Law No. 145 of 1998.

Art. 4 A of the amended law relating to local administration gives the President of the Republic, following approval from the Council of Ministers and following proposals from the minister in charge of local administration, the opportunity to choose to give special status to certain towns which are particularly important in order to contribute to their development and improve their infrastructure. In this way, Presidential Decree No. 153 of 1989 grants the city of Luxor special status.

Local administration in Egypt, whatever its status (governorates, districts, towns, urban subdivisions or villages), is made up of two important bodies:

- local executive councils
- local popular councils

The flowchart below makes this organisation clear³:



³ Ennahri (M-M), *L'administration locale entre centralisation et décentralisation*, Librairie El Jalâa El Haditha, 2001, p. 217 and s. (in Arabic).



3. Local democracy

The Egyptian Constitution adopts elections as the method for appointing members of local popular councils. Art. 161 of the 1971 Constitution states that local popular councils are formed progressively on the level of administrative units by means of direct suffrage, and that at least half the members of the popular council must be from the working classes and peasant groups. Amended Law No. 43 of 1979 states that members of local popular councils are elected by universal, direct and secret vote. The mandate is for a 4-year period. There has been an individual ballot since 1996, and the election is based on relative majority. The rate of participation in local elections is fairly low.

The Egyptian political party system is a multi-party system with 21 legally recognised parties. This multi-party system is, however, characterised by the predominance of the government party, the National Democratic Party, which widely dominates legislative and municipal elections. During the April 2002 elections there were 49,522 seats available, and 59,708 candidates, 1,035 of whom were women, put themselves forward. The distribution of candidates from each party was as follows:

70% of the candidates belonging to the national party in power were the sole candidates in their constituencies, and the National Democratic Party gained 97% of the seats.

The poor turnout rate reflects the disaffection of voters and their lack of trust in the integrity and meaningfulness of the elections. Furthermore, these weaknesses at the level of local democracy are also illustrated by a two-year delay in local elections, which should have taken place on 15 April 2006. This delay was justified

by the need to implement new legislation to strengthen decentralisation and democracy, and to allow greater participation from the various political powers.

Recent revisions to the Constitution in 2005, and those underway (March 2007), aim to restore interest in local elections. In fact, the 2005 revision gave local elected officials the right to sponsor and support independent candidates during presidential elections. This is expected to increase interest and bring about greater competition during the next municipal elections.

4. Relations between central and local authorities

Local councils are subject to many checks carried out by central authorities, which have the last word in terms of managing local affairs. Local councils also come under jurisdictional control and the People's Assembly.

On the other hand, the Governor has considerable trusteeship and powers of control over local councils within the governorate. Finally, the governorate popular council has control over the lower councils, according to the hierarchy established between local councils.

4.1 Parliamentary power

Parliament adopts laws setting out the allocations of local authorities. It also has control over councils and local authorities according to the following terms:

1 - Members of the People's Assembly have the right to attend popular council meetings, to participate in debates, ask questions, offer suggestions and request information without taking part in the voting process.

2 - Local authorities can only take out a loan or accept a new project that doesn't



appear in the plan or the budget or requires financial backing once it has been approved by the People's Assembly.

3 - The minister in charge of local administration is required to present an annual report to the President of the People's Assembly on the activities and accomplishments of the local popular councils as part of the development plan and the budget of each governorate.

4 - Also, the Assembly can take the form of a commission in charge of evaluating the activities and accomplishments of each local unit.

5 - The People's Assembly must be informed of all decisions concerning the dissolution of a local popular council within two weeks of the decision to allow the Assembly to verify that the aforementioned decision conforms to the law.

4.2 Control of executive power

Central authorities have the responsibility and power to create and disband local authorities. Egyptian legislature has established the principle for electing local councils. However, the possibility of nominating particular members has not been excluded.

The Governor, who is one of the most important personalities forming part of the local authorities, is appointed by the President of the Republic.

Art. 139 of the Law also states that the nomination and recruitment of General Secretaries, Deputy General Secretaries, Mayors and heads of urban subdivisions, as well as changes and transfers within or between local authorities, are carried out upon decision of the Prime Minister, with the agreement of the Governors in question.

Part of this power also involves the right to declare the dissolution of local councils and

appoint certain members to these councils. The decision to disband governorate popular councils, as well as other local authorities, is announced for reasons of general interest by the Council of Ministers, following proposals from the minister in charge of local administration. Moreover, the Prime Minister can replace local councils in carrying out their duties.

Finally, central authorities have control over the activities of local councils and authorities, particularly those relating to financial issues. The free transfer of movable and immovable assets or rental fees carried out by the governorate popular council for amounts of over 50,000 Egyptian pounds must be approved by the Council of Ministers.

Authorisation from the Prime Minister is also required for all administration carried out by local district councils without charge in accordance with conditions established by law for amounts of 50,000 Egyptian pounds or less (Art. 42).

In addition, managing land to be used for construction owned by the State and local administrative structures must be approved by the Ministry for Agrarian Reform. Also, local authorities can only be involved in joint investment projects using foreign money following authorisation from the relevant planning authorities, public investment bodies and free zones (Art. 115). Finally, and following approval from the local popular councils and high committees for regional planning, planned projects for governorates are presented to the Minister of Planning, who then coordinates them in line with the State's general plan in agreement with the minister in charge of local administration and any other ministers involved.

Authorisation from the Council of Ministers is also required to establish, modify or give exemption for any taxes by the



governorate popular council (Art. 12, paragraph 7).

The Ministry of Finance and the State Audit Office manage the local authority accounts and budgets.

4.3 Decentralised power

Although central authorities normally exercise control over local councils, this power is sometimes taken on by certain decentralised structures. In this way, Law No. 60-124 grants governorate councils the power of control and supervision over other local councils.

In this respect, the Governor plays the pivotal role in this mechanism of control. In fact, for financial issues, the Governor's approval is required for any taxes that a local town council plans to implement. Moreover, Governors control local council budgets and close their accounts. They also have the power to oppose decisions made by local popular councils. The Presidents of local popular councils must present decisions to the Governor within fifteen days of adopting them.

Governorate local popular councils have extensive power over lower popular councils. In particular, this means that they can approve or oppose decisions made by these councils. Moreover, the legislature has granted governorate local councils the power to stand in for local popular councils within the framework of the governorate, and for projects that councils are unable to carry out themselves.

District and town local popular councils exercise the same level of control over lower popular councils⁴.

⁴ Ennahri (M-M), *L'administration locale entre centralisation et décentralisation*, Librairie El Jalâa El Haditha, 2001, p. 200 and s. (in Arabic).

5. Local Responsibilities and Powers

According to the clauses of Art. 2 of Law No. 43 of 1979, which was amended by Law No. 50 of 1981, local administrative structures implement the creation and administration of all public services within their constituencies. As part of their responsibilities and powers, they also carry out all the responsibilities and powers attributed to ministers according to existing laws and regulations, except for national public services and those that have specific requirements, which are set out by the President of the Republic. Services that can be created and administered by the governorates and other local administrative structures are set out in a decree.

5.1 Governorates

Within this framework, governorate popular councils have two types of responsibilities and powers. Firstly, they exercise powers of control over the various services and activities at the local level. This power is not limited to the activities themselves, but also includes the stakeholders that implement the activities. The council can also ask the Governor at any time to provide it with all data relating to activities of other units and services which are carried out within the governorate's constituency. Also, governorate local popular councils have the power to supervise how plans aiming to generate development in the local community are carried out and to ensure that they are monitored. The governorate local popular councils also have responsibility for:

- Adopting and ensuring the monitoring of social and economic development projects, as well as approving the annual budget plan and the governorate's project balance sheet. The council also approves projects



relating to housing and construction, and proposes town and urban planning projects.

- Approving the creation of services of general interest for the governorate.
- Proposing the creation of free zones or companies using Arab and foreign capital, as well as developing joint projects with other governorates.
- Proposing the implementation of charges and local taxes that give the council the power to modify, terminate or exempt certain subjugated categories, following approval from ministers.

As for the power granted to other local councils under Art. 13 of Law No. 79-43, which was amended under Law No. 81-40, governorate local popular councils retain the power to approve decisions made by other popular councils within the governorate.

The governorate popular council can also give advice on issues relating to the governorate, but this advice is basic and simple in nature.

5.2 Powers and responsibilities of other local popular councils

District local popular councils exercise control over the activities of local town and village councils within the district and can approve their decisions. They also have control over various local services covering more than one local unit within the district's framework. They are also responsible for:

- Approving the project plan and the district's projected annual budget and monitoring how they are carried out, as well as approving the project's balance sheet.
- Proposing the creation of various services of general interest in the district.
- Determining and approving general regulations relating to the use of the

district's assets and how they are managed.

- Approving how the district's local public services are organised and improving the quality of their output.

Town popular councils exercise powers of control over urban subdivision councils and guarantee coordination of their activities. They also control local services within the framework of the town or city's constituency.

Urban subdivision popular councils have responsibilities and powers similar to those of town popular councils. In particular, they have control over local services.

Lastly, like the other popular councils, *village popular councils* exercise control over the various local services as part of the district's general policy. Moreover, the village popular council proposes the project budget, approves the balance sheet, and develops the village's economic, social and urban development plan and implements steps to combat illiteracy.

6. Financing for local authorities

6.1 General regulations of power and responsibility for local popular councils regarding financial issues

The governorate's financial service develops the governorate's project budget, which includes the project budgets of local authorities within the governorate (new Art. 120 relating to local administration). The governor then submits the project to the governorate's popular council for discussion and adoption at least four months before the start of the budgetary year. Once it is approved by the local popular council, each governorate sends its budget to the minister in charge of local administration to be studied by the relevant Governor. It is then sent to the



Ministries of Finance and of Planning with the Governor's comments.

In addition, the law relating to local administration has given regulatory powers responsibility for setting regulations related to determining the basis and base procedures for all local taxes, their review procedures and ways of reducing these taxes. Regulations can make provisions for various ways of determining the baseline and methods to balance out taxes (Art. 125 of the Law). Relevant governmental bodies can also process tax returns relating to local authorities themselves, and then return them following agreement from the governorate local popular council.

6.2 Local revenue and budgets

Sources of local income are divided as follows⁵:

- *Ongoing revenue* is split into ongoing sovereignty revenue and ongoing local revenue.

- *Ongoing sovereignty revenue* includes charges and local taxes (tax for non-developed land, tax for constructed buildings, tax on drinks sales, vehicle tax, a portion of the mutual income, a portion of the mutual fund, a portion of the VAT on the Suez canal). In the 2001–2002 budgetary year, the amount brought in by this income made up 1.67% of the State's general budgetary income.

- *Ongoing income and ongoing local transfers*: This type of income is different from the one above as it is collected by representatives of local authorities, even if it is sent back to the public treasury. In this case, it is then assigned to the general budget for local authorities. During the

2001–2002 budgetary year this income was 1,772.2 million pounds, which was 7.96% of the total national income in the general State budget.

- *Capital income*: This income is from transferring assets (deposit sales, sales of movable and immovable assets) and income transferred into capital (debts, investment allocations), as well as loans and credit facilities (external loans and credit facilities given to finance planned operations). During the 2001–2002 budgetary year, this type of income reached 1,845.1 million pounds, which is 12.7%⁶.

- *Aid from the central government*: Due to the lack of revenue brought in by the means listed above, the largest amount of income for local authorities comes from the central government's allocation, which is part of the general budget for these groups. In the 2001–2002 budgetary year, this income was 16.6 billion pounds, which was 7.55% of all allocations appointed by the general budget that year. This allocation represents around 80% of all income for local authorities.

Table 1: Local authority resources

Ongoing revenue		Capital income	Aid from the State budget
Sovereignty revenue	Local revenue	1,845.1 million EGP	16.6 billion EGP
871.1 million EGP	1,772.2 million EGP		(80 % of all resources for local authorities)

⁵ See Abdelwaheb (S-M), *La mutation vers la décentralisation en Egypte (réalités et perspectives d'avenir)*, (in Arabic), available here: <http://www.eohr.org/ar/report/2005k4-2.html>.

⁶ Ibid.



In Egypt, local expenditure covers four areas: salaries, ongoing expenditure, investments and transfers of capital. During the 2001–2002 budgetary year, expenditure on salaries made up 63.12% of all local public expenditure. In other areas, however, expenditure decreased. The reason for this decrease is linked to the fact that operational expenses (credit required by local authorities to carry out their main activities and cover all their needs for supplies and services, purchasing for resale, ongoing transfers) was nearly 19% of expenditure during the same budgetary year. Investment expenditure (launching new projects, carrying through on projects already underway, restoration and renovation work, transfer capital) was 8.11%. The percentage of capital transfer expenditure was around 6%. Local expenditure did not go above 4.17% for all public expenditure during the 2001–2002 year⁷.

Therefore, we have seen a weakening in the financial foundations of local authorities⁸, whose own resources are very low. In fact, State allocation makes up more than 80% of sources of income for local budgets. This translates to a total lack of financial autonomy for local authorities.

The following observations can therefore be made:

There is no financial autonomy for local authorities. Even though the Law on Local Administration mentions charges, taxes and loans as being resources for local

authorities, it is the central government that implements these charges and taxes, sets the rate and baseline, and collects the money. It is the central government that also determines loan amounts and the loan source. Furthermore, there is no specialised credit institution that local authorities can turn to. In addition, the law imposes certain limits on donations and bequests to local authorities to the extent that they must be submitted to the central government for approval⁹.

Local authorities do not have any real control over their budgets. Even though the law on local administration has given local authorities the power to prepare their own budgets, this has not made their role any less formal or limited. The preparation of local budgets requires that various procedures be followed. They are initially prepared by the local executive and then submitted to local councils who cannot amend them. Projects are then passed to the central government (the Ministries of Finance and of Planning, and then the Council of Ministers) before being submitted to Parliament.

In this way, the central government can make as many changes as it likes to local budgets. This explains the gap between the plans and needs of local authorities on the one hand, and local budgets on the other, especially since the role these authorities play in local planning is entirely formal and is limited to presenting the data and information necessary to prepare the development plans¹⁰.

Table 2: Local authority expenditure

Payments and salaries	Operational expenditure	Investment expenditure	Capital expenditure	% local expenditure / national expenditure
63.12 % of all local expenditure	19 % of all local expenditure	8.11% of all local expenditure	6 % of all local expenditure	4.17 %

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.



It is clear from the above that local authorities do not have truly autonomous budgets. Furthermore, local budgets do not contain all the credit that local authorities have requested to fulfil their needs and support the services they finance. This explains why certain projects are delayed, particularly due to delays in transferring the necessary funds from the central government¹¹. It is also why various transfers are carried out from ministerial budgets to governorates¹².

This situation certainly demonstrates both the central government's lack of trust in local authorities and its reticence to decentralise power further.

Local authorities do not have any real power to implement their own budgets either. Since local authorities do not have any real control over the preparation of local budgets, they do not have what is required to implement them as they lack the necessary flexibility to make changes to these budgets according to their situation and economic and social needs. It is also the case that local authorities cannot move from one article to the next in the budget without consulting the central government (the Ministries of Planning and of Finance)¹³.

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¹¹ Ibid.

¹² During the 1996–1997 budgetary year, these changes and transfers reached 2.5 billion pounds, with an approximate rate of 23% of the initial clauses of the local administration budget. Similarly, changes affecting the investment budget for the 1996–1997 budgetary year reached 876.9 million pounds, even though the original projected amount was 728.3 million.

¹³ Ibid.