

# Egypt Human Development Report 2004

# Egypt Human Development Report 2004

Choosing Decentralization  
for Good Governance

The Egypt Human Development Report 2004 is the major output of the Human Development Project, executed by the Institute of National Planning, Egypt, under the project document EGY/01/006 of technical cooperation with the United Nations Development Programme (UNDP).

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## Preface

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Of Egypt—from North to South, West to East, in villages, towns and cities – can share, with the central and regional authorities, in the responsibilities and decision-making process needed to ensure a dynamic and sustainable development path for all.

Today, despite the improvements in a number of human development indicators in the late nineties, large disparities continue to exist across Egypt's 26 governorates and within governorates, both in socioeconomic development and in access to basic services. Local communities live in varied geographical settings with their own particular attributes and resource endowments. Locational differentials have also been largely determined by historical processes such as the movement of Egypt's capital city—the center of political and economic activity—from South to North. Investment allocation could rectify the ensuing geographic imbalance by creating growth poles in the South, where poverty incidence in 1999/2000 was 30 percent in Upper Egypt versus a national average of 17 percent, and the annual per capita GDP growth rate was 2.8 percent versus 6.8 percent. The quality of leadership can also make a vast difference, as the success stories of Alexandria, Qena and Fayoum governorates attest. These show that progress towards the achievement of Millennium Development Goals (MDGs), for example, can benefit, with adequate current and investment resources, the judicious exploitation of comparative advantage, and the

expression of grassroots democratic participation through good governance.

I have been privileged to be associated with the *Egypt Human Development Reports* since their inception. I am justifiably proud of this Report, indeed, as I have been for previous ones. This effort by 27 authors and specialists is intended to open up the debate on decentralization at a moment when the political will is there for change. I thank the Institute of National Planning and the United Nations Development Program for the hard work they have put in to produce the 2004 Report. A special word of congratulations must go to lead author Dr. Heba Handoussa, and my gratitude also goes to the authors of the excellent background papers that have enriched this endeavor.

*Osman Mohammed Osman*  
Minister of Planning

## Foreword

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It is commonly assumed that citizen's participation is essential for sustainable and equitable development and for a modern democracy. However, forms of participation which do not translate into real influence on decision-making can become a sterile, if not frustrating, exercise. Thus as a political philosophy for managing a country's system of governance, decentralization makes participation effective, as it allows civil actors to localize issues and find local solutions to local problems.

There is convincing evidence, drawn from varied country contexts, that decentralization and local participation are effective mechanisms in reducing poverty. There is also evidence that any decentralization process needs to be carefully designed, to ensure all regions of a country benefit equally. Often particular regions will have special development problems and straightforward decentralization policies will not deliver the anticipated benefits unless specific compensatory mechanisms are put in place.

Perhaps even more importantly, a process of decentralization promotes local good governance and facilitates implicit local "social contracts" between authorities and citizens, helping to deepen and spread a culture of democracy. The political debate in Egypt today has moved from the discussion on whether decentralization is a good thing, to what should be the nature of decentralization and

how should it be done. Egyptians realize that excessive centralization is retarding national development and that the cost of not decentralizing is heavy. Decentralization promises to unleash fresh energies, capacities and contributions from the local level. By building the appropriate policy and institutional frameworks decentralization should inject dynamism into social and economic development and create, at the local level, a form of governance which will be able to better respond to the demands for more efficient and better quality services, while making decision-makers more accountable to the people.

The *2004 Human Development Report* for Egypt goes beyond providing policy makers with food for thought. It represents a serious, impartial, professional and comprehensive attempt to draw an agenda for human development based on local empowerment. Therefore, I am most grateful to the authors of the Report and especially its lead author, Dr. Heba Handoussa, for this tremendous contribution, which will certainly help nurture and accelerate decision making towards political, administrative and fiscal decentralization.

*Antonio Vigilante*

Resident Representative

United Nations Development Programme

## Preamble

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For centuries geopolitical factors played a key role in conditioning the people of Egypt to depend on a strong, central authority to govern the long strip of agricultural land alongside the river Nile. While this central authority was needed for a society whose basic activity was simply farming of the fertile land through artificial irrigation, it has now become a constraint. Centralization impedes development and growth because it does not suit the complexity of modern life. Thus, the main theme of the EHDR 2004 (the Report) is decentralization and development; decentralization being seen as not an end in itself but a response to the requirements of the 21st Century, a means towards achieving sustainable development and improving the quality and delivery of services.

It is hoped that EHDR 2004 will contribute to national policy dialogue on all the issues of decentralization as well as on human development at disaggregated levels. The previous EHDR 2003 had as a main theme participation in local development: participation in planning, decision-making, implementation, and funding of local projects and priorities. Decentralization, and its various dimensions, is therefore an appropriate sequel as the main theme for EHDR 2004, especially that all indicators show Egypt as one of the most highly centralized economies, where budget figures for 2003/04 show that the shares of local government in total government revenues and expenditures are only 3 percent and 15 percent respectively.

In addressing the theme of decentralization, the Report has been conceptually designed so as to make use of a 'theme-sector' matrix. The main themes are political, administrative and fiscal decentralization, and the Report covers major components, such as local governance, private sector participation, voice of the poor, civil service reform, capacity building

and stakeholders. This thematic framework is then linked up to the basic service sectors—notably health and sanitation, education, housing, irrigation, and micro credit as each sector reflects successes and failures of efforts to decentralize.

In each of the sectoral chapters, the present setting is described with special focus on institutional and regulatory frameworks, constraints, weaknesses and areas where reform is necessary. The potential for implementing decentralization in each of the sectors is then analyzed, together with the related benefits, obstacles, risks and suggested process. Local and international experiences and achievements are highlighted, and policy recommendations are formulated.

This report concludes that for Egypt, decentralization is considered a mechanism to enhance local communities' participation in decision-making in a way that promotes better access to basic services, improved quality of services, cost-efficiency and prioritization of beneficiaries' needs. There are diverse sources of service delivery along the public/private spectrum, and various advantages to selecting the type of provider according to the attributes of the service itself. The report also confirms EHDR 2003 findings that in spite of the government's commitment to involve market forces and the private sector in national development, there are reservations regarding the market's ability to solve the pressing problems of poverty and inequality. Finally, it is clear that decentralization can help overcome a prevailing apathy or feeling of alienation, by strengthening people's participation in the process of development, by promoting partnership and enhancing transparency and accountability in local government.

*Heba Handoussa*

Lead Author

# Acronyms

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CAO	Central Auditing Organization
CAPMAS	Central Agency for Public Mobilization & Statistics
EHDR	Egypt Human Development Report
EPC	Elected Popular Council
EWUP	Egypt Water Use and management Project
FHF	Family Health Fund
FY	Fiscal Year
GDP	Gross Domestic Product
GOE	Government of Egypt
GOPP	General Organization for Physical Planning
HDI	Human Development Indicators
HSRP	Health Sector Reform Program
HIO	Health Insurance Organization
IAS	Irrigation Advisory Service
IMS	Irrigation Management Systems
LE	Livre Egyptienne (Egyptian Pound)
LGC	Local Government Councils
LGU	Local Government Unit
LSDF	Local Services and Development Fund
MALR	Ministry of Agriculture and Land Reclamation
MDGs	Millennium Development Goals
MF	Micro-Finance
MFI	Micro-Finance Institution
MOE	Ministry of Education
MOF	Ministry of Finance
MOHUUC	Ministry of Housing Utilities and Urban Communities
MOHP	Ministry of Health and Population
MOHed&SR	Ministry of Higher Education and Scientific Research
MOLD	Ministry of Local Development
MOP	Ministry of Planning
MOSA	Ministry of Social Affairs
MWRI	Ministry of Water Resources and Irrigation
NDP	National Democratic Party
NHA	National Health Accounts
NOWSS	National Organization for Water Supply and Sewerage
NSE	National Standards for Education
SFD	Social Fund For Development
WDI	World Development Indicators
WDR	World Development Report



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# Decentralization: Benefits, Constraints, Risks and Process

The diminishing quality of public services in Egypt, the increasing bureaucratic bottlenecks and the ineffective use of limited resources all provide a strong case for decentralization as a mechanism for reform.

The importance of decentralization lies in its association with the transfer of competence and the independence of decision-making, with the purpose of raising the quality of basic services delivery. There are three aspects to this transfer of power: political decentralization which relates to a greater degree of democracy at local levels – to ensure a high degree of community participation in decision making; administrative decentralization which shifts the decision-making authority to lower levels in the administrative hierarchy – to respond to the needs of citizens at the grassroots; and fiscal decentralization which provides greater discretion in the mobilization and spending of funds – to make better use of resources .

This chapter reviews the appropriate prerequisites, risks and processes needed to implement decentralization at these three levels of authority, and their application to a number of key sectors and their service delivery. It looks at the potential of devolution, where both authority and implementation are given to local governments, who, in turn, would be accountable to local residents. It compares this to delegation, when local governments have the responsibility for certain functions but are accountable to the central government. Finally, it investigates deconcentration, or the redistribution of responsibilities from the central government to the local administrative units, but with decision making authority remaining with the central government (Weisner, 2003). The chapter concludes with a number of messages and recommendations that summarize the findings of the 27-member team of authors of the EHDR 2004

## Indicators of Deep Centralization

Quantitative indicators of centralization are referred to throughout this EHDR Report. Among many examples is the negligible share of Egypt's governorates in total government revenues and expenditures, the skewed distribution of civil service grades between the center and local levels, or the fact that – in 2001 – 61 percent of total government employees worked in local administration (NDP, 2003). Most such data collected by EHDR 2004's 27 authors give ample illustration to the fact that local government has little, if any, authority over matters of direct relevance to local communities.

**Data collected by EHDR 2004 authors give ample illustration to the fact that local government has little, if any, authority over matters of direct relevance to local communities**

Non-quantitative indicators of centralization are also numerous, indicating that central government combines the roles of planning, budgeting, financing, resource allocation, regulation, monitoring/evaluation, and service delivery. Thus:

- a) Under the political dimension, Law 145/1988 abolished the elected Popular Councils' right to interpolate (NDP, 2003); they are now only entitled to raise questions to the governor on limited issues or notify him of urgent matters. At the village level, the previously elected *omda* or mayor is now appointed..
- b) Under the administrative dimension, heads of Egypt's governorates, appointed by the President of the Republic, are not empowered to practice prerogatives they are, in principle, allowed by law. A monthly meeting with the Prime Minister ensures that their activities are centrally directed. The functions of the 'Higher Council for Local Administration' which gathers all governors are defined by the law and not implemented.

The head of directorate at governorate level is an undersecretary appointed by the Minister of Local Government and does not take action without referring to him. Recruitment of mid-level management such as district health directors, was through advertisement and interview at governorate level, until end 1960s. The positions are now filled from the center, and the governorate is no longer able to select qualified personnel with a stake in local problems.

In the housing sector, while Law 3/1982 assigns to the General Organization of Physical Planning (GOPP) the preparation of master-plans and assigns to local government units the preparation of detailed plans and implementation, in reality, GOPP undertakes the whole task, with the help of consultants. In sanitation, there is a dissociation between water supply policy and sanitation projects as each is dealt with centrally by separate central authorities.

- c) Under the fiscal dimension there is significant inflexibility in reallocation of resources among the different chapters of the national budget. Some require as much as parliamentary approval, for example, the reallocation from ‘wages and salaries’ to ‘investments’ (El Sawy, 2002). Governors have lost the authority to transfer budget allocations from one *bab* (budget chapter) to another. Within

**Heavy central bureaucracy results in a delayed response to peripheral needs, and a tendency to accord more importance to administrative procedural correctness over professional accountability for actions**

the same *bab*, such as the investment budget chapter, the governorate cannot shift funds allocated from one investment project to another, that is, from a hospital to a school for example, these being under the

investment budgets of two different ministries). Meanwhile, the Minister of Local Government can transfer allocations from one governorate to another without referring to the governor.

Similarly, in the education sector, the Ministry of Education (MOE) is considered by law to be decentralized in terms of budgets, but in reality government financing of public education is highly centralized: school fees are collected but not retained by the schools: they are directly transferred to the MOE, which also sets the salary scale for all teachers and school administrative staff.

Service pricing policies are centrally set with little consideration for the financial standing of the

service provider. For example, the Health Insurance Organization (HIO) has no autonomy to determine its premiums which are set by the government – thus running a deficit due to lack of revenues. Two major institutions that provide small and micro enterprise (SME) finance, the Social Fund for Development (SFD) and the Principal Bank for Development and Agricultural Credit (PBDAC) are subject to centrally set pricing policies where state-imposed interest rates do not allow the institutions to cover their costs and become sustainable.

## The Growing Pressure for Reform

Policy in Egypt has been planned and implemented with no adequate participation from non-governmental institutions, or bodies representing civil society from the private sector (e.g. chambers of commerce, investors’ associations) or labor unions and consumer associations (Ashour, 2002), or indeed, from local public units. However, experience from other countries has shown that stakeholders’ involvement in executive decision making at all levels promotes good governance, reduces the scope for arbitrary central government decisions, improves bureaucratic performance and predictability, and reduces uncertainty and the cost of doing business.

## Political Decentralization is Vital

Political decentralization is associated with democracy and participation. In EHDR 2003, civil society organizations were discussed as a major form of popular participation, and other organizations such as cooperatives, professional syndicates, workers’ syndicates, political parties, human rights organizations and the media have an equally important role to play. The 2003 Report called for increased public/private partnerships in a variety of sectoral endeavors, and for more voice from stakeholders at the grassroots.

Nevertheless, Egypt’s political evolution towards a more democratic, pluralist and decentralized system remains very cautious. But there is a growing demand for increased autonomy at the regional level, driven by an awareness of the wide gap in access to and quality of services across and within regions, and the growing competition among local leadership to emerge as success stories in development.

Another source of pressure for decentralization is from the critical mass of reform-minded members of the intelligentsia and senior members of the

executive and political elite, as well as from various groupings in Egypt's emerging civil society organizations. These are in touch with the recent development literature which emphasizes the role of decentralization and local participation as key ingredients for empowering communities and reducing regional gaps in income, health, education and other standards of well being.

A more important factor for change is the ongoing and expected further decline in central budget revenues (a major part of which were rents from petroleum and the Suez Canal). These have shrunk from an average of 40 percent of GDP throughout the interval from the mid-1970s to the early 1990s, to less than 25 percent of GDP in recent years. The state can no longer justify its centralized political and administrative control because it can no longer afford to deliver subsidized goods and services or new jobs in the civil administration at the same scale as in the past.

From an urban planning perspective, the long-standing debate on governorate jurisdiction has recently been revived as the process of informal urbanization in both urban and rural areas has been rising at a staggering pace, eating up a full million feddans (one sixth of Egypt's fertile valley) in the last two decades. The experience of establishing new cities that combine industrial and residential zones has been positive but it begs the question of where the national master plan is for deploying existing and future additions to the population, and why urban planning at the local level has not kept pace with the need to designate waste and desert lands where local communities can formally and lawfully migrate to with the least social and economic cost. Egypt's population has grown from 36.5 million in 1974 to 70.5 in 2004, an increase of 34 million. In the meantime, the combined current capacity of the new residential and industrial cities does not exceed 15 million (about half a million each for the first generation of cities).

It is becoming clear that Egypt's new cities have experimented with new and more autonomous systems of governance which have allowed better engagement of local stakeholders in decision-making on access and quality of public utilities, social and community services. The determining factors have been economic interest and serious problems with (government supplied) infrastructure on the side of the new communities. The laws

governing new settlements reduce the length of communications, and the number and horizontal reporting levels from the new city to the executive hierarchy. There are by now several examples of new and old communities that are taking matters in their hands to resolve their problems in public /private partnerships, and the new systems are being acknowledged as successful "pilot experiments".

Finally, there are limits to the level of tolerance of the general public in paying increasing charges, under a parallel informal system, for what are supposedly "free services" that are deteriorating in quality. An example of this is the high cost of private tuition or medical assistance to make up for shortfalls in state-provided services. The public is also aware of increasing bureaucratic transaction costs in doing business, and little monitoring or accountability of civil service agencies and officials. A major problem that results in significant waste of resources is also the lack of coordination among line ministries, departments and semi-autonomous agencies. All these factors are providing a strong case for decentralization as a mechanism for reform.

## Responding to Local Demands

Administrative decentralization brings the supply of services closer to the demand from the local community. It improves the potential for identifying preference and a speedy response to people's needs; it has the benefit of specificity and flexibility in dealing with conditions that differ from one place to another.

It also has the benefits of cutback in bureaucracy and increased accountability to the public.

People's motivation to participate in decision making is negatively affected by their perception of local administration as a 'representative of central government and its demands' rather than as a channel for expressing local people's needs and requirements. This is what EHDR 2003 has referred to as the outcome of delegated authority versus that of local governance, and this Report endorses the recommendation to shift real authority to local government as a major reform that would promote citizen voice at the grassroots, as well as promote better resource mobilization.

**There are by now several examples of new and old communities that are taking matters in their hands to resolve their problems in public/private partnerships**

## Box 1.1 Citizens Charters and Good Local Governance

A recent development in public administration reform that has altered the public service provider and user relationship is the use of Citizen's Charters. These Charters are believed to impact the culture of service agency providers by shifting their focus from administrative convenience to putting service users first. They promote good governance by upholding the values of transparency and accountability.

Citizen's charters are a key feature of the New Public Management (NPM) approach dominating the OECD countries' public administration reform agenda. The emphasis on quality of public services and improved responsiveness to service users has been the driving force behind adopting these Charters.

In simple terms, Citizen's Charters clearly spell out the level and quality of services that service users can expect. In some cases, they allow for consultation with citizens and enable them to act on information by making rational decisions on whether to support such services or to demand change. They are based on the idea that greater transparency and consultation will promote greater accountability of public service providers to users.

Citizen's Charters vary across countries. At one end of the spectrum, they give more emphasis on choice, consultation, measuring performance and redress mechanisms. At the other end, they are merely a means through which information is channeled about mandates of concerned agencies and the list of services they provide, as well as information about fees and service charges. There is also a difference between the Anglo-American approach which regards quality standards in public services as a target to be achieved, and the legalistic approach where quality standards are considered a legal right of service users (for example, Italy, Belgium and France). Ultimately, this has implications on implementation where the former follows a more corporatist approach with emphasis on competition, efficiency and value for money and the latter focusing on a more bureaucratic style.

One of the earliest experience in Citizen's Charters is that of Britain. Charters there clearly delineate the rights of service users, as well as redress mechanisms if services do not meet certain quality standards. A Charter Mark Award is applied where best performance is rewarded. The USA adopted a bottom-up approach to Citizen's Charters where the public agencies assumed responsibility of surveying their customers about the quality of services they received. Based on survey results, service quality standards were developed and published against which agencies performance would be measured. Quality rewards were also used to reward quality performance. In Australia, external performance audits are conducted every three years to measure the performance of public service agencies against standards set by charters. Not limited to OECD countries Citizen's Charters also exist in South Africa, Zimbabwe and recently in India. In Nepal, the UNDP partnership program with local municipalities has helped the latter publish Citizen Charters in the form of booklets and wall paintings. In these Charters, information about the services provided are included, as well as the procedures in connection with accessing these services. They also spell out the responsibility of citizens towards the municipality.

In practice it might be difficult to assess the impact of Citizen's Charters on accountability. However, there is a widespread conviction that such reforms do lead to better services and offer better prospects for accountability and transparency.

*Heba Abou Shnief, Economic Research Forum*

In the basic services sector, the transfer of power and financial resources can provide a better framework to address present challenges. Considering the health sector as an example, present challenges include reducing the crowded functions of MOHP and HIO which have led to inadequate quality of services and little time for policy making and strategic planning, raising the motivation of local stake-

holders to participate in discussions of policies improving the institutional capacities at local level and providing efficient access to centrally produced quality assurance guidelines, and d) reducing the mismatch between supply of pharmaceuticals and local needs due to inadequate information flows.

International experience shows that the effectiveness of education can be enhanced through



using community-driven changes appropriate to local opportunities for employment, productivity and life skills—thus generating higher returns to education. Teachers' accountability is increased with the participation of parent councils and the private sector in school management and funding. Decentralization of education services would thus help improve quality and efficiency and rectify the problems of a centralized curriculum and the consequent inability of schools to address local problems. A skill-based rather than the present theory-content focus of the technical secondary school curriculum could emerge as the outcome of the real needs of local entrepreneurs or workshops; and the delayed production and distribution of MOE textbooks from the center could be replaced by local private production.

The benefits of decentralization for the housing sector would be by giving to local communities the opportunity to find legal, formal and affordable housing under a well regulated market-based system at local level, where citizens share in decisions and contribute to financing and monitoring all the housing related services. Housing is a public good that can only achieve gains from decentralization under conditions where the entire institutional framework is reviewed and reformed and urban planning is taken seriously from center to periphery (see chapter seven).

The introduction/inclusion of a sanitation component in water supply projects, called for at Johannesburg Summit of 2002, can only be satisfied through a decentralized approach combining water supply with sanitation in plans conceived locally. In irrigation, the introduction of 'water user associations' under a decentralized system would involve setting 'schedules for water use' thus ensuring a more equitable distribution of water and less disputes among farmers. In sanitation, decentralization could help address a present urgent public health problem where demographic pressure has led to increased demand for water while wastewater and sewage disposal systems have developed at a much slower pace than water supply. The degradation of natural resources, both soil and water, through unregulated and unsafe disposal of sewage and wastewater is responsible for the increase in fecal contamination of the soil and the waterways and in the risk of transmission of waterborne diseases.

In the SME finance sector, assigning certain functions to the lower levels of a micro-finance institution (MFI) ensures lower costs of operation,

faster customer service and more responsiveness to market needs due to the lowest unit's direct contact with the field. The independence of FMI from state intervention allows it to avoid any imposed non-viable loans, and imposed staff members that are redundant or not qualified.

The involvement of stakeholders at local levels is also a main indicator of good local governance. In the delivery of administrative services, indicators of good local governance include transparency, equality of access, and efficiency. The transparency and accountability associated with good governance reduces the information asymmetries between the different government institutions. Information flows allow the local community to monitor the policies and the effect of those

policies. Local communities as consumers of public goods such as education, health and general administrative services, should expect standards and specifica-

tions according to government regulations, such as those listed in 'citizen charters' in many other countries. Public procurement decisions constitute one of the areas where transparency is essential. Also businesses depend on public goods including public utilities; good governance contributes to effective and timely delivery of such public goods, and in turn, to higher productivity and a better ability to be competitive. Better governance helps ensure that public goods are available in a cost-effective manner, and to ensure good quality. Finally, higher scores in governance quality indicators could entail higher flows of Foreign Direct Investment (FDI) as well as encourage more national investments from the private sector.

### A Better Use of Resources

Fiscal decentralization has the benefit of better budget prioritization associated with people's ability to identify their needs and priorities. Spending decisions are transferred to the local government thus benefiting from the proximity to people's needs. Decentralizing investment-planning and implementation could generate projects that are of highest priority for the poor in any region. Upper Egypt's share in total public investment, in 1998-2002, rose from 26 percent to 32 percent (WB, 2004); the impact of this trend could

**The recommendation is to shift authority to local government as a major reform that would promote citizen voice at the grassroots, as well as promote better resource mobilization**

be improved if these investments are of a labor-intensive nature.

Fiscal decentralization also allows the local communities to share in the costs through mobilization of local resources and allowing more accountability in project implementation and operations. It is to be noted that governorates should get a fair share of sovereign revenues like rents and taxes on the Suez Canal, petroleum and customs revenues.

In basic service sectors such as health and education, the mobilization of local financial resources help local governments retain qualified providers. Also the transfer of spending decisions to local levels helps address problems of investment mal-distribution with bias to secondary/higher levels of health care versus primary care, curative versus preventive health services, and higher versus pre-university education.

**In the delivery of administrative services, indicators of good local governance include transparency, equality of access, and efficiency**

In irrigation, the introduction of ‘user-charges’ under ‘water user associations’ can reduce the excessive use of water by farmers who are privileged with locations at the beginning of the tertiary canals, and allow for more water consumption by those located at the ends. In sanitation, financing operation and maintenance through user-payments is essential for sustainability and will soon need to be considered.

In SME-finance, allowing a micro-finance institution (MFI) to set its interest rates strengthens its sustained ability to finance SMEs by avoiding state-imposed rates that do not allow for cost-recovery. Collection policies that are decentralized to MFI level, with no state-decrees stipulating debt-forgiveness/rescheduling, ensure sound financial standing of the MFI and strong repayment discipline among SMEs.

The structure of local governments is defined by Law 43/1979, which stipulated local Popular Council elections, allowing them to borrow to finance investment within the local unit up to 40 percent of its local revenues, and gave power to the local government to levy additional fees to cover local expenditure needs. Appointed

Executive Councils, whose function is supervisory, were introduced earlier by Law 57/1971 and its amendments. However, there has been a gradual reduction in the power of the elected Popular Councils—contrary to what is required in the Constitution. According to an amendment of Law 43/1979, added in 1988: “local councils cannot raise revenues or create other sources of revenue-collection without Cabinet permission”.

Since 2001/2002, the last year of the Fourth Five-Year Plan, strengthening of the local units’ financial resources was brought up among the fiscal policies of the Plan. Partial cost-recovery for the services, through fee-collection, was also mentioned, as well as community monitoring of the services provided by localities. This signaled a renewed commitment to decentralization and a shift in position from two years earlier, restricting spending outside the state budget and merging the revenues and expenditures of the Special Funds and Accounts to the state budget for better control.

According to Decrees 317/1982 and 130/1987 by the Minister of Finance, two percent of the taxes to which the local governments are entitled under Law 43/1979<sup>1</sup> are resources to the governorate, as well as two percent of customs revenues, on condition that 50 percent of the proceeds are placed by the governorate in a joint fund whose distribution across governorates is decided by the Minister of Local Administration (NDP, 2003).<sup>2</sup>

Under the current situation, local government is discouraged from raising funds, as these are appropriated by the central government. On another front, those willing to pay can get together into a parallel informal market with those willing to charge for providing the service. This applies to various basic services such as education, health, housing, and so forth. But budgets locally prepared are often over-estimated due to lack of trust and cut-down expectations. Applying decentralization should therefore mean better planning and allocation of resources so as to reduce uncertainty at the local level (see chapter four).

Allowing local government to retain higher shares of certain taxes, such as corporate taxes, would provide an incentive at the local level not only to collect the taxes but also to support the private sector

1. Movable property tax, taxes on trade and industrial profits, etc.

2. As to Suez Canal revenues, the five Canal governorates are entitled together to 5 percent of the proceeds (ibid).

and promote economic activity and diversification in each governorate. It has also been recommended that Egypt studies and considers the transfer of real estate taxes to the local level (Wiesner, 2003).

## Risks and Constraints

In association with devolving power to the local authorities, there is the risk of leakage of benefits to the local elites, notably, corruption and misuse of power at the local level in resource allocation and hiring practices. More transparency in information flows as well as more representation of the people is necessary in this respect.

There is the problem of inadequate local capacities. Capacity building would be costly and could take time. Learning involves not only skills for administrative jobs but also understanding of electoral and political participation. Ideally, capacity building should start immediately and in parallel with decentralization. Donors may be willing to provide financial and technical support to supplement government resources for civil service reform through staff retraining and redeployment, if there is a serious framework program of decentralization.

It is argued throughout this Report that lower administrative levels are frequently lacking the necessary capacities to perform new functions. There is a need for stronger control systems to assess performance and to prevent corruption in each sector, along with training and capacity building of local officials as well as members of elected Popular Councils. For example, in education, an institutional change via decentralization, introduced without timetable and guidelines for personnel training and salary structure, curriculum reform, methods of providing teaching material and equipment would have limited positive effect on academic achievement.

The issue of security has been used by those in central government who prefer to maintain maximum control. However, decentralization which is already on-going in certain sectors in some governorates has had a positive impact, raising the cooperative spirit and reducing the incidence of local instability. The experience of Fayoum, as shown in the chapter on politics, illustrates how a development approach has transformed a perilously "fundamentalist" orientation in one village into a stable and integrated community direction in the governorate. While security seems to often have priority

over development orientation, security itself is affected by poverty and the lack of human and income development, which could be remedied under decentralization.

Equity problems could emerge if no adequate rules are introduced along with decentralization. The chapter on education shows that even when there are universal educational gains, schools in wealthy communities are frequently the ones that benefit most. Central government should therefore retain the responsibility of financing minimum access to quality schooling, and overcome regional disparities. Students' vouchers could be used, or finance linked to students' attendance/enrollment, or according to Human Development Indicators mapping. Low-performing schools could be targeted for special grants, and monitored for school and teacher attendance and achievement.

There are concerns that current reform projects at the local level are mostly joint ventures between line ministries and international agencies, whereby policies are mainly formulated by these agencies with no adequate input from a broad local constituency. The remedy is

to engage in needs assessment at the governorate and district levels to identify local priorities in the setting of general policies and programs.

The governorate role would be to develop local/regional policies that reflect the particularities of the local situation, in line with national policies that are centrally developed. It would be up to all sectors to overcome the policy and/or information gaps in existing national policies, and ensure better articulation and wider dissemination of the declared policies. It is important for decision-makers at every level to be familiar with policies governing their field of activities, so no external development partner in a joint venture can formulate a new policy and apply it without the approval of the Egyptian authorities.

The divided and shared responsibility for sanitation between the health sector, local government, the environment, and water supply and sanitation authorities at governorate level can only benefit from the coordinating role of local government as a pre-requisite, bringing together the complementary inputs of all these sectors. This is important in identifying and solving sanitation problems and developing a joint water and sanitation policy

**Ideally, capacity building should start immediately and in parallel with decentralization**

and resource utilization plan for the governorate, in partnership with the agriculture and irrigation sectors. It is local government that can encourage and facilitate community based entrepreneurial activities that provide local sanitation services for collectivities not connected to public sewerage systems, under the regulatory control of the health and environment authorities.

Decentralizing interest rate policies to the level of the micro-finance institution (MFI) could lead to

**Needs assessment at the governorate and district levels will identify local priorities in the setting of general policies and programs**

charging excessively high rates, and to market-entry by too many MFIs so that an over-supply of loans prevents each MFI from realizing a large out-

reach. This risk can be mitigated by “gradual” licensing of MFIs, to allow time for new MFIs to achieve adequate outreach and break-even status (with protection from high competition during start-up stage). Also, delegation of authority for credit-assessment and client screening to lowest level units of an MFI could lead to disbursement of bad loans and/or fraud: this risk is mitigated through stronger capacity building for lower levels, and stronger internal control.

## Reform and Recommendations

Although decentralization has three essential components: political, administrative, and fiscal, it is only political will and hence political action that can act as the driving force for transition to decentralization. The following recommendations may be considered within the short to medium term time frame.

### Political Decentralization

Political will must be demonstrated and its implications enforced if decentralization is to materialize. Otherwise, past and current resistance from the various levels of the executive branch of the state will continue to obstruct the process of decentralization, whatever the existing legislative scope for its implementation (see chapter three).

Although Egypt’s Constitution and local government legislation provide the room for extensive implementation of the rules and division of responsibilities required for decentralization, the laws and executive decrees should be reviewed to clarify some aspects and eliminate all areas that allow for duplication of authority or for double subordination of lower echelons of administration.

The practice of elections at the local level needs reform so as to overcome the current passive response to the opportunity to exercise voting rights. The culture of voice, political competition and accountability must be restored among men and women by avoiding dominant party monopoly in the selection of executives in local government, all the way from governor and down to the village head. Recruitment should be based on competence and popularity rather than party affiliation.

In order to promote effective participation, pluralism and democracy at the local level the multiparty system must be encouraged. This will increase competition among parliamentary candidates and create effective accountability of elected party members and independent parliamentarians towards local constituencies.

A return to the law would allow local elected councils to conduct questioning in a way that provides more disciplined use of authority at all levels and echelons of the administration so that increased authority is accompanied by a corresponding increase in accountability. This should provide one more tool by which local citizens can exercise their right to monitor and evaluate performance

### Administrative Decentralization

A major reason behind Egypt’s growing budget deficits over the past decade has been the loss of any control over the size and growth rate of the government’s wage bill. Whereas most of the elements of the comprehensive Structural Adjustment Programs (SAP) were fulfilled in the early 1990s, bringing down-in the space of four years-the fiscal deficit from 20 percent to 1 percent of GDP, the expected retrenchment in the size of civil service employment did not materialize. In turn, political expediency made civil service reform a secondary objective and has not been tackled to the present. The recommendations with regards administrative decentralization therefore begin with the premise that this process of decentralization should be part and parcel of civil service reform:

Decentralized decision making should mean the transfer of authority and not the delegation of authority to local government in the conduct of administration in all its aspects. Decentralization involves the concept of subsidiarity, which is assigning functions to the lowest level of government that can perform them efficiently.

Administrative decentralization not only involves the transfer of power from top to bottom, but also changing roles for the two levels: the center should withdraw from service delivery and be engaged in setting standards and in regulation, while the local level should be empowered to carry authority and accountability for actual service delivery. The separation of policymaking from purchasing and service provision creates clearer channels of accountability. Autonomous providers of services have more flexibility in ensuring the appropriate input mix including hiring and firing.

The division of responsibility and delineation of decision-making between central government, governorate and district will differ according to elements of each functional sector and its specificity as detailed in each sectoral chapter of this Report. One common rule however, is that all decisions regarding setting standards and regulations should be the authority of the center and apply to all governorates, while local administration should eventually have maximum possible authority over actual service delivery.

Administrative decentralization is a window of opportunity to implement comprehensive civil service reform in Egypt. The bottom-up approach will render the task easier by breaking up the monolithic bureaucracy which is difficult to manage or hold accountable from Cairo.

There is also a need to address civil staff's preference to work at the center (capital cities and districts) rather than at lower levels. Differentiated salary structures, and benefits (promotions, incentives) in favor of working in areas where the poor live, are necessary to overcome the disincentive to work there, not only because of poor working conditions but also because it is difficult to supplement low salaries with income from private practice, for example in the health sector (WDR, 2004).

Retraining and redeployment should address the problem of shortages in technical staff given the overabundance of administrators, so that teachers, for example, are favored over education administrative staff. This needs an appropriate shift in incentives away from administration.

Double subordination of directors (at several levels) in both the line ministries and to the governors (for administrative and technical matters respectively) is creating friction, confusion, lack of coordination and indiscipline, and officials can play up one authority against the other. Decentralization

will resolve this problem subject to those central rules and standards that are set and monitored by the center. Central hiring of personnel to perform services that are locally provided and managed constitutes a barrier to accountability.

Information flows to and from the center should replace the system whereby local administration supplies central government departments with full statistics requested in a one way flow. Information flow must also be transverse between sectors so as to serve the integrated holistic objectives of sustainable human development and the MDGs. Current information asymmetries

are an obstacle to good decision-making, planning, target setting and monitoring. It is noted that data for household income and expenditure surveys are not widely accessible (WB, 2004); and the evaluation of anti-poverty programs (for example, SFD and social assistance initiatives) is often hampered by the lack of internal systems to collect and analyze relevant data.

The governor is in the best position to debate priorities and arbitrate among members of his constituency on matters pertaining to human development and the delivery of social and public services. Once the governor has become an elected position, his authority should no longer be disputed except by his constituency and he should be insulated from the bureaucracy at the center which currently acts to hamper local initiative and local public/private partnerships.

All levels of the local hierarchy should enjoy the benefit of training alongside the practice of authority. Capacity building should include not only the principles of public administration but also those of democratic practice, delegation of authority, and responding to local community needs, not to specific interest groups. The notion of rewarding competence with promotion should replace the practice of promotion by seniority. Capacity enhancement could be for both central and local governments: the local governments need capacity building to assume responsibility of decentralized functions, and central government's staff need to be trained and motivated to change their functions from line management to policy formulation (WDR, 2004). Capacity enhancement also includes management information systems, and communications and data availability issues.

### **Decentralization must be part and parcel of any civil service reform**

While it was previously argued that capacity building at local levels should take place prior to decentralization, experience suggests that local capacities expand best as decentralized systems mature (WDR, 2004). Springborg suggests that gradualism and piloting in decentralization should be simultaneously associated with capacity building.

The introduction of ‘citizen charters’ (see Box 1.1) will promote good governance in the delivery of public services by making clear and measurable those criteria and indicators of access and quality attributes. The link between these indicators and performance evaluation, and reward or punishment are all monitorable at local level and will boost the sense of ownership and control that the citizen deserves over public service provision.

### Fiscal Decentralization

Although budget data reflects a negligible proportion of resources in the control of local government, even that amount consists almost exclusively of the wage bill for civil service employees who are attached to local government but who are appointed, promoted, and deployed by central

### **Governorates with the authority to provide incentives to domestic and foreign investors will attract matching funds to allocations from central government**

government line ministries and organizations. There is currently no room to maneuver at the local level of administration either in current expenditure (from one functional area or from one Bab to another) or in terms of authority and flexibility over the size of investment expenditure. The following recommendations are therefore expected to transfer considerable authority to local government over a transition period, but subject to continued conditions of fiscal neutrality:

The allocation of the investment budget across governorates should no longer be decided behind closed doors at the center. Coherent and transparent rules should dictate the size of the capital budget transferred to each governorate according to the size of its population, the volume of its resources and the magnitude of the gap in its human development index. This would mean that the geographical coverage of the Safety Net Program will improve if resources were allocated according to size of population in each governorate/district (WB, 2004); An example would be that the coverage of the “baladi” bread subsidy

would improve by increasing the number of outlets in rural areas).

Similarly at the local level, elected Popular Councils should be in a position to represent community preferences in full knowledge of the budget envelope, costs and benefits of each project and time frames involved.

Coordination of planning for investment expenditure is essential, taking demographic projections and urban planning as the basis for special and functional distribution of capital budget allocation at the governorate level. Decentralization allows for making a good urban plan.

A major benefit of decentralized investment budgeting that should be captured is the potential to mobilize private local resources, remittance savings and even FDI, provided that project feasibility is well conducted and governorate can guarantee the cost-sharing component of the state.

Governorates should have the authority to provide incentives to domestic and foreign investors so as to attract matching funds to those allocations that are made from central government.

Local government should have the right to collect and retain certain taxes that are internationally recognized as principally spent on community services such as land and real estate taxes as well and at least part of the sales and excise taxes.

Local government should also be provided with incentives to administer and improve on collection of corporate and income taxes, as well as the authority to retain a portion with which they spend locally so as to further promote economic activity and employment in their region.

The most valuable contribution that can be made from the center to the governorates is in-kind contributions of land which has and continues to be the most binding constraint on balanced regional growth that is environment friendly and does not erode the little arable land that is available in Egypt. A consistent and rational demand from the governorates in the South is to expand their territory horizontally to each encompass a stretch on the Red Sea.

### The Importance of Monitoring

There is a need to overcome the resistance to disclose comparative information about governorate performance. In decentralizing the delivery of services, it is important to have information about performance across governorates: the more the

information about HDI sub-indices (education, GDP, life expectancy, and related disparities) is brought close to the citizen the more he/she is aware of the relevance of development at his/her local level and is able to have dialogue with local leaders and elected representatives. MDGs can also be used for monitoring government performance:

- n Monitoring and evaluation give meaning to the accountability relationships between service clients, policymakers and providers of services (WDR, 2004). Main issues here are the institutional framework for monitoring and evaluation, the role of systematic program assessment and its links back into policymaking, and the importance of dissemination.
- n Public expenditure tracking surveys, where applicable, can be used to judge the quality and quantity of service delivery, and whether it actually reaches the targeted beneficiaries (WDR, 2004). Then if this information is made public, it can strengthen voice and client power relationships. The challenge is to institutionalize this type of surveys within Egypt's own financial control regime.
- n Local elected councils are a suitable body for supervising performance. Capacity building in the area of monitoring and evaluation, and needs' assessment, is needed at local levels. One way to improve human resources is to make an evaluation with the participation of the beneficiaries.
- n Data analysis capacities need to be improved at local levels. For example in the health sector, MOHP has a database but the results from analyzing the compiled information are not shared. Enhancement of the local levels' capacity to generate and analyze data helps them address their local problems. In the housing sector, capacity building for the local levels is proposed in the area of planning. In education, the implementation of national standards for education will monitor school performance linked up with capable local support systems.

## Grassroots Participation

Decentralization embraces the ideas and practice of empowering civil society to manage public resources at the disaggregated regional and local community levels. Popular participation provides the space for citizen voice and influence in decisions that affect local communities, as well as providing the state with the means to ensure higher returns on projects and programs and securing local ownership and sustainability of the development process (see chapter ten).

- n The manner in which a poverty problem is addressed has more impact on the outcome than the allocated funds (WB, 2004). Processes that involve the beneficiary population, in the design and implementation stages, have great potential for success; the role of community organizations is thus important in the discussion of anti-poverty programs, for example.
- n It is important to promote NGO activity at the decentralized level, by providing incentives for NGO formation in local communities according to best practice rules and conditions that ensure democracy, sound accounting, good management and appropriate balance between voluntary work, income earning activities, and fund raising.
- n Encouraging the formation of national NGOs in selected areas that are accredited according to clear and well defined criteria will expand the existing pool of "social intermediaries" that act as representatives of smaller NGOs and advocate for particular policies and actions on their behalf. The increase in the number of national best practice NGOs means the spread of branch networks and/or alliances and cooperation with local NGOs. It also means the transfer of skills in fundraising, monitoring and evaluation.
- n The five existing qualitative laws that govern cooperatives (consumer, producer, agricultural, housing and water) should be reviewed and possibly unified with the purpose of removing all obstacles to their effective operation. One such obstacle is their current status which makes them neither private nor public sector. There is enormous room to activate the cooperative movement as a means of involving members in activities that promote economic efficiency under market conditions (EHDR 2003).
- n The organization of informal sector producers under association, cooperative or NGO status should be strongly encouraged as the best possible means of sharing information, experience, technical problem identification, needs assessment, joint procurement, marketing, access to credit and negotiating with local officials for action-oriented solutions.
- n Local mobilization for collective action requires capacity-building activities in two areas and is best conducted full-time with professional Community Development Liaison (CDL) and

**Monitoring and evaluation give meaning to the accountability relationships between service clients, policymakers and providers of services**

technical assistance. The first area is in establishing trust, identifying and including all key stakeholders, and providing back-up support in logistics and procurement of specialized technical assistance. The second area is participatory needs assessment, participatory planning, institutional building and skills training for growth and sustainability.

- n It is essential to expose local officials as well as representatives of civil society organizations to best practices locally and internationally. The focus should be on models of stakeholder cooperation, community participation, needs' identification and articulation, public/private partnerships, and local resource mobilization. Study tours and workshops can be tailor-made according to sector and sub-sector needs.
- n Regular meetings of communities of stakeholders in selected sectors and fields of manufacturing, public utility, social service should take place – with governor and relevant senior local and line ministry officials, NGOs, sector specialists so as to discuss identified priority development subjects. These meetings should be followed up by existing and/or newly organized associations of stakeholders at the local level so as to promote the perception of the positive value of collective action.
- n Endorsement and support from the official local leadership – governor or head of district – is crucial in legitimizing and enhancing collective action (top-down approach), while a catalytic force representing stakeholders is useful in raising awareness among “real people” of the benefits of participation to resolve pressing needs (bottom-up approach). The virtuous triangle seems to be a tolerant and supportive local government leadership, a mediating or facilitating non-partisan

**Services can be outsourced and better performed by the private sector, in a more cost-efficient manner**

- but expert team that helps stakeholders articulate their needs, and selection of a sector or community service that local citizens widely believe could serve their economic interest or upgrade their quality of life.
- n On-going programs such as that of the General Authority for Literacy and Adult Education, which has partnerships with 700 NGOs, could be more effective by using civil society groups more strategically to connect to hard-to-reach groups, and adding a parental focus including sound family health and nutrition practices (WB, 2004). In fact, the adult illiteracy national rate decreased from 53 percent in 1990 to a current 45 percent.

Although the above-mentioned bodies representing stakeholders from civil society and business can all be invigorated and duplicated across regions in the very short run, it is hoped that the parallel process of democratization of local elected Popular Councils will also be enhanced with support and political will from the highest leadership.

**Private Sector Service Delivery**

The various sections of the Report have shown that the private sector has a major role to play in the process of decentralization, by promoting entrepreneurship, and enhancing the process of saving, investment, employment, and exports. The private sector producers at the local level should become major stakeholders in the balancing of market forces with government provision of public service:

- n More services can be outsourced and better performed by the private sector, in a more cost-efficient manner. In the health sector for example, public hospitals could outsource the cleaning and catering services. Child-care centers or nurseries could be undertaken by the private sector subject to specifications and regulatory pre-requisites of the Ministry of Education (MOE) or the Motherhood and Childhood Council. In the housing sector, private contractors can achieve jobs at lower prices than huge public firms that have high overheads.
- n Accreditation and quality assurance mechanisms could be successful in establishing quality criteria for a variety of service providers.
- n Clusters of manufacturing subsectors should be encouraged at the district level by providing designated land and infrastructure at the same or even better terms than existing industrial zones. These could cater for micro-enterprises in gender balanced subsectors with specializations that are either based on existing or potential locational advantages.
- n New zones should be located according to the principle of “growth poles”, adjacent to existing agglomerations but within a long-term urban planning strategy.
- n Another system of upgrading quality and competitiveness at the local level is the franchise system. This often requires moderate capital investment and provides the transfer of know-how, and training. It can spread networks of producers working to high product specifications and learning new technologies, management and marketing skills.
- n The Mubarak-Kohl Project is an excellent example of public/private partnership aiming to



improve student performance in technical industrial secondary schools. Also per decree of the minister of Local Development no. 411 of 2000, a department is to be established in MOE to enhance NGO-MOE partnerships.

- n In sanitation, there is a need to encourage community and stakeholders participation in key decision making processes. Performance in the water and sanitation sector could be improved through forging partnerships with the private sector, in particular community-level entrepreneurial initiatives. The same is true for all other sectors of public good delivery at the local level.

## Sectoral Recommendations

It can be argued that at a sectoral level, initiatives for decentralization are emerging both as the outcome of imaginative political will, but more so as a response to the pressure of existing social demand. To date, civil society—through private activities—has created parallel systems or informal practices to compensate for poor or failing state services. A case in point is the spread of private tuition as the formal state educational system is increasingly perceived as less than adequate. Another glaring case is that of lower income housing where failure of the state to provide serviced land has propelled the phenomenon of squatter settlements at the cost of one quarter of Egypt's cultivable land. Similarly, the private minibus service industry came into being as a response to the dismal condition of public transport and the poor coverage of public transport lines. The process of decentralization is thus not only from center to periphery within the state apparatus but also from public to private. Informal practices are a legitimate grassroots response to need and such local level initiatives are an outcome of a demand pull that the state can facilitate by reducing its own hegemony.

## Health

The Health Sector Reform Program (HSRP) is an example of the central government reducing its authority, and of local government and the private sector both cooperating and competing to deliver better services. HSRP has designed and begun to implement new decentralized models for the provision and finance of health care. The

regulatory function remains with the center while the governorate or district level can purchase services from local providers.

Under the District

Health Approach, a District Provider Organization will be created to contract with the new purchaser, the Family Health Fund (FHF). FHF will contribute to decentralized financial autonomy at district level, act as a financing organization (receiving its funds from MOF, MOHP, HIO and enrolled families' contributions), help ensure financial sustainability and ensure high quality services and competition among providers (see chapter six). Thus:

1. Health workforce planning can be done centrally but on the basis of local needs assessment starting at peripheral health care delivery points and district management levels. The health workforce is to meet national standards and accreditation criteria that are set at central level. The choice of motivation methods for the health workforce would increase job satisfaction, and could be the responsibility of the local government.
2. Governors have a potentially important coordinating role, at sub-national level, to facilitate the progress towards development and health objectives<sup>3</sup> identified as an integral part of sectoral policies of agriculture, environment, education, water, housing, and so on; (a field application of this participatory approach was initiated in Fayoum governorate).
3. There is a need to institutionalize capacity at the central level for regulating the health care service providers, including MOHP, **HIO**, and private practitioners. MOHP itself could benefit from improvements in its structure and systems in order to adequately perform strategic planning based on economic analysis and evidence-based policy formulation.
4. There is a high degree of absenteeism among doctors hired from the capital or other cities, and posted in rural and remote areas. The problem can be resolved by hiring local doctors, enhancing their capacity through training and providing incentives for service in rural or remote areas. Also training material that is centrally developed should be adapted to local needs.

**Health planning can be done centrally on the basis of local needs assessment starting at peripheral health care delivery points and district management levels**

3. Set by WHO Member States in 1986

## Box 1.2 Key Messages of the Egypt Human Development Report 2004

n **Political will is the key to activating the process of decentralization.** The changes and implementation required are mostly of an enforcement nature with no major reform needed in legislation or in the Constitution. Gradualism is still considered the safer option and phases are recommended on the political, administrative and fiscal fronts in each of those sectors of a public good nature (five sectors covered in EHDR 2004 account for more than 50 percent of the current budget excluding debt service).

n **Gradualism in the process of decentralization is recommended.** This would move in three directions: (i) across the fiscal, political and administrative dimensions by moving authority and autonomy in a phased program, with the first phase setting the groundwork and building capacity for the next phase to be effective; (ii) selecting particular jurisdictions as pilot locations where the proposed sequence is accelerated and tested (governorate and markaz levels). However gradualism should be subject to strict time frames, and evaluations of pilots for broader implementation; (iii) the third direction is across the functional (sectoral) classification with the selection of particular sectors and elements in the value chain of each social and community service that can be decentralized first.

n **Decentralization is not an end in itself but a necessary tool to enhance human development.** It does this by providing a new environment with rules and means that empower all citizens (including the most disadvantaged), to express their preferences and share in decisions that affect their livelihood and quality of life. Decentralization alone cannot ensure more equity across and within regions, especially that the current allocations from the budget to governorates does not display any significant redistribution in favor of poor locations across and within governorates. The implications are that decentralization is only part of the broader vision and strategy for Human Development in Egypt and that HDI measures should be used along with per capita indicators in determining the size of central budget allocations under any decentralized system. The principle of fiscal neutrality should also accompany all phases of fiscal decentralization

n **Phase I of the proposed process of decentralization for Egypt.** The essential elements of Phase I are political pluralism and more widespread elections at the local level, a start on the process of fiscal decentralization of the investment budget and administrative decentralization, starting by delegation of authority to various levels of the local executive hierarchy in personnel matters i.e. recruitment, promotion and incentive payments within a fiscal envelope determined by central government.

n **The final stage of decentralization.** At this stage, it is envisioned that a multiparty system and democracy will be fully operative at all levels, administrative decentralization will translate to transfer of authority and responsibility from top to bottom so that citizens can monitor and evaluate performance of government at the community level and the system of checks and balances ensures transparency and accountability. Full fiscal decentralization will mean the ability of local communities to express their priorities in the choice of their current and capital budget mix, subject to a hard budget constraint controlled by the Ministry of Finance according to agreed criteria related to equity and HDI.

### Education

An MOE committee has been created to discuss decentralization strategies with members from the business community, NGOs, the legal profession, academics, and other parties. And as per Ministerial Decree 262/2003, three units are to be set up in schools to promote quality, productive activities, and for training and evaluation (see chapter five):

1. New MOE initiatives now include (i) the Mubarak-Kohl project for technical education, (ii) MOE's National Standards of Education of 2003 – and an Accreditation Committee – where educational outcomes/goals are set, allowing each school to determine the processes/strategies to achieve these outcomes, and where parents, community

leaders and business representatives would become more effective partners in and monitors of education, and (iii) the Alexandria Pilot Initiative that will expand to six other governorates, aiming to improve the quality of education through greater community involvement in monitoring school performance, through improved and decentralized school management, and better conditions for teaching/learning and upgraded teaching skills.

2. It is proposed that: (a) the local government levels be involved in curriculum development, textbook procurement and distribution, school infrastructure, financial administration and control, and human resource management issues, (b) the school and community levels be involved in personnel

evaluation (thus enhancing accountability to the service recipients), textbook procurement, school maintenance, quality control, and financial administration and control, and (c) teachers to make individual decisions on lesson content and teaching methods in line with the syllabus decisions made by their departmental colleagues and the 'whole curriculum' decisions made by all teachers in the school.

3. The central authorities, in consultation with stakeholders, are to strengthen the mechanisms that direct educational provision by developing curriculum goals or frameworks. The community-driven curriculum is to be associated with a "national core curriculum framework" whose content is common to all schools. Meanwhile, stakeholder participation in curriculum planning will call for new kinds of training for teachers and school leaders as well as guidance to parents, and for developing a pilot strategy to be applied to all governorates and schools therein.
4. For equity, the central government would continue to finance minimum access to education, enforcing compulsory basic education. Public education expenditures would be re-allocated between pre-university and tertiary education in favor of the former. Transparency of school results could be used to reward high performing schools; it could also be used for targeting low-performing schools for remedial action such as special grants and close monitoring of performance. Central government would identify needy communities to effectively channel zakat funds or business community donations. Pilot experiments with a school voucher systems could allow for better access to school by the poor, with campaigns for additional fund raising for the vouchers. This system could also be an incentive for building and operating private schools in low-income areas.
5. Schools should be allowed to retain the tuition fees and to collect fees for voluntary 'enhancement groups' for extra tuition, to use in support of teachers' pay.

## Housing

Decentralization is about geography and long-term spatial and demographic planning. Egypt's available arable land has suffered enormous damage as a result of policies that ignored market forces, urbanization pressures and good urban planning practices. Time is short and all levels of government

and expert advice must be mobilized to retrieve the situation; it is estimated that between 1980 and 2025 nearly half of Egypt's agricultural land will be lost to informal settlements in the absence of planning or of ability to enforce present laws governing housing development.

In the housing sector, problems have also arisen because the government has become a contractor and an investor rather than a planner. The solution is for the government to focus on general planning and legislation, and to go back to the laws of market demand and supply under a 'regulated market system'. As to low-income housing, the government could earmark and allocate specific funds for these, and distribute funding across the governorates in line with need and size of population. The governorates would be accountable to the center in abiding by the regulations (see chapter seven):

1. Each governorate could be assigned ample desert and waste land beyond its current narrow limits. Limits have prevented local communities, in partnership with local government, from finding alternative sites for the informal settlements which—in the Greater Cairo Region, according to the Ministry of Planning—now house 7 million people. Effective action would call for a revision of regional boundaries subject to a new country-wide master plan that takes into account all of the expected growth and desired redeployment of population. A well justified claim by Upper Egypt governorates is to have an extension to their boundaries to reach the Red Sea coastline. This would allow for medium to long term redeployment of population and diversification of economic activities away from the rigid boundaries that exist today.
2. In response to the informal housing dynamic, the master plan for Egypt must dedicate new and suitably selected urban and economic activity growth poles that are designed to cater for small business and small-scale plots for housing, as well as the replication of traditional community environments where SME activity is part of the organic fabric of society.
3. Incentives for the private sector to engage in low-cost housing for the poor outside congested or agricultural areas should be given as much priority as

**By 2025 nearly half of Egypt's agricultural land will be lost to informal settlements in the absence of planning or of ability to enforce present laws**

any large-scale high return economic projects. The outcome would be a massive shift away from the current over-supply of middle and high income housing in favor of multiples of the current supply of low income housing. The system would trigger a labor-intensive construction boom that would relieve unemployment and resolve the contradiction between social wants and the economic logic of the marketplace. The “incentives gap” would be subsidized from sales of land titles from sovereign lands that account for the bulk of Egypt’s territory.

4. Governorates will need to leverage more control over financial resources with which they can mobilize matching revenues and contributions from local populations, to improve the level and quality

**Regional universities and research institutes can support the development of environment-friendly solutions**

of investment, maintenance and service delivery in housing and related public infrastructure and utilities.

Subject to the proposed fiscal decentralization rules, the combination of increased land resources, increased power to levy matching funds and increased authority and flexibility in allocating current and investment budgets at the governorate level will allow the system to return to the ‘regulated market system’ and reduce pressures of informal housing.

5. Local Services and Development Funds are key to providing governorates and districts with the initiative to mobilize resources for local housing projects. Existing legislation should be enforced so that such funds are not requisitioned by MOF. To the contrary, it may be necessary to allow local government to collect new designated fees to complement local funds towards real estate development.
6. Clarifying the division of roles in urban planning activities between the various levels of authority starting from the General Organization for Physical Planning (GOPP), down to the Local Government Units (LGUs) or new cities or communities. This will require providing training in the various functions, presently under the supervision of local engineers and architects, in preparing and overseeing implementation of detailed plans deriving from GOPP’s master plan.

**Irrigation and Sanitation**

Close interdependence between local and higher level administration is essential due to the need for

high technical expertise for efficient management of irrigation and drainage networks. A legal base to institutionalize and regroup water users in new formal organizations was initiated, under new technical conditions, to restore the group management of irrigation water at the level of the mesqa. Under the Irrigation Improvement Project, 5,200 water user associations were formed since the eighties, however, serving less than 4 percent of total cultivated land. The Water Boards Project and the Integrated Irrigation Improvement Project are attempt to remedy and expand present shortfalls.

In sanitation, user payments are essential for sustainability; special targeted programs for low income and marginalized groups in informal settlements should be established. At the central level, legal and regulatory frameworks are to be finalized to allow for management of resources at the lowest levels. Policies should be developed on the provision of basic clean water and basic sanitation services to peri-urban slum dwellers. Technical support could be provided to the local levels through research and development for identifying technologies that suit specific local geo-physical peculiarities. Resources can be mobilized from the community, local and central government and from external development partners.

In the absence of a network of public sewage services, group or individual solutions can be implemented, with technical guidance and monitoring. Regional universities and research institutes can support the development of environment friendly solutions. The role of MOHP is to provide quality control, monitoring and management of health risks, approval of technical design options for small scale or individual collection systems, approval of sites for implantation of treatment plants and the creation/monitoring of norms for reused wastewater.

**SME Finance**

The structural characteristics of Egypt suggest special development emphasis on employment, SMEs and agricultural/rural development (WB, 2004). The specific importance of the SME sector lies in its large size and its ability to generate further employment opportunities at relatively low cost per job in urban and rural areas:

1. Improving access to micro-credit on a decentralized basis could include (see chapter nine): (a) allowing micro finance institutions (MFIs) the autonomy to

### Box 1.3 Egypt's Five-Year National Plan Promotes Decentralization

Egypt's Fifth National Five-Year Plan for 2002-2007 is committed to community participation and decentralization in decision-making. It makes use of HDIs for performance evaluation of various sectors, and the general issues of poverty and disparities are addressed throughout the Plan. In the Plan's vision for the future of economic and social development in Egypt up till 2022, administrative development is one of the main parameters under the framework of state and community modernization. There is a high degree of conformity between the Plan's objectives and a number of key messages of EHDR, 2004 with regard to people's participation, transparency, monitoring and accountability, the importance of civil service reform.

Administrative Development, Institutional Building, and Reform Mechanisms: Vision of the Five-Year Plan

#### Objectives

- **Deepening of democracy and participation:** Higher degree of decentralization in decision-making processes, with effective civil society participation.
- Aligning the political system with the developments in practicing democracy and participation, opening up to global changes: Constitutional changes where necessary, deeper contact between political parties and the people.
- **Developing the participatory planning methods:** Deepening the role of participatory planning, managing the development process to rectify market mechanisms' failures in resource management and allocations, developing the information system to support the planning decisions.
- **Developing the rules and mechanisms for accountability,** monitoring and transparency: Optimum use of resources, transparency and disclosure of data
- **Civil service reform:** Achieving a suitable civil service size and capacity.
- **Legislative reform:** Aligning the legislations with local and international inputs, completing the legislative infrastructure for new fields.

#### Policies and Methods

- Reform of the decision-making process, enforcing the role of scientific institutions in this respect, expanding on contract-hiring of leaderships according to appropriate job descriptions
- Conducting a wide national dialogue on political reform issues, civil sector participation in national dialogue in a way that people's needs are reflected in the decisions
- More private sector participation in defining the Plan's objectives and policies, developing the planning methods and analyzing the impact of market mechanisms on the economic and social variables, increased local autonomy in the formulation of economic policies.
- The provision of effective monitoring bodies, and programs for administrative and legislative reform.
- Developing the productivity standards and the criteria for hiring, expanding on re-training to re-direct surplus labor to productive projects, increasing the technological capabilities, especially IT, and streamlining the administrative procedures.
- Review of the existing legislations, identifying any inconsistencies, and reviewing their effectiveness vis-à-vis the purposes for their formulation.

*Nivine El Oraby, based on MOP, 2002.*

set interest rates and loan collection/reschedule policy with no intervention from central authorities, (b) Permitting MFIs to assign credit-assessment and client-screening functions to their lowest branch unit level which has direct contact with the field, (c) proposing new loan products designed to suit market needs should be the responsibility of the lowest level branch, and d) redeploying staff to the lowest branch unit and compensation for this move. According to WB (2004), SFD could have better impact with a sharper poverty focus to its activities through choice/location of projects and beneficiaries.

2. Loan officers at the lowest levels of MFIs would get advanced training in credit-assessment. In rural areas, with special reference to PBDAC, strengthening village-bank loan officers' credit skills would help them disburse loans to non-traditional activities (for example, non-livestock loans) so as to have a diversified bank portfolio and a higher bank profitability. In evaluating loan officers' performance, two new criteria for their incentive system could be introduced: 'number of borrowers' and 'number of loans to non-traditional activities'. This would motivate officers to increase outreach and penetrate new

- activities, especially since in 1999/2000, non-agricultural activities constituted 60 percent of sources of income in rural Egypt.
3. The MFIs' internal control units should be strengthened in both quantitative and qualitative terms; larger number of control officers help conduct field-visit checks to larger samples of borrowers thus minimizing fraud/non-genuine loans. Stronger monitoring and follow-up of timely loan collection allows the MFI to help borrowers solve any problems at the early stages before repayment delays become a serious collective problem, which would entail state intervention to issue loan-reschedule decrees.
  4. In rural finance, the recommendation is to focus on the provision of agricultural extension services to increase crop productivity and help the borrower, in the future, to bear non-subsidized interest rates. In the short-term, extension services would be provided free of charge to small and medium size farm operations; then when their incomes improve as a result of the services, they could be required to pay. The cost to MOF is much lower in supporting extension services than compensating PBDAC for the subsidized interest on loans. WB (2004) calls for extension services targeted to encouraging a shift to high-yield non-traditional crops in Upper Egypt.
  5. In urban finance, business development services (BDS) could be provided to borrowers at cost; but needy borrowers would get the service free of charge in the initial stages. BDS include the dissemination of information on market opportunities. Disadvantaged areas could be targeted for the establishment of BDS Centers. It is important to evaluate the existing centers for replication purposes.

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# The Status of Human Development

## PART ONE

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The mutual and positive interaction between human development and the degree of decentralization at the level of a country is now well recognized in the literature. The status of human development in Egypt therefore seems to be a good starting point for a well-grounded examination of the decentralization issue.

Various dimensions of decentralization are analysed in this report from the perspective of improved public service delivery for a speedier and more efficient path of human development. The results clearly show that for Egypt, the scope for decentralization is enormous and the benefits outweigh the costs. The positive link between decentralization and human development is based on the workings of two mechanisms, that of enhanced community participation and that of empowered local administration. Both groups of stakeholders stand to gain from the process of decentralization whereby the priorities of the community are better identified and the capacity and accountability of local bureaucracy are better exercised.

Chapter Two reviews the status and trends in Egypt's human development indicators (HDI) and explores the attitudes and opinions of local officials on decentralization. The first part of the chapter provides an analysis of the challenges and achievements of the past few decades on the human development front based on both the UNDP's and INP's HDI data sets, followed by an attempt to answer questions as to why Egypt is still doing poorly on its HDI ranking, in spite of its significant progress in individual human development (HD) indicators over time. The second part analyses the results of a tailor-made survey of local government officials to understand the likely response of those whose authority is expected to increase together with their responsibility in actual decentralization.

## The Status of Human Development

Ten years have elapsed since launching the first Egypt Human Development Report (EHDR) in 1994. One of the significant outcomes of the seven issued EHDRs is the nation-wide interest, and awareness that have been generated with regards human development in Egypt, its dimensions (health, education and income), and the affecting policies and strategies. This has been reflected in the development strategies, plans and policies destined for the country as a whole and for each of its governorates. For example,

the Plan targets an annual reduction in population to physician ratio from 451 to 445, in population to hospital beds ratio from 477 to 460 and a reduction

in infant mortality from 24 to 23 (per 1,000 live births) in 2003/04. The government also plans to raise the number of medical insurance beneficiaries from 31.6 (2002/03) to 33.3 million as a target for 2003/04 (Five-Year Plan Indicators, 2003/2004). Over the past decade, one can trace a positive response to concerted efforts to reduce two gaps, the gender gap and the gap between Lower and Upper Egypt. The gender gap reduction is clearly reflected in improvements in the education index. However, the gender deficits in political empowerment and in economic participation still persist and will require affirmative action if the gender gaps are to narrow in all socioeconomic and political dimensions. The gap in HDI values between Lower Egypt and Upper Egypt remains very large but has also started to narrow throughout the last decade.

The information provided by HDIs is relevant to 'decentralization', the main theme of EHDR 2004. The transfer of authority to local levels that

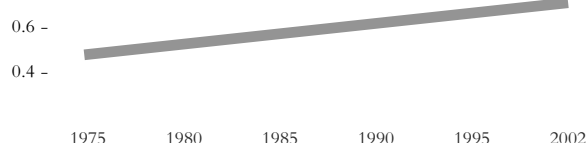
**The HDI process provides decision-makers with support in defining priorities and re-orienting resources towards sectors and regions that deserve more attention**

**Table 2.1 Evolution of Egypt's HDI (1975 to 2002)**

1975	1980	1985	1990	1995	2002
0.438	0.487	0.539	0.577	0.608	0.653

Source: UNDP, Human Development Report, 2004, p145

**Figure 2.1 Evolution of the Human Development Index (1975 to 2002)**



Based on Table 2.1

decentralization entails, should have a positive impact on targeting disadvantaged communities for better access to public services and on responsiveness to local needs. On another front, HDI data supports people's participation in decision-making via the monitoring mechanism it provides at the local level to promote accountability and strengthen political decentralization.

## Human Development Indicators

### The National Level

Egypt achieved an improvement of 49.6 percent in its Human Development Index (HDI) between 1975 and 2001 where this index increased from 0.433 to 0.648. The increase was the outcome of a general upward trend (Table 2.1) illustrating that human development is a self-sustained process. This steady improvement has pulled Egypt from the low to the medium category of human development.

This general upward trend of Egypt's HDI is exhibited in the major components used to calculate the value of the HDI. Over the decade of the 1990s, the key HDI components have increased as shown in Table 2.2.

The two indicators used to calculate the education index are basic and secondary enrollment ratios and adult literacy ratio (15+). The basic and secondary combined enrollment ratio was as low as 42 percent in 1960. This was a difficult legacy to deal with. The government exerted efforts and resources in raising awareness and establishing large numbers of schools over the last decade; the ratio was 86 percent in 2002 according to HDR 2004. The rate of reading and writing for the adult population (15+) has increased from 47 percent in 1990 to 69.4 percent in 2001 – a substantial improvement that is attributed to successful educational policies adopted by the government and efforts and resources devoted to reduction of adult illiteracy. From a gender perspective, enrolment in basic and secondary schools was 83 percent in 2001, and adult literacy (15+) for females was 54.2 percent (EHDR 2003).

Table 2.2 shows that between 1990 and 2002 literacy rate increased by 48.6 percent, and basic and secondary education enrollment ratio increased by 10.7 percent. The increase in GDP per capita income, measured in terms of \$US purchasing power parity (PPP), was more considerable where this increase surpassed 66.5 percent. This substantial increase in per capita GDP (in terms of PPP) is largely explained by changing the reference year (from 1987 to 1997) for estimating the US \$ PPP, as well as the revision and update of the PPP-based income estimates for different countries (see Technical Notes & Notes on Statistics in UNDP HDRs, several years). The fall in GDP per capita (PPP) between 2000 and 2002 is largely due to a devaluation of the local currency between 2000 and 2002.

**Table 2.2 Selected Components of the Human Development Index: 1990 to 2002**

Indicator	1990	1992	1994	1996	1998	2000	2002
Literacy Rate % (15+)	46.7	48.8	52.3	55.5	57.7	62.0	69.4
Basic and Secondary Education Enrollment Ratio	81.4	81.9	85.6	80.9	80.7	81.1	85.8
Per Capita Income (US \$ PPP)	2278	2010	3146	3911	4407	4878	3793*

\*The fall in GDP per capita (PPP) between 2000 and 2002 is largely due to a large devaluation in the value of the Egyptian Pound against the US dollar during the period 2000 to 2002.

Source: Institute of National Planning (INP), EHDR, various years.



Improvements in the life expectancy are influenced by child and infant mortality rates, and maternal mortality rates. Some indicators were highlighted by EHDR-2003 for a rather long time span from 1961 to 2001: infant mortality fell from 108 to 30 (per 1,000 live births), and under-five child mortality improved from 204 to 39 per 1,000 live births, and maternal mortality declined to 68.9 in 2002. Between 1980 and 1998, child and infant mortality decreased by almost two thirds.

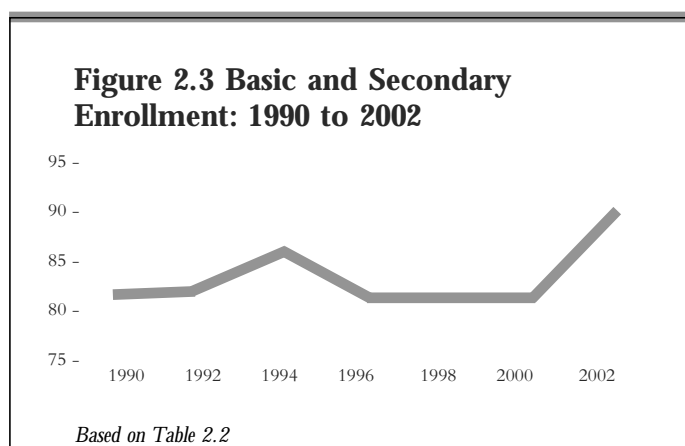
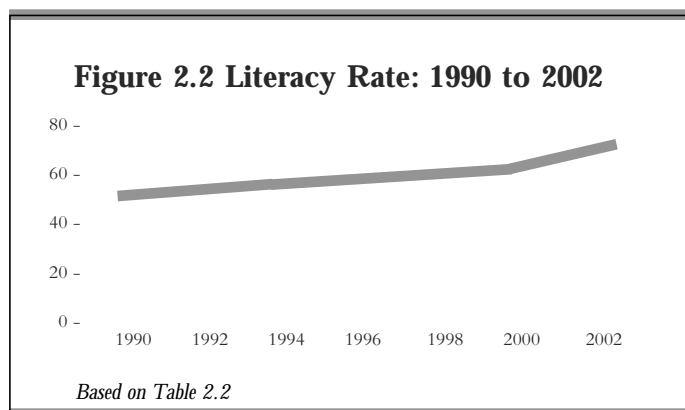
These improvements have reflected on substantial increase in life expectancy from 47.5 in 1960-1965 to 68.3 in 2000-2002 as shown in Table 2.3. As indicated by the percentage change, life expectancy has been increasing by a decreasing rate since early 1990s as we approach the world average of 70 years.

The HDI and its three major components reflect a general trend of human development improvement on the national level. The question is whether or not this improvement trickles down to close the gender gaps and the regional disparities, as addressed below.

#### The Governorate Level

Moving from national averages to the governorate level reveals the uneven development in human development indicators. While the group of four Urban Governorates continued to be, on average, the top performers as to the value of HDI (with steady increase from 0.568 in 1990 to 0.765 in 2002), the other three major regional groups remained at relatively lower levels of human development. According to the average HDI values, Frontier Governorates continued to rank second followed by the Lower Egypt Governorates in the third place then the Upper Egypt Governorates. The average value of HDI for these three groups increased from 0.442, 0.440, and 0.373 in 1990 to 0.708, 0.666 and 0.653 respectively in 2002. Table 2.4 indicates the development of HDI averages for these groups of governorates.

By excluding the five frontier governorates (which are not included in the ranking by HDI-value due to very low population density compared to other groups of governorates) and by looking at the HDI performance of individual governorates, Port Said remained the top HDI performer during the period 1990-2002. The other three Urban Governorates (Suez, Cairo, and Alexandria) continued to occupy the three following ranks during the same period except in 1990 and 1992 where



Damietta ranked third and fourth respectively, and in 1992 where Dakahlia ranked third. The four lowest HDI performers continued during the same period to belong to Upper Egypt Governorates. Table 2.5 shows these changes in the ranking of top and bottom HDI performers among governorates.

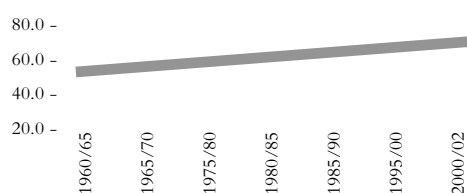
One important positive aspect to note is the fact that the regional disparities in HDI-values has been diminishing throughout the last decade. This

**Table 2.3 Evolution of Life Expectancy**

Period	Life Expectancy	% Change
1960-1965	47.5	
1965-1970	49.9	5.0
1970-1975	52.2	4.6
1975-1980	54.3	4.1
1980-1985	57.1	5.2
1985-1990	61.0	6.9
1990-1995	64.0	4.9
1995-2000	66.5	3.8
2000-2002	68.3	2.7

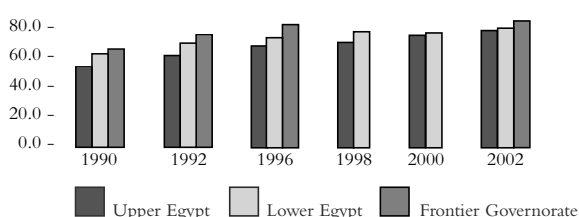
*Note: Calculation of 5 year average for life expectancy. Five year % change.  
Source: World Development Indicators CD Rom, 2003*

**Figure 2.4 Evolution of Life Expentancy**



Based on Table 2.3

**Figure 2.5 HDI on Regional Level: 1990 to 2002**



Based on EHDR, various issues

is indicated by both Tables 2.4 and 2.5. In Table 2.4, the gap in HDI-values between Lower Egypt and Upper Egypt was only 0.013 in 2002 compared to 0.067 in 1990. Similarly, in Table 2.5, the gap between the 'highest' and 'lowest' performing governorates was only 0.177 in 2002 (Port Said and Fayoum) versus 0.348 in 1990 (Port Said and Suhag). This progress towards closing the gaps can be considered one of the merits of conducting regular HDI-calculations as noted earlier, and of linking regional comparisons of HDI with development policy and planning. The process of data collection and documentation and consultation between the centre and local governments has no doubt contributed to policies and programs in support of Upper Egypt.

## Urban/Rural Development

By examining the tables that address urban-rural gaps in human development, one can easily identify human development disparities among the major four groups of governorates and among individual governorates; this is in spite of multiple rural development programs and efforts. Available data are not yet sufficient for estimating urban/rural indices of human development neither at national nor at governorate level, but a number of available sub-HDI indicators are revealing as regards the urban/rural human development imbalance in Egypt, even though urban/rural gaps have been narrowing during the period 1990-2002. In 2001, the average urban/rural gap at the national level was 32.3% in adult literacy rate (15+), compared to 45% in 1992.

Within the major groups of governorates, rural/urban gaps are relatively more important in Upper Egypt Governorates than at the national level and in the other groups of governorates. In 2002, the rural/urban gap of adult literacy rate (15+) averaged 41% in Upper Egypt Governorates compared to 32.3% at the national level, 24.0% in Lower Egypt, and 35.6% in Frontier Governorates. Moreover, the evolution of rural/urban gap in adult literacy rate seems to help increase disparity among the groups of governorates in this respect: the rate diminished by 9.4 percentage points in Upper Egypt between 1992 and 2002 compared to 12.7 percentage points at the national level, 11.0 percentage points in Lower Egypt, and 11.5 percentage points in Frontier Governorates.

Rural/urban gap in education is illustrated once again through the percentage of population (15+) with secondary or higher education. The gap in this indicator was as high as 49.8 percent in 2001 at the national level. This gap too is relatively more important in Upper Egypt Governorates: 59.8 percent in 2001 versus 40 percent in Lower Egypt.

**Table 2.4 Average HDI Values for the Major Groups of Governorates: 1990-2002**

	1990	1992	1994	1996	1998	2000	2002
Urban Governorates	0.568	0.607	0.718	0.872	0.725	0.740	0.765
Lower Egypt Governorates	0.440	0.528	0.570	0.613	0.646	0.641	0.666
Upper Egypt Governorates	0.373	0.461	0.532	0.570	0.597	0.622	0.653
Frontier Governorates	0.442	0.543	0.636	0.700	N/A	N/A	0.708
Overall Egypt	0.425	0.524	0.589	0.631	0.648	0.665	0.687 *

Source: Institute of National Planning (INP), EHDR, various years. Note: \* HDI values differ from those in Table 2.1 due to different source

**Table 2.5 HDI Values and Ranking of Top and Bottom Performers (Frontier Governorates excluded)**

1990	1992	1996	2000	2002
<b>Top Performers</b>				
1 Port Said (0.676)	1 Port Said (0.681)	1 Port Said (0.816)	1 Port Said (0.757)	1 Port Said (0.780)
2 Cairo (0.575)	2 Cairo (0.615)	2 Suez (0.804)	2 Suez (0.752)	2 Cairo (0.762)
3 Damietta (0.551)	3 Dakahlia (0.613)	3 Cairo (0.792)	3 Cairo (0.733)	3 Suez (0.761)
4 Alexandria (0.549)	4 Damietta (0.603)	4 Alexandria (0.715)	4 Alexandria (0.724)	4 Alexandria (0.752)
<b>Bottom Performers</b>				
18 Assiut (0.348)	18 Beni-Suef (0.442)	18 Sohag (0.526)	18 Fayoum (0.599)	19 Sohag (0.618)
19 Beni-Suef (0.337)	19 Fayoum (0.441)	19 Fayoum (0.525)	19 Minia (0.598)	20 Minia (0.618)
20 Minia (0.331)	20 Assiut (0.439)	20 Minia (0.513)	20 Beni-Suef (0.598)	21 Assiut (0.613)
21 Sohag (0.328)	21 Minia (0.428)	21 Assiut (0.506)	21 Assiut (0.580)	22 Fayoum (0.603)

Source: Institute of National Planning (INP), EHDRs, various years.

## Indicators of Human Deprivation

### The National level

All aspects constituting the profile of human deprivation, except for unemployment, have shown significant reductions during the period 1992–2002. Expressed in terms of the number of deprived people, human deprivation has been decreasing during since 1992; this decrease seems considerable when taking into account that the Egyptian population has increased from 55.2 million in 1992 to 67.6 million in 2002.

Given the rapid and important reduction in infant and child mortality rates over the past three decades, as noted earlier, it is estimated that further progress will be more difficult and will depend on factors that relate to the quality of life, rather on the quality of health services alone. The contribution of inter-related etiological factors such as low incomes, poor sanitation and hygiene, poor nutrition, and the associated higher levels of exposure to environmental and health risks and hazards, call for integrated strategies and interventions that are not limited to any one service sector (see sectoral chapters).

According to EHDR 2004, Improvements in the status of human deprivation were as follows (see annex):

- n Population without access to piped water has decreased from 12.1 million in 1992 to 6.8 million in 2001.
- n Population without access to any kind of sanitation decreased from 13.7 to 4.1 million during the same period.

- n Between 1991 and 2002, children dying before the age of five decreased from 98.2 to 56.5 thousand.
- n During the same period, children not in basic or secondary schools decreased from 2.9 to 1.8 million.
- n Illiterate adults (15+) decreased, between 1993 and 2002, from 16.9 to 13.3 million.
- n As for the unemployed, their number increased from 1,802 thousand (of whom 845 thousand are females) in 1993 to 2,075.5 thousands (of whom 1060.2 thousands females) in 2002.

### The Governorates Level

At this level, indicators of human deprivation reflect important disparities among the major groups of governorates and within each group. Table 2.6 indicates the changes, between 1996 and 2001, in the percentage distribution of total deprived persons (i.e. must add up to 100 percent in any given year). Urban Governorates are the least disadvantaged group with reference to human deprivation indicators. Their relative shares in total numbers of persons suffering from human deprivation are much less than their relative shares in total population (18.3 percent). One can also note the fact that urban governorates also show higher health status indicators (see chapters six and eight).

As to Upper Egypt Governorates, while they constitute the most disadvantaged group with the highest incidence of human deprivation, certain

**Most aspects of the profile of human deprivation show significant reduction between 1992 and 2002**

positive facts and signs of gap-narrowing are observed. Out of total numbers of children dying before the age of five, Upper Egypt's share decreased from 55 percent to 48 percent between 1996 and 2001. Out of all people without access to piped water, Upper Egypt's share decreased from 51 percent to 48 percent between 1996 and 2001. However, lower Egypt rather than Upper Egypt is the region with highest unemployment rates, with more than half of the total unemployed individuals in Egypt. This phenomenon is related to the high concentration of unemployment among educated youth.

#### Urban/Rural Development

The urban-rural distribution for sanitation facilities is comparable to that for health indicators with the observed differences between rural and urban

population. Also within the southern governorates, the rural population has a lower percentage of people connected to public sewers and lower health status indicators.

**Inter-related etiological factors such as poor sanitation and nutrition call for integrated strategies and interventions that are not limited to any one service sector**

Nevertheless, some improvements in the urban-rural gap was observed in 1992-2001 interval. The gap stood at 15.8% in piped water supply, and 21.5% in sanitation services, compared to 37% and 41% respectively in 1992.

#### Gender Indicators

##### The National Level

Egypt ranked poorly on the Gender empowerment Measure (GEM) as indicated in UNDP's HDR of 2004. Out of 78 countries, Egypt's rank was 75, at a GEM-value that is as low as 0.266 (compared to 0.908 for Norway occupying the highest rank, 0.519 for Malaysia occupying rank no. 44, 0.395 for Bahrain ranking 66 and 0.290 for Turkey ranking 73).

While this GEM value for Egypt in 2004 constitutes some improvement over a value of 0.247 reported by UN's Egypt MDGs 2002<sup>1</sup>, it still indicates a the need for greater efforts to achieve greater gender empowerment in Egypt. GEM relates to a number of criteria mostly reflecting the

participation of women in political and professional life. The components are parliament-seats held by women (3.6 percent of total), female legislators, senior officials and managers (9 percent of total), female professional and technical workers (30 percent of total) and the ratio of estimated female to male earned income (0.38).

Women are among the vulnerable groups affected by the downsizing of the government civil sector under the structural adjustment program. Females are less favored by the private sector due to maternal leaves stipulated by law. On the political front, women in Egypt received the right to vote and stand for elections in 1956.

Egyptian women have full constitutional rights, but there is both lack of awareness of such rights as well as lack of interest due to female dual roles (UN, Egypt's MDGs, 2002). The National Council for Women established in 2000, with branches in all governorates, has an agenda for this Five-Year Plan for women empowerment socially (through health and education improvement), economically (through vocational training and micro-credit) and politically (through advocacy, raising awareness and facilitating the issuance of identity cards for women). The issue of bringing back a quota for women in municipal and parliamentary elections would be a viable route for affirmative action in Egypt. Certain indicators measuring male/female gaps in education indicate that Egypt is progressing towards reducing gender disparities. Female/male gaps have considerably narrowed since the early 1990s. Expressed in terms of females as percentage of males:

- n Life expectancy at birth increased from 103.0 in 1991 to 106.5 in 2002.
- n Participation in labor force increased from 18.0 in 1996 to 28.0 in 2002.
- n Literacy increased from 57.0 in 1992 to 67.0 in 2002.
- n Between 1992 and 2002, enrollment indicators increased from 80.4 to 107.1 in primary schools, 79.0 to 93.3 in preparatory schools, 86.0 to 95.4 in secondary schools, and 57.2 to 90.0 in tertiary education. This narrowing-down gap indicates that female enrollment rates have been rising faster than those of males. It is noted that the absolute number of dropouts during 1992/93-1996/98 was more than 100,000 in spite of the decrease in the dropout ratio from 4.3% in 1992/93 to only 1.5% in 1997/98).

1. Office of the UN Resident Coordinator (2002) "Reporting on the Millenium Development Goals at the Country Level: Egypt. Prepared by the Public Administration and Consultation Centre, Cairo University.

**Table 2.6 Percentage Distribution of Total Deprived Persons among Governorates**

Indicator (Share in Population)	Year	Urban (18.3%)	Lower Egypt (43.4%)	Upper Egypt (36.7%)	Frontier (1.4%)	Total Pop (100%)
Without access to piped water	1996	1.9	45.5	51.2	1.3	100
	2001	0.5	50.1	48.2	1.3	100
Without access to sanitation	1996	3.2	48.1	46.8	1.9	100
	2001	0.2	13.2	84.4	2.1	100
Children dying before age 5	1996	13.7	29.6	55.4	1.2	100
	2002	17.0	33.6	48.1	1.2	100
Children not in basic or secondary schools	96/97	7.5	37.7	53.6	1.3	100
	01/02	2.7	38.3	55.2	3.8	100
Illiterates (15+)	1996	12.6	44.5	41.8	1.1	100
	2002	8.3	42.8	47.8	1.2	100
Total poor persons	1996	13.4	32.2	53.6	0.8	100
	2002	6.4	26.3	65.2	0.8	100
Unemployed persons	1996	16.9	50.4	31.8	0.9	100
	2002	13.59	53.9	30.7	3.0	100

Source: Calculated using EHDR 1997/98 and the Human development indicators of this report (see annex).

Indicators of the health status of women have also improved where life expectancy at birth increased from 65.6 years in 1991 to 72.1 years in 2002 and the maternal mortality rate (per 100,000 live births) decreased from 174.0 in 1992 to 68.9 in 2002. Furthermore, gross enrollment ratios showed perceptible amelioration between 1992 and 2002, rising by 3.7%, 67.8%, and 55% in basic, secondary, and tertiary education respectively.

#### Demographic Indicators

The Egyptian population grew at an average annual rate of 2.4% between 1960 and 1996, rising from 26 million to 59 million. As a result of the effective family planning policy adopted by the state, population growth has slowed down between 1996 and 2002. The population growth rate has decreased to 2.1% reflecting the drop in total fertility rate which declined to two-thirds of its level in 1980. The decrease in population growth also reflects the rising consensus of the importance of family planning which led to an increase in the contraceptive prevalence rate to reach 60% in 2003. It is also noted that urban density has been rising as a result of internal migration and the transformation of many villages into towns and cities. The urban population annual growth rate was 1.8% in 1996/2002 compared to 2% in 1986/1996.

#### Economic Indicators

The labor force (15+) reached 30.1% of total population, and total unemployment rate was 10.2% in 2002. Unemployment rate among secondary school graduates is the highest (20.4 percent) followed by university graduates (14.4 percent). Females represent 21.8 percent of the labor force (15+)<sup>2</sup> and female unemployment rate was 23.9 percent in 2002. The services sector absorbs the largest share of the labor force (48.6 percent) followed by the agricultural sector (30.4 percent), then the industrial sector (21 percent).

As for poverty and income distribution, per capita GDP increased from LE 5,537.6 in 2001 to LE 5,742.1 in 2002, i.e. only a modest increase given the slowdown in growth of the Egyptian economy in the last 3 years as a result of international events. The number of poor persons as a percentage of the total population decreased from 16.74% to 16.35% between 1999/2000 and 2000/2001.

#### Gap Indicators

The *Gender Gap* has been addressed earlier. As to Regional Disparities, they remain relatively large in education and health indicators. Comparing various human development indicators in Upper Egypt to

**Women are among the vulnerable groups affected by the downsizing of the government civil sector**

their counterparts in Lower Egypt reveals uneven progress in human development on the regional level. In 2002, adult illiteracy was 40.3 percent in Upper Egypt while it was only 31.4 percent in Lower Egypt. Also, the number of people without access to sanitation in Upper Egypt (3,469 thousands) is quite alarming when compared to the same number in Lower Egypt (543.8 thousands) in 2001. The picture becomes more gloomy when comparing the number of poor persons in Upper Egypt (7,204 thousands) to its counterpart in Lower Egypt (2,901 thousands) in 2002.

According to 2001/2002 data, the number of children not in basic or secondary schools in Lower Egypt is only two-thirds of the number in Upper Egypt. Health indicators, especially the ones on child survival and development, also show some important disparities between Upper Egypt and Lower Egypt. In 2002, infant mortality (per 1000 live births), maternal mortality rate (per 100000 live births), and under five mortality rate (per 100000

**There is uneven progress in human development between Upper and Lower Egypt**

live births), were 29.2, 70.1 and 36.1 in Upper Egypt versus 18.1, 47.14 and 26.3 in Lower Egypt. The ratio

of births attended by health personnel, and the ratio of under weight (below age 5) children have shown large discrepancies in their values in Upper Egypt compared to Lower Egypt. The values of these indicators were, respectively, 74.9, and 10.2 in Upper Egypt versus 100.4, and 4.8 in Lower Egypt.

**Why is Egypt's Rank so Low in the Global HDR?**

In spite of the improvements on different fronts of human development in Egypt over the last three decades, the rank of Egypt in the Human Development Report (which ranks countries in descending order according to their HDI values), is still relatively low when compared to many developing countries.

As shown in Table 2.7, the rank of Egypt in the global HDR has mostly been at the 120th place over the last seven years except in 1999 where Egypt had jumped 14 places up the ladder of human development. But that was obviously because of the decrease in the number of countries covered by the report in that year as indicated in the table.

The rank of a country according to the Human Development Index does not depend only on the performance of such country but also on how well or bad other countries perform. One can anticipate that the performance of human development in a given country is tied to how fast or slow its population grows. Part of the explanation is probably that in spite of all efforts concerning population policy in Egypt, the population growth has not come down to an acceptable rate yet. The Egyptian population grows at about 2.1 percent annually which by far exceeds the population growth rate in many of the countries preceding Egypt in the rank of the HDI. Higher population growth puts more pressure on the country's already-limited resources for providing public health and education services to increasingly large numbers of people.

Nonetheless, Egypt has achieved considerable progress in raising school enrollment rates and improving many of the health status indicators. One HDI component that still needs to be brought down at a much faster pace is the illiteracy rate, which has been the second reason, after population growth, for Egypt's lagging behind in human development on the international level. It suffices to mention that the rank of Egypt could jump up the human development ladder by 25-30 places when the illiteracy component of the HDI (about two-thirds of the education index) is excluded. This explains why tackling illiteracy has been a high priority of successive cabinets in Egypt over the last three decades. The importance of enhancing human development in Egypt in general and eradicating illiteracy in particular has recently resulted in a decree by the new Prime Minister in 2004 to appoint for the first time a Ministerial Committee for Human Development.

Therefore, improvements in the health status in Egypt are offset by a decrease in illiteracy rate that is modest compared to other countries. Also, external exogenous shocks and the domestic recession of the past few years have slowed economic growth in Egypt and consequently led to marginal improvement in the GDP component of the human development index<sup>3</sup>.

In addition to Egypt's poor performance in GDP growth per capita relative to other countries, Egypt's achievement under the Human Poverty Index (HPI-1) was less good than its performance

2. Note that because female participation in the labor force is only one fifth, it represents less than 30 percent of the male labor force as per annex tables.

**Table 2.7 HDI Value and Rank for Egypt: 1997-2002**

	1997	1998	1999	2000	2001	2002
HDI	0.616	0.623	0.635	0.642	0.648	0.653
Rank	120	119	105	115	120	120
Number of Countries covered in the HDR	174	174	162	173	175	177

Source: UNDP, *Human Development Report*, various years.

under income poverty. Its HPI-1 stood at 31 percent (HDR 2004) and Egypt ranked 47th out of 95 developing countries. The components of HPI-1 are the probability at birth of not surviving to age 40 (Egypt: 8.6 percent for cohort 2002-2005), adult illiteracy 15+ (Egypt: 44.4 percent in 2002), population without access to improved water source (Egypt: 3 percent in 2002), and children underweight for under age 5 (Egypt: 11 percent in 1995-2002).

Given that Egypt's per capita GDP is LE 5,742 (2002), its poverty profile is good relative to similar countries. The ratio of population with income below US\$ 1 a day was only 3.1 percent in the period 1990-2002. Whereas those with income below US\$ 2 a day were 44 percent and those below the poverty line constituted 16.7 percent in the period 1990-2000 (HDR 2004).

Another way of judging Egypt's HDI performance is to compare it with other groups of developing countries over the period 1975 to 2001, using the global HDR data (HDR 2004). They show that Egypt has achieved a substantial increase in life expectancy and that the gap in life expectancy between Egypt and the different groups of developing countries as well as the world average is fast narrowing. However, there are still gaps between GDP per capita (PPP) in Egypt and that of most groups of developing countries. This gap is increasing over time when comparing Egypt to the world average, to Latin American Countries, and to the Middle Income group of countries. As for illiteracy rates, it is obvious that Egypt still has one of the highest rates in the world and that the gap between Egypt and the Middle East & North Africa (MENA) group of countries, which mostly precede Egypt in the rank of the HDI, is persistently rising.

## Beyond the Face Value of Indicators

The above indicators reveal a significant improvement in the status of human development in Egypt. However, attention should be drawn to the fact that most if not all of these indicators are based on face values of published data regardless of their true significance with regard quality of life. Human development indicators are averages

that often conceal large discrepancies among individuals and groups constituting the society for which these averages are calculated. Moreover, the data used to calculate the human development indicators need to be assessed using additional criteria especially in cases where many services interact to affect the net status of HD of the population. Education, health, safe water supply, sanitation, transport, and communication are all services that together feed into the equation. The status of human development could be largely deceiving when based on the face values of indicators used in estimating the degree of progress in providing services. HDI measures focus exclusively on quantitative aspects and neglect important qualitative aspects. Moreover, they do not take into account two important efficiency aspects: social efficiency and efficiency of the delivery systems.

To support conclusions regarding the significance of human development indicators in Egypt and other countries, additional criteria are needed. For instance, the percentage of the Egyptian population with access to piped water has increased from 79.9% in 1992 to 91.3% in 2001. However, this improvement could be meaningless in the case of a deterioration of the quality and regularity (in terms

**Higher population growth puts more pressure on the country's already-limited resources for providing public services**

3. It could also be argued that part of the reason why Egypt is not catching up in per capita GDP growth with other middle income developing countries is that it is not utilizing female human resources to the full. While the gender gap is narrowing in education, it remains large in labor force participation and employment.

of number of days per year and hours per day) of the water supplied. Another example is that of life expectancy at birth which has increased from 65.3 years in 1992 to 70.1 years in 2002. However, nothing has been said about the socioeconomic decency of this life (e.g. social and economic mobility, real choices open to people, debilitating diseases and job-related risks).

## Decentralization, Participation and Human Development

Since the early emergence of human development as a comprehensive development concept that encompasses all aspects of human life, its operationalization has revolved around four important principles: participation, accessibility, sustainability and equity. Indeed, these principles are interdependent and represent the general framework of any human development strategy and the relevant policies needed. Without them, development will not be by the people and for the people, and will not be sustainable.

To put these four basic principles into effective action and to foster their interaction in a positive way, decentralization is necessary in all countries that look for better human development achievements. This has two implications. The first is to immediately identify and implement the optimum balance between centralization/decentralization under the prevailing socioeconomic, political, institutional, organizational, and cultural conditions. The second is to devise and implement reform programs designed to develop these conditions towards more decentralization while consolidating national entity.

Taking these two steps would have an immediate positive impact on the status of human development in Egypt. Fighting illiteracy could be one of the most important examples in this respect since the relatively high illiteracy rate (more than 30% of the population above age 15 in 2002) is the main reason for Egypt's relatively low HDI value and low ranking in the global Human Development Report. In spite of efforts spent over the past two decades to eradicate illiteracy, the results have been very modest. Introducing more decentralization is expected to achieve significantly improved results, for example, through

adopting illiteracy eradication programs diversified in contents and schedules according to the socioeconomic, administrative, and environmental conditions of every local community, and assigning a greater role to NGOs in designing, financing, and implementing these programs.

More decentralization mechanisms are needed in Egypt to enhance the efficiency of public utility services like potable water supplies and sanitation services. It is true that the face values of indicators relevant to these areas show continuous progress. However, taking a discerning look beyond these face values reveals important weaknesses with respect to the finance, maintenance, and quality of these services. Most problems related to these points of weakness can be effectively resolved through participation and decentralization of the relevant decision-making processes. This requires reforms in the legislation and organization of such services and more delegated authority to the local entities, as proposed in the relevant chapters of this report.

## PART TWO

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### Survey on Decentralization

A survey specially commissioned for EHDR 2004 and carried out by the Cairo Demographic Center aimed to identify the opinions and attitudes of both staff and management of the local administration units on the current application of decentralization, the constraints thereto, the extent to which decentralization can contribute to enhancing performance, and the variations between sectors in this regard.

#### Approach and Sample Selection

The survey took place in ten governorates selected to include one urban governorate (Alexandria), four Lower Egypt governorates (Damietta, Gharbia, Kafr El Sheikh and Beheira), and five Upper Egypt governorates (Fayoum, Minia, Assiut, Sohag and Qena), where interviews were conducted with the local leaderships in the governorates' capital cities and a number of markaz. The survey covered the administrative, health, education, housing and irrigation sectors. The position-grades of the interviewees ranged from heads



of departments and directorates, to Ministry undersecretaries and governorate secretary-generals. The total number of respondents was 731, or 380 and 351 from Lower and Upper Egypt respectively.

## Study Findings

### Decentralization: Concept and Attitudes

Table 2.1 indicates that the interviewees' concept of decentralization and their attitudes thereto reflect their belief that decentralization would positively affect the speed of work and streamline procedures (95 percent), allow the government to focus on addressing major national issues and developing general policies (89 percent), encourage individual efforts and NGOs to participate in local development (85 percent), and alleviate the administrative and financial burdens on central government (84 percent). To a lesser extent, decentralization is perceived to be able to help local units to provide higher-quality public services (77 percent), entrench democratic practice and activate people's participation in local administration (75 percent), realize local units' financial and administrative independence (66 percent), enable local councils to shoulder their responsibilities for planning and decision-making (54 percent), help local units retain larger portion of local financial revenues (52 percent), and put into effect the local councils' right to hold accountable the representatives of the central executive authority (46 percent).

On the other hand, 76 percent considered that decentralization does not agree with long-established practice, and 36 percent believed it would result in administrative fragmentation, an overlap in specialization and duplication of procedures.

The relevance of the concepts of decentralization to each sector vary. The 'agreement with the concepts' percentages were highest in the administrative sector and lowest in the irrigation sector. Some variations were as follows:

1. As perceived by interviewees in the education sector, (more so than those in other sectors), decentralization was associated with encouraging individual and NGO efforts for participation in local development, relieving the central government from administrative and financial burdens, allowing it to focus on major national issues and policy development. However, the education sector responses associated, more highly the link between decentralization and administrative fragmentation as well as the overlap of responsibilities.
2. As perceived by interviewees in the housing sector, (more so than those in other sectors), decentralization was associated with empowering local administration units to provide a higher quality of public services, with citizens retaining a larger share of proceeds of local financial resources, and financial and administrative independence for local administration units. However, decentralization was associated to a lesser extent than in other sectors with reactivating people's participation and effectuating the right of local administration units to hold accountable the central executive authority and its representatives.
3. Health sector interviewees took an intermediate position between those in other sectors.

### Awareness of the Local Administration Law

Most respondents (72 percent) had not reviewed Local Administration Law 43/1979, and this percentage did not vary considerably by level of education. The percentage was higher in Upper Egypt than in Lower Egypt governorates (75% versus 69%).

In sector responses, the percentage of those who did not review the law was clearly higher in the irrigation sector (91%), followed by health (83%), education (76%), housing (66%) and the administrative sector (45%). As expected, administrative officers were more inclined to review the law than technical staff. It was also noted that most respondents who said they had reviewed the law could not identify the articles that were relevant to their job.

### Significance of Transition to Decentralization

The survey sought the opinions and personal views of local units' leaders and personnel on the significance of the transition towards more decentralization. The responses overall, reflected a positive attitude: some 60 per-

**The education sector associates more highly the link between decentralization and administrative fragmentation**

cent of the respondents said decentralization should be a top priority and that it was an important prerequisite for local development; 52 percent considered that the importance of decentralization varies from one sector to another, while only 4 percent said there was no need for more decentralization or that it was not of great significance.

The interviewees were also asked about the potential for wider application of decentralization

in Egypt. About 76 percent of the respondents believed that decentralization could be applied gradually, half said that application should be associated with a number of supporting measures, and 18 percent believed that decentralization could be easily implemented.

As shown in Figure 2.1, the percentage of the respondents who believed that decentralization could be easily implemented varied from one sector to another (from 23 percent in the administrative sector to 11 percent in the irrigation sector). It was higher in Lower Egypt than in Upper Egypt (20 percent and 15 percent respectively), and higher in markaz than in the governorates' capital cities (20 percent versus 13 percent). Only 3 percent of the respondents said it was impossible to implement decentralization in Egypt.

**High illiteracy rate is the main reason for Egypt s relatively low HDI value and low ranking in the global Human Development Report**

**Extent of Applying Decentralization**

The responses indicate that decentralization is applied more frequently in the field of supervision and follow-up of implementation (Figure 2.2), followed by evaluation and performance efficiency measurement, and coordination between sectors and identification of criteria for staff incentives and penalties. It was obvious that decentralization is not currently applied in planning and decision-making or in finding non-governmental sources of finance.

Among those who reported that decentralization is always applied, the variations between sectors are illustrated in Table 2.

- n The irrigation sector had highest response in stating that decentralization is always applied in planning, supervision and implementation follow-up, and crises management.
- n The administrative sector had the highest percentages for decentralization applied to decision-making, evaluation and performance efficiency measurement, identifying the criteria for staff incentives and penalties as well as coordination and cooperation between sectors, and finding non-government sources of finance.
- n In the health sector, the percentage was higher than a number of other sectors with regard to evaluation and performance efficiency measurement, setting the criteria for staff incentives and penalties, and finding non-government sources of finance.

- n The data indicates that the application of decentralization was relatively low in the education and housing sectors.

61 percent of the respondents considered that the efforts currently exerted towards decentralization are less than they should be, while 30 percent said they were acceptable. When asked about which sectors apply decentralization most, respondents mentioned communications, the media, and housing. As to which sectors most need to apply decentralization, respondents mentioned housing, followed by sanitation-drainage and education.

**Constraints to Implementation of Decentralization**

The survey findings (Figure 2.3) show that the failure to train and equip the administrative personnel is the main obstacle to implementing decentralization, followed by the prevailing cultural values represented in a reluctance to change what is usually practiced, failure to put in writing the authorizations to generate additional financial resources, fact that decentralization is not at the forefront of the political agenda, and finally, the fact that public opinion is not ready to accept decentralization.

Table 2.3 shows the variations between sectors in terms of their opinions on the relative importance of the constraints to implementing decentralization:

- n **Housing** personnel had highest levels of agreement to constraints such as the lack of local trained capacities and cadres, lack of financial allocations and authorization to generate revenues, as well as the fact that decentralization is not yet a top political priority.
- n **Education** sector personnel gave greatest importance to the lack of public opinion readiness to accept decentralization and the reluctance to change, and inadequacy of financial allocations and authorities to mobilize resources.
- n **Health** sector personnel gave greater importance to the lack of local training and capacities, and the reluctance to change.
- n **Irrigation** sector personnel attached less importance to stated constraints, but agreed to constraints such as decentralization has no political priority, and public opinion is not ready to accept decentralization.

**Table 2.8 Attitudes Towards Decentralization**

■ Relatively High %  
 ■ Relatively Low %

Phrases	Total	Sector Percent				
		Administrative	Housing	Education	Irrigation	Health
Speeds up performance and streamlines procedures	<b>95.1</b>	97.4	95.7	95.4	91.6	95.2
Allows the government to focus on addressing major national issues and developing general policies	<b>89.5</b>	94.8	89.2	94.7	76.2	91.7
Encourages individual efforts and NGOs to participate in local development	<b>85.2</b>	86.9	85.6	90.1	79	84.1
Alleviates the administrative and financial burdens on central government	<b>84.0</b>	92.8	84.2	90.7	66.4	84.8
Enables local units to provide higher-quality public services	<b>77.3</b>	87.6	89.2	78.1	63.6	67.6
Entrenches democratic practice and activates people's participation in local administration	<b>75.2</b>	89.5	64.7	83.4	72	64.8
Realizes local units' financial and administrative independence	<b>66.2</b>	79.1	77.7	67.5	38.5	67.6
Enables local councils to shoulder their responsibilities for planning and decision-making	<b>54.4</b>	69.3	51.8	54.3	45.5	50.4
Helps local units retain larger share of local financial revenues	<b>52.1</b>	56.5	77.7	45	31.5	47.6
Puts into effect the local councils' right to hold accountable the representatives of the central executive authority	<b>45.7</b>	51	40.3	47.7	41.3	47.6
<b>Negative statements:</b>						
It does not go along with what we've been used to for long	<b>76.3</b>	78.4	79.1	74.8	70.6	78.6
Leads to administrative fragmentation, overlap in specialization and duplication in procedures	<b>36.4</b>	30.1	35.3	43	42	31.7

## Conclusions

The main findings of the survey can be summarized as follows:

1. Interviewees *highly agreed* that decentralization would have a positive effect on streamlining procedures, allow the government to focus on major national issues and policy development, encourage

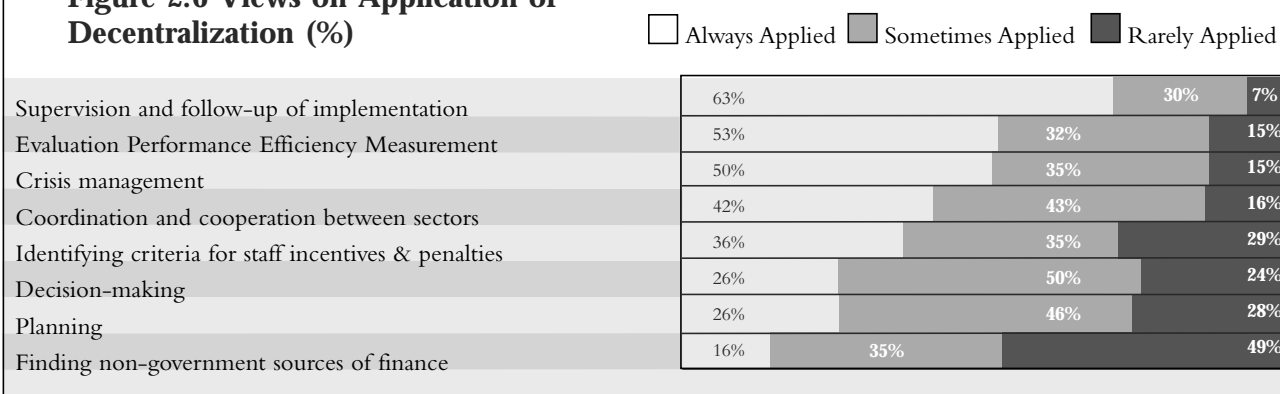
individuals and NGOs to participate in local development and alleviate administrative and financial burdens on central government.

2. With the exception of the administrative non-technical staff, a *limited awareness* of the laws and regulations governing local administration is evident among the local unit personnel.

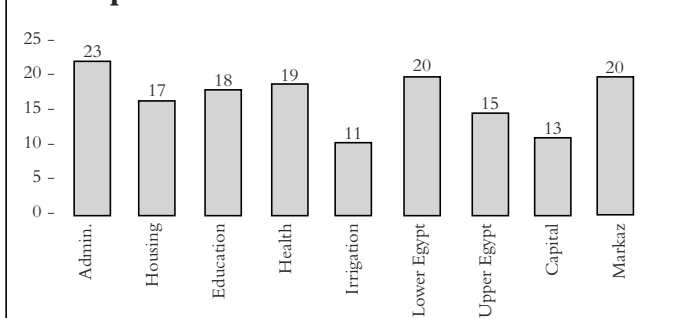
**Table 2.9 Decentralization Always Applied: Sector Distribution of Respondents (%)**

Tasks & Requirements	Sector Percentage					
	Total	Administrative	Housing	Education	Irrigation	Health
Planning	25.7	24.2	27.3	16.6	35.0	26.2
Decision-making	26.3	30.7	28.8	20.5	24.5	26.9
Supervision and implementation follow-up	63.3	62.7	66.2	53.6	73.4	61.4
Evaluation and performance efficiency measurement	53.1	58.2	47.5	47.7	52.4	59.3
Crisis management and emergency handling	50.1	47.7	43.9	45.7	64.3	49.0
Setting criteria for staff incentives and penalties	36.3	43.8	23.0	29.8	40.6	43.4
Inter-sector coordination and cooperation	41.6	47.1	36.0	37.1	46.2	41.4
Finding non-governmental sources of finance	15.5	19.0	7.2.0	15.9	12.6	22.1

**Figure 2.6 Views on Application of Decentralization (%)**



**Figure 2.7 Decentralization Easily Implementable: % Stated**



- A large number of respondents were *positive* towards decentralization as a top priority and important prerequisite for local development. Most believed it should be applied gradually, while a few believed that it could be easily implemented.
- Decentralization is currently applied more frequently in the fields of supervision, implementation follow-up, and evaluation and performance efficiency measurement. By contrast, inadequate attention is paid at local levels to decision-making, planning and identifying non-government financial resources.
- Decentralization appears associated with the *technical* rather than the political perspective. Constraints to its application are the lack of local capacities, resistance to change, inadequate financial allocations to local units and authorization to mobilize resources. Finally, there is the perception that decentralization is not at the forefront of the political agenda.

**Table 2.10 Percent Agreement on Constraints to Implementation of Decentralization**

Constraints	Sector Percentage					
	Total	Administrative	Housing	Education	Irrigation	Health
Reluctance to change what has been practiced for long	<b>64.0</b>	64.7	61.9	66.9	59.4	66.9
Administrative personnel inadequately trained	<b>67.7</b>	68.6	73.4	67.5	55.2	73.8
The public opinion is not yet ready to accept decentralization	<b>41.7</b>	43.1	38.1	47.7	45.5	33.8
Decentralization is not yet at the forefront of the political agenda	<b>55.4</b>	54.2	61.9	49.7	58.7	53.1
Inadequate number of cadres that proved capable of local leadership	<b>45.7</b>	43.1	55.4	49.7	44.1	36.6
Inadequate financial allocations to the local units	<b>58.8</b>	62.1	82.7	57.6	39.2	53.1
Inadequate authorizations to local units to generate sources of finance	<b>59.2</b>	66.0	78.4	56.3	42.0	53.8

**Figure 2.8 Views on Constraints to Implementing Decentralization**

□ Agree    ■ Agree to Certain Extent    ■ Disagree

Administrative personnel inadequately trained	68%	25%	8%
Reluctance to change what has been practiced for long	64%	26%	10%
Inadequate authorizations to local units to generate sources of finance	59%	29%	12%
Inadequate financial allocations to the local units	59%	28%	13%
Decentralization is not yet at the forefront of the political agenda	55%	35%	10%
Inadequate number of cadres that proved capable of local leadership	46%	28%	26%
The public opinion is not yet ready to accept decentralization	42%	32%	26%

## Development-Driven Administrative Decentralization

In much of Egypt's history, the hegemony of the state has constrained local development and resulted in a highly centralized approach to development. This checked local participation, local initiatives and the prioritizing of local needs. A greater allocation of resources was given to the decision making centers, the urban areas and the capital, resulting in disparate and inequitable development across the various regions of the country. Decentralization, which would empower local administration and bring it closer to the citizens making it more accountable to them, would be a reversal of the long experience of a passive citizenry, silenced by a rigid bureaucracy.

The current administrative system in Egypt represents one of the most centralized systems in the world. While a large spectrum of services is devolved to local authorities in most countries, all services in Egypt such as water distribution and sewage, education, health, energy distribution, garbage collection, and even parks, are run centrally. Provision of services is executed locally but the central government maintains a strong grip and control over the finance and the administrative systems by which local services are provided.

The primary challenge for decentralization is political. While the constitutional as well as the political framework of the government does not depart from the concept of decentralization (indeed, it suggests, rather, a deconcentration of the process of decision and implementation across various entities, among which are local units), the local system is, on the other hand, carefully designed to assist and support centrally administered development, and elected councils are seen as the auxiliary arm for sub-national branches of the executive. It is within this contradictory context that key factors of effective decentralization – that is – political commitment, financial resources, technical capa-

bilities of the local management entities, such as executive and elected councils, are insufficient.

### Challenges and Opportunities

There is, however, a growing political discourse that calls for development and decentralization as reflected in the widespread views and demand for the reform of Law 43 of 1979, the local administration law, and amendments thereof. This reform orientation is likely to be enhanced by the political environment, particularly in view of the following:

- n Debates and demands by members of the People's Assembly, and the Local Administration Committee, particularly over the past two years;
- n The creation in 1996 of a ministerial committee, chaired by the Minister of Justice, to consider the amendment of the local administration law;
- n Reiterated calls by the annual National Democratic Party (NDP) Congress for such amendments, while President Mubarak has also pointed to the need "to develop local administration in such a way as to cope with the spirit of the age, social issues and expanded decentralization". In his address to the joint session of the People's Assembly and Shura Council, in November, 2003, the President further stated that "We have ahead many enormous challenges and missions to build the modern Egyptian society that we aspire to. This requires that the role of the government as an effective executive tool be redefined and re-described, decentralization expanded, local administration developed, public participation enhanced and the complementary responsibilities of society and the state be identified";
- n In March 2003, at the People's Assembly, the Minister of Local Administration confirmed

**The current administrative system in Egypt represents one of the most centralized systems in the world**

that the government intends to maintain central design and formulation while minimizing centralized implementation. While 14 ministries are supposed to have devolved their executive functions, they have either failed to affect the devolution or have created national bodies to undertake part of such functions;

- n In December 2003, the People's Assembly Local Administration Committee recommended that the draft law on local administration be promptly finalized.

**President Mubarak has pointed to the need to develop local administration in such a way as to cope with the spirit of the age, social issues and expanded decentralization**

While the application of decentralization in Egypt remains modest, it benefits from considerable support from at least three directions:

First, the success scored by development plans in improving the quality of life in Egypt over the past two decades. This was achieved through the balanced management of the economic reform process, which diffused the threat of acute social instability. Second, the presence of a high level of social cohesion, and a sustained public consensus on the importance of national unity and of peaceful reform over change by violent means. Third, the available potential required for administrative reform, both in terms of economic resources and qualified manpower, to implement decentralization.

The perception of decentralization itself ranges, from a political to a technical perspective. One view focuses on a technical and procedural approach (that is, improving efficiency of existing institutions and processes) and refers, for example, to 'eliminating' corruption in the local administration units or 'rationalizing' central support of local administration units or 'reforming' local councils so as to better respond to the demands of local citizens. These measures are expected, among other things, to alleviate the burden on the overall state budget or to identify local need more accurately, via partial flexibility and limited adjustment.

The second perspective considers decentralization as essentially political and structural. It suggests beginning the process with political reform, in tandem with promoting structural decentralization and measures of good governance; this, it claims, is the approach needed to effectively

reforming and reinforcing institutions of local administration, and reinforcing socioeconomic development opportunities.

The prevalence of the former attitude has caused confusion in codifying the role of local administration units. Since 1960, amendments to the local administration law have taken place at a rate of once every three years (15 laws and amendments in 45 years). However, these amendments were unable to translate the essence of the constitutional provision on 'gradual devolution of authority'. The decision-making process has remained totally centralized as are the planning and financing processes, such that today, the concern is about the cost of non-reform, as the lack of a decentralized system is now visibly affecting state and society management capabilities.

There are two key challenges to decentralization in Egypt. The one is political and the other fiscal.

#### The Political Challenge

The NDP or ruling party affiliation of the central government has permeated local administration units in terms of selecting representative leadership and bodies from the party. This has generated two negative phenomena. The first is the poor ability of elected Popular Councils (EPC) to exercise political control over and to hold to account local executive institutions, which is a disincentive to local participation in development planning and activities. Further, there is the dilemma of the partisan affiliation of the central government and the local administration personnel; the latter are appointed from the center, but are meant to implement the 'independent' EPC recommendations, according to the law. This state of affairs tends to discourage both political pluralism on the local level and independence in the central-local relationship, and there is only a very limited level of checks and balances between elected councils and executive organs. This system has become entrenched since the trend towards stringent political centralization started in the 1950s, along with the expanding state role generally, and in all walks of life.

#### The Fiscal Challenge

Highly central administration of financing and expenditure has reduced cost effectiveness and accountability of local administration units, as well as impacted on the quality of the process of planning, execution and follow-up of the central

authorities. Further, and as a result of the economic reform policies, on the one hand, and the growing population problem, on the other, the central authorities have been caught short of the necessary human and financial resources for these units.

Thus, fiscal management of local development has remained almost entirely from the center. Under the 2003/04 State Budget, for example, the government and its authorities manage LE11.8 billion in investment under Budget Chapter Three, while local administration units combined manage only LE 1.7 billion. In Chapter Two (Intermediate Supplies) the government manages LE 22.7 billion, while local administration units combined manage LE 1.7 billion.

This has led to a state of dependency by local communities on the government, and has diverted the attention of local citizens away from local institutional structures; they turn instead to central government to solve their financial and other problems. Only the center is perceived able to provide financial resources, to implement local development plans or to monitor the performance of the local administration units themselves. In its most notorious form, this dependency is expressed in the perception that parliamentary elections and elected representatives are basically channels for requesting services from the central government.

### Local Administration

The Constitution of Egypt (1971) is very brief in its reference to the system of local administration. It merely acknowledges that the country shall be divided into governorates and other local administrative units. The Constitution left the elaboration

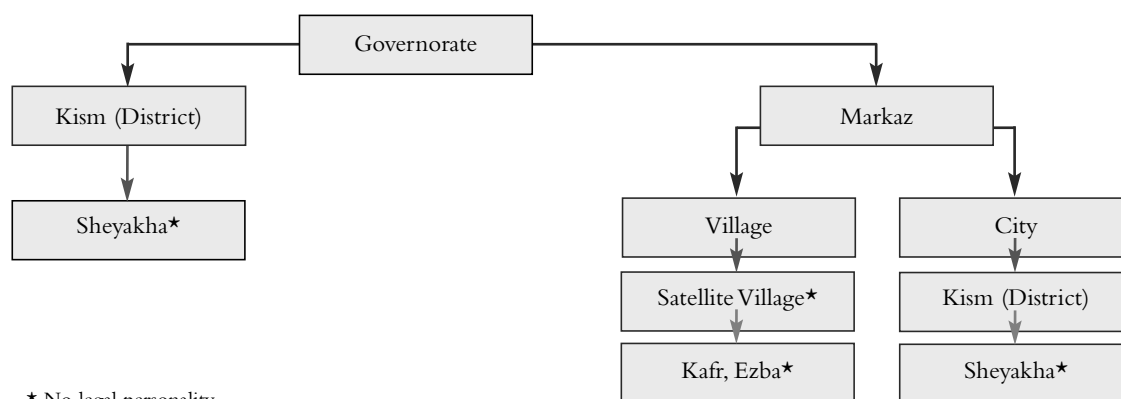
of the system to ordinary law. Law 43/1979 provides the structure of the basic units of local administration: governorates, districts, major cities/provincial cities/ urban quarters, towns, village units. According to this law, local communities fall within a three tier (fully urban) or four tier (rural or mixed) system of local administration. Thus, Egypt is divided into 26 governorates, of which only a few are fully urban governorates (Cairo, Suez and Port Said) and are therefore divided into districts (*kism*). The remaining 23 Governorates include a mixture of urban and rural communities and are divided into markaz, each of which may encompass one city or more — one of which is the markaz’s capital — as well as a number of local village units, or large villages. Cities may be recognized as having special status enacted by law, for example the New Cities (governed by Law 59/1979).

Each basic unit includes an executive officer, staff, and two councils: a local Elected People’s Council (EPC) elected every four years and an Executive Council of government administrators representing various line (central) ministries assigned to three levels of administration (governorate, district, town/village). Seven economic regions are designated to cover the 26 governorates, but no institutional structure has been set up to support the functioning of these regions.

Administrative officers are all appointed. The President nominates governors; the Prime Minister nominates heads of markaz, cities and districts; the respective governor nominates village heads.

A number of related mechanisms have gradually emerged to maximize control over the local administrative entities:

**Figure 3.1 Administrative Chart of the 3 (Urban) and 4 (Rural) Tier System**





- n A central government Minister for Local Development is designated for the coordination and control of the governorates. Nomination of governors' appointment is normally initiated by this minister.
- n The High Council for Local Administration (with governors as members) is designated by the law and headed by the Minister for Local Development. This council, in practical terms, was replaced by the Council of Governors, created and headed by the Prime Minister. The Minister for Local Development thus became just one of many members of the Council of Governors.
- n Directories of the line ministries in the governorates are affiliated to their respective ministries; they abide by their policies and directives. There is no mechanism to oblige these branches to follow the directives of or to coordinate with the governors. However, voluntary coordination may take place, depending on the personality and power of the particular governor and the local directors. Line Ministries oversee the career opportunities and personnel matters of employees of the local directories. The governors and other local administrative entities do not possess very much control over them.
- n The Ministry of Interior exercises exclusive control over security matters throughout the structure

**Line ministries control the career opportunities and personnel matters of employees of the local directories thereby limiting local flexibility**

of local administration down to the village level. Village mayors, or Omda, who used to be popularly elected, are selected and appointed by the Ministry of Interior since 1994.

Their role is confined to security matters as they represent and report to the various structures of the Interior Ministry.

- n The local administrative entities exercise little power over resources collected at the local level. These resources have to be transferred to and aggregated at the center (Ministry of Finance) before they are redistributed again to the governorates at the discretion of the Ministry of Finance. Some flexibility has been allowed, however, during the last few years, to the governorates to generate their own resources, via non-traditional means (for example, through local contributions), to support local developmental projects and initiatives.

## Problems of the Current System

### Transition to Decentralization

The local administration system has experienced several consecutive reforms on both the institutional and legislative levels. Nevertheless, there still exists a gap between aspiration and reality, to revitalize developmental contributions by local administration units and to bring about comprehensive and sustainable development. In this context, the local administration system faces several problems, including the following:

- n There are multiple control and regulatory bodies over local administration units from the executive authorities, the People's Assembly and Judiciary at the central or local level. This multiplicity of control and regulatory bodies reduces the local administration units' autonomy in administering their affairs and using their resources in the service of development.
- n Terms of reference of local administration units are not thoroughly defined. This is quite clear from the evidently dual authority between services directorates and local public councils and the ambiguous terms of reference and limits on the role of local administration leaderships, let alone their marginal role in planning local development and the lack, by governors, of the necessary tools for efficiently and effectively administering governorate affairs.
- n Relationships between Popular and Executive Councils are typically ambiguous. The role of EPCs is predominantly advisory and nonbinding to Executive Councils that have the right to reject the resolutions and recommendations of the former. The abrogation of the right of interpellation and vote of confidence mechanisms has curtailed the control role of EPCs over the work of Executive Councils.
- n The inability of local administration units to secure ample financial resources to implement their own local plans and policies is becoming one of the most significant obstacles to local administration action; local administration units are also not totally independent in making their draft budgets or plans.
- n Local administration performance is characterized by complicated and lengthy procedures, conflicting functions, widespread manifestations of corruption and low efficiency of local administration employees.
- n Local citizen's political and developmental participation is remarkably low. Levels of participation continue to regress and voluntary efforts exerted as a contribution to local development are, with few exceptions, decreasing.

### Box 3.1 Laws and Bylaws on Decentralization

In Egypt, the current legislative framework – the Constitution or the Law – allows a considerable amount of movement towards decentralization. This raises the question of what is achievable within the present law on local government, and what needs to be included if this law is put up for amendment, or if a new law on local government is issued.

#### The Current Law

- Article 162 of the Constitution stipulates that local councils be gradually formed at the level of administrative units through direct elections, and that half of the local council members at least shall be workers or farmers. The article ensures a gradual transfer of power.
- Law 43/1979 shows in detail in its executive statute and in some of its provisions the powers that are transferred to local governments including the competences of fourteen ministries.

The majority of these powers were not transferred after 23 years from the issuance of the Constitution and 25 years after the issuance of Law 43.

#### Measures that can be Applied

It is possible to determine the measures towards decentralization that can be applied within this context:

Article 2 of Law 42/1979 stipulates that local government units undertake within the limits of the State's public plan and policy, the establishment and administration of all public utilities within their competence except for the service or special utilities for which a Presidential decree is issued.

It is clear that this provision was obstructed and the exceptional paragraph used so that several decrees were issued to transfer many local government powers to new bodies that were established under Presidential decrees.

What is required at this stage is not to issue new decrees that transfer powers to the central bodies, or to reconsider the competencies of bodies set up to delegate local authorities to perform them until the canceling of a number of these bodies is considered.

Further, and in relation to financial decentralization, we face two issues: (i) A budget that has been endorsed and on which a law was issued by the People's Assembly; (ii) A new budget for 2005/2006 for which preparation will start in January 2005. What measures are required for each?

#### With regard the present law:

- The incumbent Minister of Finance – in a positive step – has cancelled Ministerial Decree No. 7 that invested the minister exclusively with flexibility of movement between different items (*bab* 2).
- Similarly, the Minister of Planning may issue a decree to invest governors with the power to choose between investment projects (*bab* 3) within the limits of total investment credit in the governorate.
- The non-application of the provision that requires the transfer of 50 percent of the local resources collected over the target figure, to be used to support local resources in the governorates – although the (initial central) evaluation (of local resources) has a high ceiling as a baseline that the Ministry of Finance can resort to so that no raise can be achieved.
- An acceleration of Cabinet approval on suggestions from local councils in governorates regarding local charges – or the authorization for local councils to take the decisions themselves.
- The power to suggest tariffs for services – for example, for drinking water and sanitary drainage – should rest with the local council authority, with the Board of the proposed Holding Company authorized to endorse only.
- In the field of education and health, full administrative power should be given to local councils, to cover, for example, the start and end of the school year (within a set study period), age limits and density of classes.

#### With regard a new draft law:

- Most powers should be transferred from the central to the local authorities; at a later stage, new areas able to be covered by the private sector could be included, such as investment, infrastructure projects and a variety of services.
- Powers should be original rather than delegated. The law should indicate the local level to which power is transferred to avoid centralization at the governorate level.
- Appointments for local units should be through advertisement in the governorate. It would be preferable to give the governor the right to appoint directly, rather than to require central approval.
- Training and accreditation should be the path to promotion, with a specified salary budget and scale included in the governorate budget. Setting the scale itself would fall within the competence of the general secretariat of the local administration.
- There must be fair elections of local Popular Councils through judicial supervision. A budget for these councils should be determined.
- Temporary legal measures could ensure the participation of women and youth in local councils.

*Mahmoud El Sherif, Local Administration Committee, People's Assembly*

- n Boundaries are one of the most important problems, from which most of local administration units suffer at the levels of governorates, *markaz* (rural precincts), towns and villages. The current situation shows that local division is ineffective due to disparities among local administration units and lack of socioeconomic integration within each unit.

The Ministry of Local Development has played a significant role in attempts to streamline procedures for citizens to obtain various services. The Local Administration General Secretariat seeks to upgrade the local administration system. Thus, the Local Development Center at Saqqara, in Giza governorate is carrying out several training programs to enhance the capabilities of local public servants. The Governors' Council also plays a significant role in upgrading capacity of local administration bodies, through various proposals on local administration performance. Control authorities perform effective roles in unraveling corrupt practices and incidents within local administration units. However, there remains a wide gap between the reality on the

**Local administration performance is characterized by complicated and lengthy procedures, conflicting functions, widespread corruption and low efficiency**

ground and the reform goals. Ultimately, the test will be to balance the top-down decentralization process with a parallel bottom-up approach – a hybrid proposal which ensures

that increased authority for local officials is accompanied by an increased participation and monitoring by local citizens.

### The Strategic Framework

Administrative decentralization represents a key component in reshaping the governance structure in Egypt to allow the unleashing of local potential and to empower local institutions. It is a means to achieve the following strategic goals:

- n Local economic development and improved quality of life.
- n Reducing the human development disparities among regions and localities.
- n Enhancing local participation, freedom and democracy (including administrative democracy and democratic election of local officials).
- n Building capacity of local institutions, stakeholders, and development partners.

- n Building and enhancing integrity and accountability of local institutions.
- n Responding more effectively to local needs and getting closer to local communities.
- n Protecting local resources and the environment, and sustaining local development.

The question is how decentralization in general, and administrative decentralization in particular, can lead to the achievement of strategic ends? Designing a decentralized system to achieve a major shift in development implies reducing the powers and jurisdictions of upper levels in the government and increasing the powers and jurisdictions of lower and local levels. It means changing the power structure as a means to move the development of Egypt as a whole to a higher level of equilibrium, as the historical constraints that inhibit its development are removed.

### Decentralizing Local Administration

Decentralizing local administration is a means to give more impetus and energy to the developmental responsibilities recently assigned to the governors, the empowerment of market forces and private sector initiatives, the retrenchment of the central state from economic and social life, and the emergence of new roles for nongovernmental forces.

Reduction in the monopoly of state administration calls for institutional change that enables and empowers local actors and stakeholders. Such change requires establishing a balance between the need for central government coordination and the necessity for local participation in development and civic empowerment. Such a balance can only be established through (i) coordinative and control mechanisms that rely on incentives and results rather than on stripping local actors from discretionary powers; (ii) treating decentralization in general and administrative decentralization in particular as a national priority for achieving national and regional development.

There are local mechanisms that can serve the purpose of empowering local administrative entities to serve as a link between the government structure and the interests of the society. Mayfield (1996) delineates these local mechanisms as:

- n Effective planning and implementation of state policy at the local level.
- n Increased local resource mobilization to help augment central revenues.
- n The stimulation of increased local initiative, creativity, and selfhelp activities.

### **Box 3.2 Distribution of Roles under Administrative Decentralization in Egypt**

Successful transformation of the current power and administrative structure in Egypt into a development-driven decentralized structure requires a combination of top-down and bottom-up approaches. Multiple forces at various levels in the power hierarchy need to be activated in the direction of transferring power downwards. Roles of various actors that share the same aim of power transformation need to be coordinated and synchronized; roles to be played by various actors at various levels are indicated below.

#### **Roles of Central Entities: Pushing Down From the Top**

1. Institutionalizing the transformation of powers and jurisdictions through legislated means (Constitution and legal framework); People's Assembly and other central political institutions need to take strong initiatives in this regard.
2. Transferring fiscal and financial powers to the governorates on both expenditures and revenue sides.
3. Transferring the administrative powers with regard to planning, coordinating, executing and controlling local projects and programs: this should include control over systems of managing resources and inputs, and the power/discretion exercised by local administrative entities over civil service and personnel matters.
4. Restructuring the regional and local administrative systems to empower various levels therein: this should include empowerment/activation of the developmental economic regions, reduction in the number of organizational levels and transfer of power from central government to regional, governorate and lower administrative units.
5. Allowing local administrative entities to decide on and exercise control over local services and programs. The hegemony of central ministries over such services and programs needs to be drastically reduced.
6. Reshaping the role of central government should include influencing local entities through incentives, and institutional support. It should focus more on setting and coordinating overall policy direction across regions and governorates and setting, managing, monitoring quality standards of services and programs.
7. Changing the system for control of local entities and their accountability to focus on results and achievements rather than activities and procedures. Central control agencies should operate with greater focus on efficiency, cost effectiveness, resource and capacity utilization, innovation, catering to local needs and service quality and citizen satisfaction. This requires major change in budgeting system to focus on performance and results, and on empowering local communities, popular councils, and other local stakeholders to exercise, control and surveillance over local administrative entities

#### **Role of Governors and other Local Entities: Pulling up from the Middle and the Bottom**

1. Reactivating the 'Higher Council for Local Administration'.
2. Negotiating with central entities on the basis of identified local needs and strategic plans/ priorities.
3. Mobilizing forces of local support through regional and local conferences, symposia and committees to gain more decentralization leverage
4. Initiating institutional and legal development on the basis of studies and research conducted by local entities and stakeholders.
5. Developing local strategic policies and plans directed to developmental issues such as: housing for the poor, institutionalization/formalization of the informal economic sector, SME-development, combating unemployment, and fighting illiteracy.
6. Developing local initiatives and projects, and generating local support and resources for them, thus enlarging the power base for negotiating with the central government.

#### **Role of Governors in Transferring Power and Authority to Lower Localities: Pushing Down from the Middle**

1. Transferring governorates' power to lower local entities. Decentralization has to penetrate throughout the hierarchy of local administration and lowest levels.
2. Identifying and assessing local needs, priorities and satisfaction with local services through field surveys and other mechanisms that allow citizen and stakeholder participation and involvement.
3. Organizing competitive contests and prizes as a means to generate impetus and energizing forces for development and improvement in lower administrative units as well as in conditions of local communities.
4. Using performance and results indicators to assess and develop administrative practices at local levels; these indicators should reflect efficiency, effectiveness, productivity, and services expediency and quality.
5. Associations of village- and district-chiefs and representatives of various local institutions should be encouraged; the collective voice of local leaders through such associations would have a strong impact on accelerating decentralization. They represent the beneficiaries and the defenders of decentralization.
6. Creating institutionalized channels through which local citizens, communities, and other stakeholders could participate and initiate improvement ideas, proposals and other improvement initiatives at local levels. These channels should also enable them to exercise control and surveillance over decisions, practices and performance of local administrative unit.

*Ahmed Sakr Ashour, Administrative Development Organisation*

The context of this restructuring and redistribution of authority and power between central government and local administrative entities must allow governorates and other local administrative entities to exercise greater control over local resources, including (as a high priority) land resources that fall within their boundaries. Currently the authority over land resources in the governorates is dispersed among various central entities.

Local administrative units must be enabled to exercise greater power over administrative entities representing the ministries. This should include economic, service, social and security matters. The transfer of power/authority and jurisdictions from the central ministries to local administration needs to be accelerated. Accountability of central ministries for such a transfer and its acceleration needs to be established. A greater transfer of authority and

**Restructuring and redistribution of authority and power between central government and local administrative entities must allow governorates and other local administrative entities to exercise greater control over local resources**

accountability down to lower levels entities in the governorates is also needed. Such a transfer should be institutionalized and protected by the law.

Governorates and other local administrative units should exercise

more discretionary power in personnel matters including staffing, incentives, career advancement and development. Without this, local units will not be able to attract competent personnel, let alone retain and effectively utilize them. This calls for a change in the administrative law governing such matters.

Local pluralism should also be encouraged to allow multiple interests to interact through institutionalized participation, negotiation and mediation. This is a means by which local civic initiatives and participation could grow to substitute for the hegemony of the central structure. The role of NGOs as mediators that engage in private-public partnerships should be viewed as the key vehicle for local initiatives. Accountability of administrative/executive entities to local community and stakeholders should also be strengthened. This would include increasing the accountability of the governors, local directors and executive councils at various levels all the way down to the level of the Elected Peoples Councils (EPCs.)

## Strategizing Geography

Decentralization is also about geography as it focuses on the diverse potentials that various localities possess in their geographic context. The following are the strategic tenants of this notion:

### A New Developmental Map for Egypt

Creating a new development map requires surveying and assessing the resources, comparative advantages, and clusters of economic activities representing competitive potentials, which various districts and localities have. Existing Master Plans do not support the economic regionalization approach of the new map.

The aim of such a developmental map would be to redistribute the population from the excessively high density areas (the Nile Valley) to strategically important but low density areas (notably Sinai, the Red Sea, the Western Desert). This could be achieved by investing in the infrastructure and providing an attractive package of incentives for investors and a supportive institutional environment in the targeted areas. While the new strategic map needs to be drawn on the macro and central levels, its implications should be regionally and locally driven and should be directed and encouraged via economic and institutional incentives, rather than direct intervention and control. The intention is not to create any new administrative layer but to allow neighboring governorates to coordinate their long-term plans.

There would be a need to create regional economic development that realizes and integrates the potentials and competitive capabilities each region has. The lesson drawn from international experience is that national advantages are regionally based. The accumulation of competences that transforms into competitive capabilities takes place at the economic cluster(s) and district levels. They later serve as a driving force for the whole economy. Thus, the economic regionalization of Egypt appears essential to achieve national competitive advantage.

### Development Regions

The current division of the regions and governorates is not based on any developmental rationale. An analysis of their potential suggests a regrouping of the governorates to form developmental regions. It also suggests modification of the boundaries and the number of governorates. Changes such as these would require a thorough

study of alternatives and a serious review of previous proposals.

A development-driven redesign of the regions would require empowering regions with a developmental policy-making structure. An organization structure for the regions would need to be created, possibly to include an executive body (council of governors with a rotating chair) and an elected council of popular representatives. The two bodies would need to be supported by technical and policy support teams to help provide policy analysis, policy alternatives, and project plans and assessment related to the developmental plans the regions adopt and implement (through the governorates' organs). New developmental regions could be required to formulate strategic developmental indicators.

### Empowering Local Entities

A development-driven framework requires that local government entities be given the power to formulate strategic plans, formulate projects and set their priorities, take development initiatives, implement programs/projects, and be accountable for results and effective utilization of resources to local communities and stakeholders. The outstanding successes achieved through the local initiatives taken in Alexandria and Qena governorates, as well as other governorates such as Fayoum are indicative of the great potentials that local entities have if these are related to a developmental vision, guided by innovative leadership and channeled and directed to developmental ends. Empowerment should not stop at the governorates' level, but penetrate down into the levels of city, district and village.

### Aligning Resources to the New Map

Resources mobilized locally and those that represent financial transfers or aid from central government could be directed to developmental objectives and ends. This would require that local entities be allowed to use a larger portion of the revenues and taxes collected at the local level provided that they are directed to finance results-based plans formulated at the regional and governorate level. The transfers from central government would be geared to the same ends. This implies that the central government would exercise surveillance over regions and governorates to check on the proper allocation of resources to developmental according to ends priorities set by the local entities. The central government could influence these allocations to bring

more balance, equity and integration across regions and governorates. The relationship between the center, the region and the governorate should be clearly delineated so as not to create a new source of authority over the governorate but rather to use the region as a planning tool and source of coordination among each group of governorates.

### Strategizing ICT

Egypt has been an early adopter of ICTs as a tool for administrative development. In 1981, Presidential Decree 627 called for the establishment of an information center in every ministry, governorate, or public authority, mainly to support decision makers. In the mid 1980s, the Information Project of the Cabinet of Ministers (IPCOM) was created, and set up the model Information and Decision Support Center (IDSC), for the Egyptian government. The government has replicated the IDSC model in all ministries, governorates, and major cities. Over

1400 information and decision support centers and units have now been established at the central and local administrative levels,

and thousands of government employees have been trained on the use of ICTs in public administration. The IDSCs have since successfully implemented hundreds of ICT projects among many areas. This process was based on part of an administrative reform masterplan, executed under the auspices of the Cabinet of Ministers and the Minister of State for Administrative Development.

In 1999, a new Ministry for Communications and Information Technology (MCIT) was established. The national ICT plan, prepared by MCIT and adopted by the Cabinet of Ministers, includes a special Electronic Government (E-Government) Program, which is one of the strategic programs for empowering the information society and for bridging the digital divide in Egypt. The program was launched in 2001 and aims at providing citizen-centric services in cooperation with the Ministries of Administrative Development, Interior, Justice, Finance, Supply and Trade, Electricity and Power, Industry, Foreign Affairs, Foreign Trade, and will eventually involve all other Egyptian ministries and government bodies. According to the Director of the E-Government

**The aim of a developmental map would be to redistribute the population from the high density areas to strategically important but low density areas**

initiative in MCIT, the project is expected to save 900,000 working hours, or LE 9 million annually based on average income and also saving about LE 60 million of government purchases (see Box 3.3).

There are three key challenges that may impact the benefit of utilizing ICTs:

ICTs are tools for supporting effective and efficient administration. That is, ICTs utilization should not be confined to automating the existing processes, but should be part of the efforts of restructuring, or re-inventing the whole system, to improve its effectiveness and efficiency .

- n Continuous political support is essential for the success of ICT deployment in local and central administration, as it may involve significant changes or re-engineering processes.
- n There is a need to adequately and regularly educate and train the administrators at all levels, not only on ICTs from a technology perspective, but also on new administrative and service models that are ICT-based.

### Expanding on Local Successes

Over the last seven years, the central government has increasingly allowed and encouraged local initiatives to take place. Experiments in the governorates of Alexandria, Qena, Damietta, Fayoum and others provide models of this growing decentralized alternative. Although the leadership of these governorates all operate under the same legislative, administrative and financial frameworks of all local administration units, they were able to work

round constraints and achieve a measure of distinction.

Thus, the governor of the Alexandria Governorate enlisted businessmen as anchor partners for development goals, the governor of the Qena Governorate relied on

citizens and the administrative machinery to tap resources for development. In Damietta, the governor supported an experiment that took a sectoral dimension with a focus on the furniture industry, this being the governorate's mother industry, and with NGOs as anchor partners. In Fayoum, the governor negotiated with local citizens and donors

to overcome serious forces of dissent rooted in problems from the lake's pollution and the consequent loss of income in impoverished pockets of the fishing community. The four experiments relied on an applied value system associated with good governance, including citizen participation, accountability, transparency and integrity. For example, the resource mobilization strategy in Qena rested on Law 50 of 1981 giving governorates the right to impose services duties, subject to approval by the Cabinet. (Laws 52 of 1975 and 43 of 1979 also give governorates the right to levy taxes and duties, without having to obtain the Cabinet's approval). Qena Governorate also mobilized other available resources to secure the necessary funding to push forward development plans within the governorate, including rural and urban fund resources, rural contingency plan appropriations, governorate budget appropriations and financial appropriation for the governorate administrative machinery and services directorates.

In the Qena experiment, discipline and commitment to law enforcement, as well as services improvement resulted in the creation of an investment-supportive climate. The governor's role was to promote the principle of equitable leadership, encourage clear communications with the citizenry, use open meetings as means of follow-up, and encourage accountability, as well as responsiveness from his staff to local needs. The governor also relied on expert advice from research centres and universities.

When the governor of Alexandria was appointed in the late 1990s, the city began a revitalizing trajectory that totally transformed it. The governor relied initially on the contribution from and support of the local business community, and the executive branch of the governorate established a highly successful working partnership with business to implement various renovation projects in the city. The projects' visible successes widened the scope of the partnership and increased the governorate's negotiating power vis à vis the central government. The governor was selected two years ago as the most effective visionary Arab manager by the Dubai Program for Performance Distinction.

In Qena governorate, under the leadership of a dynamic governor, a renovation was launched four years ago. The governor mobilized local civic participation and geared it to generate additional resources. The governorate took a systematic

**Over 1400 information and decision support centers and units have now been established at central and local administrative levels, and thousands of government employees have been trained on the use of ICTs in public administration**

### Box 3.3 On-Line Services from the Government of Egypt

A dedicated portal for governmental services was launched in January 2004, (<http://www.egypt.gov.eg/>), offering: access to information on various governmental services; inquiries about customs, taxes, and traffic violation charges; and applications for replacement of National Identification cards, birth certificates, and university application forms; as well as electronic payment of some utility bills (telephones, electricity). The administrators and providers of governmental services have been further empowered by the adoption of the first of Egypt's cyber-laws, the E-Signature law, in April 2004 which establishes the legal framework for exchanging electronically signed documents and forms, thus allowing online provision of government services, and facilitating online exchanges of official documents among local and central administrators.

In addition, the Ministry of State for Administrative Development has initiated the indexing of over 700 government services, as well as analyzing each service to define the procedures required. A telephone center has been established to answer citizen inquiries about different government services. In an attempt to leverage government services to the illiterate and unconnected segment of the population, Public Access Points (PAPs), manually operated kiosks offering intermediary services for a fee, are being established.

Egypt's new Prime Minister, Dr. Ahmed Nazif, was former Minister of Communications and Information Technology. The former Director of the E-Government Program, Dr. Ahmed Darwish, became the new Minister of State for Administrative Development. These appointments reflect a growing commitment of the government to further support the utilization of ICTs for socioeconomic development.

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approach to renewal by using surveys and needs assessment studies to identify local developmental priorities. The local community was persuaded to finance the supply of local public goods in areas such as education, health, employment and recreation. Additional public resources, based on results of the needs assessment, were further generated from the private sector and from the central government. Similar processes and initiatives are taking place in other governorates such as Fayoum, Assiut, Menoufia, and Sharkia, and are indicative of a significant degree of support from the national government.

A number of lessons and conclusions can be drawn from the success stories:

1. Decentralization, if taking place within a local developmental vision and relying on local community participation, has a high pay off.
2. Leadership makes a substantial difference in the success of local development and initiative.
3. The embedded social capital in the local communities represents a key ingredient for the success of local projects and initiatives.
4. With some innovative approaches, local administrative entities establish coalitions and partnerships with local stakeholders geared for responding to local needs and priorities.

5. Investing in knowledge and information about local needs, preferences and priorities is essential for the proper direction of local programs and projects.

6. The local successes previously indicated represent spontaneous initiatives taken at the local level rather than a result of deliberate policy. But for decentralization to become a national and sustainable policy, its success requires national and local administrative reforms.

7. Decentralization can be effectively introduced and implemented using a hybrid of bottom-up and top-down approaches, driven by local initiatives rather than countrywide norms.

#### Gradualism is Necessary

Phased tracks are likely to be more successful than sudden shocks when introducing change. In the short term, under the existing conditions (constitutionally and politically), it may be necessary to create the appropriate climate where plurality and freedom of choice can subsequently flourish. Thus, the presidential institution would be seen to be non-partisan, representing the whole nation;

**Phased tracks are likely to be more successful than sudden shocks when introducing change**



partisan affiliation for members of the executive authorities at all levels could be seriously reconsidered within the framework of a political agenda that promotes plurality; and local elections conducted in a spirit of freedom and impartiality, under the supervision of the judiciary.

In the medium term, under the existing conditions (constitutionally and politically), it would be feasible to expand the system of special-nature cities, so as to be applied to major cities like Cairo, Alexandria and Giza; geographic borders for governorates could be redelineated, so as to secure development prospects for

**Phased tracks are likely to be more successful than sudden shocks when introducing change**

urban expansion and exploit diversity in physical, human and economic resources.

This could mean a change in the number of governorates; it could also entail expanding the territory of governorates in the South.

Also in the medium term, linkages must be created between privatization and rationalization of government expenditure on the one hand and enabling local administration units to mobilize and manage resources on the other. Local administration units should be able to obtain adequate finance and efficiently channel this directly to the needs of the local community.

It is important to resolve the dilemma of the relationship between 'old' local administration units and 'new' urban communities in such a way as to maintain the level of development in new urban communities and realize consistency between both 'old' and 'new' local communities. Local administration units are governed by Local Administration Law No. 43/ 1979, while new urban communities are governed by Law No. 59/ 1979. The latter prohibits all government bodies and local administration units, whose geographical jurisdiction covers new cities, from interfering in the administration of such cities until they are handed over to the competent local administration unit. The Law also authorizes the New Urban Communities Authority to exercise all powers to administer and develop such cities. No conditions for the hand-over of new cities to local administration units are mentioned, save in a decree by the Prime Minister.

In the longer term, amendments to the Local Administration Law and a number of decentralization-related laws could be made. Amendments

could reinforce the ability of elected local councils (EPCs) to control and hold to account the executive organs as well as expand local financing sources. Possible reform measures here could include defining more clearly the authority, competence and functions of EPCs at all levels and the nature of their relationship with executive councils. Within the decentralization reform process, it would be proposed to grant EPCs the authority to decide on economic, fiscal and accounting matters, each in their own jurisdiction. It would also be recommended to devise a clearcut definition of the reasons justifying dissolution of EPCs.

## Supporting Local Development

As indicated, decentralization requires transformation of the current administrative structure and system. The following represents essential elements of the required transformation and reform:

### Introducing Strategic Management in Local Entities

International experience indicates that engaging regional and local entities in formulating and implementing strategic plans provides a strong impetus for improved services at the local level. There is an increasing body of applied knowledge and experience of new approaches to local development. This focuses on regional competitiveness, economic clusters and competences. They, in turn, apply non-traditional strategic analysis of region-wide activities and sectors to integrate SWOT analysis across activities and to identify the competitiveness of infrastructure across regions (Stimson, Stough & Roberts, 2002).

This approach has been applied internationally to regions, metropolitan areas and centers and industrial districts. Cluster analysis of the furniture industry in Damietta, the textile and garment industry in Shubra El-Khema and integrative linkage potentials among firms in the new industrial cities are examples of useful potential applications.

Currently, no local entity in Egypt runs its affairs on the basis of a strategic plan. It might therefore seem useful to tie the devolved powers and central government support to a strategic plan using the applied body of knowledge at the levels of developmental regions and governorates. This implies that the regions and governorates should be empowered to plan and achieve developmental goals. This also requires that they be held accountable for their

### Box 3.4 A Time Frame for Transformation to Administrative Decentralization

Time Frame	1-3 Years	3-5 Year	Continuous Change
<b>Administrative Transformation to Support Local Development</b>			
<b>Strategic Management</b>			
n Introducing strategic management in local entities.	n		n
n Transferring ministerial authority to regional and governorate levels.	n	n	
n Transformation into results-based management system.	n		n
n Streamlining of local administrative processes.	n		n
n Reforming the budgeting system.		n	
n Reforming the government HRM system.		n	
<b>Activating local institutional learning</b>			
n Introducing and activating local energizing forces and incentives	n		n
n Introducing and activating collective institutional learning	n		n
<b>Distribution of Roles</b>			
<b>The role of central entities: pushing from above</b>			
n Changing the legal framework.	n	n	
n Transferring fiscal and financial powers.		n	
n Transferring administrative powers.		n	
n Restructuring to empower various local levels.	n	n	
n Empowering local levels in planning, provision and control of local services.	n		n
n Central government to focus on overall policy, coordination and service standards.		n	n
n Transforming the control and accountability system to focus on results.	n	n	
<b>The Role of Governors: Pulling from the middle and the bottom</b>			n
n Reactivating the “Higher Council for Local Administration.”	n		
n Negotiating with central entities on the basis of strategic plans, priorities and local needs.	n		n
n Mobilizing forces of local support and resources.			n
n Initiating institutional and legal change.		n	n
n Initiating local strategic developmental policies and plans.		n	n
n Initiating projects to mobilize local support and resources.	n		n
<b>The role of governors: pushing down from the middle</b>			
n Transferring the power of governors to lower local entities.	n	n	
n Identifying local priorities and assessing satisfaction via field surveys.		n	n
n Organizing competitive contests and prizes to energize forces for improvement in lower administrative units.	n		n
n Using performance and results indicators on the functioning of local entities.		n	
n Encouraging and supporting creation of associations representing lower local institutions and entities.	n		n
n Creating institutionalized channels to allow local citizens, communities and stakeholders to participate and take initiatives.		n	n

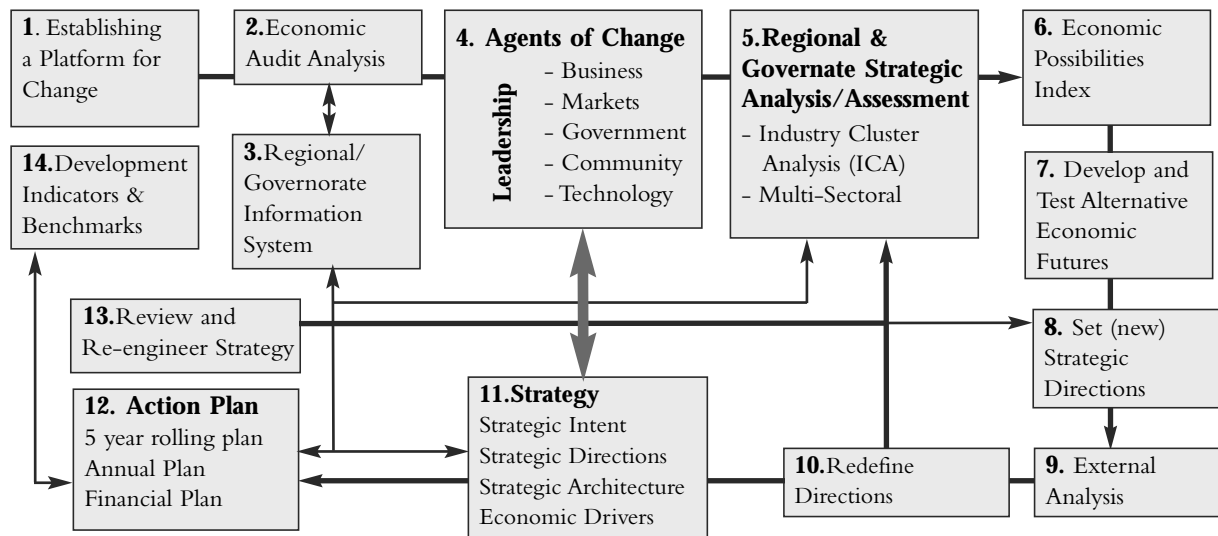
Ahmed Sakr Ashour, Alexandria University

results. The role of the central government, through the Ministry of Planning and the Ministry of Finance would be to align local planning with the national strategic plan and to provide the financial aid, support and incentives that harmonize and integrate the development of various

regions and governorates. A great deal of this harmonization and integration among governorates would take place within each region through its region’s development plan.

International experiences indicates that economically successful regions or local communities typically are

**Figure 3.2 A Proposed Framework for Governorate Economic Planning**



Note: Numbers represent sequence of steps in the proposed framework Source: Adapted from Stimson, Stough & Robert, 2002.

those which have methodically set about building a platform for change and a planning framework. Developing such a program in turn entails the involvement of regional or community leaders to harness change, through a range of media, as well as community and organizational support groups. By

**Specification and measurability of objectives, inputs, outputs, and results are easier to accomplish at the local than at the central level, where results and impacts are remote**

educating the community and members of organizations of the benefits of managed change, the process minimizes defensive strategies that may come in response to change. Once a platform for change has been established, a steering committee comprising business community, government and other stakeholder interests, could be held responsible for developing an economic development strategy and plan. (Stimson, Stough and Roberts, 2002).

### Transferring Ministerial Powers

Decentralization implies transferring the authority to regional governorates and other lower local entities to set local priorities and plans, mobilize local resources and implement and control local development programs. Central ministries and organizations should limit their focus to broad plans, strategies and policies, setting national standards, controlling and regulating these standards, and on providing incentives to governorates to

implement national programs. They should also have an impact on the local plans, policies, and programs through an incentive structure composed of financial resources and management of standards and benchmarks. The center should support local entities to create strategic plans, and monitor the implementation of such plans and their outcome.

### A Results-based Management System

The administrative system currently applied at all government levels in Egypt is rules and procedures-based. The red tape, inefficiencies, delays and waste associated with that system would strip the decentralization process from its effectiveness if the administrative system was not transformed. This implies reforming the management system to focus on measurable improvements in performance effectiveness, efficiency, productivity, expediency and citizens' welfare and satisfaction with local services.

A results-based management system has already been adopted and implemented at the national and local levels in many OECD countries, in Asian countries, various countries in Latin America, and in a few countries in Africa. In Egypt, the transformation into the performance/results-based system could be introduced much more easily at the localities rather than at the national level. This is due to the fact that the specification and measurability of objectives, inputs, outputs, and results are relatively easier to accomplish at the local than at the central level, where results and impacts are remote.

A performance results-based system of management requires streamlining the administrative processes and procedures of the current system to get rid of redundant, repetitive and cumbersome processes and to simplify the procedures and the regulatory framework applied at the local level. The system must be geared to serving and satisfying local communities, that is, bringing local administration closer to citizens and making it accountable to them.

#### A Performance Budgeting System

The current traditional line item budgeting system allows for a great deal of waste and misallocation of resources. The control of results and resource utilization is weak, at best. Thus, the Ministry of Finance has been engaged in a pilot application of the performance-based budgeting system, and has recently been seeking to include some governorates in the pilot application. This signifies the initial commitment of the government to reform the budgeting system at the central and local levels. Performance budgeting facilitates decentralization and the introduction of a results-based strategic management system; decentralization is likely to synergize budgetary reform.

#### Reforming Human Resource Management

The legalistic and bureaucratic nature of the current civil service system with extremely low remuneration rates and inflated numbers of public employees has resulted in wastage and in a significant under-utilization of the human capacities employed by the government at all levels. Revitalizing government performance requires a total and comprehensive reform and upgrading of the human resource management approach now applied by government. Such revitalization could begin at the local levels by allowing governorates to develop their HRM systems and to further empower them in employment and personnel matters within a broad policy framework set across governorates.

Without revitalizing the HRM system at the local level, one should not expect decentralization or any other reform to contribute much to the improvement of local performance or to the enhancement of local development. The human resource factor, if not motivated, energized, and its capacity and capability developed, would stand as a major obstacle to reform. Revitalization of powers and initiatives should be decentralized to the governorate level.

#### Local Control and Accountability

At present, local administration in Egypt is often characterized by the application of extra-legal “sweeteners”, behaviour that is frequently due to institutional factors. Low wages, bureaucratic red tape, discretionary authority, and weak sanctions produce most of the incidents of this pervasive phenomenon. Improving government performance at all levels thus

requires a comprehensive plan and strategy to counter such behaviour – by applying rigorous standards on the one hand, and

by introducing rewards for good practice on the other. International experience shows that the introduction of Citizen Charters (see chapter one,) is an effective way to increase participation and awareness of local communities to best practice and to cost efficiency in the delivery of services

The risk of illegal rent-seeking under a decentralized structure is real. The only way to reap the fruits of decentralization and yet control this malpractice in decentralized entities would be through comprehensive institutional reform that increases transparency of administrative decisions and practices and enhances accountability to various stakeholders including the service recipients. Local citizen groups, elected local councils, local media, and local NGOs could play an important role in controlling corruption if they are empowered and their actions synchronized. An interesting feature of the Qena and Alexandria experiences is the culture of integrity promoted by the leaders of these governorates.

#### Activating Local Institutional Learning

Additional features could energize performance improvement and innovation at the regional and local levels, and some lessons can be drawn from international and regional best practices.

#### The Energizing Forces

Certain energizing forces can motivate and enhance public performance at the local level. These include:

- n Use of competitive prizes/awards to recognize and reward institutional innovation and performance quality at the local level. Dubai has been using this mechanism since 1998. The impact of the competitive awards on the modernization, improvement

**The human resource factor, if not motivated, energized, and its capacity and capability developed, would stand as a major obstacle to reform**

### Box 3.5 Decentralization of the Media in Egypt

Egypt's media are well positioned to be a dominant player in the region if they show signs of steady decentralization and privatization. But time is running short, with regional competition in print, broadcast, and the new media increasing rapidly, with high production values helping regional players gain increasing regional audiences.

#### n **Democracy linked to Decentralization**

To successfully compete in an open market, Egypt must create an environment in which media can flourish, by introducing new regulations, facilitating a strong local independent media sector, building adequate local production/training capacity and ensuring equitable access to public transmission systems. The general direction should be towards more decentralization, particularly to nurture private local media that is more responsive to audience interests and needs.

A shift away from the present centralized system will expand public access and increase active participation in the development process. Local media offer potential benefits, including providing a lifeline to rural areas; boosting information and knowledge, advancing formal and informal education, promoting health care, facilitating domestic and regional market development, increasing participation in local and national dialogue, providing programming designed to assist with development goals, such as helping the preservation of the environment and enabling women to play an active role in their local societies.

#### n **Steps in the Right Direction**

Currently, the government operates and controls the broadcast institutions through the Egyptian Radio and Television Union (ERTU), but recently, it has authorized several private satellite and radio channels. This is an important step as the government continues to look for a balance between decentralization and responsible freedom in media performance. However, it needs to speed up the pace of reform, possibly through a new broadcast bill which would establish an independent regulatory body to reorganize broadcasting in the country and to boost local broadcasting. It is equally important to think about policies that safeguard the public from promoting terrorism, racial or gender discrimination, group defamation, blasphemy and religious friction, and to protect and ensure privacy and respect for intellectual property rights.

This would go hand in hand with building a society that is based on plurality, diversity, impartiality and accuracy. It would provide platforms for a multiplicity of views, encourage debate, and be responsive to the needs of its audience, providing fertile ground for democracy to take root. Indeed, media advocacy and social marketing are common media techniques that assist in introducing a change in local communities. There should be a variety and diversity in ownership of voice so all strata of Egyptian society would be represented in information that fits each group's needs. This will result in the active participation of a very broad spectrum of Egyptian society in the development of public discourse and civic policy.

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and innovation of public organizations operating in the United Arab Emirates (UAE) as a whole has been outstanding. A system could be developed for Egypt to reward and recognize performance distinction and innovation within and across governorates. The powerful forces of benchmarking and competition among local government organizations are likely to produce vast improvements. Decentralization should be accompanied by strengthening control over and accountability of local entities. The same approach could be extended to local communities as a means to activate and recognize initiatives, collaboration and participation.

- n Using and publishing performance indicators is another energizing mechanism. This implies designing performance indicators at the institutional/organizational level, measuring them and making the results comparable across units, divisions, agencies and entities. Publishing these indica-

tors provides an additional force for accountability and improvement.

- n Use of local citizens and stakeholders' surveys and other participatory mechanisms to assess needs, formulate priorities, and evaluate quality of service and satisfaction with service provision. The survey processes along with the publication of its results are likely to activate citizen and stakeholders involvement in local actions and constitute a force for improvement.

#### The Power of Collective Institutional Learning.

One of the features of competitive benchmarking and performance/quality awards is the enhanced possibility of public organizations learning from one another. This is already taking place, but on a limited scale, among governorates in Egypt. The widely publicized success of Alexandria and its

governor was a motivating factor to entice other governors to engage in renovation programs. Success stories are a powerful factor for other governorates to either emulate these experiences or to engage in completely innovative activities.

Providing for institutional learning across localities requires a system of rewards and reinforcement applied at all levels, national, regional and governorate, supported by documentation and publication of the initiatives, as well as a professional, impartial assessment and evaluation of

performance improvement. Once more, Dubai is a good example, requiring the participating public organizations in the awards to publish results of two standardized indexes: client (external customer) satisfaction and employee (internal customer) satisfaction. It avails a report on the assessment of the referees for each agency. These comparative feedback mechanisms provide a strong impetus for learning and improvement for the organizations participating yearly in the competition.

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# Fiscal Autonomy and Accountability in Local Government

Egypt's HDR 2004 focuses on the ways in which decentralization may contribute to sustainable human development. It argues that decentralization helps improve the quality and reach of local services by promoting transparency and accountability in local government through enhanced popular participation in determining preferences for public spending.<sup>1</sup>

The focus of this chapter is on those particular fiscal relationships that ensure that decentralization delivers the promised goals to the people through capitalizing on their ability to identify their immediate needs. The chapter attempts to strike a balance between 'normative' principles underlying the literature on decentralization and the objective of achieving development goals within a set of given fiscal and budgetary constraints.

In order to improve the allocation of public resources, the government ought to enhance the fiscal autonomy of local government units (LGUs). The local management of public resources can help establish a rules-based system of disbursement with defined and stable institutional parameters. Yet such a transformation should occur gradually to ensure that actors and parties are well qualified to play the roles envisioned for them in a reformed structure of institutions and incentives.

The transition to fiscal decentralization, proposed here, is divided into two phases. Phase I establishes the informational base required for the proper functioning of a mature, fiscally decentralized system. Phase II offers a framework of rules for the market-based provision and finance of public services subject to policy guidelines formulated at the center.

The chapter is organized as follows. Section One reviews patterns of public expenditure, analyzing the institutional framework that underlies the process of budget itemization in light of recent efforts at decentralization. The section concludes by evaluating the strengths and weaknesses of the present system.

Section Two outlines prerequisites for the fiscal decentralization of LGUs. It highlights the conditions under which fiscal decentralization may improve welfare and outlines the obstacles that may impede progress in this direction. Section Three offers recommendations for fiscal decentralization and provides a plan for implementation.

## Local Government Fiscal Relations

This section examines the factors that condition the performance of local government. It identifies the volume of financial resources available to LGUs with those at the disposal of the centre. It sketches the LGUs' institutional and legal foundations.

## Government Public Finance Patterns

Both government expenditure and revenue have declined as shares of GDP over the past two decades, and the trend is likely to continue. While budget revenue constituted 40 per cent of GDP in the early 1980's, public expenditure raised the deficit to 20 percent of GDP by the end of the decade. Stabilization and structural adjustment of the early 1990s has ensured that fiscal aggregates are balanced (Table 4.1).

1. The discussion of autonomy and accountability in this chapter is consistent with the freedoms provided under a local government paradigm and not just local administration. This does not contradict the commonly held position that Egypt's current system can only be characterized as a local administration structure.

**Table 4.1 Share of Government Expenditures and Revenues, % of GDP**

Country	Expend	Rev	Year	Country	Expend	Rev	Year
Kuwait	44.2	34.5	99	Thailand	25.0	16.0	99
Hungary	42.9	38.4	99	Mauritius	24.6	21.8	99
Jamaica	38.3	33.1	99	Sri Lanka	24.2	17.7	99
Turkey	38.1	25.5	99	Syria	23.2	23.9	99
Estonia	35.1	30.4	99	Bolivia	23.2	16.7	99
Morocco	32.5	29.6	99	Chile	22.2	20.8	99
Uruguay	32.1	27.7	99	Costa Rica	21.4	19.9	99
Tunisia	31.6	28.8	99	Pakistan	21.3	15.8	99
Jordan	31.3	26.5	99	Indonesia	20.5	18.1	99
Lithuania	31.1	25.9	99	Malaysia	19.7	23.1	97
Oman	30.8	23.0	99	Cote d'Ivoire	19.7	16.4	99
<b>Egypt</b>	<b>30.5</b>	<b>26.2</b>	<b>97</b>	Philippines	19.7	15.9	99
Algeria	30.4	30.0	99	Peru	19.6	16.4	99
Moldova	29.7	24.0	99	Paraguay	19.4	16.6	99
South Africa	29.5	27.8	99	Colombia	19.1	12.6	99
Bahrain	28.1	26.2	99	Singapore	18.7	27.5	99
Panama	27.5	27.6	99	Korea, Rep.	17.4	20.0	97
Brazil	26.8	24.9	98	Argentina	16.9	14.0	99
Yemen, Rep.	26.7	23.9	99	India	15.6	12.1	99
Kenya	26.0	25.8	98	Mexico	15.5	13.8	99
Iran, Islamic Rep.	25.6	24.7	99				

Note: Expenditure refers to total expenditure (current plus capital). Revenue refers to current revenue excluding grants.  
Source: World Development Indicators, CD Rom 2003

More recently, the budget deficit has grown from around one percent of GDP in 1994/95 to 4.2 percent in 2002-03. The Ministry of Finance (MOF) has tried to control the growing budget deficit by streamlining public spending, improving tax collection and reducing tax evasion.

Pressure on government finances is expected to increase due to the heightened demand for better services and the rising cost of delivering these to a growing population. A closer look at the allocation of government expenditures and revenues between central and local government reveals some critical

**Table 4.2 Distribution of Total Expenditure by Level Type of Government, 2003/04**

By type of expenditure	Wages	Other Current	Investment	Total
Central government	41%	94%	59%	75%
Local government	46%	2%	9%	15%
Service authorities	13%	4%	32%	10%
Total	100%	100%	100%	100%
By level of government	Wages	Other Current	Investment	Total
Central government	15%	74%	11%	100%
Local government	82%	9%	8%	100%
Service authorities	34%	22%	44%	100%
Total	27%	59%	14%	100%

Source: PA 2004



**Table 4.3 Local Government Budget According to Administrative Jurisdiction, FY2001/02. (LE million)**

**First: Financial Flows Subject to Central Government Jurisdiction**

<b>Expenditures</b>		<b>Resources</b>	
Item	Amount	Item	Amount
Salaries	14,466	Sovereign Revenues	871
Non-wage current Expenditures	3,481	Current Revenues	506
Investments	2,457	Capital Resources	3,723
Capital transfers	1,284	Sovereign Subsidy Transfers	16,589
Total Expenditures	21,690	Tot. Resources incl. transfers	21,690

**Second: Financial Flows Subject to Local Government Jurisdiction**

<b>Expenditures</b>		<b>Resources</b>	
Salaries	274	Current Revenues	1,266
Non-wage current Expenditures	992	Capital Revenues	396
Investments	288		
Capital Transfers	108		
Total Expenditures	1,662	Total Resources	1,662

Source: PA 2004.

patterns (Table 4.2). First, according to FY2003/04 budget figures, the share of local government in total government expenditures represents only 15 percent. Local government share in expenditures on wages, on the other hand, accounts for 46 percent of total government expenditures on wages. Other current expenditures are conducted primarily through central government, for which subsidies, social insurance payments and debt finance are the major components, and are thus concentrated at the central government level (94 percent of non-wage recurrent expenditures). For investment expenditures, only 9 percent of total government investment expenditures are decided at the level of local government (PA 2004)).

This means that the bulk of expenditures conducted at the local government level is destined for wages (82 percent). Non-wage current and investment expenditures represent much smaller shares, 9 percent and 8 percent, respectively. While the comparison of these ratios to those of central government ratios is not valid because of some national-level items such as debt service and subsidies, comparison of shares of local government expenditures to those of service authorities is enlightening. The distribution of service authorities' expenditures is more evenly distributed among wages (34 percent), investment (44 percent) and non-wage current expenditures (22 percent).

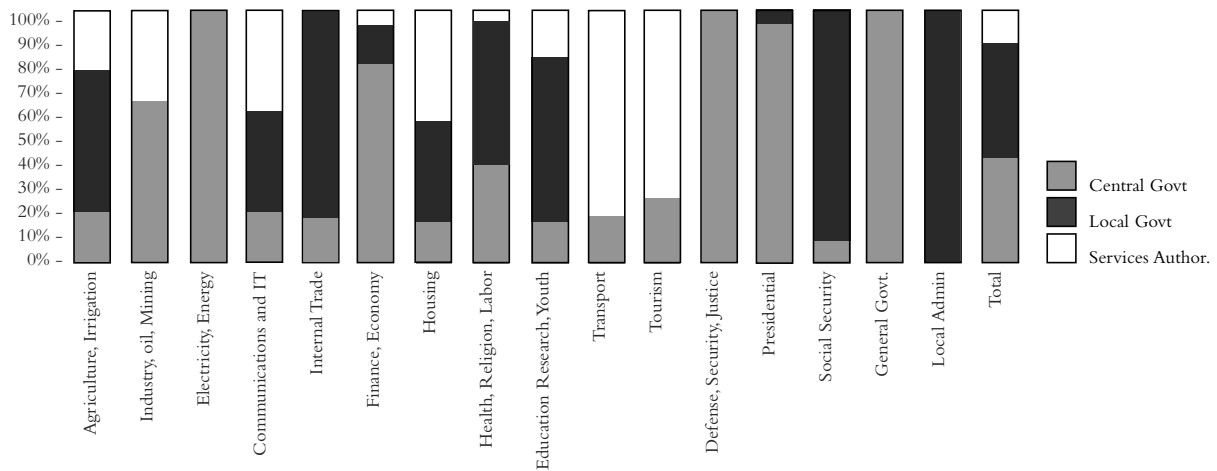
Furthermore, local government does not control the bulk of this wage expenditure; it is just the agency responsible for disbursing it on behalf of line ministries (Table 4.3). According to the People's Assembly Budgetary Committee (PA 2004); jurisdiction over local government wages is predominantly under central government with only a limited fraction (1.3 percent) under local government jurisdiction. Similar patterns apply for other types of expenditures (Table 4.3)

A look at the distribution of revenue yields a similar picture. Local government only accounts for 3.1 percent of total government revenue. Yet no less than 42 percent of local government revenue is collected on behalf of the central government, and LGUs account for 48 percent of current revenues and transfers (PA 2004).

Not surprisingly, ratios of expenditure differ from one economic activity to another. While the central government assumes the bulk of spending in the industry, electricity and justice sectors, local government participation is much more pronounced in the service sector. LGUs account for slightly less than 80 percent of social security spending; 50 percent of spending on education, research, and youth; and 30 percent in the health, religion, and labor sectors.

**The bulk of expenditures conducted at the local government level is destined for wages**

**Figure 4.1 Wages, by Economic Sector and Level of Government**



Total Ministry of Local Development (MOLD) expenditures belongs obviously in the local government category.

It is interesting to note that certain current expenditures are delegated to the governorate level which in turn is responsible for disbursing them

**Radical and immediate transformation would jeopardize civil service employment**

under the supervision of the respective line ministries. Thus for wages for example, we find that the average share of local government in total government wages is around 45 percent, reaching 95 percent in the Ministry of Social Security, 85 percent for the Ministry of Internal Trade and 62 percent for education, research and youth (Figure 4.1).

The state of Egypt's surplus labor in the civil services presents a serious obstacle to decentralization. With 5.5 million people permanently employed in a host of low-productivity government jobs, the importance of civil service reform cannot be over-emphasized. Even so, it may be difficult to launch comprehensive reforms at this stage. Any radical and immediate transformation would obviously jeopardize civil service employment – not a particularly attractive prospect given the country's high unemployment rates.

Recourse to partial reform in specific sectors and/or Governorates, therefore, may represent a more feasible option in the short term. The salary bill represents 93 percent of budget expenditure in education, 82 percent of expenditure in transport and 60.2 percent of expenditure in government expenditure in health (PA report (2004).

Local investment, however, exhibits a slightly different pattern than wages. Investments at the local level are restricted to the upkeep of MOLD administrative units because only the central government or the Service Authorities may invest in social services, even when spending targets particular local projects.

To conclude, on the expenditures side, the level of autonomy of local government to make employment decisions is restricted by general government employment and wage policies. Similarly for investment, only 15 percent of aggregate investment of expenditures is conducted at the local government level, and the allocation of the bulk of aggregate investment is directed to the local level by decisions made by the MOP and line ministries, according to MOP's Five Year Plan and priorities. Thus, even the autonomy for each governorate to execute this expenditure is almost nonexistent. Wages are determined centrally by the number of workers in public services in each governorate and the approval of new projects requiring additional workers. On the other hand, the allocation of investment expenditures in total local government expenditures is limited to only 8 percent of local government expenditures and is primarily for the maintenance cost of MOLD units (Table 4.2).

On average, the governorates' current budget deficit amounts to 80 percent of current expenditures. This figure varies regionally from close to 45 percent in Southern Sinai to over 90 percent in Dakahlia and Assiut. While it would make more sense to compute the Governorates' budget deficit by comparing current and capital expenditure with

**Table 4.4 Distribution of Local Government Revenues, Final Accounts 2001/02**

Item	Value LE mil	%	Item	Value LE mil	%
<b>First: Sovereign Revenues</b>	<b>871</b>	<b>19</b>			
Real Estate Taxes	157		Service Authorities	85	
Taxes on Construction	102		Duties of local nature	47	
Recreational Taxes	32		Manufacturing projects	112	
Car duties and taxes	124		Revenues from quarries	14	
Share in joint revenues	223		Miscel local admin revenues	92	
Share in joint fund	168		Special accounts and funds	1266	
Share in Suez Canal Tax*	66		<b>Third: Capital Revenues</b>	<b>1845</b>	<b>41</b>
<b>Second: Current Revs and Transfers</b>	<b>1773</b>	<b>40</b>	Inventory and capital rev	15	
For-fee services, state owned			Special accounts and funds	396	
property and other duties	31		Deficit		
Miscel current revenue	27		NIB funds for investment	1252	
Local admin current revenue	1744		Local & foreign capital grants	59	
Local-admin run facilities	128		<b>Total Local Admin Revenues</b>	<b>4489</b>	<b>100</b>

*\*Represents 5% of the Suez Canal Authority's income collected by the 5 Suez Canal Governorates and is distributed as follows: 50% of the share to Isma iliyya, 10% for each of North and South Sinai, 17.5% for Port Said, and 12.5% for Suez Governorate. Source: PA 2004, p. 89.*

current and capital revenue, the way in which the central government conducts investments and its tendency to include loans from the National Investment Bank (NIB) as revenue both make it extremely difficult to isolate the 'real' budget deficit of local government.

Thus, for any fiscal decentralization to be meaningful, efforts must target enhancing the autonomy of local government in making different spending decisions to benefit from the proximity of the level at which these decisions are made and community priority needs that must be met. This applies to both current and capital expenditures. For capital expenditure items, the process will have to start by clarifying current public expenditures negotiated at the MOP, MOF and other ministries. Involvement of local communities in setting their priorities and enhancing their freedom to allocate public investment across different public services (service ministries) is key to the introduction of meaningful welfare enhancing fiscal decentralization reforms. This is one of the areas where fiscal decentralization must start.

In addition to local government finances through the general government budget, local governments are allowed under the law to maintain special accounts and funds outside the framework of the national budget. These accounts represent an

additional source of revenues for local government levels that supplement their fiscal resources.

While local government revenue (including revenue from funds and special accounts) accounted for five percent of total government revenue in 2001/2, special accounts represented almost 30 percent of local government revenue, with transfers from the NIB accounting for a similar share (Table 4.4).

Yet more often than not, these funds are used to complement central government expenditure on local investment projects. This means that governorates often give up the limited degree of financial independence that the funds grant them in order to complete investment projects – a trend which would be reversed if MOP would integrate local government so as to identify local investment needs adequately.

### Legal and Institutional Framework

The legal structure of Egypt's system of local government (encompassing 26 governorates and Luxor) is enshrined in the Constitution and Law 43 of 1979.

**Spending decisions should benefit from the proximity of the level at which these decisions are made and community priority needs**

The Constitution stipulates a gradual transfer of authority from the center to elected Popular Councils at the local level (Rasheedy 2003).<sup>2</sup> However, the process has been stalled. Law 57 (1971) introduced Executive Councils which restricted the role of the Popular Councils to recommending projects for approval by the Governor or the Executive Councils. Moreover, the right of Popular Councils to question the executive on its

**Law 43 (article 15) authorizes Popular Councils to take credit up to 40 percent of the value of local revenue to finance local investments**

performance in implementing projects (similar to the way in which Parliament interpolates government performance at the center) has been abolished.

Law 43 (1979) and its amendments authorized LGUs to receive a share of sovereign taxes collected locally.<sup>3</sup> These include an agricultural property tax, real estate taxes as well as taxes on entertainment houses (Abdel Wahab and Ismail (2001)). Common fund and inter-governorate revenue constitute additional sources of local income. These funds accrue from sovereign taxes levied on imports and exports (2 percent of customs revenues), on moveable property (2 percent), and on industrial and business profits (2 percent), which LGUs collect primarily on behalf of the national government. LGUs also collect a motor vehicle tax and duties on local services (Kilani and El-Hakim (1999-2000)).

In addition, Law 43 (article 15) authorizes Popular Councils to take credit up to 40 percent of the value of local revenue to finance local investments. What is more, LGUs may retain 50 percent of additional revenues exceeding budget estimates of local revenues. These budget envelopes reveal the existence of institutional parameters which could be activated to support fiscal decentralization.

Law 43 and subsequent legislation permit LGUs to establish special accounts and funds to finance the provision of services. In theory, the supervision of such funds is governed ex-ante by the MOF and ex-post by the Central Auditing Organization (CAO). The legal basis for establishing these groups of funds and special accounts are the followings:

- n Refuse collection and sanitation funds were established by Law 38 (1967);
- n Land reclamation, housing, services and development, industrial committees, youth and sports funds by Law 43 (1979);
- n Educational funds by Law 139 (1981);
- n Funds for the improvement of health services established by ministerial decree 239 (1997) issued by both the Health and Local Administration Ministers;
- n Veterinary funds by Presidential Decree 133 (1989);
- n Employees funds by Presidential Decree 229 (1976);
- n Roads and transport funds by Presidential Decree 90 (1988);
- n Tourism activation funds by Presidential Decree 69 (1957);
- n Funds relating to the agricultural sector issued by ministerial and gubernatorial decrees in accordance with the stipulations of the Agricultural Committees Law 30 (1944).

Law 105/1992 amends earlier statutes governing such funds and accounts, stipulating that the “MOF is obligated to conduct ex ante audits of all public economic authorities and special funds and accounts.” Some governorates have, over the years, opened special funds and accounts in the Central Bank of Egypt in accordance with Article 66. In some instances, the Central Auditing Organization (CAO) has detected practices of irregular accounting and expenditure. Examples include:

- n The non-declaration of articles covered by the special funds and accounts in reports submitted to the MOF for approval prior to implementation of the operation;
- n Maintenance of interest-bearing savings deposits at banks. Capitalized interest is added to such funds in contravention of Law 127/1981 and other related laws;
- n The non-repatriation of 5% of the proceeds from the special accounts and funds to the national budget as required by budget directives;
- n The levying of additional duties in order to increase the fund’s resources in contravention of Budget Law 53 (1973).

2. Law 59 (1979) on the Development of New Communities established New Cities outside the administrative structure of local governments. It granted the New Cities the freedom to make their own investments in preparation for their administrative incorporation into the Governorate in which they are located. However, the transition has not been accomplished successfully, and the new communities still enjoy substantial freedoms not accorded to traditional LGUs.

2. Law 50 (1981), Law 145 (1988)

**Table 4.5 Selected Indicators for Special Accounts and Funds, 2002**

<b>Number of Accounts</b>	
of which these are in:	<b>5,564</b>
Cairo	546
Qena	521
Menoufia	527
Assuit	371
Gharbiya	370
Al Behera	379
Beni Suef	359
Minia	318
Qalubia	309
Dakahlia	304
<b>Balance (LE million)</b>	<b>1,416</b>
<b>average account balance (LE 000)</b>	<b>255</b>

*Source: Ministry of Finance*

Despite the limited contribution of funds and special accounts to current public finances (2 percent of total government revenues), attention must be paid to the rules and regulations that govern – or ought to govern – their performance. This is because of the large number (5,564), their potential contribution to local government revenue in the future, and their value in building local capacity for resource mobilization. A symptom of the poor implementation of ex-ante fund regulations lies in the fact that special accounts often accumulate massive funds without disbursing them to meet pressing service needs (Table 4.5). The introduction of more stringent regulations governing the expenditure of funds on public projects – with the guidance of the MOP or the MOF – is crucial to promoting fiscal decentralization at the local level.

Despite some evidence of irregularities, local experiences mostly suggest the potential success of fiscal decentralization in improving the provision of public services. For instance, in 1999 the Governor of Qena decided to finance a host of education, health, and employment projects to which the local communities, according to a needs-assessment survey, attached high priority by collecting supplementary funds from the inhabitants themselves. In the process of implementation, the Governor also ensured effective Popular Council participation. According to Weisner (2003a),

“[T]he governor and his team have given an example of what could be called a political process of truly ‘enfranchising’ the citizens of Qena of their rights and responsibilities”.

Other Governorates have followed suit. The Fayoum Declaration (2003) committed seven Governorates to using Human Development Indicators (HDIs) of the governorates as planning and budgeting instruments. Governorates have also begun relying on similar mechanisms to enhance resources, both financial (to fund local projects) and human capital (through incentives for effective formal and informal participation of local communities).

It is unlikely that such measures were introduced without support from the central government. In the long run, the piecemeal success of these experiences is likely to elicit national support for institutionalizing a wider transformation of the fiscal relationship between Governorates and the center. Yet the findings gleaned from such trial cases also need to be analyzed in depth to produce more systematic rules of thumb. Reliance on ad hoc processes that depend on particular Governors is unlikely to offer a sustainable approach to development.

#### Preparation, Execution and Efficiency of Public Investment

The process of allocating government funds to investment projects is intertwined with debates on decentralization (see Section III below). Each year, the MOP reviews investment proposals from different agencies and Ministries to determine the budget. The MOP may also propose investment projects of its own accord since it is responsible for drafting and implementing the Five-Year Plan (FYP) in line with Article 114 of the Constitution. The NIB, in turn, is responsible for screening the proposed projects and supervising implementation, if approved. Significant changes in the project funds require approval from MOP.

The MOP’s criteria for evaluating the merits of different projects require strengthening and better specification with clear ex-ante guidelines, including cost-benefit analyses. The primary rule for approval and incorporation of an investment project in the FYP appears to be its fulfillment of investment targets identified in the Plan. This would avoid the impression that program assessment and fund disbursements could be susceptible to discretionary allocations and, possibly even, political considerations.

Ministries are the bodies responsible for investing in public services in different governorates. The MOLD only receives investments for the maintenance and/or expansion of the administrative functions of local government. Since no Governorate is

**The Fayoum Declaration (2003) committed seven Governorates to using Human Development Indicators (HDIs) of the Governorates as planning and budgeting instruments**

free to allocate investment funds to a particular priority project, there is little real room for 'local choices' in the delivery of national policies. Without some budgetary discretion, local actors can hardly realize significant welfare, let alone any economic gains (Weisner 2003a).

**Enhancing Effectiveness of Government Spending and Revenue Collection**

Both the MOF and MOP are trying to rationalize government spending and to increase the accountability of LGUs. In addition, there are attempts to enhance transparency by reporting fiscal deficits among different branches of government. Efforts such as these fall under the deconcentration component of decentralization, which entails a transfer of administrative responsibilities or authority to lower level units of the central government.

By far the weakest efforts to enhance autonomy have occurred in local government finances. This is the prime field in which, according to the growing literature on public finance and public choice, authority should be devolved to newly created legal/financial units of local government.

Even so, the Ministry of Finance has spearheaded an initiative to promote de-concentration within several Ministries (Education, Finance, Health Higher Education and Scientific Research, and Planning) by developing log-frames for public expenditure which ensure sustainable and welfare-oriented fiscal decentralization. Efforts have focused on providing a disciplinary environment, hard budget constraints and a shift from input to output management.

Ultimately, the government still needs to approve the resources disbursed to the different agencies and Ministries responsible for implementation. It would be useful if government assessments entailed binding allocations and were based on a clearly defined macroeconomic framework reflecting socio-economic policies formulated by the cabinet. Providing budget envelopes several years in

advance would permit Ministries to plan their deployment of resources more effectively by allowing them to earmark expenditure for the implementation of high-priority programs.

Once budget allocations are made, results-based management would involve: (i) identifying problems the government wishes to tackle; (ii) determining specific and realistic objectives to improve the existing situation; (iii) specifying how targets will be met; and (iv) assessing whether the stated goals were reached.

If adopted, such an approach would help create a macro-economic environment conducive to implementing fiscal decentralization at the local level of government. Hard budget constraints will ensure that autonomy is not granted without sufficient accountability.

**Ongoing Efforts by MOP on HDIs**

Over the past seven years, the Institute of National Planning (affiliated with the Ministry of Planning) has cooperated with the UNDP in preparing Human Development Reports for Egypt. Recent editions have focused on particular aspects of development such as poverty, participation and—in this case—decentralization.

Since 1994, the Reports have included Human Development Indicators (HDIs) measuring the country's state of health and education in accordance with a methodology developed by the UNDP in the early 1990s. Until recently, however, HDIs merely reflected a national median. It was only in 2003 that authorities began providing micro-level data for the *hai* (urban district) and *markaz* (rural district) across the country's 26 Governorates. Not surprisingly, wide regional and intra regional disparities have now become visible.

The HDIs' relevance for decentralization can hardly be overstated. Local communities rely on such information to weigh options for public expenditure which bear directly on their daily lives. The more accurate the information available to citizens, the more do communities become aware of the link between their own needs and the objectives of development policies formulated at the centre. Monitoring regional disparities not only allows communities to compare their level of development to that of others, but also enables them to monitor progress over time.

The seven signatories of the Fayum Declaration – including the Governorates of Fayoum, Alexandria, Qalubia, Menufia, Assiut, Sharqia and Kafr el-Sheikh— have already begun using HDIs as guidelines for local development. Under the initiative, Governors pledged to adopt the Millennium Development Goals and HDIs as yardsticks for reducing poverty, encouraging gender participation, and providing basic education and health care. Needless to say, an impartial evaluation of the needs of different communities was impossible before the introduction of HDIs.

The prospect of meeting the MDGs is likely to be higher the more decentralized the system of government becomes. Public services can be delivered in a more cost-efficient manner by involving the communities which stand to benefit most from their success or, otherwise, bear the consequences of their failure. The integrity of the data, however, needs to be ensured to avoid the kind of political manipulation that might compromise the HDIs' ability to serve as objective benchmarks.

The availability of HDIs for various Governorates in 2003 facilitates a trans-regional comparison of patterns of public expenditure. The fact that most Governorates' GDPs are similar to their share in total public investments (central and local) suggests a widespread lack of financial 'redistribution' by which a greater volume of public spending would be directed to poorer regions. (Figure 4.2)

Indeed, the correlation between the share of each governorate in public spending and its share in GDP is 0.89. Similarly, the correlation between local government and central government investment spending is 0.75, indicating that a Governorate is likely to receive higher levels of local government investment if it is already receiving a high volume of investment from the central government and the Service Authorities, rather than vice versa.

By the same token, the correlation between governorate level HDI and GDP per capita is 0.88, while the correlation between GDP per capita and total investment per capita is 0.60. These symmetries indicate that the allocation of public spending is not directly linked to redistributive objectives whereby public spending would be channeled into lower-income governorates. If redistributive policies had been introduced, the correlations between governorate level investment and GDP (shares or per capita) would be negative.

## Performance Evaluation

The People's Assembly Planning and Budget Committee (PBC) Accounting Report for FY 2002/03 draws attention to weaknesses in Egypt's system of local government. It encourages the adoption of a more participatory approach to sustainable development which engages civil society at the local level. The Report recommends that local government reform address objectives such as rendering public expenditure and resource allocation more efficient in addition to expanding the tax base and improving revenue collection.

Based on interviews conducted between November 2003 and April 2004, the Report concludes that central government authorities think the role of local governments requires re-evaluation. Central government authorities believe that the budgets drafted by Executive and Popular Councils are grossly inflated given the fact that local governments present budgets in the expectation that their demands will be diluted during the budget season. As suggested earlier, the introduction of multi-year budget outlays for LGUs, based on the Five Year Plan – together with investment decisions that respond to local priorities would promote mutual trust between center and local.

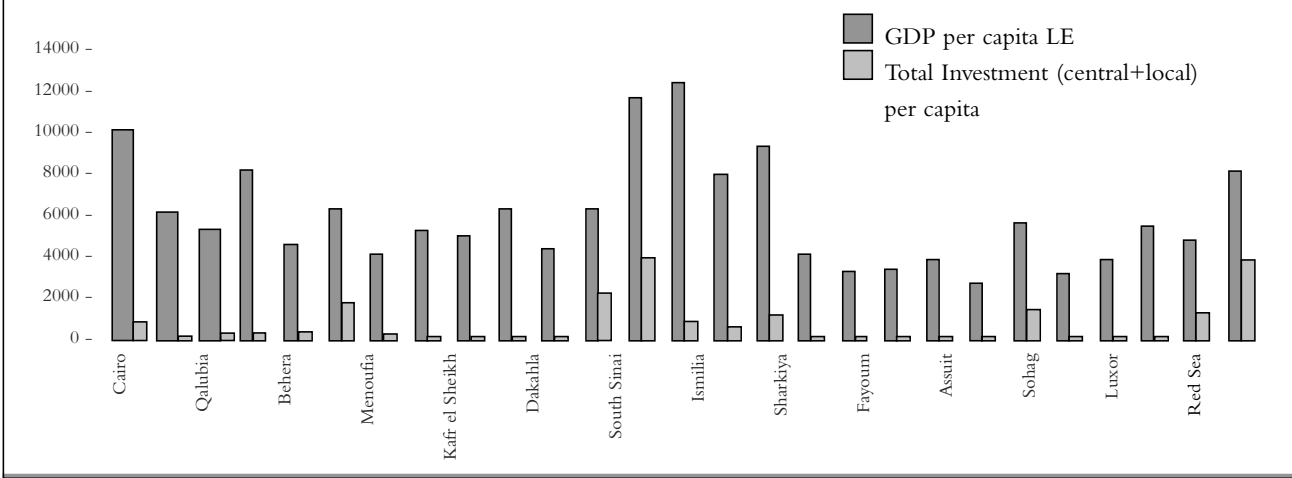
In addition, the Report recognizes that the lack of decentralized decision-making impacts negatively on the economy as a whole. Consequences include an inefficient provision of services, the poor utilization of human resources in local government (whose employees represent 61 percent of all government employees) and the faulty implementation of local public projects.

More importantly, the PBC deplores the virtual absence of incentives in the present system. LGUs are not encouraged to generate local resources. The interest of local communities in ensuring the completion and efficient maintenance of public projects is sorely lacking, and the ability of local governments to levy and collect taxes according to Law 43 (1979) has fallen into disuse. All these factors underlie the continued, albeit unsustainable, dependence of local government on central government transfers.

The PBC not only recommends decentralization as a means of improving the management of

**Monitoring regional disparities not only allows communities to compare their level of development to that of others, but also enables them to monitor progress over time.**

**Figure 4.2 Per Capita GDP and Per Capita Investment**



**Local governments present budgets in the expectation that their demands will be diluted during the budget season**

advocates granting local governments a greater share of taxes collected within their territorial jurisdiction based on carefully determined priorities for spending.

Policy Committees within the ruling National Democratic Party (NDP) have echoed these arguments in NDP (2003). They have also advocated a range of reforms that would be permissible within the existing framework of Egyptian government but which have not yet seen the light of day. Nonetheless, the Committees have fallen short of proposing policies that would introduce a rules-based system of fiscal relationships.

**Concluding Remarks**

The most important factor working in favor of fiscal decentralization is the fact that different branches of government have become increasingly convinced of the need to conduct reforms which strengthen public participation. Mounting pressure on fiscal accounts, the introduction of public finance initiatives, efforts by the MOP to render HDIs an integral part of public service allocations, and the launching of a fiscal reform program by the MOF to enhance the effectiveness of public spending are all indications of a gradual process of fiscal decentralization.

Even so, the political empowerment of Popular Councils, the delineation of responsibilities

public resources, but it also emphasizes its role in empowering citizens and encouraging participation. Thus, it

between local Administrative Councils and a clearly defined division of labor within Ministries between central and local branches of government are still required. Simultaneously, fears of a potential loss of power at the center continue to inhibit further moves toward fiscal decentralization.

A focus on the correlation between the Governorates' share in GDP and central government expenditure, moreover, reveals that reliance on centralized decision-making does not serve a re-distributive function in favor of less developed governorates.

**Effective Fiscal Decentralization**

There is no single universally accepted definition of decentralization. The lack of rigid consensual norms, however, gives countries the flexibility to decentralize within the framework of their existing political, administrative, fiscal and cultural institutions. Decentralization, therefore, is envisaged as building on systemic strengths in order to reduce the potential costs of a radical transformation while maintaining necessary levels of political support for the transition. The fact that the Egyptian Constitution spells out the need for decentralization shows that there is no essential contradiction between the country's system and moves to enhance local community participation in economic activity.

A common objective underlying fiscal decentralization is the desire to enhance welfare and sustainable growth through an equitable provision of services and increased transparency. Providing goods 'demanded' by constituencies is essential to ensuring the acceptability and sustainability of the



## Box 4.1 Market Failure and Fiscal Decentralization

**A** look at the system of budgeting and local governance reveals the existence of ingrained problems which impede the government's objectives of enhancing efficiency and welfare. These include:

- n **Principal-Agent Problems** referring to disputes over a) the extent of responsibilities delegated from the center to the LGUs especially with regards to tax collection; and b) the way in which authority and responsibilities are divided between elected local officials and their constituencies;
- n **Informational Asymmetry** between local communities and the center which determines investment priorities in the absence of adequate/ accurate data on the communities' developmental needs;
- n **Widespread Apathy** including a) the unwillingness of local communities to participate in the political process by electing their local council members, b) the reluctance of these members to convey the real needs of local communities to the central government stemming, in part, from their inability to hold the executive accountable for the outcome of development projects.
- n **High Transactions Costs** for the central government involved in designing, managing and (ideally) monitoring investment expenditures across sectors and Governorates adjusted to changing needs and performances.
- n **Soft-Budget Constraints** create dependency on subsidies and obscure opportunity-cost benchmarks which leads to rent-seeking and corruption.
- n **Absence of a Rules-Based System** leads to discretionary decisions
- n **Regulated Local Spending and Supplementary Spending from the National Budget** which leads to deviations between budget appropriations and final accounts.

process as a whole. Nor is it necessary to introduce all changes simultaneously. A gradualist approach which accommodates legislative, procedural, and human capital needs is, indeed, preferable.

The literature on industrial economics tends to argue that regulatory interventions are required in case of market failure. Regulations are introduced to compensate for a lack of competition or information, as well as for high transactions costs. The same argument holds true for public services. Market failures, however, do not necessarily mean that reliance on the government will produce better results so long as the regulatory and institutional environment of the government remains ill-defined. Development economists increasingly converge around the view that development, in fact, entails an institutional transformation. The essence of their policy recommendations rests on the argument that the introduction of a proper structure of incentives into institutions is the main determinant of sustainable development.

Case studies of different countries reveal that fiscal decentralization can stimulate competition in the provision of public services. This requires:<sup>4</sup>

1. Introducing a more rigorous conceptual and analytical framework to guide the design and implementation of specific decentralization measures;
2. Meeting key macro-economic conditions at the national, sub-national and sectoral level;
3. Identifying the restrictions that conspire against decentralization;
4. Developing an intergovernmental central-to-local transfer system within which more specific decentralization objectives can be pursued;
5. Introducing a formal institutional arrangement which regulates intergovernmental markets, whether it is a formal or structural legal arrangement like Brazil's Fiscal Responsibility Law (2000), or general and hierarchical rules governing the allocation of public resources, like Chile's National Investment System.

**Efforts by the MOP to render HDIs as an integral part of public service allocations will increase the pressures towards fiscal decentralization**

### Policy Action Plan

Introducing a rules-based system with clearly defined parameters and incentives for local govern-

4. This section is based on Eduardo Weiser's theory of market-based fiscal decentralization presented on (Weisner, 2003b).

ment spending requires significant changes in the attitudes of all government officials. (need for putting this footnote here unclear) Under the envisioned system of decentralization, the role of national authorities is not reduced—it is merely transformed. Rather than bear sole responsibility for the delivery and management of public services, the government would become a policy formulator and regulator. Nationally articulated objectives would be translated into targets which ensure competition, use economies of scale, and influence social behavior in pursuit of developmental objectives.

Two questions arise: 1) What kind of policies would produce ‘proper incentives’? and 2) How can one reduce the risk of creating the ‘wrong’ kind of incentives inadvertently during decentralization?

The proposals outlined below emphasize the need to reduce pressure on the strained fiscal accounts throughout all stages of the transition. ‘Fiscal neutrality’ is treated as a binding constraint because any policies which do not promise to improve fiscal balances, or actually harm them,

**Development economists recommendations rest on the argument that the introduction of a proper structure of incentives is the main determinant of sustainable development**

would neither be politically nor socially acceptable. As a result, the policies proposed in Phase I of the Action Plan do not actually aim to reduce government revenue.<sup>6</sup>

Two phases are recommended to accomplish fiscal decentralization. The demarcation line between Phases I and II is predicated on the level of information that the system yields for the introduction of the second phase. Phase I reforms act as a catalyst for Phase II reforms.

**Phase I**

The cornerstone of a more fiscally decentralized system, Phase I assists the government in defining incentives for phase II. It also helps users of the system to acquire autonomy by making decisions consistent with the provision of welfare. Phase I must focus on introducing the following policies:

**1. Enhance Accountability**

Enhancing accountability will require increased reliance on Governorate-level HDIs to assist the MOP in determining public investment. A greater

volume of investments will need to be directed to the Governorates with the lowest HDIs. Disbursements should follow a redistributive logic based on subsequent changes in the indicators. Moreover, Governors should be made aware that their performance will be judged according to HDIs.

In addition, the right of local councils to interpolate the Executive over the choice and implementation of community projects needs to be reinstated to give council members incentives to participate in the allocation of investments. This will require providing the requisite amounts of training to qualify council members for participating in budget negotiations.

**2. Make Budget and Investment Data More Readily Available**

The availability of reliable data is critical for the allocation of public resources to appropriate services required by communities. Increasing the transparency of local government finances (with access to investment budgets) will allow different actors to discern budgetary incentives, feasibilities and constraints. Raising public awareness is expected to raise public demand for institutional change gradually.

**3. Encourage Local Government Units to Strengthen their Financial Independence**

The tax collection record of local governments could be improved by offering rewards for improvements in their tax collection performance – a scheme that could be integrated in the MOF’s performance-based budgeting program.

Legislation permitting Governorates to levy additional taxes, subject to ex-ante principles of previous performance should be re-enacted, building on the successful experiences in the Governorates of Qena and Alexandria.

**4. Revisit the Process of Public Investment Determination**

Fiscal decentralization in the determination of investment expenditure would only require minimal legislative changes to the current system. As illustrated above, the bulk of investment is currently conducted by the central government and the Service Authorities.

Under the new plan, the MOP would continue to function as the agency determining which public investments are incorporated in the FYP, but

6. Weiser, 2003 a

would do so with more stringent and transparent guidelines as to the criteria for project selection. These requirements would be determined in advance, which would give local communities greater incentives to participate in determining their own investment priorities at the micro-level. The MOP's identification of priority projects ultimately would have to follow a Governorate-by-Governorate process.

In addition, LGUs should be allowed to rely on research institutions and universities to implement project evaluations on the basis of accepted economic indicators. Cost-benefit principles must be better applied.

5. **Conduct a Comprehensive Evaluation of Special Accounts and Funds**

Actors should try to evaluate the successes and failures of these accounts. While their significance in terms of the volume of revenue is negligible, they are potentially the foundation, inter alia, for a rules-based process of fiscal decentralization.

Phase II

The second phase is characterized by the introduction of a comprehensive market-based system with rules that guide public investments and encourage the participation of independent parties. Regulations would cover the processes of identifying service needs, evaluating their costs and benefits, managing these services, and monitoring their operation. The accumulated body of knowledge that both policy-makers and participants gain from the first phase will allow them to agree on a set of critical parameters to be included as 'rules' in the newly decentralized system of decision-making. The second phase envisions the following:

1. **Elected Popular Councils Play a Central Role in Local Public Choices**

The crux of fiscal decentralization is the accountability of public sector decision-makers toward their constituencies. Elected Popular Councils should receive the right to monitor the performance of government officials and report their activities to back to their constituencies.

2. **Civil Service Reform**

It is likely that the current levels of civil service employment at standardized wages will continue to remain in place. However, once institutional and human capacity infrastructures are established, civil service reform will need to hold public servants accountable for the provision of pub-

lic services. It must also address imbalances in Ministries where the share of administrative positions outweighs that of professionals, such as doctors or teachers.

3. **Ministers are Responsible for Setting Sector policies**

LGUs should receive the authority to implement investment projects. Ministries would be required to formulate policy priorities and means of translating these into the expenditure of local revenue. The Ministries' policy guidelines could serve as yardsticks that determine which LGU would receive central government subsidies as a reward for complying with policy objectives and adhering to the Ministries' procedural guidelines for meeting these objectives.

4. **Fiscal Responsibility Law**

The proposed law would lay down investment measures and subsidization principles while eliminating the possibility of bailout in cases that do not meet ex-ante principles. At this stage, the principle of hard budget constraint (requires definition for non-specialists) would be anchored in the law, while making allowances for cases of force majeure. The principle of fiscal neutrality does not necessarily mean that LGUs would be expected to break even; they could start confronting a financial constraint not exceeding the level of their governance budget deficit through a gradual reduction in their dependence on central government transfers.

5. **Social Objectives**

Social objectives could be met by deploying loans and subsidies as incentives related to performance indicators. In both phases, there is room for accommodating 'social welfare' functions. Cross-subsidization is feasible across municipalities and Governorates. Decentralization does not mean that the national government will not be able to pursue redistributive local development objectives. On the contrary, improvements in the allocation of resources create room for supplementary needs to be addressed by government policy.

It is important, however, to define 'social preferences'. This will require drawing a distinction between basic service needs and others since the rationale governing their provision may differ. The roles of central and local governments for each of the two Phases are listed in Box 4.2.

**The availability of reliable data is critical for the allocation of public resources**

## Box 4.2 Proposed Roles of Different Levels of Government in Implementation of Action Plan

Phase I Responsible government level	LG	CG	Phase II Responsible government level	LG	CG
<b>1. Enhance Accountability:</b> <ul style="list-style-type: none"> <li>n Choice of public investment using HDIs</li> <li>n Investment directed to sectors with poor HDI levels</li> <li>n Local councils ask for hearings to monitor public investment</li> <li>n Performance of all Governors evaluated by HDIs</li> </ul>	n	n	<b>1. Elected Popular Councils (EPC s) Play a Central Role in Local Public Choices</b> <ul style="list-style-type: none"> <li>n The law is changed to grant EPC responsibility for determining public expenditure priorities</li> <li>n Popular Councils direct expenditure priorities and monitor implementation of the executive</li> <li>n Central government and regulators monitor adherence to rules in public spending</li> </ul>	n	n
<b>2. Make Budget and Investment Data More Readily Available</b> <ul style="list-style-type: none"> <li>n Budget data made available to different parties</li> <li>n Priorities and cost of investment available to all levels of government</li> <li>n Special accounts and funds data made available</li> </ul>	n	n	<b>2. Civil Service Reform</b> <ul style="list-style-type: none"> <li>n Central Government conducts a comprehensive civil service reform</li> <li>n Central government allows local government to meet public service employment needs as required by investment choices</li> <li>n Central government defines public service regulations that allow local government flexibility in hiring and re-location of public staff</li> <li>n Central government uses built-in incentives to encourage public service employment in underdeveloped areas or for under-privileged groups</li> <li>n Local government executive accountable to local Popular Councils and to civil sector regulations</li> </ul>	n	n
<b>3. Encourage LGUs to strengthen their Financial Independence</b> <ul style="list-style-type: none"> <li>n Lay down guidelines for rewarding Governorates that collect more taxes</li> <li>n Governorates improve tax collection</li> <li>n Ex-ante rules allowing Governorates to levy taxes re-enacted</li> </ul>	n	n	<b>3. Ministries are Responsible for Setting Sector Policies</b> <ul style="list-style-type: none"> <li>n Ministry develops regional and national targets (using social objectives under item 5 below)</li> <li>n Ministry develops criteria for evaluation of performance</li> <li>n Ministries monitors local governments' efforts to meet these goals</li> <li>n Local government (and private competition when applicable) performs provision of services with flexibility as long as performance is consistent with set goals</li> </ul>	n	n
<b>4. Revisit the Process of Public Investment Determination</b> <ul style="list-style-type: none"> <li>n MOP defines cost-benefit analysis rules for ranking investment</li> <li>n LGUs use these rules to establish public investment priorities</li> <li>n Allow LGUs to rely on research institution to evaluate projects</li> <li>n MOP determines public investment based on community priorities</li> </ul>	n	n	<b>4. Fiscal Responsibility Law</b> <ul style="list-style-type: none"> <li>n Central government anchors binding constraints (in the law) for spending rules at all levels of government</li> <li>n Central government lays down the criteria under which some exemptions are allowed and procedures for gauging the applicability of exemptions</li> <li>n Central government establishes (by law) conditions under which local government can borrow, allowed sources of debt, and procedures to be followed</li> <li>n Law links ability to borrow to self-financing potential</li> <li>n LGUs meet their constituencies' demands for public services</li> </ul>	n	n
<b>5. Comprehensive Evaluation of Operation of Special Accounts and Funds</b> <ul style="list-style-type: none"> <li>n LGUs identify all special accounts and their strengths and weaknesses</li> </ul> <p><i>Rules standardized for ex-ante evaluation of investment by these accounts</i></p> <p><i>Note: LG=Local Government, CG=Central Government</i></p>	n	n	<b>5. Treatment of Social Objectives</b> <ul style="list-style-type: none"> <li>n Social objectives are identified at the national level, Cabinet proposal to People's Assembly. Human Development Indicators will continue to guide the determination of these objectives. These objectives are then translated into ministerial policies (item 3 above)</li> <li>n LGUs are evaluated by constituencies on their performance in meeting general/ local social objectives inherent in the priorities identified locally</li> </ul>	n	n

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## Decentralization of Basic and Secondary Education

Egypt has one of the largest education systems in the world, as classified by the World Bank, with 15.5 million students (over 90 percent enrolled in public schools), 807,000 teachers, and 37,000 schools. Its education system has undergone significant expansion over the last decade, whether expressed in expenditure on education or educational infrastructure. Expenditure on pre-university education has increased two-fold between 1996 and 2002 — L.E. 8.1 billion to L.E. 16.6 billion (Egypt MDG Report, 2003). The number of schools built in the nineties is double that built over the last century, with a 27.6 percent increase in enrollment. New school models were developed, with greater attention to girls' education, the most successful being the Girls Education Initiative and the One Class Schools. There also has been notable cooperation with donor agencies to intensify educational reform.

In spite of these efforts, many shortfalls in the education system still exist, and are manifested in the poor overall quality of the education services in Egypt. This is largely attributed to weaknesses in the current institutional arrangements, namely a highly centralized system, an inadequate incentive structure for teachers, limited autonomy at the local level, and a shortage of technical capability and capacity building.

There is strong evidence from a number of countries that the devolution of power from the central authorities to local governments, communities and schools, with input from parents, can result in greatly improved education service delivery. In Egypt, this approach is likely to reap positive results, if implemented effectively. This chapter is concerned with the fundamental issue of raising the quality of the present education services through a decentralized structure. It assesses the shortcomings in the educational system, and

existing and potential reform initiatives, while drawing on the lessons of experience.

### Present Status of Decentration

#### Regulatory and Institutional Framework

According to the 1971 Constitution, education is a right through which the principles of equity and equal opportunities are fulfilled. The administrative set-up for the education system relies on the input from one ministry at the central level, the

Ministry of Education (MOE), which is responsible for the planning; development; and evaluation of educational materials, as well as for setting educational standards and teacher qualifications (Law 139/1981). MOE retains key decisions on curricula development, determining national evaluation criteria; deciding budgets for educational directorates, and hiring and determining salaries and incentives, and training needs for teachers and administrators (Mina, 2001; UNESCO, 2004). Local Administration Law 43/1979 and its amendments state that the local government units (LGUs) are responsible for building, equipping and managing schools.

#### MOE Policy on Decentralization

A senior level committee was established recently at the MOE with members from the business community, NGOs, academics, deans, and law experts who expressed the commitment towards decentralization and achieving equity in education services (MOE, 2003a). The committee recommended further decentralization through delegating authority to the local administration or the school level; successful cases of decentralization

**Interactive evidence suggests that the devolution of power from the central authorities to local governments, communities and schools can result in greatly improved education service delivery**

(such as creating Boards of Trustees, and village education committees) should be replicated; and stressed that building institutional capacities at local level through training and other means was essential.

MOE has since set plans to enhance community participation which include establishing a pedagogical information center and a new unit in each governorate to enhance links between schools and the community. This involves building a network composed of stakeholders at the local, regional, and national levels (including politicians, teachers, parents), raising awareness on relations between stakeholders, training teachers, issuing legislation enforcing parental and family participation, and integrating the concept of community participation in school curricula.

Authority is also deputed to some extent to the governorate and school levels, taking the example of the Alexandria Protocol (see later in this chapter). Decree 262/2003 delegates authority to the school level by determining the responsibilities of school management and educational administrations in governorates. It also stipulates the cre-

**Although MOE is already decentralized by law in terms of functions and budgets, in reality, education has been highly centralized**

ation of three new units in schools responsible for quality, productive activities, and training and evaluation, enabling schools to have a

greater role in self assessment and in determining their own training needs (MOE, 2003c). An undersecretary in charge of education has also been appointed in each governorate, assisted by deputies and managers in each district, all given a clear understanding of the reform efforts (UNESCO, 2003).

Earlier decrees were also issued on involvement of parents (no. 5/1993) and NGOs (no. 30/2000), thus recognizing the importance of stakeholders' participation, especially at grassroots level (WB, 2002a). NGOs were allowed to establish certain types of schools (such as Community and One Class schools). A general department was established in the MOE to enhance its partnership with educational NGOs and establish a database about them. Moreover, a committee was established with members from MOE and NGOs to propose and coordinate joint projects.

Although MOE is already decentralized by law in terms of functions and budgets, in reality, educa-

tion has been highly centralized. There are several legal and administrative practices that attest to this. For instance, school fees (LE 20 for pre-primary education to LE 70 for secondary education) are not retained by schools at the local level but directly transferred to MOE (WB, 2002a). Line item budgeting at school level limits the scope for transfers of funds between budget categories, except with the governorate's approval, and the budget that the Ministry of Finance allocates to the MOE is solely for national administrative services

There are several arguments put forward against greater decentralization. These suggest that lower administrative levels are not capable of assuming more responsibilities and authority. A necessary pre-requisite is to adopt rigorous control systems to prevent corruption and enable performance-based measurement. Another claim is that cultural norms and values do not support a change towards more decentralization.

It appears then that the government will be moving very gradually to a more administratively decentralized education system. There is a great deal of hesitation in transferring greater authority to the local levels, yet there also appears to be a readiness to duplicate the Alexandria experience, even though the project is not yet finalized.

Based on the argument for and against decentralization, it is important to look at the position of various stakeholders to gain a better understanding of contextual factors affecting decentralization. Table 5.1 presents a hypothetical analysis of stakeholders influencing or influenced by the drive towards a greater degree of decentralization.

### Decentralization: 'Why' and 'How.'

Achieving a higher quality system requires as a first step the identification and diagnosis of existing weaknesses in the education system.

In Egypt, education service delivery suffers from problems that are mainly institutional in nature. One of the biggest obstacles facing the education system is budgetary constraint. Increases in budget allocations to education do not meet demand. For example, with regards to school buildings and infrastructure, it is estimated that there are 3,730 primary and 1,729 preparatory schools that will be needed by 2007 (El Baradei, 2000 and MOE, 2001). Currently, class density can reach 70 pupils per class in certain areas (UNESCO, 2003).

**Table 5.1 Hypothetical Stakeholder Analysis for Decentralization of Education**

<b>Stakeholders</b>	<b>Interests/Needs</b>	<b>Position on Decentralization</b>
Political Leadership	Better quality of education and commitment towards achieving better quality of education.	Support
MOE	Political concerns, quality of education, equity and efficiency concerns.	Resistant
Local Administration Units	Some groups favor more managerial authority and independence, while others are reluctant to pass on authority to lower levels in the administration	Support
Schools	More independence	Support
Teachers/ Teachers Associations	Continuing with private tutoring, less control from school management, security of employment, and better incentives and pay.	Oppose
Parents	Better quality of education, less expenditure on private lessons, better performance and achievement for students, greater rate of success	Unknown, but likely to support
Students/Students Unions	Better quality of education and more interesting educational material.	Mixed
Educational NGOs	Opportunity for greater participation.	Support
Business Community/ labor Market	Business opportunity in educational sector, more congruence between curricula and labor market needs.	Support
Textbook Publishers	Opportunity for competing with public sector.	Support
Higher Level Institutes	Need for better quality graduates.	Mixed

There is also a misallocation of resources. The largest share of expenditure on education goes to administrative staff as opposed to teaching staff. Consequently, there is a spread of limited resources and teachers' remunerations are very low and do not attract qualified staff. There is also a long-standing bias for expenditure on tertiary education at the expense of basic and secondary education. Technical secondary education (industrial and agricultural) gets almost same allocations as general secondary education, while the cost of a technical school is 10 to 15 times that of a general school. This partly explains the low quality of technical school graduates and their consequent low earnings (El Baradei, 2003).

The education system has pervasive quality problems and low economic returns to education. More than 50 percent and 80 percent of students in basic and general secondary education respectively resort to private tutoring (El-Tawila, 1999; EHDR, 1999). By examining student/teacher ratios, official averages for primary, preparatory and

secondary levels are at acceptable levels of 24, 20 and 13, respectively. However, the figures do not reveal the significant number of teachers that are administrative, or are on leaves. Dropout and repetition rates are still high. While unemployment rates among 'educated youth' (13.6 percent for above intermediate certificate holders and 8.9 percent for university graduates) indicate low and negative returns to secondary education (Kamel, 1999). Further, access problems and disparities exist by gender, region and income status (see section on inequities).

There are also problems related to management. Currently, the decision and policy-making process in the education system lacks participation and democracy. Most education committees are not appointed on a merit basis. Moreover, reform initiatives and plans are made without active participation by stakeholders – parents, students and teachers.

**Education service delivery suffers from problems that are mainly institutional in nature**



Experience shows that decentralization can improve efficiency, transparency, and accountability in service delivery at the local level. When teachers, parents and principals have more decision-making

**The largest share of expenditure on education goes to administrative staff as opposed to teaching staff**

power, good governance is promoted at the local level, and better ways of managing the resources of the government, private sector and civil society can be achieved. Decentralization can take many forms (Behrman, 2002a), some of which are:

- n **Devolution of authority to local governments**, so that they have autonomy mainly in areas of finance, personnel and curricula.
- n **Downsizing of central bureaucracies in education**, while allocating money saved either to local governments, schools or students.
- n **Instituting school based management** by devolving decision making to teachers, parents, and students.
- n **Community financed schools**. The most common arrangement is for the community to provide school capital (land, buildings and furniture) and for the government to provide teachers. Sometimes communities provide supplements to teachers' salaries.
- n **Curriculum reform** where schools have the autonomy to adapt their curriculum to student and labor market needs.
- n **Adoption of school vouchers and demand side financing**. Government provides poor students with vouchers, usually with a fixed value, that can be used to pay for tuition either in a public or private school..

**Equal Educational Opportunities**

Existing Inequities in the Education Sector  
Serious educational reform in Egypt started in the

last decade. Reform efforts led to increased school enrollment among groups previously deprived from education: girls, children in rural areas in general and in Upper Egypt in particular. Deprivation from education was almost reduced by half, leaving currently 15 percent of the disadvantaged groups out of the system. Another achievement has been the increase in retention rates among disadvantaged groups, particularly girls (El-Tawila, 2000, Lloyd et al., 2003). The government has also launched the National Standards for Education (NSEs) with the aim of enhancing the quality of education and minimizing inequalities (See Box 5.3).

In spite of the improvements in some areas, there is evidence of continued inequities. The poor have less access, lower attainment levels, and suffer from low quality educational services. Lower scholastic performance among the poor, and lower acquisition of marketable skills, deplete the net impact of education on their upward mobility. Furthermore, there still exists a gender gap in educational access.

Other existing inequities include the following:

- n **Universal primary education has not been achieved**. Net enrolment rate in primary education in Upper Egypt and among children in lower socioeconomic status households is 84 percent compared to 97 percent in urban governorates and among children in higher socioeconomic households (El-Tawila, 1999). In urban areas, enrollment rates in primary education are 88 percent for the poor and 96 percent for the non-poor. In rural areas, the figure is 72 percent vs. 85 percent. Half of non-enrolled children (7-11 years) are from bottom income quintile (WB, 2002b).
- n **Public expenditure is biased to tertiary education**. One-third of the expenditures on education are

**Table 5.2 A SWOT Analysis of the Education System**

<b>Strengths:</b>	<b>Weaknesses:</b>
n High expenditure on education; increase in enrollment; expansion in school building; development of new school models; and donor support for reform.	n Budgetary problems; quality problems; low economic returns to education; unequal access and disparities; and mismanagement.
<b>Opportunities:</b>	<b>Threats:</b>
n Rich human capital; growing public discontent with quality acting as reform driver; and donor support for reform.	n Increased cost of education service provision; mismatch between demand and supply; and outdated educational materials due to rapid science and technology change.

## Box 5.1 International Experience in Decentralizing Education

Most international experiences of decentralization of education started in the early 1990s, usually to regions, local governments or schools. Motives include improved quality, access and efficiency of public education, improved management, responding to the increased distrust in the public education system and to grassroots forces seeking reform, making use of increased donors' support and performance-monitoring for MDGs, as well as dealing with the shortage of fiscal resources and meeting fiscal constraints.

### Examples of Implementation:

n **Fiscal Decentralization:** In Nicaragua, one reform labeled as decentralization was a program through which municipalities received fiscal transfers to administer school payrolls. In China, the government reduced its subsidies to local schools and localities were allowed to raise taxes to fund education. Six methods were available for funding pre-university education: educational surcharges, contributions from industry and social organizations, donated funds, tuition fees from students, income from school run enterprises, and central authorities. But, in 1994, due to equity problems, the government went back on its decision to allow tax raising by localities (Hawkins, 2000). In Chile, the government transferred resources to service-providers based on attendance; public education institutions thus had to increase enrolment rates or reduce number of dropouts, and therefore to compete with the private sector (Castaneda, 1992).

n **School Vouchers:** Here, the government provides students from poor backgrounds with vouchers to pay tuition for private or public schools. Few developing countries have used the voucher system on a national level, except for Colombia, since 1991, where poorest students were targeted based on geographical location. Thailand is considering using a voucher system for secondary school students to expand secondary school enrollment (Behrman, 2002). In Brazil, the Bolsa Escola program targets scholarships at regions with high levels of child labor with the objective of keeping the children in school by compensating parents for the lost income earned by the child (WB, WDR 2000/1).

n **Administrative Aspects:** Various methods of decentralization of education include de-concentration (where local communities are given the responsibility of constructing primary schools, and local councils obtained from the Ministry a direct grant to cover salaries and office administration); delegation (e.g. in Poland, local governments were allowed to run their own primary schools, large cities were allowed to run most post primary education and pre-schooling, then to manage high schools and technical/vocational schools); and devolution (transfer of responsibilities for direct service provision from federal to local government).

n **Community Participation:** In Mexico, school level and municipal level councils were established, designed to be more broad-based than parents' associations by including more stakeholders: teachers, administrators, local politicians, and members of the business community. In Sub-Saharan Africa, community schools have strong parental authority: they select the governing board which in turn selects the school director and other personnel. There is mounting evidence that community schools are successful, especially in reducing student and teacher absenteeism. In Nicaragua, school site committees were established and had real powers under the Autonomous School Program: parents had a majority voting and the committees made important decisions, such as voting to replace the school principal, and deciding how to allocate fee-revenues. This supports the hypothesis that participatory groups function better when given more than advisory status and responsibility over raising and managing funds (Gershberg, 1999).

n **School Based Management:** In Thailand, school councils were combined with a system of school user fees paid by parents, school autonomy involved a monthly fiscal transfer to pay for teacher salaries, school councils were made up of elected parents; their authority included the right to elect school directors, hire/fire school principals and decide on a school's budget and programs (Behrman, 2002).

channeled to tertiary education that constitutes only 6 percent of total enrollment, while basic education which accounts for almost 80 percent of total enrollment received only 36 percent of the public education budget

in 2002/03 (EHDR, 1999; UNESCO, 2003).

n **Bias in public resource spending for upgrading educational inputs** (that is, qualified teachers, equipment and new classes). This is slanted in favor of schools in urban areas

## Box 5.2 Evaluating the International Experience of Decentralized Education

The many challenges of decentralized education include how to maintain equal opportunities and fairness, and find an appropriate mechanism to transfer authority to parents. There is resistance from teachers/students to the introduction of new courses requiring creativity – to which they are not used. Governors could be afraid of receiving responsibility for which they are not prepared. Teachers' unions may not want to negotiate working conditions with separate government entities. In some cases, only few social participation councils have been able to fulfill their role as stated in the laws, due to federal and state government officials' unwillingness to give to participatory councils more than advisory power over school budgets, personnel and local curricula.

It is difficult to isolate the net impact of decentralization from other reforms, school characteristics, or external shocks. Baseline data and research designs are weak, change in school outcomes is slow, decentralization measures in most countries are still incomplete, and evaluation efforts reviewed are still sketchy. In Nicaragua, an evaluation of the autonomous schooling system found a positive and statistically significant relationship between the degree of decision making exercised by school councils and student achievement (Winkler, 1999). In El Salvador, increased participation of teachers and community managed schools led to lower teacher and students' absenteeism. In Columbia, the voucher system was successful in enhancing enrolment and retention rates among poor as well as female students (Hossain, 1997), and in Brazil, initial evaluation of the voucher program suggests significant improvement in school attendance (WB, WDR, 2000/1).

and in high and middle class communities (El-Tawila et al., 2000) which leads to lower achievement and poor skill acquisition in schools serving poor communities in urban and remote areas.

### *Income, gender and regional disparities affect educational output.*

**The poor have less access, lower attainment levels, and suffer from low quality educational services**

Education is the factor that most affects the poverty status. The majority of the poor have only basic education or no education at all (86.2 percent of the poor population have basic education or less, while only 1.1 percent have university education). Pockets of deprivation in the form of non-enrolment, early dropout and very poor learning achievement are significant in Behera and six Upper Egypt governorates (UNESCO, 2003). In Upper Egypt, 50 percent of public preparatory schools have pass rates on the end-of-stage exam below the national average, compared to 27 percent in Lower Egypt and 3 percent in urban governorates. Of all children enrolled in first primary, 87 percent reach the end of basic education in urban governorates and urban Lower Egypt compared to 82 percent in rural Lower Egypt and urban Upper Egypt, and 73 percent only in rural Upper Egypt (El-Tawila et al, 1999 and 2000). Gender disparities have nar-

rowed over the past two decades but still remain; net enrollment rate in primary education for boys and girls in 1999 was 95.5 percent and 89.4 percent, respectively (El Baradei, 2003).

*Inequities in making the transition to general secondary and higher education.* Low quality of education impedes poor students from pursuing higher education. Only the best scoring one-third go to general secondary. The remaining two-thirds, mainly from the poor, end up in technical secondary schools (agricultural, commercial and industrial). Moreover, opportunities of higher education for graduates of technical schools (Workers University, The Open University, Higher Technical Institutes, etc.) are limited and costly, and their quality is highly questionable

### Impact on Educational Equity

*Potential Opportunities and Envisaged Risks*  
Evidence exists that universal quality education can be achieved in a highly centralized systems such as in France and Japan or in a very decentralized systems like that in the USA (WB 2004). Currently, there seems to be a global movement away from the two ends of the continuum toward a more central position. Promotion of equity requires, by definition, some centralized decision-making and resource allocation, which should not be in contra-

diction with decentralization. Interestingly, equity is rarely an explicit objective for educational decentralization. The literature indicates however, and that preserving equity should be a clear objective. The more explicit objectives of decentralizing education are mainly economic, political and technical:

■ **Economic Objectives**

Decentralization can lead to increased efficiency and effectiveness by reducing unit-cost through the elimination of unnecessary intermediate bureaucratic procedures, motivating local officials to be more productive and more attentive to local needs, and generating revenues by taking advantage of local sources of finance or taxation. But decentralizing education has often had negative conse-

quences on equity by widening the performance gaps between the students in wealthy and poor areas. Local areas with abundant financial and human resources are in a better position than those with fewer resources to make maximum use of decentralized power.

It is important to uphold equity as a goal of decentralization. Fiscal decentralization of education in China and the Philippines augmented regional disparities. In Japan, however, decentralizing education was motivated by goals of equity and narrowing anticipated educational gaps between regions and schools, not just overcoming fiscal constraints (Fizbein, 2000; Behrman et al., 2002b).

Some types of education decentralization are not cost-free. In Chile, education reform led to a

### Box 5.3 The National Standards for Education in Egypt

In 2003, the MOE issued the National Standards for Education (NSEs) as a national project aiming to set comprehensive quality education standards in Egypt and raising awareness about quality learning. The standards seek to increase the authority of the central administration in setting educational goals and standards for accountability, and provide the necessary support for reforms. According to this project, each school has the autonomy to decide on the processes/strategies by which these goals and outcomes will be accomplished.

The standards cover five domains representing the essential pillars of the education process, which are standards for:

- *Effective and Child Friendly Schools,*
- *The Educator,*
- *Management Excellence and Institutional Culture;*
- *Community Participation; and*
- *Curriculum and Learning Outcome.*

Upon announcement of NSEs, seven NGOs and independent professional institutions immediately applied for the right to provide accreditation to Egyptian schools. (MOE, 2003b). NSE Testing and fine-tuning is now taking place — before nationwide implementation — through the following projects, that are still in a pilot stage:

**Ten primary schools in Giza,** set-up in collaboration between the National Center for Pedagogical and Development Research and the National Center for Examinations and Pedagogical Evaluation. The project implements NSEs by analyzing performance, establishing an incentive system, mobilizing resources to finance the payment of incentives, and implementing the principles of Total Quality Management.

**100 schools in Qena and Minia:** A pilot initiative supported by the World Bank aiming at improving school performance through NSE implementation. Program activities include: awareness campaigns on NSEs and the role of various stakeholders in achieving better quality of education, workshops for school assessment, and setting strategies for performance improvement. Continuous performance evaluation and assessment will represent a feedback to the NSE Committees in order to revise and improve the standards based on empirical field results.

The importance of flexibility and the fact that a system needs to be modified regularly is reflected in the learning by doing approach adopted in these projects.

competitive and decentralized but very costly system. Preserving equity was one of the key objective of the reform. It involved transferring schools to municipalities for full administration and provision of services and introduced the financing mechanism of school vouchers (see elsewhere in this Report). The government also had to bear the cost of a large civil service reform in the education sector in the form of severance pay and early retirement arrangements. The government expenditures for preschools and basic education “[had] a major redistributive or targeting impact: over 45 percent of the expenditures on these two levels were received by the poorest 30 percent of the population with only 20 percent received by the richest 40 percent” (Castaneda, 1992).

n **Political Objectives**

Decentralization leads to a redistribution of power among different political groups not just different government levels. By giving local communities greater voice, groups that support the government will be empowered and/or opposition groups will be weakened.

**Promotion of equity requires, some centralized decision-making and resource allocation, which should not be in contradiction with decentralization**

“Centralization promotes control over policy while decentralization promotes legitimacy” (Winkler, 1991). Equity may be indirectly improved due to enhancing local participation, building capacity of local institutions and partners and responding to local needs. However, equity is not necessarily ensured since devolving power to local authorities may lead to elite capture, avoidance of which requires an open and accountable system.

n **Technical Objectives**

Decentralization involves moving decision-making closer to the school’s needs, leading to more focus on cultural differences; increasing innovation and competitiveness; and satisfying different types of demands. By changing the incentive structure, decentralization also rewards quality performance, which should reflect positively on equity since poor children often suffer from low quality of schooling.

Since the end of the nineties, the calls for “Excellence for All” and “Universal Access to Quality Basic Education” have been used to refer to the ultimate goals of the education system, implying that opportunities for quality learning and skill-development are equally distributed, and that cognitive ability explains differential achievement. In reality, the situation is one in which

inherited privileges and locational factors distort the equality of opportunities. Unless the factors influencing inequity are addressed by the decentralization reform, inequity will not be changed.

Overall, decentralization may enhance equity in access to quality basic education through the following means:

- n Through empowering local communities and local authorities to enforce the existing law of compulsory basic education.
- n Through the proper implementation of NSEs to monitor school performance (see NSEs). However, this presumes the existence of capable local support systems, adequately empowered local communities, clear relationships of accountability between providers and recipients and the involvement of neutral accreditation agencies: conditions that are ingrained in the process of decentralization. Currently, central supervision of about 37,000 schools for all of these aspects of school performance has become unrealistic.
- n By providing the umbrella to introducing fundamental reforms to the current education system.

### Local Experience in Decentralization

Decentralization, as a policy objective, has only been recently adopted in Egypt and it is too early to measure its costs and benefits. Nevertheless, some examples of success stand out and are worth studying to understand the determinants of success. These include the Alexandria Decentralization Project, the experience of One-Class Schools, and Community Schools.

#### Alexandria’s Experience in Decentralizing Education

In December 2001, the MOE, the Governorate of Alexandria, the Alexandria Development Center (NGO) and the USAID, signed a memorandum of agreement for implementing a pilot program aiming to improve the quality of education in Alexandria schools based on a decentralized model, through: a) forging a partnership between teachers, administrators and the community at large through three tiered committees providing support, follow-up and implementation; b) implementing advanced decentralized management through modifying policies and procedures and delegating both authority and responsibility to the school level; and c) providing advanced training to

employees in conformance with up to date pedagogical and educational international systems. The three tiered committees formulated to help in the program implementation are:

- n **A Consulting Committee** which includes the Minister of Education, the governor and 16 community leaders with relevant experience, meeting four times a year and responsible for mobilizing community efforts; ensuring technical and financial resources; participating in the selection/monitoring of schools, directors and principals; and providing recommendations and annual evaluation of program.
- n **An Educational District Committee** led by Head of Educational Administration, with 10 members with relevant experience. The committee meets monthly and is responsible for monitoring school performance; deciding on rewarding or transferring school teachers, supporting the Boards of Trustees' efforts to secure additional resources; and ensuring training needs are met.
- n **A Board of Trustees** composed of 16 members including the School headmaster/mistress, a representative of the educational administration within the region, the school doctor and social specialist, school faculty, local leaders and elected parent members. The Board of Trustees - a development of the prior parents' committee - develops an overall plan, including the budget required, and suggestions for non-traditional sources of finance.

The MOE has delegated unprecedented authorities to the Governor of Alexandria to support the program's implementation. Internal financial regulations for the program enable the mobilization of resources from the community and flexibility in disbursement. Financial resources will be used for providing incentives to employees; training; repairs and maintenance; equipment and furniture; reforming the educational process, media and awareness campaigns.

Implementation of the pilot program is scheduled to continue for four years, with the first stage covering 30 existing schools, representing a sample of primary, preparatory and secondary stages in poor areas, while the second stage is expected to cover 20 existing schools, and 20 new schools to be built through USAID funds.. Even though it is not yet finalized, it was agreed in May 2003 to replicate the program in six other governorates: Cairo, Fayoum, Beni-Suef, Minia, Qena and Aswan, and a confer-

ence was held to disseminate the lessons learnt from Alexandria's experience to other governorates.

### Community Schools

Community schools were established in various governorates in cooperation with the UNICEF, the Canadian Agency for International Development (CIDA), and local communities in some of the most deprived areas of educational services.

Girls of 6-12 years are also accepted, with priority being given to older pupils. The project started with four schools in 1991,

to reach 202 schools in 2003/04. Community schools are distributed among three governorates in Upper Egypt, namely, Assiut, Sohag and Qena. In addition, the Childhood and Development Society, an NGO, established another 150 schools in Minia. The program provides material similar to the primary educational program, with guidelines assessed by MOE (see Box 5.5)

**The MOE has delegated unprecedented authorities to the Governor of Alexandria to enable the mobilization of resources from the community and flexibility in disbursement**

### One Class Schools

The main objective of one-class schools is girls' education through a flexible learning environment. Classes are established near their homes, and tutoring provides them with diverse skills that enable them to participate in the labor market. The school consists of one study room where girls with different educational levels and different ages attend. The primary education curricula is taught, in addition to vocational skills. Since start-up in 1993/94 one class schools have increased from 213 to 2,791, targeting girls aged 8-14 who have no access to schooling or who are drop outs.

### Prospects for Curriculum Change

The curriculum has been traditionally viewed as lists of topics for the teacher to cover, but a new trend has been to redefine it in terms of 'a plan for learning outcomes' that is, what students are expected to learn and achieve (Dimmock, 2000).

The most familiar pattern of curriculum development is the *centralized model* where policy and practice are developed top-down from a central bureaucracy. This has been widely criticized as being undemocratic, and experience has shown that it has failed to deliver significant improvement

in teaching and learning over the past century (Dimmock, 2000).

There is a marked trend over the past decade towards a *grass-roots model* of curriculum development in many countries such as in England and Wales, Hong Kong, Western Australia and the USA (Dimmock, 2000). It is initiated by teachers in individual schools, employs democratic group methods of decision making, and is geared to the specific curriculum problems of particular schools or even classrooms.

### Present Status of the Curriculum

The existing knowledge-based curriculum is a serious problem. Major attempts to review and improve the school curriculum, and teaching methods have had limited impact. A solution seems to rest with reform policies that overhaul the curriculum as a whole, starting with the basic premises, and not tinker with ineffective piecemeal solutions.

Currently, planning, design and development of curricula are decided by MOE; this means that curriculum aims, content, methods and evaluation are prescribed predominantly at national level through legislative and administrative decisions. Relatively few decisions are left to regional, local or school authorities.

Key problems that hinder effective curriculum development and implementation in Egypt include the emphasis on acquiring knowledge of conventional academic subjects. Currently, there is a predominance of the academic and theoretical orientation of courses at the expense

of the practical. There is a mass of information pupils have to learn, without a corresponding analytical application. The time required to absorb the volume of information is significant. In addition, the private business community has no integral role in the vocational education and training process.

The utilization of traditional modes of instruction and assessment is another problem plaguing the system. Studies on classrooms and instructional methods have found that students rely mainly on memorization since little time is available for open and meaningful discussion, critical thinking and developing problem solving skills (Mina, 2001). Studies also indicate that test-taking skills often supersede learning how to actually apply knowledge.

Furthermore, schools are unable to address local problems and concerns. Although local officials and teachers are theoretically given some latitude to adopt the curriculum to suit their local circumstances, in practice such adjustments are seldom made (Toronto, 1992).

### Attempts at Reform

The general direction of change has been for the MOE to involve more representatives from different national sectors in curriculum planning through the convening of national conferences. Three such conferences were held in 1993, 1994 and 1996 (MOE, 2000).

Serious attempts to review and improve primary and preparatory curricula took place shortly after the national conferences of 1993 and 1994 (see Mubarak-Kohl Project). Types of curricular reforms sought included: updating content within existing subjects, and introducing new teaching topics (computer science, technology, and new concepts dealing with democracy, human rights, environment, tolerance). Similar efforts to improve teacher training programs and to reform current examinations and the assessment system have also taken place during the last decade. However, the results remain below expectation.

Current reform projects are mostly joint ventures between public, private, and international agencies. Policies for these reform initiatives are formulated by these agencies then presented to the public as a *fait accompli* which does not allow for input from the broader constituency. Most projects focused on reforming the administrative and organizational arrangements of schools at the expense of reforming outdated curriculum or the training of teachers in current teaching techniques. However, these reform projects are ad hoc and incremental, with little evidence on their impact.

An important feature of the reform strategies applied in these and similar projects is the focus on changing a particular component regarded as the key factor in the educational change: administrative changes (decentralization), equipment, infrastructure, evaluation instrument and strategies (national standards), and so on. Similar international experience has shown that their poor results are due to the fact that the changes were effected more or less in isolation from the other factors involved. An institutional change such as decentralization, introduced without timetable and guidelines for the training of

**There is a marked trend over the past decade towards a grass-roots model of curriculum development in many countries**

## Box 5.4 Community Empowerment: The Community Schools of Egypt

Community schools are deeply linked to community empowerment, as communities are enabled by a lengthy process of dialogue, learning and conscientization to take the reins of their lives in hand and make their own decisions. This is a movement, which began at the grassroots then moved further up to the central levels in the mainstream of the educational system. The initiative began in 1992 with a signed agreement between UNICEF and the Ministry of Education (MOE) for a joint initiative where UNICEF would design, develop and coordinate a community school model in deprived areas of rural Upper Egypt (four hamlets in Assiut), while MOE would ensure the initiative was sustainable, and able to expand to the wider educational system. The objective was to achieve “quality education for all” by concentrating on areas that are hard to reach, demonstrate a replicable approach for increasing girls’ access to primary education, develop innovative learning methodologies, empower local communities (especially girls and women) with access to schools, non-formal educational opportunities, participation in public decision making and allocation of communal resources. Community Schools would provide innovative pedagogies for quality education focusing on active learning, acquisition of life skills, values-based and brain-based learning.

What began as an experiment has flourished into a full-fledged movement of several hundred schools. It has been mainstreamed by the Government of Egypt (GOE), particularly through the Girls’ Education Initiative, and has been strongly supported by CIDA, and replicated by the Social Fund for Development and USAID. More importantly, the Community School model has provided national tested bases for the development of standards for quality education spanning all of the five domains of the effective school, the competent and expert teacher, activity based and relevant curriculum, community participation and management excellence.

The communities themselves were the major partners, organized in a broad voluntary representational structure called ‘education committees’, with 9-15 members representing youth, women (30 percent), children, different socio-economic levels in the hamlet and different geographic locations. The committees are the pillars of sustainability, continuity and quality control, with the following roles: (a) provide community space for the school (land and construction), (b) act as school management board and make decisions on the school organization, (c) nominate facilitators/teachers from the community, (d) supervise and monitor the daily functioning of the schools, (e) assist in solving school problems – children’s absence or drop out, facilitator’s absence, school maintenance, children’s health, (f) participate in making the daily curriculum relevant by adding items on agriculture, local and oral histories, local traditions and arts, story telling and legends, (g) conscientize other community members on issues of gender and development, examples of which are avoiding harmful practices such as female genital mutilation and early marriage, (h) mobilize and organize the communities to maximize effective use of their resources, which often translates into spearheading innovative economic undertakings to generate income for the community at large and the schools specifically, (i) monitor the application of child rights in the schools and local communities, and (j) coordinate all necessary interventions for children ages 1-18 in the local community –including early childhood care and development initiatives and health and environmental ones.

Through numerous training workshops and on site coaching and mentoring the education committee members have grown into a full political entity. School performance is directly accountable to the committee; moreover in the absence of a formal administrative governing body below the mother village, the education committee in fact acts as the ruling body at the hamlet level. They have ownership of the central institution in the community namely the school, and have managed to ally with the next level of rule at the village level. Over the years, the education committees have acquired legitimacy as the official spokespersons for their constituency to local government and within MOE; they were trained to delegate members for different missions, and developed gradually from a school board to a larger governance institution at the hamlet level, active with issues such as road paving, ensuring the existence of water and sanitation in their hamlets and bringing in electricity. They set up cooperatives and connected with micro-enterprise activities, organized literacy classes and vocational training for women, engaged in self-help initiatives for environmental protection (cleaning streams and swamps and growing) trees. As they became more empowered they manifested more of the good governance practices; rule and decisions by consensus, transparency and accountability became the norms. Through this form of governance, women gained more power and visibility in public life.

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personnel, curriculum reform, the salary structure or methods of providing teaching materials and equipment, will have a limited effect on academic achievement. Strategies to improve educational system will fail or at least be less than fully effective if they overlook important complementarities between various components in the education system.

### Prospects for Curriculum Change

More local input is needed in determining the content of the tailor-made section of the curriculum, to ensure greater conformity with local needs. But implications with broad applicability can be derived to help prepare for successful devolution of the national curriculum in Egypt:



## Box 5.5 The Mubarak-Kohl Project: The Future of Vocational Training

The Mubarak-Kohl Project, adopted in 1991, is particularly relevant to the area of curriculum reform. Under Egyptian-German cooperation, a dual vocational education system was implemented in partnership between the public and private sectors. Under the project, technical industrial secondary school students spend two days a week at school and four days a week with an enterprise for practical training. The duration of the program is three years. German experts as well as representatives of the private sector and the MOE participated together in preparing the theoretical studies and practical curriculum. The preliminary stage was implemented in 1995 in the Tenth of Ramadan City. In 1995-2002, the project schools and enterprises expanded rapidly to 20 cities across Egypt (MOE, 2000). Policymakers and private sector leaders now consider the Mubarak-Kohl Project one of the most successful social and educational projects in Egypt.

- n **Clarifying and redefining the roles of different administrative levels:** (that is, state, governorate, district, school) in curriculum planning, development, implementation, and evaluation. New forms of strategic decision making at the central level would include an emphasis on goal-setting, monitoring for efficiency and effectiveness, and evaluation of results.
- n **Setting a student outcomes curriculum framework:** community-driven curricula require a more defined core (national) curriculum that sets the minimum common learning objectives by which student and school performance are assessed. Based on this, schools and teachers at the local level would be able to use the framework to develop their own learning and teaching programs.
- n **Teacher professional development:** In view of the large responsibility placed on teachers and administrators to undertake school-based curriculum development (at least in some subjects), there are

**Decentralization, without timetable and guidelines for the training of personnel, curriculum reform and the salary structure, will have a limited effect on academic achievement**

- implications for professional development that should aim to improve professional skills in planning, designing and delivering more useful learning and teaching approaches aligned to the vision of the community-driven curricula.
- n **Comprehensive curriculum change:** Reform strategy of the three components that constitute the school, that is, curriculum, teaching and learning, has to be delivered as a package. Strategies will not be effective if they overlook complementarities.
- n **Pilot process:** A pilot and staged process whether by year or grade level, starting with the primary school curriculum and working up through the school system, is desirable.

Based on these ideas and on previous research on models for the new pattern of curricular decision-making, (Dimmock, 2000), a model for levels of curricular decision-making is derived and presented in Table 5.3. Table 5.4 shows the various means through which community members and parental involvement may be engineered at various stages of curriculum development.

The transition towards a more decentralization mode of service delivery in the education sector would need to be carried out in a gradual manner through piloting with some governorates, as is currently the pattern, then developing and disseminating the results and lessons learnt. Capacity building exercises are essential, in parallel with these efforts.

### Fiscal Decentralization

To address fiscal problems, community participation must be encouraged towards school buildings and equipment, then handing over to local government to manage and provide teachers. Businessmen's donations and Islamic *zakat* monies may be sought and channeled to help build and support schools in needy communities, identified by the central government. One incentive that might encourage people or communities to build and equip schools is to allow them to name them, or to provide some form of social recognition for the donation.

The private sector must continue to be encouraged to build and operate private schools, as is the case currently, under government supervision. This increases competition and drives public schools towards better performance levels. The use of a school voucher system (as referred to elsewhere) may create incentives for building and operating private schools even in low-income areas, since students will be able to cover fees using this form of sponsored help.

**Table 5.3 Levels of Curricular Decision-Making**

<b>Level</b>	<b>Decision About</b>	<b>Made by</b>	<b>Assessment</b>
1.National	Curriculum frameworks and guidelines	National curriculum centers and committees	National units for evaluation (National Standards)
2.Regional	Coordination	Regional education authorities	Regional goals, standards and variations
3.Local	Monitoring and Reviewing professional development	Local education authorities	Appraisal scheme for school curriculum policy, curriculum and teaching quality feedback.
4.Institutional (schools)	School-based curriculum (“The Whole School Curriculum”)	Academic Board	Self-assessment and moderation
5.Departmental	Syllabuses (courses, units) textbooks selection	All teachers in department	Collegial
6.Individual (teacher)	Lessons and methods	Individual teacher	Teacher: Assessment of student attainment

Public schools should be allowed to retain at least the tuition and admission fees, which represent less than 4 percent of total school expenditures. In this respect, the highly sensitive issue of raising such fees will eventually need to be addressed. All additional resources could be used to support greater financial incentives for teachers, with pay tied to performance on the basis of NSEs. There should be greater financial discretion for schools to collect and use fees for voluntary ‘enhancement groups’ as a replacement to the omnipresent private lessons phenomenon, itself a symptom of the inadequate classroom teaching levels and low teacher pay. The idea is to support teachers’ incomes while providing access to better quality school services to students.

#### Administrative Decentralization

Governors are responsible for supervising service delivery in their governorates. However, they have no actual authority over employees in the educational directorates who receive their salaries from the central government and whose firing and hiring is managed through the Central Agency for Administration and Organization Directorate. It is proposed to devolve authority over the education-

al directorates to the governorate level, in all human resource management issues (hiring, appraisal, promotion, compensation, firing). Schools should also be given some leeway in deciding on task and time management as fits their local community. For example, training and development would be still handled through MOE’s central system, but the evaluation of teachers and employees should be a shared process between the central and school level, with input from parents and school boards and committees. Capacity building is needed, not only for local level teachers and administrators, but also for central level staff. Inter-governmental relations should be revisited and streamlined for effective interaction and to make better use of synergies and complementarities.

Textbooks’ criteria and standards should be nationally managed, but with input from the local and school level in the procurement and distribution of textbooks, equipment and instructional materials. The private sector should participate in the production of school textbooks according to national criteria and objectives, and based on a competitive bidding process.

For adequate school infrastructure, a greater participation from local levels in identifying needs

**Table 5. 4 Parents And Community Involvement in Curriculum Decisions**

Curriculum Issues	Stage	Parents	Community	Roles
Perceived Student & Community needs	Planning	Outcomes and values	Outcomes and values	Select Element
Acceptance	Development and experimentation	Approve objectives, contents, activities	Differences between subgroups	Modify or specify conditions of use
Learner's reaction to curriculum	Implementation	Out of school		Modify or specify conditions of use

Source: Adapted from A. Lewy (1977). *Handbook of Curriculum Evaluation*. Paris: UNESCO Publishing.

and locations is required, and from the private sector and civil society in construction. Schools must be allowed to have a direct role in maintenance, and be permitted to mobilize finance from fundraising,

productive activities, enhancement groups, or other sources, and be held answerable for upkeep and maintenance of equipment, buildings and grounds according to set guidelines and regulations.

**Table 5.5 Selected Educational Functions by Level of Decentralization, Actual and Proposed**

n Actual

1 Proposed level in addition to actual

Function:	Central	Region	Local	School	External
<b>Personnel:</b>					
n Salaries	n				
n Career Path	n			1	
n Time and task management	n			1	
n Training	n				
n Evaluation	n			1	1
<b>Curriculum:</b>					
n Content and standards	n				
n Development	n				
<b>Textbooks, equipment, instructional materials:</b>			1		
n Criteria and standards	n				
n Production	n				1
n Procurement and distribution	n			1	1
<b>School infrastructure:</b>			1		
n Planning	n				
n Construction			n		
n Maintenance			n	1	
<b>Student enrollment:</b>			n		
n regulations	n				
n selection criteria	n				
<b>Quality control:</b>					
n student assessment/monitoring	n			1	
n school assessment/ monitoring					1
<b>Financial Administration/Control</b>	n		1	1	1

## Community Participation and Accountability Relationships

Empowering boards of trustees, councils and committees at school level to monitor, and evaluate performance is a positive step forward. These should have effective powers, such as in reviewing budgets and suggesting improvements. Part of the teachers' evaluations, and thus their incentive payments, should depend on feedback from the school councils, where parents and other stakeholders should be represented. Performance measurement would be based on NSEs. Schools should be given more responsibilities for student performance assessment and monitoring, while external parties such as school committees and accreditation bodies could play an important role in assessing school performance, helped perhaps by 'Suggestions and Complaints' boxes to filter student or parent input and take action.

To enhance women's participation at the school level, mothers should be strongly encouraged to participate in school meetings, councils and committees. The teaching profession attracts large numbers of women, many of whom are mothers themselves, and this could be used to create natural links in more conservative areas. Women should also be provided with incentives, either through the central government, the governorate or sponsored by NGOs, to own and operate nurseries and day-care centers, to support working mothers.

There is a need to establish dual accountability relationships for the service providers, whereby they will be accountable not only to their supervisors but also to the service recipients. One way to improve local participation and accountability is through transparent budgeting processes and public procurement procedures for the MOE and its directorates. Through performance-based budgeting, citizens can know what inputs were used and what outcomes were achieved. Publicizing procurement bids and selection processes will also enhance accountability.

Various voice and exit mechanisms can be investigated and established. Local popular elected councils are, ostensibly, mechanisms for ensuring downward accountability of the executive branch in general, but realistically, they have very limited power. The election process is controlled by the government, and council representatives – through several legislative amendments – have been greatly deprived of their authority. Organizing public hearings and valid non-gov-

ernment controlled local elections can be two important voice mechanisms feeding into the education process.

## Safeguards Against the Risks from Decentralization

**Maintaining central government's financial responsibility and commitment for public basic education**, while rationalizing central financing and minimizing waste. Rationalization could be through:

- i) freezing new administrative appointments in the MOE, and investigating the cost-effectiveness of a major civil service reform of non-teaching staff,
- ii) NGOs and the private sector could assume the responsibility for planning, implementing and financing education programs that are tailored to local needs e.g. adult literacy, the pre-school cycle, 'second-chance' programs such as the one-classroom schools, vocational secondary schools, and public financing of privately run non-governmental schools, and
- iii) re-allocation of public expenditures between pre-university and tertiary education in favor of the former.

n **Using compensatory funding for poor students:** A pilot stipend program for poor students is currently implemented in some governorates under the umbrella of the Education Enhancement Project funded by the World Bank (Saunders, 2004). Lessons learned from this project, and its impact, should be evaluated and disseminated.

Local authorities should be encouraged to estimate the local needs in this regard, as well as raising and disbursing the necessary funds (students' vouchers linked to students' attendance to cover tuition and indirect expenses, and compensation to poor households for the opportunity cost of children's education). Local authorities should also be able to call upon the central government whenever local funds fall short of financing existing local needs. The central government should take a lead role in implementing such program through HDI mapping of the poor.

n **Ensuring a more equitable distribution of educational inputs:** A recommendation is to link a school's share in state-budget allocation to its generated revenues (through school productive activities, enhancement

**Greater financial discretion will allow schools to collect and use fees for voluntary enhancement groups as a replacement to the omnipresent private lessons phenomenon**

groups, etc.). For equity purposes, the central government would also reserve the role of monitoring the distribution of public educational inputs (infrastructure investments, distribution of qualified teachers, training) and ensuring a higher share for poorer local communities according to a HDI mapping. While greater financial compensation could be allowed to schools that perform better under NSEs, the results of the performance-based evaluation should be used to target low-performing schools for special grants. Their performance would be closely monitored by the center over a specified probation period to assess the need for extending or

terminating such grants, or even closing down the school. Controls for subsidized schools may include students' attendance, teachers' attendance, student achievement, etc.

n **Reform the structure of teachers remuneration:** There is an urgent need to initiate a dialogue between the central government (via the MOE) and the Teachers' Union to negotiate feasible salary increments. After efforts are made to raise a targeted endowment, this can then be used to expand or upgrade social services for teachers (special raises linked to serving in remote areas, housing loans at below-market interest rate, high quality insurance services, and so forth).

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## Decentralization and the Health Sector

There is no doubt that the health status of a community reflects on the degree of its development. Life expectancy at birth, which is one of the indicators of the Human Development Index, is a good gauge of the overall health of a population and, in particular, its ability to access quality primary health care services. Improving the health status of the community also forms a major component of the Millennium Development Goals (MDGs) to reduce poverty in developing countries. In addition, equity is one of the main principles that is now guiding the Egyptian Ministry of Health and Population (MOHP) in order to reduce the existing gaps in health gains between the different socio-economic and geographic categories of the population. In order to simultaneously achieve access to quality services and ensure equity in health care it is important to reach out to local communities and provide the services and financing mechanisms that better suit each community and allow for the active participation of its members in decision-making and in identifying priorities.

Decentralization therefore becomes one of the most needed organizational changes that is required to improve the health system. It is perceived as a crucial mechanism to improve both equity and efficiency of the health system and allow better targeting of health care, particularly for the poor. Decentralization is not only about the shift of authority and responsibility to the local level, but also concerns the extent to which fiscal power and financial autonomy can be transferred to those levels. It is a process of adopting those policies that support and strengthen the provision of services at the level of governance expected to be the most efficient.

The principal goal of the health sector – represented by different players and stakeholders – is to raise and improve the health status of the popu-

lation. This chapter argues that reorganization of the sector through decentralization can accelerate improved health outcomes for the population by targeting specific needs at local levels. The chapter will provide an overview of the current health system emphasizing the gaps in achievement between different geographical areas in key indicators, in addition to reviewing attempts at decentralization in the realm of public health.

In order to understand the complexity of achieving health gains and also advocate decentralization of the health sector, it is useful to refer back to the World Health Organization (WHO) definition of health. This is defined as “...a state of physical, mental and social well-being and not merely the absence of disease or infirmity”. Health thus becomes, by definition, a product of complex socioeconomic factors

that are specific to a community, and which include environmental, cultural and educational conditions that

**Health is by definition, a product of complex socioeconomic factors that are specific to a community,**

– in Egypt – vary not only from one governorate to the other but also within the same governorate, from urban to rural setting or economic background. It follows that improved health outcomes will be better achieved if priorities, implementation of policies and methods of financing the system, paying providers or selecting suitable pharmaceuticals are done at local levels where particular needs and priorities are clearer. Decentralization will obviously also facilitate better identification and targeting of specific groups within the population, such as women, children or the economically disadvantaged, and is highly likely to improve coordination between the various sectors that influence health such as sanitation, agriculture, housing and education.

Historically, there have been several steps towards transferring powers to decentralized levels, beginning as early as 1934 with the establishment by law of Health Directorates. By 1942, a Rural Health Improvement Law stipulated that Directorates were to detect local health problems and suggest solutions. The purpose of these laws and the ones that followed was to expand national coverage by the health services.

More recently, the Egyptian Constitution included several articles on decentralization. Articles 161, 162 and 163 in addition to Law 43/1979 on

**The private health sector tends to be concentrated in the capital city and in large urban centers**

Local Administration, support the move towards decentralization and the transfer of different levels of

authority to local government. Law 43 in particular defined the local administrative units and their responsibility for health related matters that include establishing, equipping and managing health units within the framework of the general policies of the Ministry of Health and Population (MOHP). It clearly listed the responsibilities of the central administration as well as those of the health authorities at the governorate, district and health unit levels. However, in spite of the existing legal framework, fiscal and administrative powers were not fully transferred to the governorates.

The health system in Egypt includes more than 29 different public entities that are involved in direct health related services. The Ministry of Health and Population is responsible for overall health and population policies. It is responsible for providing for the health and well being of all Egyptians and is the major provider of in-patient based curative services. The MOHP and other public entities such as the Health Insurance Organization (HIO), the Teaching Hospitals Organization, the Curative Care Organization (CCO), as well as number of other Ministries are all involved in direct delivery of health care services. The private health sector – which is well developed and tends to be concentrated in the capital city and in large urban centers – provides both private not-for-profit as well as private-for-profit services.

**Current Status of the Health System**

Egypt is a highly populated country with almost all the population concentrated in barely 5 percent of its land – resulting in a very high population den-

sity. It has an extensive network of public primary care services that is well distributed, allowing all the urban population and 99% of the rural population to be in close proximity (less than 5km) to a health facility. The extensive primary care system and higher levels of secondary and tertiary health services have helped Egypt to achieve health gains at the national level. There has been an improvement in health indicators in Egypt over the past two decades. The infant mortality rate has dropped dramatically; similar progress has been achieved in the under five mortality. Other indicators reflect similar successes: the proportion of children 12-23 months of age who are fully immunized has reached 92.2 percent, nutritional status indicators are improving and maternal mortality is falling. However, there are still marked differentials in these indicators by region and by socioeconomic characteristics. Several challenges remain including closing the gaps in basic health indicators between urban and rural areas and between Upper Egypt, Lower Egypt and the urban governorates.

Studies have also shown that in spite of the universal coverage by the primary health care (PHC) network and the apparent physical access to a health care facility for the whole population, utilization of those facilities is poor. Figure 6.1 shows that in all geographic areas, whether rural or urban, beneficiaries choose to utilize private facilities for out-patient care more frequently than they do government or other public facilities. The national health facility utilization figure is 22.7 percent for MOHP and 57 percent for private facilities (EHHUES 2002). The frontier governorates are the only ones with a comparatively higher utilization of MOHP outpatient services and they have no other sources for public services except for HIO.

Insurance coverage also seems to be much lower in rural areas in both Upper and Lower Egypt. The low utilization of public facilities is also apparent if we look at income differences. Figure 6.2 shows that by comparing the poorest and richest 20 percent of the population the use of private service providers is still higher than that of public services for both groups.

**Child Health**

The infant and child mortality level is central to an assessment of health conditions in Egypt. Both IMR and U5MR are crucial to estimating life

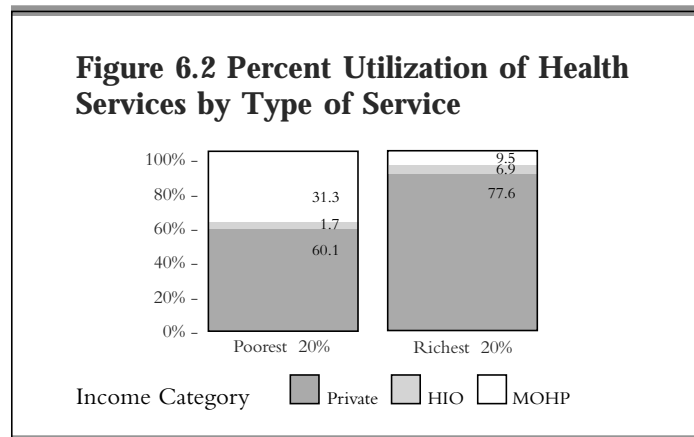
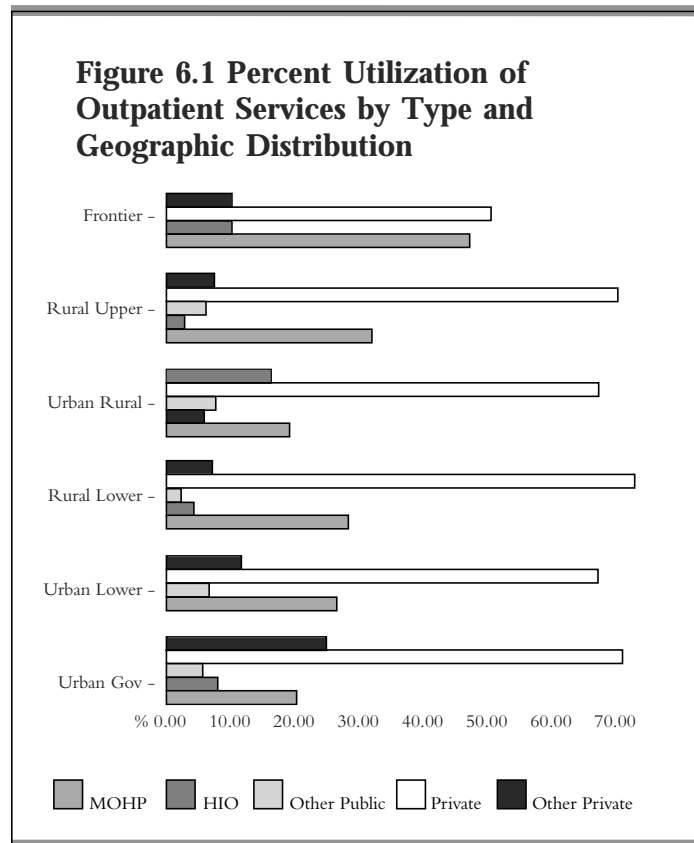


expectancy. Egypt has achieved marked progress at the national level. Reduction in IMR and U5MR is mainly due to the implementation of vertical national programs to improve child survival such as the National Control of Diarrheal Disease Program, the expanded Program of Immunization (EPI), the Acute Respiratory Disease Program (ARDP) and, most recently, the Integrated Management of Childhood Illness (IMCI) Program. Notwithstanding the central management of these programs and strong donor support, success is also attributed to the solid capacity building component at governorate level and the effective social marketing activities and mobilization efforts that accompanied those programs. EIDHS 2003 data show that the infant mortality level is 38 deaths per 1000 births, compared to 120/1,000 in the 1980s, while the current level of under-five mortality for the last five years preceding the survey is 46 deaths per 1,000 births compared to 167/1,000 in the 1980s (Table 6.1). Although national improvements in child health status are on the rise as with national indicators, discrepancies are still clearly noticeable among governorates. Figure 6.3 shows governorate level IMR in Egypt (source CAPMAS, 2001). These findings indicate that although Egypt will achieve Millennium Development Goals (MDG) targets for 2015 at the national level, it will not do so equally at the governorate level.

In relation to nutritional status, it is also interesting to highlight that in a study correlating governorate HDI with child health status it was found that more children suffer from anemia and other nutritional deficiencies in those governorates that rank low on the Egypt Human Development Index Scale (Table 6.2).

### Maternal Health

Improving maternal health is another Millennium Development Goal emphasized by the United Nations. Improved maternal health will directly reduce maternal mortality ratio (MMR) and improve the life expectancy of women. As mentioned earlier, life expectancy is an important indicator in the measurement of HDI and a reduction in maternal mortality will improve the life expectancy of women in developing countries where maternal mortality is still high. Although Egypt reduced its maternal mortality by more than half between 1992 and the year 2000 from 174



maternal deaths per 100,000 live births to 84, the MMR is still considered high. In addition, the proper care that the mother receives during pregnancy and childbirth

can be taken – in part – as a reflection of the quality of health services and the level of their utilization. The are different indicators that monitor maternal health care including antenatal care, tetanus toxoid injection, medical assistance at delivery, postnatal care, and maternal mortality (Table 6.3).

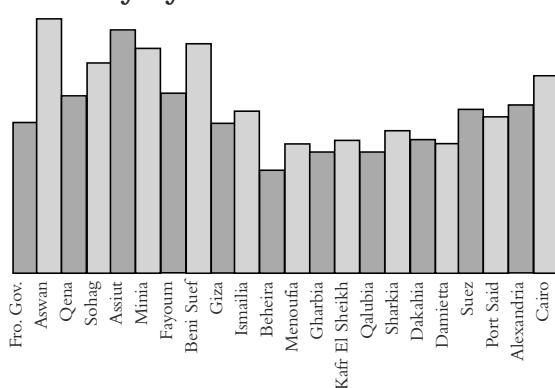
**more children suffer from anemia and other nutritional deficiencies in governorates that rank low on the Egypt Human Development Index Scale**

**Table 6.1 Infant and Under Five Mortality Rate (Per 1000 Live Births) by Place of Residence**

Region	DHS 1992		DHS 2000		DHS 2003	
	IMR	U5M	IMR	U5M	IMR	U5M
Urban Governorates	45	49	30	35	26.3	33.5
Lower Egypt	58	77	36	46	41.3	49.2
Urban	46	57	32	41	33.4	40.8
Rural	62	84	38	47	44.3	52.5
Upper Egypt	90	110	57	70	54.8	68.8
Urban	53	70	44	51	45.1	56.3
Rural	106	129	62	77	58.3	73.4
Frontier Governorates	-	-	30	36	-	-
Total	68	85	44	54	38	45.7

*Note: IMR = Infant Mortality Rate, U5M = Under Five Mortality. Source: Demographic and Health Survey (DHS), several years.*

**Figure 6.3 Probability of Total Infant Mortality by Governorate in 2001**



Although the increase in the antenatal care has occurred in all areas, substantial differentials in the proportion of birth for which mothers received regular antenatal care by residence also continue to be evident. The percentage of births where mothers received regular antenatal care in urban areas is higher by more than 28 percentage points than in rural areas (74 percent vs. 45 percent respectively). The lowest level is still observed in rural Upper Egypt (35 percent) and the highest level observed in both urban governorates and Urban Lower Egypt (75 percent). The clear discrepancy and differences in access among governorates strengthen the argument for a decentralized approach to health services planning and provision and the need for a localized decision making on priorities.

Egypt puts reduction of population growth as a national priority. MOHP is by mandate responsible

for population policies and activities and provides family planning and reproductive health services. Although the central level is committed to deliver services in all governorates, several factors hinder equal achievements including education, culture and the quality of local health services. Figure 6.4 shows trends and differences in total fertility rate (TFR) among governorates. Like for most other indicators Upper Egypt, particularly its rural areas, show the least achievements

### The Challenges

A number of other challenges continue to limit the optimal performance of the health system. There is often discrepancy in institutional capacities between governorates and among the districts of the same governorate as well as in the distribution of qualified trained health professionals, who are again not equally available at all levels and all places. Limited financial resources render difficult the task of retaining qualified and committed health providers and of creating suitable incentive systems for them. Poor training and focus on using centrally produced quality assurance guidelines that help to improve and maintain quality of care at governorate and district levels, coupled with weak supervisory systems continue to undermine the quality of the services at the peripheries. Difficulty in mobilization of the different stakeholders (from civil society to the commercial sector) is attributed to their not being used to the participatory processes required for partnership development and joint program management. Wide variation in ecological conditions whether sociocultural, economic or environmental can

**Table 6.2: Nutritional Deficiencies (Anemia, Stunting) and HDI Ranking for Selected Governorates**

High level deficiency	High Stunting	Moderate Stunting	Low Stunting
<b>High Anemia</b>	Beni-Sueif (20) Assiut (21)	Aswan (10)	
<b>Moderate Anemia</b>		Giza (7), Ismailia (7) Kafr el-Sheikh (14),	Damieta (6) Dakahlia. (12)
<b>Low Anemia</b>	Menoufia (11)	Gharbia (8) Beheira (15)	Urban (1,2,3,4 +9)

Note: HDI ranking between brackets, Source: El-Zanaty et al., from EDHS 2000

constitute important challenges, in particular among under-served and underdeveloped populations such as those revealed in the EHDR 2003.

The health system will always present a mix of functions. Some basic functions are necessarily kept at the central level, as, for example, the normative and regulatory function covering all aspects of the health system, as well as the ethical control function, which should be centrally retained. The formulation of policies and strategies that govern the management of major prevalent diseases and major health problems is also a central function. In spite of initiatives for the integration of vertical programs that had been part of the Child Survival effort – as witnessed by the integrated management of child-

hood diseases – into family health programs, a number of national disease control activities such as polio eradication continue to be managed through centrally controlled vertical programs. These vertical programs should not be the rule since best practice health systems and health services are based on the philosophy of the Declaration of Primary Health Care/WHO/UNICEF, Alma-Ata 1978 giving the primary responsibility of health to the individuals, families and communities and recognizing the broad intersectoral development base for health action.

### Current Institutional Framework

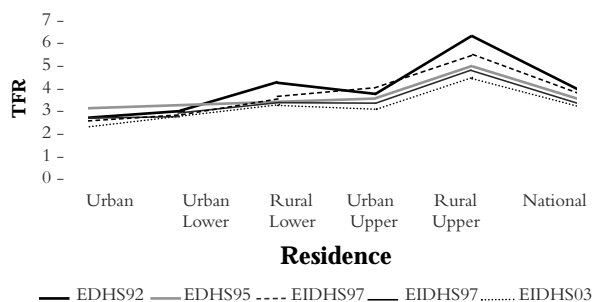
Egypt's health system is highly pluralistic and can

**Table 6.3 Pregnancy and Delivery Care, 2003**

Background characteristic	Antenatal care		One or more TT injections	Medically assisted at delivery	Delivered in Health facility	Number of births
	Any	Regular				
Urban-rural residence						
Urban	82.7	73.5	71.1	86.7	78.0	2,362
Rural	60.3	44.9	82.1	59.0	47.7	3,952
<b>Place of residence</b>						
Urban Governorates						
Lower Egypt	83.9	75.4	66.2	90.2	82.5	911
Urban	75.0	61.1	83.6	76.5	65.7	2,688
Rural	85.8	76.4	75.0	91.0	81.0	751
Upper Egypt	70.8	55.2	86.9	70.9	59.8	1,937
Urban	57.4	43.5	76.5	55.3	44.5	2,715
Rural	77.8	68.0	73.5	77.4	69.1	700
	50.3	35.0	77.5	47.6	36.0	2,015
<b>Total</b>	68.7	55.6	78.0	69.4	59.0	6,314

Note: Percentage of births in the five-year period before the survey whose mother received any antenatal care and regular antenatal care from a medical provider, one or more tetanus toxoid injections, Medical assistance at delivery, and delivery in a health facility. Source: EIDHS 2003

**Figure 6.4 Differentials in TFR by Residence**



be broadly classified – based on the sources of funding and functions – into three categories:

- n **Governmental health services:** receive direct fund allocations from the Ministry of Finance (MOF). They constitute the MOHP and the University hospitals that are funded through the Ministry of Higher Education.
- n **Public or para-statal health services:** receive public funds but usually from extra-budgetary resources in addition to private out-of-pocket funding and funds from the Ministry of Social Affairs. Those include the Health Insurance Organization (HIO), the Curative Care Organization (CCO), and teaching hospitals affiliated to MOHP.
- n **Private health services:** usually funded from household resources and limited private health insurance. The private sector also includes the not-for-profit sector and pharmacies.

Egypt has conducted several national studies looking at the National Health Accounts (NHA), which

**Limited financial resources render difficult the task of retaining qualified and committed health providers and of creating suitable incentive systems for them**

provide a good estimate of sources of funding, expenditures on health care by function and provider type and patterns of spending of health

care budgets. These studies were done at the national and not at the governorate level although there is a desire to do so. NHA provide us with information that can help in developing health policies and identifying policy direction. Over time, NHA can provide information on changes and trends in patterns of health spending. Graphs 6.5 and 6.6 show the sources of health care financing in 1995 and 2000 (unpublished MOHP study,

2002). A quick glance at the two figures shows a ten percentage increase in household expenditures (out-of-pocket) on health. This indicates an increased burden on households for health care spending and is an alarm signal that new policies must be developed to address this increase and reduce the burden on households.

Decentralization can be taken as a solution to reduce the financial burden of health care on individuals if it improves the quality of services and addresses priorities at local level. It will also allow for better selection of specific target groups, particularly the poor, who might have special needs or priorities to be addressed. In a recent survey (NDP, 2004) it was also found that people are less willing to pay for health services than they were two years ago. The increased burden of health care costs, the changing economic conditions and the inconsistent quality of services are all making families less ready to pay, particularly for primary health care (PHC). The findings of NHA and other surveys indicate the need for local level service improvement and planning and should guide MOHP in developing its reform policies and in formulating the new health insurance law. Before the last NDP survey, other surveys showed that Egyptians were willing to pay for quality health care. This calls for policies to address local issues and to ensure consistent improvements in quality of care.

**A Decentralized Setting**

The health sector is one of the few service sectors that is currently undergoing a major initiative for reform in which decentralization would be adopted as the basis for new mechanisms of financing and administering in Egypt. The Health Sector Reform Program (HSRP) was initiated in 1997, after the MOHP had commissioned a large number of national studies in preparation for the reform. Studies included the National Health Accounts (NHA), Private Providers' Survey, Egypt Household Health Utilization and Expenditure Survey (EHHUES), and budget tracking, as well as analytic studies of the different stakeholders and key players in the health care system of Egypt. The NHA and the EHHUES have both been repeated in subsequent years to continue informing policy makers and to record trends. Although HSRP is a multi-donor initiative, it was a response to the needs of the MOHP, and most of the negotiations and discussions took place at the central level.

HSRP has emphasized both equity and efficiency as two of the main principles of health care delivery. The focus for reform was to make the governorates and districts as the units for change and build capacities at the central level. HSRP started as a pilot in three districts of the governorates of Alexandria, Sohag and Menoufia representing the diversity of Egyptian settings (urban, Lower and Upper Egypt). It has now expanded to include Suez and Qena. The initial stage was slow and it is still too early to evaluate the pilot sites, but this experience provides evidence of MOHP's will to decentralize.

Several aspects of HSRP can be highlighted:

- n Local technical support teams were established from local governorate staff;
- n Several aspects of the planning process were moved to governorate level;
- n Financing mechanisms were developed at governorate level to separate the financing from the provision of health services;
- n Capacities were addressed at governorate level and training – including health policy training was provided for local MOHP personnel.

The potential for decentralization depends, not only on political will but also on the transfer of powers to different levels of authority. This is not an easy task and requires a change in the ways funds are allocated and the ability of the local level to collect revenues and use them efficiently. HSRP is built on the principle of co-financing the services where the families would pay a premium to the “Family Health Fund” (FHF), a mechanism established for collecting fees and contributions from beneficiaries. The implementation of a system where beneficiaries must pay for primary care services is a challenge to the system and it will not be politically easy. MOHP has to apply political skill to gain the support of local and national stakeholders. Social marketing skills are needed to set the stage and inform the public, mobilize stakeholder support and ensure that once the health units or centers are accredited within the new system, they are given the autonomy to implement all aspects of the reform process. Several new concepts are being introduced, particularly in financing, the basic benefits package of services (BBP), the accreditation process, the participation of providers from the private sector and NGOs, and issues related to provider recruitment. In addition to the primary

health care services, MOHP will need to establish a system for referral that will deal with those who need more advanced services.

To be fully implemented, the move to a decentralized system needs not only the delegation of authority to the health directorate at the governorate level but the full involvement of the governor, other officials in the governorate and that of Popular and local Executive Councils. Beneficiaries, media and other stakeholders such as community leaders must be pulled into the change process at the governorate level.

A change to a decentralized system also extends beyond service provision. It should include a strong training and needs assessment component, the power to influence legal frameworks, particularly for funding, recruitment and deployment, involvement in priority setting and identifying the contents of the basic benefits package of services, and the capacity to mobilize and keep funds. Ministerial Decree number 147 for the year 2003 allows the local health units to keep up to 40 percent of the revenues they generate. However, the health centers can generate revenues only if they meet certain standards of quality to ensure that the beneficiaries are satisfied.

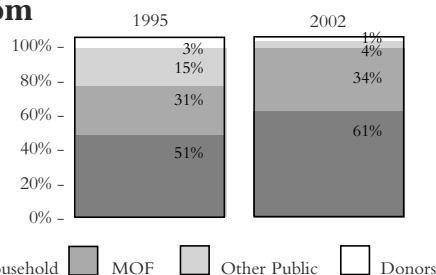
## Benefits of Decentralization

In the health sector it is now believed that the cost of not decentralizing is much higher than that of decentralization. The benefits are enormous, but success will take some time to be achieved and a gradual approach will allow for closer monitoring of the experience and a deeper assessment to avoid damage. There will be a closer match between the elements of supply and demand, a more efficient use of resources, a direct attendance to community needs and hence improvement in technical and allocative efficiency, and the cost-effectiveness of the interventions.

Decentralization should improve access to quality care and increase competitiveness between the public and private sectors, which – we can safely say – is a new notion for the Egyptian health system. Accreditation for units or clinics will raise

**The health sector is one of the few service sectors that is currently undergoing a major initiative for reform in which decentralization would be adopted as the basis for new mechanisms of financing and administering**

**Figure 6.5 The Egyptian Pound: Where it Comes From**



standards. The financial burden of the cost of health services on the government and the families will drop as the Family Health Fund, which is expected to become a financing mechanism acting like health insurance, will provide the opportunity for risk pooling. Rationalizing the use and distribution of equipment will improve as, for example, a governorate that has more than one service provider can plan to procure expensive equipment based on total population needs and not necessarily in line with any given provider's interests.

The EHDR of 2003 and previous years have indicated that there are large gaps in socioeconomic welfare among and within governorates. Those differences have a direct effect on health. A

**The implementation of a system where beneficiaries must pay for primary care services is a challenge to the system and it will not be politically easy**

simple example can be seen in the infant and child mortality indicators mentioned earlier. These are products of the educational levels of mothers, income of

families, access to health services, levels of sanitation, ability to pay for services and availability of providers – to mention a few important factors – which also include setting (urban/rural), or geographic location (Upper/Lower). Focussed planning according to a specific population profile implies the need for planning and decision-making at the governorate or district level, allowing local coordination between key players in each sector.

Improved identification and use of human resources and more opportunities for training of local governorate and district staff is an added benefit, particularly where there is an apparent inequity in the distribution and technical capacity of staff among and within governorates. In the absence of local incentive systems – whether financial or otherwise – many governorates find it very difficult to

retain either new graduates or trained health care providers. Thus, currently, most trained physicians move to the cities where they can combine private practice with a government job, and studies have shown that 89 percent of all private physicians have at least two jobs (Private Providers Survey, 1995) To help resolve this problem, universities or government agencies could enforce recruitment of only full time medical staff. Governorates should also be entitled to give preference in recruitment to their own graduates who would otherwise move to other governorates and cluster in capital cities. This could be encouraged if local students are given the right to enroll in their home faculties.

Decentralization should allow for changes in the criteria of selection, job descriptions and reporting systems of the directorship of the health directorate. This is the most senior and effective post in the governorates. The director is appointed by the Minister of Health so that his/her affiliation is more to the central rather than to governorate level. Further, interviews with central officials in MOHP and governors indicate that there are a number of imprecise or missing links in the decision-making process and in the reporting line of directors.

Effective decentralization would thus require more autonomy from MOHP, clearer directives, more influence on decisions, involvement in planning and defining governorate fiscal needs, fiscal autonomy and stronger collaboration with other directorates in the governorate. Recruiting health directors should be through a competitive process and priority given to those who understand local conditions. This will also help to reduce turnover of physicians who will be given an added opportunity for career development if they remain in their own governorates.

**Implementing Decentralization**

On the one hand, regulation is usually discussed as one activity that should remain largely centralized. There are different levels of regulating the system ranging from laws, supporting decrees, standards and accreditation mechanisms. Many of these are functions of the central level to ensure responsiveness of the system and increase its accountability.

On the other hand, the HSRP provides a new approach to re-organize the health sector and allow for more decentralized planning and mobilization of resources. It is based on the concept of separating financing of health care from provision of services to

improve accountability and transparency, the principles of equity in access and financing, efficiency (both technical and allocative), universality in coverage, quality of care and sustainability, both financial and political. It is clear that decentralization is the better way to achieve all those principles.

Studies show that the poor contribute a significantly large proportion of their income to outpatient health services and, in spite of the free government services, a large proportion of their visits to health facilities take place in private clinics. (figure 6.3). There is a need to be more efficient in meeting the health needs of the poor, a process that can be done more effectively at the local level. Health allocations to governorates are inadequate and usually come from Ministry of Finance with earmarked expenditures. Financial resources from MOHP to the governorates also have limited flexibility. The governor and the directorate of health in the governorate need more authority in spending their funds and more flexibility in selecting their priorities. Financing health care and defining provider payment mechanisms can be left to the governorates to be able to identify the most suitable mechanisms for their local conditions. The FHF should establish payment mechanisms that provide continuous incentives for the providers to improve performance and meanwhile achieve their own personal financial satisfaction so as to reduce the number of providers holding more than one job.

Targeting specific areas and activities can improve the health status of a community. The lessons learned from the Healthy Mother, Healthy Child (HMHC) project that targeted Upper Egypt indicates that capacity of local providers can be significantly improved with continuous training and monitoring. Upper Egypt governorates have achieved a remarkable reduction in maternal mortality in spite of the fact that this region is usually the slowest to improve its HD indicators; HMHC has proved that targeting specific areas and needs can accelerate success. It also indicates that for decentralization to succeed where capacities are still lacking or inadequate it is necessary to concentrate on priority activities based on local needs assessment and to avoid trying to meet all aspects of decentralized health care provision at once. Training goes hand in hand with other efforts; it should be a parallel activity providing on the job experience and continuous learning opportunities.

While MOHP has training centers in almost all governorates, these need to be well utilized to improve local capacities. Elementary management skills are no less important than other proficiencies. Decentralization requires good accounting and book-keeping at local levels and the development of a relevant information system.

To successfully implement a decentralization program will require a powerful social mobilization campaign to bring stakeholders on board. There could be both a national and a regional campaign, the first to act as a conceptual umbrella preparing the public for change, and the second for messages specific to the district or governorate based on local needs and understandings, and explaining the benefits of change. Winning over public opinion is important when the intention is geared to affect peoples' habitual expectations and behaviours, particularly those related to paying for health services previously provided virtually free of charge.

Evaluation of current pilot experiences is important to draw from lessons learned. The activities in HSRP to date are not sufficient for evaluation. Other programs such as the Healthy Mother, Healthy Child project, the Integrated Management of Childhood Illness, the National Diarrheal Disease Program are examples of success stories but not of decentralization as they are all implemented at national level. However, they show that many functions must remain centralized particularly public health functions such as the immunization programs and large school health programs. These are usually more cost effective at the national level and allow for a pooling of resources.

Involving other sectors that have a direct effect on health is essential to improve the health status. Decentralization is expected to allow for a coordination of inter-governorate and national activities and consequently, higher levels of performance, based on synergies and minimizing duplication. It is not possible to address an issue like diarrheal disease eradication, for example, without looking at sewage problems, a clean, unpolluted environment and safe water supply (see chapter eight); access to care frequently requires available transportation in rural areas; healthy life styles are the product of good hygiene, education and public

**Ministerial Decree number 147 for the year 2003 allows the local health units to keep up to 40 percent of the revenues they generate**

health information campaigns; diets are affected by the availability of foods and their prices. Nearly all health issues can be better addressed cooperatively, with local specificities met at the local level.

### Overcoming Impediments

If the political will for decentralization exists, not only at the level of MOHP but also at the broad government level, and is backed by Egypt's political parties, all of whom seek decentralization to build local capacities and improve the democratic process, then we must look at the reasons for its very slow progress.

In the health sector the move to decentralize is impeded by the lack of many supporting structures that could strengthen and accelerate the process. It is still heavily regulated by restrictions controlling the employment, penalization and firing of providers. The incentive system is not rewarding

**The incentive system is not rewarding enough for providers to stay away from the cities and practice in remote areas**

enough for providers to stay away from the cities and practice in remote areas. A successful move to decentralization requires a reform of the laws and regulations governing the sector and not just a cosmetic change in the form of service delivery. The current conditions leave very little space for initiative or innovation at the governorate level, and even less so at the district level. In brief, the existing system needs drastic review if it is to achieve real reform through decentralization, and there is an urgent need to apply the lessons of successful health systems and their implementation, whether national or international.

A major challenge is the ability to generate and use information. The health sector has a wealth of data; for example, at the level of the primary health care unit several forms are filled monthly and are collected and sent to the central level. However, information can only be useful if it is accurate, relevant, understood by the user, is available in a timely fashion, and used in decision-making. But currently, the information flow travels in one direction. It is collected locally and analyzed centrally, and decisions are made at the central level. In addition, the large amount of forms that are filled locally may affect the accuracy of the data collected. Analysis could be better accomplished closer to where data is gathered, possibly with central supervision to benefit from its expertise, and to place the

information in its general context. A two-way flow of information would ensure a local understanding of the significance of the information gathered, and a central understanding of issues and their implications both locally and nationally.

The capacity – or lack thereof – of staff and providers at the local levels has always been raised as a serious challenge to decentralization. It is essential to provide the means and mechanisms to upgrade local capacity through continuous on-the-job training for the short term and assessment of local training needs for longer term planning. Across governorates there are fourteen faculties of medicine, eleven faculties of nursing and two hundred and forty six nursing schools of which 233 are affiliated to MOHP. In addition each governorate has a well established training center for short-term training activities of health providers. Technical schools that graduate technicians, sanitarians and other paramedical personnel exist in almost all governorates. Thus while capacity building to meet the required needs is an on-going process and a long-term investment, efforts to decentralize should not be hindered by discrepancies in capacities.

### The Role of the Health Ministry

MOHP assumes the responsibility for the roles of planning, financing, resource allocation, monitoring and evaluation as well as healthcare service delivery. The lack of differentiation of roles between the centre and the governorates is leading to inefficient and poor quality of health services in general and curative services in particular. The highly centralized administrative structures, resource management and centrally formulated policies and strategies governing resource allocation undermine the responsiveness to local needs.

The organizational structure of the MOHP headquarters is complex. It includes various sectors, departments and units vertically organized with little inter-program communication and interaction. The organizational roles and responsibilities are sometimes redundant and lack clarity, and do not necessarily serve to accomplish the declared mission and goals of the Ministry.

### Some Reform Measures

Technical support and projects are still considered a function of the central level although most projects target the governorates. In early 2004, in an effort



to service governorates, MOHP established a new sector for 'Technical Support and Projects', which is responsible for several activities some of them carried out by other existing sectors and departments. However, its organizational chart is not clear on the level of interaction with other sectors and the reform teams in the governorates. In spite of the complex structure and the continuous addition of new units, deficiencies in the institutional capacity of the MOHP makes it unable to adequately undertake policy analysis and formulation, strategic planning, sectoral work force planning, provider regulation, management and control of investments, and medical and non-medical supplies and maintenance management. The health directorates and health districts – the principal actors at the governorate level are allowed only limited policy, budgetary or decision making roles. They continue to administer services based on the decisions made at the central level, and have little autonomy to mobilize resources or set local priorities.

#### Resource Distribution

The institutional framework of the health sector is complex. The distribution of resources and investments between primary, secondary and higher levels of care do not match the actual role of MOHP as the main provider of PHC nor the size of the network it is running. Figure 6.7 shows the budget allocation by sector in MOHP (MOHP data for 1995). Given the fact that MOHP has an extensive network of PHC services and that ultimately 80 percent of health care needs are covered at this level, it is important that MOHP prioritizes the allocation of its human and financial resources to PHC. Currently around 25 percent of nurses and less than 25 percent of the MOHP budget are allocated to PHC. On the other hand, secondary and tertiary care receive more attention, particularly investment allocations, and although MOHP services are the most utilized (50 percent of all admissions, according to EHHUES 2002) their occupancy rate does not exceed 40 percent, which calls for a more rationalized expansion of those levels of service.

#### The Budget

Budget allocations for MOHP result from negotiations between MOHP and the Ministry of Planning. They are based on plans prepared by the Department of Planning in MOHP in consultation with the health directorates in the gover-

norates and different sectors and departments. The allocations finally received do not necessarily match the needs expressed nor do those allocations from MOHP central level match those requested by the health directorates.

The governorates receive additional budgets for health directly from the Ministry of Finance. These are usually earmarked for specific investments and very little flexibility is allowed. In principle the direct funds should be based on governorate plans but are subject to availability and priority. Allocations of the budgetary *bab 1* and *bab 2* are non negotiable and only a small window of flexibility is possible for *bab 3*. The allowed flexibility is not enough for innovative use of resources at the governorate level. Governorates also have limited capacities to mobilize funds and use them locally. This is a major challenge if the governorates are to make a strong development contribution. Resources could come from direct contributions or earmarked taxes for the health sector. This requires changes in the use of funds that are discussed in the chapter on fiscal decentralization. Poverty is a factor that also limits the capacity of some governorates to raise adequate local funds and which increases the development and service delivery gaps between governorates. Special policies to target the poor need to be put in place where this applies.

A related concern is the lack of adequate incentive systems at the governorate level and the difficulty in identifying suitable payment mechanisms for the providers. Low pay with no means to raise salary levels hinder the governorates' ability to retain qualified providers. Added to this, many providers choose to live in the capital cities where they are more able to raise their income by working in both the private and government sector. It is thus becoming increasingly difficult to retain qualified staff and to bridge the growing urban/rural income divide.

**Poverty limits the capacity of some governorates to raise adequate local funds and which increases the development and service delivery gaps**

#### Improving Services

As a result, improving the quality of health care services poses a major challenge, especially at local levels. Furthermore, there is a need for institutional guidelines to achieve and sustain high standards of care at local levels. This requires a strong focus from the MOHP on developing such guidelines,

setting norms and monitoring standards, training personnel, instituting transparent systems of reward and punishment and improving information flows. Currently there is no decentralized institutionalized capacity to regulate health care service providers, either organized (MOHP and HIO) or unorganized (private practitioners).

Many stakeholders are not accustomed to participate in the decision-making and priority setting

**For those disadvantaged governorates it is possible to second experts from the MOHP or from other governorates to help boost performance**

mechanisms. There is both an educational and political task needed here in community participation. Women especially are usually poorly represented in public discourse, particularly in Upper Egypt and rural areas such that their specific health issues are compromised or misrepresented. In this respect, experience from some developing countries shows for example, that total fertility rate increases when decisions are left to the local level with low female representation. Special programs addressing rural women have shown to be effective in preparing them to participate more actively in voicing their concerns.

#### A Division of Roles

Decentralization is not dissociation. National health policies must be made at the central level and the governorates should be able to adapt their policies accordingly without compromising national goals. Regulatory functions must be left to the MOHP to ensure standardized services. MOHP remains responsible constitutionally for the health of Egyptians and hence should continue to provide regulatory functions probably with other independent national bodies for accreditation and quality assurance.

Functions that are most cost effective at the central level should remain centralized. Pharmaceuticals and medical supplies are an example of the importance of the central role to ensure sufficient supplies and appropriate pricing. The sector suffers from an insufficiently informed stock management system that is often unaware of local needs. This can lead to both shortages and surplus of supplies, with slow and ineffective stock replacement and inefficient drug dispensing control systems. The central level could procure and distribute supplies to the governorates according to their expressed needs in a

cost-effective way if bulk purchases are made. The governorates and districts in turn could develop a system of dispensing that minimized wastage and reduced cost.

#### The Culture of Change

Often, those at the central levels resist change because of a vested interest in maintaining the status quo with its administrative and financial power. Personnel are also afraid to lose some of the financial and other incentives they earn through participation in training and supervisory activities in the governorates. The outcome is often appreciable delays in the response to local problems and needs which undermine the relevance of the central response. There clearly is a need to change organizational culture and the incentive system to overcome some of these difficulties. This could take some time to implement and might require a change in the promotions structure of MOHP, with key positions given on the basis of merit rather than seniority. The highly centralized legislative structure governing health sector operations and processes as well as the centrally weighted management style constrains staff at the local levels, decreases employment opportunities there, restricts management and reduces financial autonomy, revenue generation and appropriate commodity procurement.

#### Risks and Problems

Decentralization of the health services may lead to an increase in disparities between governorates and districts if the planning capacities and resource mobilization abilities remain unequal. Inequities could increase and many of the gains under the decentralized system could be lost. It is important, therefore, to ensure that the decentralization process is gradual and that essential steps take place concurrently. For those disadvantaged governorates it is possible to second experts from the MOHP or from other governorates to help boost performance levels. It is also important to ensure that adequate financial resources are made available for governorates that are unable to raise enough funds on their own to improve service levels or rank low on the HDI scale or need special training facilities to upgrade skills.

#### Policy Recommendations

Changes in the health sector and a move towards a more decentralized system are better achieved as

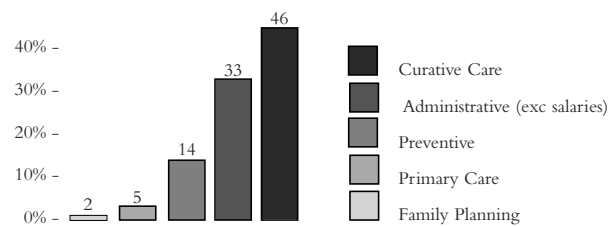
part of a complete reform package that supports decentralization in all sectors. Decentralization would have the potential for success with the full support of both a political and a legal framework. Earlier discussions have shown that in spite of the existing laws promoting various means of devolving responsibility and authority, the absence of political will in the past hindered full implementation of these laws, and the legal framework was counterbalanced by decrees that impeded the process.

Political will includes the support and the understanding of all stakeholders involved in making decentralization effective. It requires a change in organizational culture and the introduction of new definitions for authority. Since the health sector is already piloting decentralization and has already accumulated experiences from which lessons can be drawn, it could be a 'model' sector to lead the process and set an example in the implementation of a gradual decentralization across all sectors.

Some policy recommendations include the following:

- n Accelerate the process of introducing health sector reform models that adopt the Family Health approach after evaluating experiences and drawing on lessons learned
- n Improve communication channels between the central and governorate levels with a higher representation of governorates in the decision-making process
- n Provide options for financing the health sector at the governorate level and allow innovative approaches that will encourage local resource mobilization and utilization
- n Involve governorates and districts in monitoring progress towards achieving the Millennium Development Goals
- n Allow flexibility in provider payment mechanisms, recruitment and deployment of personnel to suit the needs of each governorate and create incentive systems that would encourage providers to practice in their home governorate
- n Improve the methods of data collection and interpretation and train governorate personnel on their use and implications
- n Improve planning capacities and the use of information systems to manage and distribute financial, human and infrastructural resources based on actual needs

**Figure 6.6 Percentage Distribution of MOHP Budget Allocations**



- n Strengthen the inter-sectoral approach to health at the governorate and district levels
- n Encourage the establishment of local health councils to improve the role of stakeholders and build their capacities to set priorities.
- n Promote health systems and epidemiologic research at both the central and governorate levels.

## Conclusion

Decentralization in the health sector is becoming a necessity to improve the health status of Egypt's population. It will raise performance at the governorate level, allow targeting of socially and economically disadvantaged groups, improve priority setting and will lead to the development of a community relevant basic benefits package of services at the primary care level. Decentralization is the organizational mechanism that can achieve both equity in access and financing as well as efficiency, both technical and allocative. It will strengthen the health sector's capacity to meet community demands of reduced financial burden on the family, and improved quality of services.

Decentralization in the health sector is piloted now in five governorates in the HSRP. MOHP intends to evaluate the experience and highlight the lessons learned to expand coverage by the new system that entails the establishment of a Family Health Fund to finance the services with contributions from the beneficiaries and government. Competitiveness and accreditation will form the basis for enrolling public, governmental or private providers into the new system.

The process should be gradual and must involve all stakeholders. Building local capacities and better resources management are crucial in reducing gaps in health performance between regions.

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## Public/Private Roles in Providing Housing Services

Over the past four decades, most of the trend towards global urbanization has occurred in the developing world. Egypt's stock of city-dwellers rose from less than 10 percent of the total population in 1900 to 43 percent in 2001. The annual growth rate of the urban population is projected at 2.2 percent until 2050 – exceeding the 1.9 percent annual growth rate of the entire population. The anticipated side effects of this trend require intervention to assure a more efficient, needs-oriented, and decentralized provision of services.

The term housing – s used in this chapter – refers not only to the construction of housing units, but also denotes urban planning and development, as well as the provision of infrastructure and basic social services.

### The Housing Value Chain

The Egyptian government plays a prominent role in the country's housing value chain. The division of labor between the government and the private sector – including companies, co-operatives, individuals, and NGOs – roughly breaks down as follows:

- n **Urban Planning:** The government is the sole authority responsible for urban planning.
- n **Urban Development:** While the government is the dominant player, the private sector has begun to participate in urban development during the late 1990s (for example, Rehab City and Dream City).
- n **Provision of Infrastructure:** The government is responsible for the provision of roads, drainage, water, sewerage, and electricity for housing—a task that is divided between the General Services Authorities (comprising the National Agency for Construction and the National Agency for Water) on the one hand, and the General Economic

Authorities (including the Economic Authority of Water in Greater Cairo, the Economic Authority for Transportation in Greater Cairo, etc.) on the other.<sup>1</sup>

- n **Construction of Housing Units:** This task is shared between the private sector and the government. Three important aspects distinguish the construction of housing:

- n The construction of housing consists of successive phases, and the end-users are only concerned with the final outcome: the housing unit.
- n Unlike services such as health and education, the range from which consumers can choose an affordable housing unit are limited.
- n Acquiring housing is an expensive venture. Direct costs include construction, as well as the payment of key-money for rent. Indirect cost involves maintenance, rent, and transportation to the work place.

Several questions arise:

- n Why has the housing sector failed to provide affordable housing for the poor?
- n To what extent do the government and the public sector recognize and meet the needs of the poor?
- n How can decentralization improve the provision of housing services for the poor?

This chapter attempts to answer these questions, analyze their relation with the state of centralization in housing services, and discuss possible solutions.

### Housing and Private-Sector Supply

While the government's housing policies have had the best intentions, its interventions have often engendered substantial long-term costs, and there

1. The General Service Authorities are legally defined as governmental agencies, while the Economic Authorities—which are supposed to run on an economically sustainable basis since their financial disaggregation from the state budget in 1979— are not.

has been an overall decline in its ability to plan, regulate and finance.

#### Housing Policies Between 1952 and 1975

This period witnessed the gradual concentration of powers in the hands of the central government—a development entailing policies designed to ensure socio-economic equity in the housing sector. The government instituted several new regulatory, institutional, financial and operational measures. However, centralized controls often damaged the long-term performance of the housing market as illustrated in Table 7.1.

During this period, the total number of housing units constructed by the private and public sector at a value of L.E. 863 million was 456,400 (i.e. 19,500 units per annum). The consequences of centralizing housing policies included:

- n A substantial withdrawal of the private sector from the rental housing market for middle- and low-income levels.

- n The direct involvement of the central government in heavily subsidized public housing which placed a substantial burden on the fiscal budget and limited the number of housing units that could be built to compensate for the private sector's withdrawal from the market.

- n The emergence of informal housing as an alternative for a growing number of urban poor, as an outcome of policies that encouraged urban migration.

#### Housing Policies between 1976 and 2003

This period witnessed the incremental re-involvement of the private sector in housing development. Yet while the economic liberalization (*Infitah*) launched in 1974 in principle

**Table 7.1 Housing Policies and Impact, 1952-1975**

<b>Housing Policies and Objectives</b>	<b>Long-term Impact and Costs</b>
<p><b>Rent control laws 1952, 1958, 1961- 62</b></p> <ul style="list-style-type: none"> <li>n Froze rents</li> <li>n Reduced monthly rent by 35 percent of its 1944 value in order to achieve social equity</li> </ul>	<ul style="list-style-type: none"> <li>n Withdrawal of the private sector from the rental housing market owing to limited profitability</li> <li>n Deterioration of housing stock due to dwindling revenues from rent and a growing reluctance on the part of private owners to invest in maintenance</li> </ul>
<p><b>Provision of subsidized public housing after 1954</b></p> <ul style="list-style-type: none"> <li>n Cut cost of housing for low-income households in urban centers</li> </ul>	<ul style="list-style-type: none"> <li>n Encouragement of urban migration</li> <li>n Growth of slums due to violations of building plans in response to the inability of standardised designs to cater for the diverse functional needs of growing families</li> </ul>
<p><b>Nationalization of construction and housing development companies</b></p> <p><b>Ceilings on public and private housing investment at L.E. 30 million (30,000?) in 1956</b></p> <ul style="list-style-type: none"> <li>n Limited annual amount of contracting work to any private company to L.E. 30, 000</li> <li>n Lowered capital investment in housing sector and shifted it to industrial development</li> </ul>	<ul style="list-style-type: none"> <li>n Horizontal expansion of Cairo in the East and the South</li> <li>n Reduction in the efficiency of nationalised companies and increased burden on fiscal budget</li> <li>n Reduction in housing construction and provision accompanied by parallel growth in urban population and the emergence of informal settlements</li> </ul>
<p><b>Significant reduction of public investment in housing and infra-structure to channel funds into military reconstruction after the 1967 War</b></p>	<ul style="list-style-type: none"> <li>n Increase in informal development</li> </ul>
<p><b>New rent control laws 1965, 1969, 1970</b></p> <ul style="list-style-type: none"> <li>n Reduced rent for newly established units</li> <li>n Social equity ensures popularity of policy</li> </ul>	<ul style="list-style-type: none"> <li>n Further withdrawal of private sector from rental market</li> <li>n Manipulation of laws to increase the rent through increased rents for furnished units</li> <li>n The emergence of the practice of demanding key money (down-payment) up front to compensate owners for losses ensuing from rent control</li> </ul>

**Table 7.2 Housing Policies and Impact, 1976-2003**

**Policies and Objectives**

**Incentives for partial return of the private sector to the housing market**

- Raised the annual investment ceiling for Egyptian contracting companies to L.E. 500,000
- Encouraged the private sector to return to urban development supply
- Allowed foreign companies to bid for construction contracts without any upper ceilings
- Allowed the private sector to enter into the production and trading of building materials alongside the public sector

**New rent laws to encourage private sector return to housing market (1977-1981)**

- Kept rents low—at 7 percent of construction cost for new housing units built just before promulgation of the law
- Exempted above-average and luxury apartments from rent control
- Permitted newly built units to be rented at higher rates than existing ones, but froze the rate once a rental agreement had been reached

**Establishment of New Cities outside urban centres**

- Encouraged growing population to move outside the Nile valley
- Aimed to protect agricultural land in the Nile Valley from informal encroachment
- Opened up job opportunities in new locations
- Tried to offer affordable housing units to low-income groups and youth

**Reactivation of Housing Co-operatives per presidential decree**

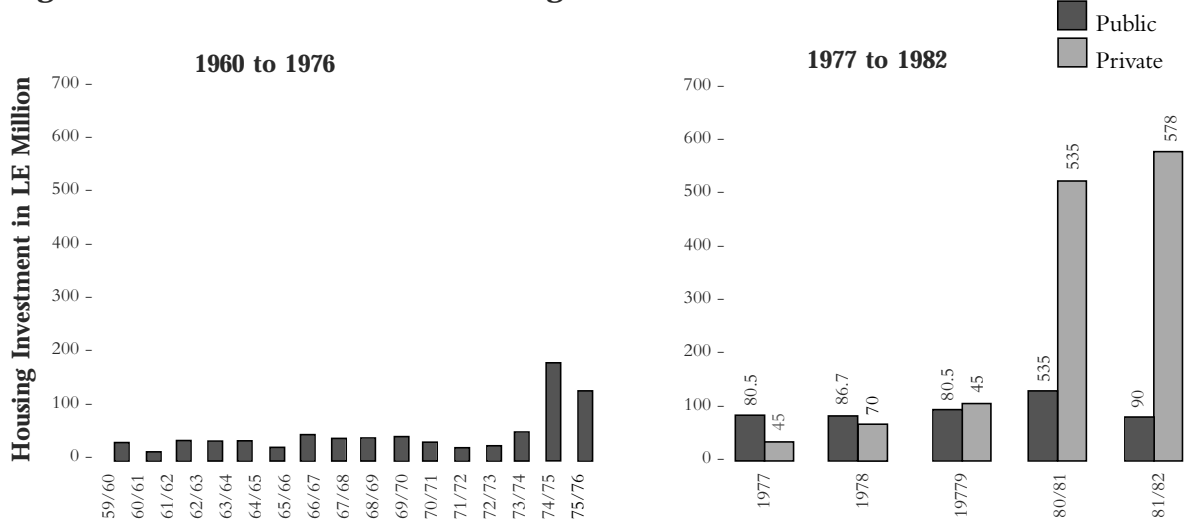
- encouraged individual investment in low- and middle-income housing
- offered subsidized building materials, low-priced land and infrastructure as well as low-interest loans

**Law 4, 1996 for organizing the rent of vacant housing units not subjected to rent controls**

**Impact and Costs**

- The maintenance of rent controls has encouraged the sale of housing units as an alternative to letting, which has increased the burden on low-and middle-income segments unable to afford real estate purchases
- While the law permits no more than a third of all privately owned housing units in a building to be sold, owners have found it more profitable to leave their apartments vacant than letting them out under existing rent restrictions—the result of which has been an increase in the demand for housing space
- Concentration of private investment in luxury and upper middle-class housing exempted from rent controls
- Left owners free to demand key money to circumvent rent controls—the result of which has been to increase the financial burden on the poor
- Scarcity of affordable housing for low-and middle-income segments has led to massive increase in informal housing
- The concentration of public investment in the New Cities has reduced the budget for the provision of public housing in old cities
- Massive public construction outlays have raised the cost of housing and services in New Cities to levels unaffordable for low-income segments—the result of which is to threaten the sustainability of these projects
- The remoteness from traditional community networks offers few incentives to move to New Cities
- Construction of more than 275,000 units within the last two decades by more than 1,900 cooperatives.
- Provision of subsidized loans worth more than L.E. 4 billion for construction of housing units
- The return of a substantial number of vacant units to the rental market has alleviated the housing problem for many big and young families
- Encouraged private owners to return vacant units

**Figure 7.1 Total Investment in Housing Sector between 1960 and 1982**

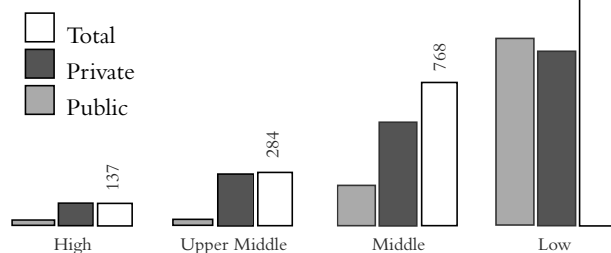


encouraged decentralization in the housing sector, but in practice, strong central control over decision-making and the implementation of urban planning has remained.

The total number of housing units built between 1976 and 1982 was 652,300, of which 42.1 percent are located in Cairo and 15.5 percent in Alexandria.

The period between 1982 and 2003 witnessed substantial public and private sector investment in housing. While the total number of formal units built between 1952 and 1981 did not exceed 1.1 million, the figure jumped to 3.2 million by the end of 2003. Figure 7.2 shows the number and types of units. Meanwhile, the informal market has continued to offer affordable housing to low and middle-income segments often in breach of the law.

**Figure 7.2 Number of Formal Housing Units Constructed, 1982 to 2003 (thousand)**



Adapted from: Ministry of Planning and GTZ, 2004.

### The Needs of the Poor

The term *informal housing* applies to housing constructed beyond the remit or in violation of the law. It denotes the occupation of an area by squatters, the sub-division of land without approval, and housing constructed in the absence of requisite permits.

In Egypt, informal housing (*ashwa i* or “random”) is ubiquitous both in rural and in urban areas. It is illegal or extra-legal in that it contravenes at least one law which regulates the planning, subdivision, construction, and registration of property, or the preservation of agricultural resources.

Informal housing, which first appeared in the 1960s, falls into two categories: (1) informal settlements on former agricultural land over which the builder exerts unregistered ownership, and (2) informal squatter settlements on former State land (mostly desert) over which the builder possesses a so-called “hand claim” (*wada yad*) of usufruct. In Greater Cairo, 81 percent of informal settlements occupy private agricultural land, while only ten percent of informally settled areas occupy state land. The remainder of informal settlements is located on agricultural land nominally controlled by the State. The figures for Greater Cairo roughly resemble those in other towns.

The lack of physical planning in informal areas is a product of their extra-legality. Informal settlements commonly lack an organized layout of streets as well as public spaces catering for services like schools. Streets tend to be narrow (2–4 meters wide), while land parcels merely average between 80–120 m<sup>2</sup>. Houses lack set-backs, and – with the



exception of narrow lightwells – the whole plot of land is usually built up. In the absence of building permits, there is no ceiling on the permissible height of buildings. This results in extremely high population densities. Nevertheless, the quality of construction is often remarkably good.

Circumstantial evidence suggests that informal housing is spreading precipitously. A study of satellite images revealed that the surface area covered by informal settlements in Greater Cairo between 1991 and 1998 increased by 3.4 percent annually, while the population residing in informal areas grew by 3.2 percent every year (200,000 people per annum). By contrast, the annual population growth in Cairo's formal settlements amounted to 0.8 percent. (CEDEJ, Information System for Informal Settlements, 2002). It is estimated that more than 1.5 million feddans of agricultural land have been lost due to the spread of informal housing over the past four decades.

#### Causes of Informal Housing

Central government control of the housing market is frequently blamed for the failure to curb the spread of informal settlements. The government's inept selection of building sites – as in the case of the “New Cities” outside urban conglomerations – is a case in point.

The New Cities' separation from the all-important informal urban economy – combined with a lack of efficient transport and social services – partly explains the failure to attract the projected number of low-income households. The government's decision to channel the bulk of investments into New City housing, moreover, has raised the cost of rent beyond the financial means of the targeted population. Conversely, funds poured into the New Cities have limited the supply of formal housing within older cities. Informal housing in older cities has, therefore, attracted a growing number of occupants.

The deterioration of the housing sector is also due to the uneven nature of government reforms since the 1970s. The decision to exempt luxury apartments from rent controls has driven the bulk of private investment into upper middle-class rather than lower-class housing projects. As early as 1986, the excess of upper- to middle-class units was estimated at 1.6 million—a figure that contrasts markedly with the severe shortage of low- and middle-income units.

Simultaneously, the maintenance of rent controls for low-income apartments has encouraged owners to sell rather than let their flats – an anomalous situation among housing markets in most developing countries. The net result has been to put the bulk of housing beyond the financial means of low- and middle-income classes.

While it is true that legislation imposes an upper ceiling on the sale of housing units, landlords have often found it more profitable to leave their apartments vacant than letting them out under existing rent controls. Alternatively, they have circumvented rent controls by demanding exorbitant amounts of ‘key money’. The resulting scarcity of affordable housing for low-income segments continues to fuel the spread of informal housing.

**The government's decision to channel the bulk of investments into New City housing, has raised the cost of rent beyond the financial means of the targeted population**

#### The Extent of Decentralization

##### Laws of Local Administration

Law 124 (1960) delegated authority over housing and public utilities to Local Government Units (LGUs), which were encouraged to supervise and implement development projects that fell within their jurisdiction, albeit in line with plans drawn up by the Ministry of Housing and Public Utilities.

However, local councils suffered from several shortcomings. The lack of qualified local staff and resources, coupled with the scarcity of funds from the central government, has rendered the implementation of these responsibilities almost impossible. Failure to clarify the relationships among the city, village, governorate and the central authorities has also contributed to inefficiency.

While Law 43 (1979) stipulates that elected Popular Councils (EPC) should supervise the provision of utilities at the local level, in reality supervision has tended to be more advisory and evaluative than administrative and managerial. Although the law authorizes the EPCs to approve projects for housing, urban planning and reconstruction, it does not stipulate with whom the initiative for developing these projects should rest. The Director of Housing and the Executive Councils in the governorate also share responsibility for the development and regulation of housing projects. The consequence of this duplication is that few are willing to take any initiative. In practice, the

## Box 7.1 Informal Housing and Urban Planning

Informal urban areas in Egypt are considered a problem from the public administration point of view. Yet, from a macro-economic point of view they were, in the past 40 years, the solution to housing poor and low-income families.

In the Greater Cairo more than 7 million people live in informal settlements; 80 percent are on privately owned agricultural land, while newly planned settlements in the desert remain empty because the poorer urban population cannot afford housing in the formal market. By 2025, half of Egypt's urban population is expected to live in informal urban areas. These do not only house the urban poor. They also offer housing at reasonable prices to young, educated families, including public service employees. Through the process of migration and urbanization these communities mix, transform and add new values to traditional ones. They find new patterns of organization, informal economy, social networks and solidarity mechanisms. Here the next generations are born and grow up.

Not only basic services such as water, waste water, roads and garbage collection need to be provided. From the point of view of local communities, the most urgent need is jobs for the youth, basic education, health and cultural and sport stimulation for youth to fight drug addiction.

Upgrading informal areas started in 1993, but the program planning and allocation processes were slow and complicated: only 60 percent of the national budget provided (L.E.2.3 billion) was used, and only physical infrastructure is financed, with weak monitoring of implementation, finance and impact.

Starting in 1980, a great number of pilot projects have been experimented with in selected urban areas all over Egypt. They were implemented by local administrations, NGOs, local communities, and assisted by various donor agencies such as the World Bank, UN-Habitat, Egyptian-British and Egyptian-German cooperation. Experience from these projects shows that local communities know their needs better than ministries, improvements suggested by local communities are much less costly and much more sustainable than centrally planned projects, and public sector departments need to coordinate investments and impact. Further, communities, mosques, churches and NGOs invest in social services badly needed by the poor population. Lack of money is often not the problem, but coordination is. Districts need to coordinate resources better from the various funds and programs presently available.

Past experience shows that enormous private small scale investments are made in housing. These investments need guidance and incentives to settle in the appropriate location with the appropriate support. There are already thousands of inhabitants who have built their houses on agricultural land or in desert areas, without any pre-urban planning. Any change in the status quo would be like a painful surgical intervention. In many cases, upgrading of these areas requires demolition of some houses and re-settling the inhabitants in other areas. Such improvement requires the inhabitants' participation to gain their comprehension and support, and a minimum consensus on the indicative plan.

This practice has been tried in Manshiet Nasser (population 420,000). In 1998, the German Technical Cooperation (GTZ) helped form an advisory group in the office of the Minister of Planning to find ways of reducing tensions in poor informal urban areas and to improve living conditions through participatory urban management. Since then, several improvements have taken place in the Manshiet Nasser district. One of the most important improvements in this area was approving the guide plan to resettle the population. The plan identifies the need to resettle less than 4 percent of the population. Over 100 families have already voluntarily resettled in new, nearby public housing units. Other improvements in the district include the construction of a new sewerage system, improvement of water supply for 35,000 inhabitants and of basic social services.

The model of a pilot area in Manshiet Nasser is ambitious. Under the existing conditions it is close to perfect in a short period of time. The results are visible. A powerful team with technical expertise (GTZ) and external finance (Kreditanstalt für Wiederaufbau Bank) substituted lacking local capacities and resources. Can this model be extended to the whole of Manshiet Nasser? Can it be repeated in other urban areas without technical and financial assistance? The Egyptian and German governments are already starting to up-scale participatory urban management in Boulaq El Dakrou (population 507,000), the largest informal settlement in the Giza Governorate.

*Ministry of Planning and GTZ*

heads of the Housing, Infrastructure or Urban Planning directorate in any governorate tend to follow the orders from the Ministry before commencing any housing project, unless a strong governor takes the decision to develop a housing project on his own initiative.

### Urban Planning

*At the national level*, the responsibility of urban planning rests with the General Organisation for Physical Planning (GOPP). While Urban Planning Law 3 (1982) gives the GOPP responsibility for urban planning in existing cities, its activities are limited to the preparation of master plans. The law

assigns local government offices responsibility for implementation. Yet given the low levels of local skills, in practice the GOPP has assumed responsibility for local implementation. At the same time, governorates and ministries often override GOPP-authored plans. A similar pattern applies in the New Cities. While the General Organization for New Communities (GONC) is by law responsible for drafting master plans, in practice the GOPP has assumed responsibility for planning.

In an attempt to decentralize planning and limit GOPP involvement, six regional centers have been established to prepare studies designed to assist governorates and municipalities in planning. However, the role of these centers has been marginal, due to the duplication of functions with planning divisions in the governorates and the lack of formal procedures specifying the division of authority between them. In practice, the contribution of these centers has depended mainly on the goodwill of governors.

*At the level of the governorates*, Law 43 (1979) grants governors vast authority over urban planning, land development and infrastructure. Urban Planning Law 3 (1982) entrusts local government councils and the governor with the review and approval of urban plans. While some governorates (e.g. Alexandria, Qena) have produced their own urban plans, most governorates prefer to rely on the GOPP because of lack of requisite capacities.

*At the local level (city or markaz)*, local executive councils are charged with planning, managing, and raising funds for service improvement projects. However, the double subordination of the heads of services department (for example, in housing and infrastructure), who are technically accountable to their ministries but administratively answerable to the Head of the *markaz*, has often paralyzed the implementation of such projects. The limited number of qualified staff has compounded the problems created by the subsistence of rigid hierarchies in decision-making which stifle any creativity and largely fail to address local needs.

#### Land management

There are five main types of land tenure in Egypt:

n **Private Ownership or Freehold:** Ownership of land by private persons or companies is registered with the Local District Office of the Land Registration Division (Ministry of Justice). Almost all agricultural land in the Nile valley is privately owned.

- n **Leased Land:** Land owned by the State and leased to occupants on a long-term basis. Land occupied by squatters may be granted the status of 'leased land' following an application to the governorate. Land which remains under lease permanently and, therefore, cannot be sold is known as *hikr* land. Non-*hikr* land may be converted to private ownership after expiry of the lease.
- n **Trust (Waqf):** Property set aside for charitable or religious purposes and usually administered by the Ministry of Awqaf or Religious Endowments. Patriarchal property belonging to the Coptic Church is considered *waqf* land, but is independent of the ministry.
- n **Encroachment:** The civil code makes it possible for the user of a plot of land to gain ownership of the land if it is permanently occupied for a period of 15 years and if the original owner does not assert his rights.
- n **Public Ownership:** Land registered as state property or land owned by the state which serves a public purpose. This land includes governorate-owned or *Amlak* land as well as archeologically rich and militarily sensitive areas.

Legislation designed to curb the encroachment on agricultural lands currently prevents LGUs from issuing building permits for vacant or deserted (*bur*) plots of 'agricultural land' within their administrative boundaries. Yet given the scarcity of formal land available for development (especially in the Delta), informal development has proceeded in violation of the law.

Moreover, given the time-consuming and costly procedures of land sub-division – whether on agricultural or non-agricultural urban land – owners often divide land illegally. Since few proprietors even bother to register ownership with the Land Registration Division, it has become impossible to control the encroachment of agricultural land.

Even so, LGUs possess very little control over public land under their jurisdiction, the majority of which is usually owned by ministries which conduct urban development with little or no consideration to local needs. The scarcity of public land allocated to LGUs has contributed to the increase of land prices.

**The law assigns local government offices responsibility for implementation. Yet in practice the GOPP has assumed responsibility for local implementation**

## Housing

While subsidized housing programs are usually considered the domain of the central government, the number of units built has fallen short of needs. Funds obtained from the Local Services and Development Fund (LSDF), however, have allowed LGUs to alleviate the housing shortage. Housing built at the order of the Governorates constitutes 43 percent of all units provided by the entire public sector.

## Infrastructure

The provision of water and sewage – conducted by the Housing and Utilities Directorate in the governorates – is one of most decentralized services in Egypt. Nevertheless, central government control remains tangible. The National Organization for Water Supply and Sewage (NOWSS) in the Ministry of Housing, Utilities and Urban Communities specifies tariff rates, supervises the operation and maintenance of projects, and offers technical support until LGUs become capable of assuming these functions.

## The System of Resource Generation

Taxation constitutes the governorates' main source of finance. While a quarter of all revenue from land and property taxes goes to the governorates, these dues rarely yield significant income since they are based upon an artificial assessment value pegged to controlled rents. The principle of recovering the cost of urban development, whether for new development project or upgrading low-income settlements has only spread recently.

The government's subsidized pricing policies have prevented local authorities from raising sufficient revenue to maintain existing facilities and to respond to demand. The belief that water and other public services are social services rather than economic commodities is deeply embedded. Sewage

services are provided free and the water tariff has been only about 10 percent of the cost of supply. Similarly, although the government has since 1991 adopted a scale of progressive rates for wealthier consumers, electricity rates remain inadequate. In the housing sector, the government does nothing to recover costs accruing

from the upgrading of existing facilities. The resulting shortage of revenue required for the operation and maintenance of services has led to investment cuts.

## Intra-governmental Dynamics

Urban development authorities operate within the confines of national policies over which they exert limited influence. Priorities, criteria and budgets are determined with reference to national development objectives rather than local needs. Employment policies, wage levels, price controls, subsidies and the relative importance given to the urban sector are all factors beyond the control of local authorities.

Local governments complain that their resources are insufficient to provide adequate services. Poor inter-sectoral co-ordination within local government and among different branches of the government inhibits the sound allocation of resources. As a result, several development programs, both public and private, operate simultaneously in any given urban area; yet few of them work in tandem with one another. The gap between perceived service needs and financial resources (the fiscal gap) is continuously increasing as the urban population continues to expand.

## Decentralization: A Way Out?

The following section reviews examples of decentralized innovation in the housing sector. Some of these experiences reflect national strategies, while others represent initiatives spearheaded by civil society. The purpose is to highlight areas in which reform is necessary and in which further devolution of power is desirable.

### Innovative Land Management Policies

Security of tenure should be the focal point of any land policy. Since formal tenure is often a prerequisite for access to public services, land tenure is an essential means of providing the most basic livelihood to the poorest of the poor. Experience shows that some basic measures which facilitate access to land include:

- n Limiting the influence of national authorities over land management and empowering local authorities to retain a sufficient proportion of tax revenue for development. The case of Bilbis (Box 7.2) illustrates that local authorities are capable of managing land efficiently, provided they are empowered by the central government.

**Few proprietors bother to register ownership with the Land Registration Division, and it has become impossible to control the encroachment of agricultural land.**

government does nothing to recover costs accruing

## Box 7.2 Land Sales and Allocation: Three Innovative Approaches

### n **Al-Nasriyya (Governorate of Aswan)**

Co-operation between the Community Development Association (CDA) and the Governorate of Aswan proved extremely successful in land allocation. The Nasriyya Development and Upgrading Project tried to develop a land management mechanism that would absorb over-population by adjusting levels of rent, legalising ownership of land and developing market mechanisms—both formal and informal—in the land market through participatory awareness-building.

In 1993, project administrators invited residents to discuss local preferences for the projected zoning that was designed to absorb natural population growth. The positive precedent set by community participation persuaded officials in the Property Department of the governorate to allow the CDA to help manage the sale and allocation of land in Nasriyya.

The governorate decided to endow community members with 70 percent of the value of sales proceeds in order to fund development at the grassroots level. In addition, Germany's Association for Technical Co-operation (GTZ) authorised the CDA to manage a credit scheme whereby local residents obtain a loan to purchase a plot of land. By and large, the initiative has proved successful. Thus far, more than 900 residents have applied to buy land in Nasriyya, while 315 plots have been allocated by a public draw.

### n **Bilbeis (Governorate of Sharkia)**

Given the disproportionate share of investments channeled into Cairo, other Egyptian cities have long suffered comparative neglect. Suffering from a lack of available land for future growth, Bilbeis was one of the few Egyptian cities to take advantage of the 1982 Urban Planning Law which authorized municipalities to formulate their own urban development plans. Local officials tried to tackle the scarcity of land in two ways. In the first case, the governorate brokered a land-sharing agreement with a squatter community which had illegally occupied 105 feddans of public land. The agreement provided the squatter families with legal tenure over part of the land in exchange for retrieving an adequate portion for public use.

In the second case, municipal officials negotiated and financed the acquisition of a seven-feddan plot formerly part of a jute factory. Similarly, to circumvent the complex set of regulatory impediments to land development, the governor of Sharkia used his executive authority in 1996 to exempt an industrial land division project from the normal red tape. Given the lack of funds for the delivery of infrastructural services, the buyers of the plots were encouraged to form a development association for the subdivided land (Sirry 2003).

### n **Incremental Land Development in Ismailia**

Provided formal residents pay a ground-rent known as *hikr*, they are free to extend their houses and to use them to increase income and capital assets. Thirty years ago, many households in Ismailia began constructing basic rooms for letting, which provided affordable housing for poor migrants and valuable income for the owners. Since then, incremental development has provided housing and employment opportunities for the poor, while raising incomes and asset values on a sustainable basis

*Payne 2002.*

- n Reducing the entry costs for new land development so that low-income households may acquire tenure. Permitting the construction of smaller units provides for incremental extensions at a later stage, as the example of Ismailia suggests (Box 7.2).
  - n Replacing single-use zoning with participatory approaches that stimulate the economy and help reduce poverty, as in the case of Al-Nasriyya (Box 7.2)
- Laws often hand powers to local authorities of whose weight they are unaware or which they are reluctant to use. Either way, institutional empowerment and capacity-building is crucial. Training local authorities and increasing their responsiveness should be the first step towards development that is integrated, reflecting a participatory approach.

## Market Mechanisms in New Cities

As the state began to retreat from its traditional domination of the housing market, it began experimenting with a number of innovative development models in the New Cities.

Mubarak Housing is a government-led low-cost housing project initiated by the President at the cost of L.E. 4 billion. The government recovered construction outlays through the sale of state-owned land as well

**Poor inter-sectoral co-ordination within local government and among different branches of the government inhibits the sound allocation of resources**

as high- and middle-income housing units in the New Cities. This form of cross-subsidization recovered 37.5 percent of the total cost of the project. The Ministry of Housing also subsidized this project through low-interest loans. To date, a total of 70,000 units have been established (MOHUUC 2001).

In Badr City, the government encouraged non-polluting small-scale industries to occupy the ground floors of low-cost housing units. The Ministry of Housing mobilized the Social Fund for Development (SFD) to grant micro-credit to such enterprises and persuaded investors to finance 576 housing units there.

In the case of the Future Generation Foundation (FGF) Housing Project, the government mobilized the private sector while NGOs managed the project. Initiated in 1998, the project aimed to build 70,000 units in the New Cities with a total investment of L.E. 2.4 billion. The FGF mobilized private sector real estate and construction companies to share 50 percent of the total cost. So far, a total of 15,000 units have been built.

These three projects represent a model of cooperation between the public and the private sectors. While the public sector conceived these projects much like in the past, it introduced useful cross-subsidization schemes. Even so, these projects

### Box 7.3 International Experiences with Housing Finance

#### Thailand

In 1992, the Thai Government initiated an Urban Poor Development Program which was coupled with the establishment of a new organization, the Urban Community Development Office (UCDO) with responsibility to implement the program nationwide. By the end of 1996, the organization had more than 850 savings and credit organizations in urban communities benefiting more than 120,000 households coupled with programs to secure jobs and income generation. The major aim of the UCDO program was to strengthen communities' managerial skills through enabling different forms of community organization to be formed and involved in running the project. In order to be eligible for a loan, each community must operate a savings program, and loans can be granted for up to ten times the amount saved. All loans are conditional on the availability of a clear community management structure and operating mechanism as well as clearly defined beneficiaries and project development and management process.

*Source: Adapted from UNCHS, (1996), An Urbanizing World: Global Report on Human Settlements.*

#### The Philippines

The Philippines Government launched a Community Mortgage Program in 1988 to help poor urban households acquire title to the land they occupy. This project focused on the bottom 30 percent of households to obtain access to housing especially those living illegally on land. The program provides loans to allow community associations to acquire land on behalf of their members, improve the site, develop individual title to the land and provide individual housing loans for home improvement or house construction. To acquire the loan, the residents have to organize themselves into a community association which becomes responsible for collecting repayments and for ensuring that the loan continues to be serviced. The land is purchased on behalf of the members and initially remains under the common ownership of the association. It is the association which is responsible for collecting monthly rentals and amortization from member beneficiaries until the community loan has been individualized.

*Source: Habitat International Coalition, (1994), Finance and Resource Mobilization for Low-income Housing and Neighborhood Development, Philippines.*

will require some adaptation with innovative micro-credit schemes to enhance the repayment of housing loans over the next 40 years.

These projects can be sustained in the long term only by linking housing acquisition to the provision of an economic base for households which will encourage families to stay in the New Cities. Guaranteeing a livelihood will enable residents to pay back soft loans for housing construction and upgrading.

Moreover, the allocation of land in the New Cities should be more responsive to the needs and the financial means of its beneficiaries. Communities should be encouraged to participate in neighborhood design to foster a sense of ownership and belonging. Recent legislation, which converted the New Cities into holding companies, should help increase the responsiveness of the shareholders to the demands of the communities and should thereby improve the quality of life in the New Cities.

#### Community Finance

An important feature of these two Asian cases (Box 7.3) is the award of a “collective credit,” which brings communities together to explore the benefits of collective action, encourages the formation of self-help groups (SHGs), and assists low-income households in combating poverty.

Similar examples exist in Egypt. When authorities decided to demolish houses in Sakakini in 1997, residents cabled the President and the Prime Minister expressing their willingness to co-operate with the CEOSS – an NGO – in upgrading housing in the area. The Prime Minister agreed under the proviso that the project be self-financed. The CEOSS decided to contribute a non-refundable grant worth L.E. 8 million provided residents shoulder the remaining L.E. 9 million. The grant was later converted into revolving loans. As a result, the CEOSS was able to upgrade the houses of the poorest 50 families in the locale.

By contrast, the CEOSS acted as a mediator between the community and an existing NGO, the Community Development Association (CDA) in Dar al-Salam. In 1998, the CDA and CEOSS agreed to provide residents with loans not exceeding L.E. 3,000 each repayable within 32 months. No less than 123 loans were taken out in this manner. Credit was disbursed in two phases. Once borrowers had made improvements in line with their own needs under

the supervision of an engineering committee, the second installment was disbursed.

As the previous two cases suggest, the involvement of NGOs in upgrading housing and mediating finance initiatives often yields better and more sustainable results than the direct involvement of governmental institutions.

## Urban Development

The Egyptian government has recognized the urgent need to establish an innovative mechanism for housing finance, especially given the prolonged recession in Egypt’s housing market. The promulgation of Real Estate Law 148 (2001), encourages low-income groups to develop property through the provision

of easy credit for real estate purchases, and is one step in this direction. Prospective buyers can procure up to 90 percent of the purchasing cost through loans provided by the State as part of the Housing Guarantee and Support Fund.

**Mubarak Housing is a government-led low-cost housing project initiated by the President at the cost of L.E. 4 billion**

#### Regulatory Framework for Decentralization in the New Cities

The Egyptian government launched the New Cities Housing Program to draw the population away from the congested areas in the Nile Delta. Twenty different New Cities have been built to date – with relatively mixed results. According to Law 59 (1979), management of the new communities should be transferred from the New Urban Communities Authority (NUCA) to local administrations as part of a larger move toward decentralization. However, an opinion poll found that residents and investors largely reject such a transfer for fear of increasing the heavy burden local administrations already face within their own districts.

In response, a draft presidential decree established a holding company to manage development projects for the new communities while maintaining NUCA’s overall responsibility for the establishment and management of the New Cities before converting them into subsidiary companies at a later stage.

Studies have shown that the establishment of holding companies for urban communities helps improve the quality of services and helps focus attention on the need to create more green areas

## Box 7.4 From Remedial to Institutionalized Upgrading

Upgrading programs for inner-city and peri-urban areas with illegal tenements have become widespread in recent years. Conceived in terms of a partnership with community associations composed of local inhabitants – rather than as a public works program – the Kampung Improvement Program in Indonesia constitutes one of the most successful government-led initiatives in the field. Countries like India, Sri Lanka and Indonesia have introduced similar programs.

One measure of the extent of decentralization is the degree to which upgrading projects have become institutionalized, such as when municipal authorities develop the capacity to co-operate with low-income settlements in upgrading infrastructure, providing services and regulating land tenure continuously and on a sustainable basis.

The experience of linking land tenure policies in the Brazilian towns of Porto Alegre and Recife to the broader national policies of land use is another model that has received worldwide interest. These best practice examples show that:

- n Tenure policies cannot be formulated in isolation from the broader context of public housing policy; investments in infrastructure; as well as the provision of services which, together, make up urban reform.
- n Legislation taking into account the local political context should promote the legalization of tenure.
- n Policy-makers should promote popular awareness regarding the general objectives of land regularization as well as the nature and implications of legal instruments used to promote legalization and security of tenure.

The regularization of tenure can have a more lasting impact on the reduction of urban poverty, if it is part of a broader set of public policies aimed at promoting urban reform and is supported by socioeconomic policies specifically aimed at generating job opportunities and income

*Edesio Fernandez 2002.*

to attract more residents. Holding companies also have a proven track record in optimizing the use of local resources.

### Conclusion and Recommendations

The government has started to realize the importance of decentralizing the provision of services. Yet the pace of change is slow and resistance to relinquishing power remains formidable at many levels.

Although LGUs were encouraged to conduct their own development projects, in effect, their role has been limited. The conflicting double-subordina-

**The involvement of NGOs in upgrading housing and mediating finance initiatives often yields better results than the direct involvement of governmental institutions**

tion of directorates to ministries and governorates hinders decentralization. Nor is the hierarchical manner in which decisions continue to be taken conducive to recognizing the actual needs of the population.

A large-scale decentralization of housing services will require granting LGUs more control

over their own resources. Relinquishing tax funds to the governorates will help generate more revenue and deliver better services. In addition, Governors and LGUs should be allowed to review and, where necessary, revise the allocation of centrally transferred funds in line with existing needs. LGUs should be authorized to raise resources locally.

Decentralization will also require greater reliance on bottom-up planning from the village/district (*qism*) level to the city (*markaz*) and, finally, the governorate. While the law stipulates that urban planning ought to be a joint effort between the General Organisation for Physical Planning and LGUs, in reality the GOPP tends to assume full responsibility. The introduction of financial incentives for local staff and the provision of training programmes for local engineers – conducted by NGOs and financed by the governorates – could guarantee a more sustainable decentralization of housing services.

Giving Elected Popular Councils more supervisory functions, meanwhile, would ensure a more needs-oriented deployment of resources and set the basis for more popular participation in decision-making and implementation of housing projects.



## Box 7.5 Institutional Reform in the Water and Waste-Water Sector

To improve the access of low-income groups to potable water and sanitation services on a sustainable basis requires a more effective use of available resources, technological improvements, capacity-building measures, and sustained investment in human resources. There is, indeed, ongoing research about including community and civil society organizations in decision-making related to water and sanitation issues. Some countries already have begun to address failing water and sanitation services by devolving further powers to local governments and the private sector, conducting regulatory reform, and instigating community-driven development schemes (WDR, 2004).

In Egypt, the provision of infrastructure has long been considered a public good. In order to enhance the provision of services, recover costs and attract private sector investment, the government decided to reform the country's WSS agencies by creating:

- n An inter-ministerial "Infrastructure Committee" to adjust conflicting sectoral WWS policies; attract private sector involvement in the delivery of water and sanitation services, formulate new tariffs for consumption of WWS services subject to approval by the Prime Minister and the National Assembly; and liaised with the National Democratic Party (NDP) to translate the needs of individual governorates into a new five-year financial plan;
- n A department to foster private sector involvement by co-ordinating between different public bodies, producing feasibility studies and providing technical and institutional information;
- n A holding company (established by Presidential Decree in April 2004) to determine a new tariff structure based on the actual expenditure in each governorate (verified by autonomous economic agencies and the newly established joint stock companies); to approve a five-year finance plan with anticipated recovery of expenditure; and to issue licenses for the operation of potable water and sanitary drainage facilities.

In the long-term, the government also envisages creating the National Organisation for Potable Water and Sanitary Drainage with eight regional centres across the country to prepare a regional plan for water and sanitation, create regional facilities which eventually shall be transferred to autonomous economic agencies;

The restructuring outlined above illustrates the government's commitment decentralization. However, re-structuring government agencies alone will not be enough to upgrade poor communities in rural and peri-urban areas. Organizational reform should be coupled with a policy of involving local government as well as non-governmental community organizations as well. Solutions to the water and sanitation crisis will require increased reliance on low-cost technologies adapted to local circumstances. Involving other actors will be necessary to avoid repeating the mistakes made by a centralized system in the past.

While the law grants governors relatively far-reaching powers, they exercise only limited control over land, much of which is owned by different ministries. Governors should receive more discretion over vacant land within their provinces for the purpose of urban planning.

Moreover, while the use of private agricultural land is circumscribed by a vast body of legislation trying to curb the misuse of scarce arable resources, this rarely prevents landowners from carrying out illegal construction work resulting in the waste of precious arable soil, while simultaneously barring LGUs from efficient land-planning.

Decentralization also means creating conditions which regulate the dynamic of informal

housing practised by the mass of ordinary Egyptians, a phenomenon which the government until now has either ignored or tried, unsuccessfully, to proscribe. Guaranteeing security of tenure should be the centre-piece of any land policy. Since formal tenure is often a prerequisite for access to social services, land tenure is a *sine qua non* for the survival of the poorest segments of the population. Encouraging local community-based development initiatives through micro-credit schemes can provide the poor with formal tenure, while simultaneously granting public authorities greater control over the direction that informal urban development continues to take on the ground.

For this purpose, alone, it is necessary for the government to improve links with grassroots civil society organisations. Empowering local NGOs to

meet the growing needs of the population will be essential in the years ahead.

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## Decentralization of Irrigation and Sanitation in Egypt

### IRRIGATION

Cultivated lands in Egypt amount to about 6 million and 3 million feddans in old and reclaimed lands respectively, owned by more than 4 million farmers, at an average farm size of 1.5 feddans (CAPMAS, 2003). Irrigation water is delivered through a complex and growing network of canals at various levels, exceeding 31,000 kms in length, in addition to 19,000 kms of drains. At farm level, the distribution of allocated water was traditionally managed by the communities or groups of farmers who share the property of the tertiary canal, or the *mesqa*, under rules and regulations developed by the communities over very long periods of time. Subsequently, the introduction of diesel pumping and individual patterns of management of the irrigation process at farm level led to growing pressure and higher demand for water, and the traditional system showed several shortcomings such as inequitable distribution of water resources and relatively low efficiency at farm level.

Privatization and liberalization of agriculture initiated in the late eighties and early nineties under the economic reform and structural adjustment program exacerbated the sources of conflict in the irrigation process, and led to an urgent need for the intervention of the irrigation authorities, for the first time, at the farm level or the *mesqa* level. It is claimed that the intervention is to rehabilitate management at that lower level and to let the users themselves take care of the management of water resources allocated to them on the basis of different technical and organizational measures.

### The Legislative Framework

Irrigation and Drainage Law 12/1984 is the marker of the contemporary legislative framework for water resources; it stipulates that the central authority takes care of the control and management of the

water distribution from the Nile River and its branches for all purposes. Law 213/1994 was issued to rectify gaps and furnish a legal base for the improvement of the irrigation system. According to this law farmers in the improved areas could establish their own water users' associations (WUAs) to manage and maintain their private *mesqas*; the associations have the authority to estimate irrigation fees that cover the costs of *mesqa* operations and maintenance. This law is the first to provide the legal basis for the farmer's participation and the decentralization in water management at the *mesqa* level. Other associations at higher levels could be established under the law 32/1964 but only according to specific rules identified by the Ministry of Water Resources and Irrigation (MWRI) in coordination with the Ministry of Social Affairs (MOSA).

Laws pertaining to the civil code first organized water management in the privately owned lands adjacent to the Nile and its branches, which include private *mesqas*, prior to endorsement of Law 213/1994. No article in the civil code deals with the establishment of organizations among the users of irrigation water, and Law 32/1964 is the sole legal basis for establishment of non-governmental organizations, including WUAs. But this law has disadvantages such as voluntary association-membership while there is a need for membership of all farmers belonging to one canal. Also, the central authority in charge of supervising financial and administrative activities of the organizations established on the basis of this law is MOSA, which has no experience with technical aspects of irrigation.

**Irrigation water is delivered through a complex network of canals exceeding 31,000 kms in length, in addition to 19,000 kms of drains.**

## Central-Local Relations

The Nile River delivers its water to several principal canals, and each principal canal with its sub-principal canals feed a number of command areas. Water is distributed within each command area by main canals and a number of branch (secondary) canals. These canals supply water directly or through distribution canals to the privately owned tertiary canals, mesqas, (that serve 50 to 500 feddans). Private mesqas are owned by the concerned water users who are responsible for their operations and maintenance.

### Water Delivery Canals

The irrigation system has five distinct types of water delivery canals (Hvidt, 1998). These are (i) principal canals receiving water directly from the Nile, with no direct irrigation allowed; (ii) main canals receiving water either from principal canals or directly from the Nile, with no direct irrigation permitted; (iii) branch (secondary) canals, with direct irrigation permitted only along their lower reaches; (iv) distribution canals receiving water from branch canals for distribution to mesqas, with direct irrigation permitted through legal farm outlets according to established rotation, and (v) private ditches, tertiary canals or *mesqas* distributing water to the *marwas* (tertiary and field ditches), or directly to basins.

*Mesqas* are 'below grade' or the water level in the *mesqa* is half a meter below field level (except in the Fayoum). That is, farmers must lift the water from the canals to their mesqas according to a rotation system. This design is intended to rationalize use of water for irrigation purposes since it is a

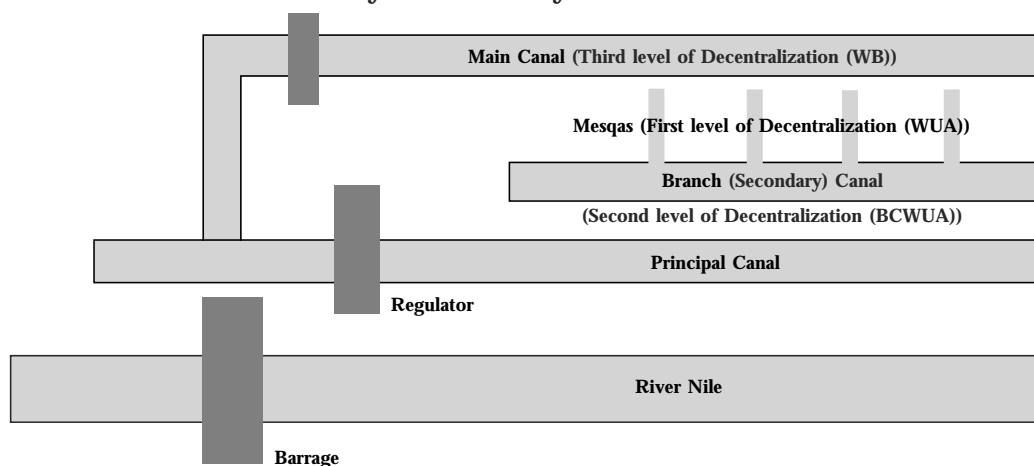
costly process. *Mesqas* deliver water to the farms for irrigation only, while other water canals deliver water to diverse economic and social activities.

Two spatial units are used in Egypt, command areas and directorates. There are 50 command areas, each representing a unit served by a particular canal (under the Irrigation Improvement Project of 1981). The main spatial system is the directorate; it is an administrative unit responsible for the operation, maintenance and rehabilitation of the irrigation system in its boundaries. At present, there are 30 directorates divided into 60 inspectorates, further divided into 175 districts, i.e. an average of 3 districts per inspectorate. The district engineer is normally responsible for irrigation operations for 20,000-50,000 feddans (divided into 20-50 branch canals). The district engineer and the gatekeeper or *bahaar* are the only MWRI officers that farmers are in direct contact with.

### Role of the MWRI

MWRI has four main departments: irrigation, planning, finance, and mechanical and electrical departments, and four authorities: drainage projects, high dam, coastal protection, and survey authorities. As per Law 12/1984, MWRI is the only body authorized and responsible for planning, construction, operation, maintenance and rehabilitation of the entire irrigation and drainage systems and any control structures thereon, including regulators and small bridges. It is charged with a) optimizing water resource usage, b) improvement of system and operation (reduction of losses, enhancement of efficiency and distribution equity, and rehabilitation

**Figure 8.1 Decentralization Priority Classified by Level of Water Canals**



of irrigation system, c) improvement of drainage conditions, that is, the application of modern technology and materials in the construction of subsurface drainage systems and operation and maintenance of drainage pump stations and subsurface drains, weed control and channel maintenance of open drains, d) monitoring and controlling water quality and groundwater exploitation, and assessment and mitigation of the negative impacts of desert reclamation, e) reclamation of desert areas for agriculture including planning and implementation of appropriate irrigation systems, desert development, sustainable groundwater utilization, and installation of drainage networks in newly reclaimed lands, and f) human resource development for the staff of MWRI and the water users.

From a financial perspective, farmers do not pay directly for irrigation services. In the traditional system they paid directly the operating costs of pumps for lifting water to their fields. But they pay, or have to pay, a part of the irrigation fees through indirect land taxes to the state treasury.

#### Stakeholders in Irrigation

Stakeholders in irrigation, at local level, include several agencies and organizations depending on the cultivated crop, the irrigator's socioeconomic conditions, location of land relative to the intake, climatic conditions, and so forth.

n The *energy-related agencies* at local level are very much concerned with the irrigation process as energy is sometimes a crucial factor, such as in the case of reclaimed land, where conveyance of irrigation water, mostly distributed through pressurized systems, needs lifting from one level to another across several canal levels.

n *Research institutes* belonging to the agricultural sector (MALR) are also important stakeholders in introducing new crop varieties that consume less water.

n *Transportation*, in both surface and sailing, affects and is directly affected by conditions in water canals. Industrial and household sectors also affect the irrigation water sector especially in rural areas where there are shortages in the sewerage system.

From 1977-1984, the 'Egypt Water Use and Management Project' (EWUP) was run by the Water Management Research Institute and the National Water Research Center (NWRC) of

MWRI, with USAID funding. This was the first national multidimensional diagnostic analysis research of the irrigation system in Egypt. Based on EWUP's early results, MWRI initiated in 1981 the Irrigation Management Systems (IMS) project, amended in 1984, to take advantage of EWUP-results. The project implemented several measures to improve irrigation efficiency, to support water saving efforts and to involve water users in water management and operation and maintenance. Project recommendations related to farmer's participation included a) their involvement in improvements of the water delivery system, b) a role for farmers in ensuring more efficient operation and maintenance of hydraulic and irrigation structures, and c) an Irrigation Advisory Service (IAS), to be established within MWRI directorates with well-trained professionals to help in transferring the responsibilities of the system management to the farmers.

By 1993, liberalization of the agricultural sector resulted in removing government control on prices of farm inputs and outputs, cropping patterns, and procurement quotas. This was through removing government control on private sector imports, exports and input distribution, limiting governmental ownership of land, and the sale of new lands to the private sector, adjusting the land tenancy system by issuing a new ownership law, and the reduction of subsidies on agricultural inputs and encouraging private sector investment in marketing and input supply.

Efforts to remove the constraints imposed on the agricultural sector and ambitious development plans in this sector led to a growing demand on the limited water resources. For better efficiency of resource-usage, the government sought new ways of recovering costs of investments in the irrigation system based on more involvement of end users in resource-management.

#### Weaknesses and Challenges

However, the above-mentioned conditions resulted in the irrigation and drainage sectors encountering several basic weaknesses and challenges, illustrated as follows:

1. More opportunities for conflicts among users.
2. Increase in misuse and lower efficiency.
3. Unsuitable institutional framework for the relationship between concerned parties.
4. Environmental pollution via water canals

These challenges were met by MWRI by adopting new water strategy and policies geared to moving closer to the end users, and in favor of service decentralization.

## A Decentralized Setting

### MWRI Policy for Decentralization

The management of a water rotation system requires full collaboration between farmers and stakeholders to ensure equity and fair distribution of water allocation as well as efficient use of allocated resources. Accordingly, and as an outcome also of socioeconomic development policies and programs aiming to feed an ever-growing population and creating new activities in sectors other than agriculture, the irrigation authorities represented by MWRI developed a new strategy to improve irrigation management and the related physical infrastructure.

The improvement of the whole system considered the fact that all canals up to the level of main and secondary canals and tertiary canal off-takes that ultimately serve the private tertiary canals (*mesqas*) are public property, and are managed by MWRI. It also considered that the tertiary and field ditches, or *marwas*, are private properties and subject to the farmer's authority. This included the creation of water user's associations (WUAs) as part of the Irrigation Improvement Project (IIP) that began in 1981.

The creation of water user's associations in Egypt was recommended in 1984 in a final report by the EWUP and made operational at the improved *mesqa* level in 1988 as an essential component of the IIP package. In 1992, an Irrigation Advisory Service (IAS) was initiated within the Ministry, to work with WUAs. These associations did not have their legal identity until 1994, when irrigation and drainage Law 12 of 1984 was amended by Law 213 of 1994 to allow for creating WUAs in the "new" lands and in the improved irrigation project area in the old lands at the *mesqa* level.

This policy of MWRI is seen as a step on the road to the decentralization of management of irrigation and drainage systems. This new law can be seen as the sign of a new era, and also as the legal base to institutionalize regroupings of irri-

gation water users to restore the group management of irrigation water at the *mesqa* level but under new technical and modernized conditions. Yet, some view it as an indirect and adroit way to extend the control of formal irrigation management to the lower level that was previously fully private. This could really be the case if MWRI refrains from re-transferring all responsibilities and authorities related to the management of irrigation water at that level to the WUAs, which are the newly established formal local organizations of farmers and irrigators.

However, the most recent MWRI policy has adopted the procedure of creating WUAs at the district level, which is higher than the branch canal level within the context of the newly adopted approach of Integrated Water Management. At present there are about 5,200 WUAs formed at the *mesqa* level and less than 90 organizations at the branch canal level in the same areas. These steps are still in the experimental stage with the support of several foreign aid projects. There is also a new proposed draft law on water and irrigation awaiting parliamentary approval, probably in late 2004, to give legislative identity to such new organizations.

### Stages of Decentralization

It can be concluded that there could be three periods of development of the decentralization process in the water management sector. These are as follows:

- n Decentralization through transfer of all responsibilities and most authorities at the lowest local level is needed, though irrigation and drainage at that level are traditionally a private affair. This includes improvement of the irrigation system at the tertiary canal (*mesqa*) level through the Irrigation Improvement Project (IIP) that started since late 1980s, including the application of a package of physical improvements of the irrigation system at that level in parallel with reorganization of users into formal NGOs or water users' associations. The 5,200 WUAs that have so far been created at the *mesqa* level serve about 300,000 feddans which represent less than 4% of all cultivated land in Egypt. If the project covers all of Egypt's lands, a huge number of new organizations is expected to be added to the fragile social structure of rural areas in Egypt.
- n Decentralization through transfer of most responsibilities and some authorities at the second local level of branch (secondary) canals. This includes the estab-

**Full collaboration between farmers and stakeholders will ensure equity and fair distribution of water allocation as well as efficient use of allocated resources**

lishment of water Boards at that level through the Water Board Project that started since mid 1990s. In 1994 the Netherlands Embassy launched an experiment in Fayoum to involve farmers in water management to establish participatory organizations at the secondary canal level, termed Local Water Boards. The objective was to develop and test new organizational arrangement aiming at complete or partial transfer of responsibilities from the Fayoum irrigation department to organizations that are partly or completely controlled by farmers. Since 1995, two different models have been tested in selected pilot areas, with agreement on the model of the local water board, which included both farmers and officials (in a joint committee) and based on a decree of MWRI's Under-Secretary in Fayoum. The irrigation and drainage district engineers are included in the local water board themselves. This will be followed by a project financed by the World Bank to establish similar organizations at the same level in other governorates.

- n The third project of decentralization expands this process to the district level. It is to decentralize and integrate water resource management, expanding responsibilities and authorities at the district level for that purpose. This involves integrating functions and building capacity at district level, further strengthening water users' associations, making appropriate changes at the central level of the Ministry to further define the responsibilities of the districts and assure that they have the authority commensurate with these responsibilities,. It means redefining the role of the Ministry itself in light of the trend towards decentralized management. In particular, the Ministry's role in allocating water supplies, managing data, and maintaining water quality need to be clarified, and support will be needed to build capacity in these areas.
- n The Integrated Irrigation Improvement Management Project (IIIMP) is the last pilot project to be implemented during the period 2004–2012 in about 500 000 feddans. The project is in the preparatory stage and will be implemented in five command areas: Mahmoudia, Mit Yazid, Bahr Tanah, Serry, Tomas and Afia. It includes five components:
  - n Integrated command area water management plans through institutional development and support,
  - n Promotion of WUA at mesqa (tertiary) and branch (secondary) levels for integrated irrigation and drainage management,

- n Rehabilitation and improvement of irrigation & drainage infrastructure,
- n Environmental management, and,
- n On-farm demonstration for improved water use.

#### Phases of Decentralization at Mesqa Level

Decentralization of the irrigation process at the lowest level includes the creation of WUAs for all irrigators at the mesqa level through seven phases highlighted below, to ensure sustainable water user associations. Each phase has its goals and the methods likely to be used to achieve these goals.

1. Entry aims to get acceptance of the local leaders and farmers, sharing the property of one mesqa, of the idea of the IIP. It provides enough information about the project, its aims and steps along with the expected outputs to both users and the national economy. This stage is implemented through the use of various means of individual and group communications. It also includes the collection of essential information about irrigation and specific related issues in collaboration with identified leaders, for future use in the activities of the initiative at the mesqa level.

This phase emphasizes building trust and good relationships between the IIP staff and target groups at the *mesqa* level. This phase is crucial to avoid potential resistance and for mobilizing efforts and resources needed for active participation in the whole process of setting the initiative up. The local socioeconomic context and the network of social

**The local socioeconomic context and the network of social relations should be carefully considered to ensure successful implementation**

relations should be carefully considered in this phase to ensure successful implementation. It needs qualified facilitators and enough time to allow active interaction with the targeted group. (Box 1 indicates some of the socioeconomic elements to be considered in this phase).

2. Initial organization aims to establish a consolidated base for building private WUAs based on assisting water users at the mesqa level to select/elect their leaders. The elected leaders should be trained on their future roles and responsibilities and meet regularly to solve problems and consult the IIP engineers for planning and design of the improved mesqa. Aspects related to the management of improved mesqa, such as cost sharing and other questions and issues raised by water users should be clearly

## Box 8.1 Defending Private Property

In Egypt the great social and economic value of agricultural lands for farmers has led to a highly sensitive reaction to any new situation that might affect the legal status of private property. This applies also to the mesqas that transfer water directly to the land and that are privately owned by groups of farmers. Hence, the authorities in charge of the physical improvement of the irrigation system, notably, the MWRI-IIP has to take this fact as an a priori before any intervention, possibly by using an awareness campaign. This has not always been the case due to the pressure of scheduled plans with time restrictions, which has precluded the use of time needed to persuade farmers.

Owners rather than tenants tend to be more positive towards such projects on the grounds that they have the potential to positively affect the accessibility to irrigation water and the security of water supplies. This, in turn, is usually reflected in higher yield that lead to a real increase in the land price and in rent rates.

Acceptance by farmers of the IIP intervention has proved to be much higher after exposure to well planned awareness campaigns based on the demonstration of concrete economic returns of the project, and exposure to the campaign for a sufficient period of time, and the use of effective communication means. But failure to consider the uncertain status of property in any awareness campaign would likely lead to higher resistance to such projects. Such a case occurred during the implementation of the IIP in the late nineties in Kafr El Sheikh governorate which is characterized by the existence of numerous farmers who benefited from the distribution of agrarian reform lands but had not got the titles to their lands until the time of inception of the IIP.

answered. Communication and dissemination of information about IIP, WUA-management, changes likely to occur at both the farmer level and with regard mesqa layout and organization are important to eliminate ambiguity which is the source of uncertainty usually leading to resistance.

3. Planning and design focuses on getting common agreement between the concerned farmers and the

### **WUA operation and maintenance represents the actual management of the improved irrigation system at its lowest level handed over to the end users of irrigation water**

- IIP engineers on the design for the improvement of their mesqa. A workshop would be held at the level of farmers and their leaders to share decision-making regarding the planning, designing and acceptance of the final *mesqa* design. Other activities of this phase include conducting a rapid appraisal of the *mesqa* conditions, data collection for design purposes and necessary refinements of the mesqa work plan, and discussions in meetings based on the gathered data and information.
4. Implementation of mesqa improvement tasks includes the implementation of all civil works of the improvement activities and preparing WUAs members to monitor improvement activities and resolve problems that may arise between the private

contractors and farmers or these related to property rights during the construction period. WUAs leaders receive training during this phase before the official handover of the mesqa to its users. WUAs leaders, the IAS engineers, the IIP construction engineers and representatives of the contractor inspect the entire mesqa before the WUA leader approves the handover which is required as an official document with signatures of the mesqa leaders. Intensive organizational inputs are necessary for all issues related to the activities and training to be undertaken during this phase.

5. WUA operation and maintenance represents the actual management of the improved irrigation system at its lowest level handed over to the end users of irrigation water. It should represent a return to the group pattern of management of the water resources allocated to the users but under different technical and organizational conditions. To realize decentralization at that level, MWRI officials should have a supporting rather than supervisory role with the WUA leaders. Running operation activities have to be regularly monitored, evaluated and whenever needed rectified to maintain optimum operation under the changing conditions. Support of the new experience of farmers with the different system and related regulations would need continuous instruction and



incentives to reinforce changes required in knowledge, skills and attitudes to cope. Criteria of evaluation should be applied, based on the measurement of increase in the farm income, the savings in irrigation labor and time, the equity in distribution of water and useful information on water delivery, and land resources and maintenance.

6. Establishment of a federation (or branch canal WUA) is a further step in decentralizing the management of water resources allocated not only for irrigation, as the case of WUA, but for all users at the secondary canal level. The main task of such an organization would be to increase the effectiveness of the main system operations and communication between water users and water suppliers by assisting the irrigation authorities in maintaining and participating in the running of the canal system. Providing such a two-way communication mechanism helps rapidly identify and resolve mutual problems. The goal is also to provide water users with a strong voice in system operation and maintenance, and to provide support services to the WUAs at mesqa levels.

The federation might enter into private business activities and purchase property and equipment, and take loans from credit institutions.

7. Monitoring and Evaluation to ensure that there is an effective process of documentation along with periodic internal and external evaluation of the activities of WUAs. The results to be used as feedback to improve the process of maintaining sustainable WUAs.

## Benefits of Decentralization

Conflicts and competition over allocated quantities for different uses, and the way water canals are used, are among the hot issues at present in rural Egypt. Therefore, as regards the potential for implementing decentralization of water resource management, the need is there but different capabilities must be provided through capacity building programs. Farmers' involvement with the management of water at higher levels than their own mesqas, would need time, to develop and apply capacities that differ from those related to water management at their own irrigation canals.

The expected benefits of decentralization include:

- n Better access to water resources by the marginalized categories, including small-holders and women farmers, through distribution of the available

quantity of water to all irrigators in the command area of each water channel concerned, (thus helping to combat poverty).

- n Better opportunities for equity of water distribution among users through the scheduling of irrigation for all members of the command area, in proportion to their share in the irrigated area.
- n Better efficiency in the use of water resources, due to the application of proper irrigation techniques and methods through collaboration with extension agencies.
- n Increase in the agricultural production (use of all land resources) even in those less accessible parts located by the tail end of water canals.
- n Lower costs of the irrigation process and in energy used in irrigation (due to the use of one lifting point for all farmers instead of several lifting points).
- n Better environmental and health conditions for workers in agriculture (as cleaning of canals becomes easier)
- n Less opportunity for disputes among farmers due to having irrigation-schedules that are well-known in advance.

### **Different capabilities**

**must be provided through capacity building programs.**

**Farmers involvement with the management of water at higher levels than their own mesqas, would need time to develop**

## Implementing Reform

Decentralization is not a panacea; it has advantages and disadvantages. The overall impact of decentralization on water management delivery depends critically on its design and on the prevailing institutional arrangements.

Factors that are likely to ensure positive impact on improving the efficiency of resource allocation, promoting cost recovery, accountability, and reducing corruption in water management public services are:

- n the existence of local democracy which may work best in socially and economically homogenous rural communities;
- n depending on expenditures rather than taxes (this would mean the transfer of part or all of the land tax to expenditures financed by farmer's fees and contributions);
- n empirical work to assess the relative importance of various factors that affect the performance of decentralized water management services;

## Box 8.2 Success Stories on Decentralization

Watanabe and Ogino (2003) stated that 'the Japanese irrigation management organizations have been reviewed from the point of view of decentralization or participatory irrigation management, and the autonomy of farmers' organization and its effectiveness on water management have been re-evaluated in the world context and movement of participatory irrigation management. One of the unique features of the Japanese system is that the water users organizations hold a hierarchical structure and that the organization in each layer cooperates with corresponding governmental organizations in the same layer, that plays a different role.

Samad and Vermillion (1999) reported in their study on Sri Lanka that 'irrigation management transfer alone has not resulted in an appreciable improvement in crop yields, the quality of irrigation services, or the value of agricultural production. Also, rehabilitation alone has not created significant effects. But, where both rehabilitation and management transfer have occurred, significant improvements in agricultural productivity levels and returns to land have been observed. The infrastructure inspections have revealed under-investment in maintenance. To eliminate the backlog of deferred maintenance, both the government and the farmers would have to substantially increase investment in maintenance. This raises concerns about sustainability of the schemes under participatory management'.

### Constraints that impede smooth decentralization in the irrigation and drainage sector can be traced to the long history of strict central management of water resources.

making water management services more responsive through decentralization, with the added benefit of increasing water users' willingness to pay for water management services that meet their demand.

The *constraints* that might impede smooth decentralization in the irrigation and drainage sector can be traced to the long history of strict central management of water resources by MWRI. In spite of the present shift away from this trend, it can still be found in the differences of opinion between MWRI officials and officials of other sectors when interviewed on aspects related to the application and expansion of decentralization. The results of a survey highlighted elsewhere in this Report indicate that:

1. MWRI irrigation officials are aware that they are not required to consult the Local Administration Law 43 of 1979. Hence they scored lowest among all sectors in consulting and applying this law. Irrigation officials depend on their own long centralized experience, and have the lowest percentage score among all sectors with regard the ease of implementing decentralization measures (11%).
3. Also based on their own experience, irrigation officials had the second highest percentage score among all sectors to suggest that the expansion of decentralization would need procedures and arrangements prior to that expansion (52%).

4. Irrigation officials had the third highest percentage scores among all sectors in stating that mobilization for decentralization would encounter difficulties (45%)

This suggests that the past experience of personnel in management will affect the ease of application of decentralization in their respective sector. This reality should be carefully taken into account when planning and implementing the steps, speed and rehabilitation process needed for each sector.

In the irrigation and drainage sector, the following factors are crucially important:

- n The high cost of shifting to decentralization, that is, the time and cost needed to build capacity of local organizations. Khouzam (2004) refers to the unfavorable impact of the wide knowledge gap between decision makers and users, as a major constraint to the smooth transfer of responsibilities and authority when shifting from centralized to decentralized management of the irrigation system.
- n A reasonable time frame is needed to achieve the process, given the slow rate of social and cultural change.
- n A change is needed in the style and techniques of management of the agencies directly concerned. That is, some rehabilitation of government agencies.
- n An admission that, given the variability of local communities' socioeconomic and cultural conditions, no ready made prescription is valid for all situations.

- n An acknowledgement that the social structure of rural areas is too fragile to integrate a large number of new formal local NGOs (WUAs).
- n An awareness that traditional rural social interrelations could manipulate changes to the advantage of some groups.
- n A knowledge of the legislative constraints on informal actions such as fund raising.
- n The frequent lack of coordination and integration among potential stakeholders.
- n The mismatch between administrative tools and norms and those used in the irrigation and drainage sector. In irrigation and drainage, the basis is the hydraulic measures – and these do not match even between the two sectors themselves.
- n An understanding that dynamic changes (internationally and locally) in farming patterns affect the demand on irrigation water and quality of drainage water.
- n A mindfulness that stable policies and firm commitment to the application of all laws will replace confusion and create norms among users.
- n A commitment to the practice of close interdependence between local and higher level administration to ensure the high technical experience required for efficient management of irrigation and drainage networks

## Policy Recommendations

### Level of Decentralization

It seems reasonable to identify the potential level of decentralization using specific criteria including the nature of the localities, the matching between administrative and hydrological boundaries of the premises, the level of technology needed for operation and maintenance, and the end users of the service provided. In other words, decentralization takes place in specific locational, socio-economic, cultural and institutional contexts that should be carefully considered in the phasing of the decentralization process.

In the irrigation water sector in Egypt, decentralization should follow a hierarchy based on the rehabilitation of the informal organization of the irrigation process at the lowest level of irrigation system, namely at the tertiary canal (*mesqa*) level and going up to the higher levels (see figure 1). For practical organizational and financial reasons, it is unlikely that the informal organizations of irrigation in old lands can be converted to the formal model presented by the experimental project of

Irrigation Improvement Project (IIP). There is an urgent need to start a comprehensive institutional reform to facilitate and even expedite decentralization at that level. This is justified by the greater inefficiency of the irrigation process at that level compared with the inefficiencies at higher levels. Avoidance of this reality is not justified by the large effort and cost required at the tertiary canal level.

Decentralization of the system at branch canals level or the districts level cannot replace the need to start from the *mesqa* level, and pilot projects which examine starting the decentralization process at higher levels, such as at branch canal or district levels, should not divert attention from this.

### Approaches to Decentralization

The recommended approach to decentralization should address the context first. It is claimed, for example, that whenever the familial and tribal ties are stronger the decentralization process might need more time and effort. Subject to an understanding of the context, a phased approach using the appropriate time frame, and application of the appropriate legal framework is likely to be more successful.

Previous experience of the central authorities and the structure of the power hierarchy is another aspect that should be carefully taken into account. The higher level hierarchy is often more difficult to decentralize. The devolution of authority from a long term bureaucrat is more difficult and complicated to achieve than with a less experienced one. It is expected that the decentralization process in, historically, the most centralized sector of water and irrigation is likely to face more resistance and less willingness than in other sectors of a less central nature.

Several approaches could be employed in the water sector to smooth the process:

- n The application of the human development approach which emphasizes the building of local capacities;
- n Institutional sensitivity to prepare the ground for changes. The legislative framework should provide the motivation for change and offer incentives to the more self reliant groups, who would become models and examples of success;

**Decentralization of the system at branch canals level or the districts level cannot replace the need to start from the mesqa level**

- n Introducing new values and patterns of relations among all stakeholders, by promoting dialogue and participation;
- n Demonstrate the feasible economic benefits at both individual and group levels, and in concrete and tangible terms, as an outcome of the shift towards decentralization.

## SANITATION

### A Vital Development Issue

Sanitation is both the outcome and the process of separation of human excreta and other waste products from both man and the environment, through appropriate collection and safe disposal practices. For most countries, sanitation commonly carries a low priority ranking on the development agenda. It is not an attractive subject and does not enjoy the attention and priority ranking that water supply enjoys. But sanitation is not merely a minor development problem that relates to health and environment. It is a vital subject in its own right, and can influence the outcome of development efforts in a number of key domains. Politicians need to understand that the attainment of national development priorities such as poverty reduction, education, maternal and child health, infectious disease control, and child survival, depend – in one way or another – on safe sanitation. (see Box 8.3).

Investments made in costly development programmes are spent in vain if sanitation problems are allowed to jeopardize the results. The child survival programme, which had realized spectacular reductions in child mortality rates over the past quarter of a century, and which has now reached a plateau phase with slowing in the downward trend (Egypt Health Sector Analysis and Future Strategies, MOHP 2003), is an example. The slowing of progress can be explained by the fact that the interventions that were used focused more on access to improved case management and preventive health measures such as vaccination against childhood diseases rather than to improving the living conditions. It is becoming evident that accessibility to quality health services and to safe water supplies alone is not enough to sustain the progress made in reducing child mortality rates. The impact of the grave environmental risks that some children are being exposed to is slower to develop and its influence on child mortality rates is yet to be determined.

The non-renewable character of natural resources indicates the serious need for urgent

action to put a halt to the unhindered continuous pollution of water and soil. It also means that if we do not act today, there will be less to save tomorrow. The irreversibility of the damage to the environment can endanger the quality of life of future Egyptians, and renders dramatic the cost of inaction. While the Ministry of Housing remains the lead ministry responsible for provision of water and sanitation services, the cross-cutting nature of sanitation calls for a programme based on an integrated people-centred approach involving all concerned sectors, institutions and stakeholders, at both the central as well as at the local levels. Clear definition and attribution of responsibility, roles and functions for each partner at each level, in addition efficient inter-sectoral coordination mechanisms and exchange of information are the key to a successful outcome. Given the local nature of sanitation problems as well as of the interventions, governors (and local government) are best placed to mobilize and to coordinate, at the decentralized level, the inputs of the different sectors, partners, and stakeholders, working together towards achieving the sanitation target.

### The Current Status

The urban demographic pressure has been compounded by the continuous flow of rural-urban migration. Increase in coverage of potable water supply networks to cover nearly all the population (97.1 % of households are within less than 15 minutes walk from a piped water source (Source: IDHS 2003), and adoption of modern lifestyles with modern plumbing and sanitary appliances led to concomitant increase in per capita water consumption with resultant further increase in the volume of sewage and wastewater produced. The per capita water consumption figure used by sanitation engineers in their estimations is 200 litres per day per person, 80% of which becomes wastewater. In areas where sewerage networks existed, insufficient and failing infrastructure led to chronic manifestations of an overburdened system that represented an important public health risk due to uncollected wastewater and sewage or inadequate disposal and treatment facilities. Given the high costs of operations that are involved in the design and construction of basic infrastructure for new sewerage systems, with its collection network of pipes, pumping stations as well as treatment and disposal systems, priority was given to Cairo and other major urban

## **Box 8.3 Sanitation's Contribution to Achieving the Millennium Development Goals**

### ***Goal 1: Eradication of extreme poverty and hunger***

Poor sanitation erodes human capital by perpetuating the vicious cycle of disease, poverty and malnutrition. Improving sanitation and nutrition status are considered two strategies that can lift people out of poverty and increase productivity.

### ***Goal 2: Achieve universal primary education***

Poor sanitation can increase absenteeism and reduce school performance through its impact on health and nutrition. Safe sanitation reduces disease and improves health and educational outcomes.

### ***Goal 3: Promote gender equality and empower women***

Accessibility to safe water and sanitation facilities liberates precious time that women can use for fulfilling their caring and economically productive roles; and girls to continue their schooling and increase future opportunities and choices.

### ***Goal 4: Reduce child mortality***

88 percent of diarrheas, which together with respiratory infections top the causes of child mortality, are attributed to unsafe water supply, inadequate sanitation and hygiene. Improving water supply reduces diarrhea morbidity by 21 percent and improving sanitation by 37.5 percent.

### ***Goal 5: Improve maternal health***

The contribution of improved sanitation to maternal health passes through its intimate relation poverty in the vicious cycle of poverty, poor sanitation, disease, and malnutrition.

### ***Goal 6: Combat HIV/AIDS, malaria and other diseases***

The propagation of a number of infectious diseases other than diarrheas as well as vector borne or parasitic diseases are related to poor sanitation.

### ***Goal 7: Ensure environmental sustainability***

National mobilization for a programme aiming at "halving the proportion of people without sustainable access to safe drinking water and sanitation (Target 10) " will directly contribute to the attainment of Goal 7 of the MDGs.

centers, which create an enormous demand for water and act as concentrated sources of pollution. The decision was based on the estimation that the population served by the plan represents more than half of the total population of the country. This left out the rural areas, and agglomerations that were not within a radius accessible to the priority urban sewage networks. Rural villages are progressively being encroached upon by galloping urban sprawl and, most importantly, the informal squatter areas housing rural migrants and low-income families. Poor hygiene, sanitation, unhealthy living conditions, and high child mortality rates characterize such collectivity, the total number of which continue to grow and is estimated to be in the millions.

For agglomerations that are outside the Strategic Plan, sanitation issues are expected to be managed by the concerned local public services, namely the Water Supply and Sewage Authority that intervenes as much as its resources can allow, with the help of external funds whenever available. Response to a request for connection to the sewage system usually follows a political channel to the Minister of Housing through the elected member

of the People's Assembly representing the community in question. Left to manage for themselves with little or no technical guidance or control and with limited available information as to their sanitation needs, the rural communities that are not serviced by the sewage collection and disposal systems resort to their own traditional simple technologies. Table 8.1 shows that while clean water is accessible to nearly the whole population, coverage by sewage collection and disposal systems lags behind, in particular in rural areas.

The rise in the ground water caused, inter alia, by over irrigation, poor drainage systems, and by cultivation of water intensive crops is a phenomenon that is observed more in the villages of northern and middle Egypt. Leakage and wasted water from faulty end appliances and an aging and poorly maintained water supply network (that had once been estimated to reach up to 30 percent), is an additional contributing factor. The rise in the ground water has exposed it to contamination by a number of harmful agents from several sources. Pollution can result from contamination of ground water by human excreta from placement of pit

### Box 8.4 Particular Nature of Sanitation

Sanitation is both the outcome and the process of separation of human excreta and all other waste products from contact with man and the environment through appropriate collection systems and safe disposal. The three aspects that together make up "safe sanitation" are:

- n The behavioural, which is concerned with the transmission of knowledge and influences behaviour. Since sanitation outcomes are affected by human behaviour and practices, sanitation cannot be solely considered a public goods and services domain as in the case of water supply and electricity.
- n The structural, which refers to the material and physical capacity for safe sanitation, including the appropriate infrastructure, network, system or method, for collection and safe disposal of human excreta and waste water, and all other forms of waste materials. The institutional support and the organizational and managerial capacity, also fall under the structural aspect.
- n The technical side of sanitation covers the development and adoption and/or enforcement of regulations, standards and norms, techniques and processes which govern the design and choice of the system. The technical aspect embraces the simplest individual collection and treatment methods as well as the highly complicated costly techniques for collection and disposal of waste matter.

latrines in hydrologically and geologically unsuitable locations, by agricultural activities (such as, intensive farming, flood irrigation, and/or cultivation of water intensive crops), by leaching from municipal and industrial landfills and abandoned dump sites, from accidental spills of chemical or waste material. Ground water pollution is of grave concern as it is used for drinking purposes.

Some successful examples of individual stand-alone technologies or appropriate technologies for communal sewage collection, treatment and disposal systems have been established and are operational in communities benefiting from externally funded projects. Successful examples exist within

**The non-renewable character of natural resources indicates the serious need for urgent action to put a halt to continuous pollution of water and soil**

the framework of infrastructure development in peri-urban squatter areas, of rural development programmes such as the Shorouk programme for development of the Egyptian village, or of sanitation programmes financed directly by the Social Fund for Development or by the international community. Such initiatives, according to field reports, are isolated and seem to be an exception to the rule. Furthermore, disposal of sewage evacuated from latrines, vaults or septic tanks is commonly accomplished using unhygienic procedures, and untreated waste matter is often dumped in the nearest waterway. In terms of water borne

sewage, it is not always that effective containment at the household and community level is followed through so as to ensure its treatment and safe disposal.

In a domain that involves more than one sector (mainly health, agriculture, irrigation and water resource management, the environment, industry, tourism, and local government) and more than one partner: the people themselves being both actors and beneficiaries, coordination and free flow of information is a critical issue. The multiplicity of "mixed" committees with little power, and the absence of an inter-ministerial policy coordination body, coupled with a tradition of limited consultation between ministries can be attributed to the fact that there is no recognition of the subject of sanitation as one whole or entity. Each sector focuses attention on the area that falls under the mandate of that particular sector.

The interface between the mandated responsibility of the water supply and sewage authority, the communities, local government and other partners such as civil society, in managing and maintaining appropriate and affordable solutions has not yet been defined for the newly created Drinking Water Supply and Sanitation Holding Company. However, lessons learnt can be drawn from current examples of successful local coordination of efforts and resources that are taking place in a number of governorates.

**Table 8.1 Sanitation Facilities****Percent distribution of households by drainage system**

	Urban	Rural	Urban Gov.	Average for country
Public sewer	84.6	21.7	96.6	53.6
Vault/bayara	8.2	25.1	1.9	16.5
Septic system	6.9	48.9	1.4	27.6
Pipe to canal	0.2	1.5	0.1	0.8
Pipe to ground water	0.1	0.2	0.0	0.2
Emptied (no connection)	0.2	2.5	0.0	1.3
Other	0.0	0.1	0.0	0.0

source: IDHS 2003

### Between Central and Local

Responsibility for sanitation development and management is fragmented over many sectors, and at different levels and involves several disciplines. However, there is an increasing consensus that solutions for social and individual problems caused by lack of water supply, sanitation, and hygiene are only achieved in a local context, in which the appropriate mix of government, private sector, individual and civil society contributions must be locally appropriate; that all sectors have a part to play; and that their part must be locally determined (WHO/UNICEF, 2000).

The multi-partner share in the responsibility for establishing sanitation systems starts with the community itself, the producer and first level manager of sewage and wastewater.

The coordination function of local authorities is not limited to an inter-sectoral role, but can also serve to mobilize and enhance partnerships with the community, with civil society as well as with the private sector. This role is instrumental in maintaining the “whole” and the “continuum” in a multi-actor domain such as sanitation. Effective partnerships are also vital for leveraging scarce resources.

The dissociation of the water supply from the sanitation policies and strategies, with separate administrative responsibilities and insufficient coordination mechanisms, and the non-inclusion of the agricultural and irrigation sectors (as well as the environment) in an integrated water resource management policy are drawbacks that only good coordination at the governorate level can attempt to overcome in the interim period, while awaiting rectification of the situation.

Several activities in support of decentralized interventions such as data collection, assessment of needs, monitoring of problems, initiating preventive and regulatory action are best undertaken at the local level. Research and development of new technologies not only for their safety and efficiency but also for their social acceptability is an area where the support of decentralized academia and research institutions can be mobilized by the local authorities.

The legal, regulatory and normative functions that regulate the domain of sanitation and the policies that govern the implementation of sanitation related activities are

**While clean water is accessible to nearly the whole population, coverage by sewage collection and disposal systems lags behind, in particular in rural areas**

conceived and managed in the greater part at the central level. Application of such regulations and abidance by centrally approved norms and standards as well as enforcement of related legislation lies within local level responsibilities.

Decisions regarding major investments and infrastructure development plans for creation or extension of public or municipal sewerage systems are made centrally. In countries with poor coverage, it is the central government that has a responsibility to improve access to sanitation and change hygiene behaviour. Although external support agencies can help with funding, Governments will still need to contribute most of the resources to accelerate implementation of sanitation programmes. Governments must spend scarce resources in the most cost effective way, selecting programmes and technologies that provide maximal health and hygiene benefits to a maximal number of people at the lowest cost.

## Box 8.5 International Development Targets

In September 2002, the World Summit on Sustainable Development in Johannesburg reaffirmed the Millennium Development Goals and added specific targets on sanitation and hygiene. The global community has thus acknowledged the importance of promoting sanitation and hygiene as development interventions and has set a series of goals and targets to:

1. Halve, by 2015, the proportion of people without access to basic sanitation
2. Improve sanitation in public institutions, especially schools
3. Promote safe hygiene practices
4. Promote affordable and socially and culturally acceptable technologies and practices
5. Integrate sanitation into water resources management strategies
6. Implement plans, national policies and incentives for waste minimization and improved recycling and use of waste water
7. Develop innovative financing and partnership mechanisms
8. Build institutional capacity and develop programmes for waste collection and disposal services for underserved populations; strengthen existing information networks

Allocation of public funding to the local level for creating the demand for sanitation remains the responsibility of central government. Creation of a demand is critical because where demand for sanitation exists; the people are often willing to commit their own scarce financial resources to building sanitation facilities. Efforts to accelerate sanitation programmes and to close the gap between water supply and sanitation serv-

### Ground water pollution is of grave concern as it is used for drinking purposes

ices with affordable, appropriate and safe technologies (see Table 8.1) is one of the challenges facing local authorities, the priority area for action being the agglomerations and communities not serviced by safe sewage collection systems.

Breaking up the enormous task of increasing access to sustainable sanitation facilities into smaller governorate level tasks within a national programme is an option that may need to be considered. It will necessitate a change in policy and strategy to allow the development of local "comprehensive" sanitation programmes that are geared to local needs, and to the particularities of the local context under the leadership of Local Government, within a National Sanitation Programme. All sectors and potential partners can be brought together to formulate and implement an integrated approach to sanitation that bridges their separate mandates, while at the same time respecting the three fundamental principles for creation of socially, economically and ecologically sustainable sanitation systems:

- n Equity: (all segments of society have access to safe appropriate sanitation systems adapted to their needs and means)
- n Health promotion and protection from disease: (sanitary systems should prevent users and other people from contracting excreta related diseases and should interrupt the cycle of disease transmission)
- n Protection of the environment.

### The Cost of Inaction

For Egypt, a country that has practically achieved the international development target for water supply, serious efforts are required for closing the gap with the sanitation target. While there have been important investments made for providing safe drinking water all through the past half century, there has been poor progress in the area of sanitation, especially in the management of human excreta and of its disposal. The avoidable health risks and hazards caused by poor sanitation practices, the significant share that poor sanitation is responsible for in the degradation of natural resources, as well as the downward spiral of poverty (Kishk et al, 2003 and 2003) indicate the graveness of the current sanitation problem.

One study of 66 agricultural drainage canals estimated that they carried an annual discharge of 3.2 billion cubic meters which included raw sewage from 5 000 rural agglomerations, semi-treated or untreated waste water from Cairo and other urban centers, and mostly raw sewage from



the rapidly growing unserved peri-urban areas (WB 2000). It is estimated that if increasing water pollution from industrial and domestic sources are allowed to go unchecked, it is likely that the amount of water available for various uses in the future will be reduced (Abdel Shafy and Aly, 2002). The Nile basin, in both its surface and ground water, is considered at present to act as a closed basin: pollutants that find their way in are retained and do not go out. This situation is clearly not in the long-term interest of the country and the health and economic cost could be substantial. The discharge of untreated waste water and excreta into the environment affects human health and well being not only by polluting drinking water, but also by entry into the food chain, by providing breeding sites for flies and other disease vectors. A common complaint suffered by northern Delta peasants when irrigating the land is the extreme skin irritation resulting from contact with the irrigation waters. This is attributed to the irritating action of toxins of some species of the cyanobacteria that flourish in waterways with high content of organic matter, the commonest source of which is human excreta. The practice of using lifting pumps to draw water from the nearest source without discriminating between a drain and an irrigation canal, coupled with the discharge of raw sewage into the irrigation network of waterways, has resulted in the mixing of the clean water with the irrigation water and ending of the traditional strict separation between both waters. In this way, the irrigation canal system and the drainage system have, together, become conduits leading to wider spread of the waters polluted with human excreta and wastewater with a multiplier effect on health and environment risks. Poor waste disposal practices are responsible for a significant proportion of the infectious disease burden. However, a study by WHO, for estimating the cost and benefits of water and sanitation improvements at the global level (WHO/SDE/WSH/04.4) covered a range of five selected interventions to improve water and sanitation services. It showed that all water and sanitation improvements were cost-beneficial for all developing regions. The return on a US \$ 1 investment was in the range of US \$ 5 to US \$ 28 for four of the five interventions.

### Legal and Regulatory Framework

The sectoral ministry that has the mandate for providing water and sanitation services is that of

Housing, Utilities and Urban Communities and two recently issued Presidential decrees regulate the sector of water supply and sanitation ( Box 8.4.). However, more than one sector may have a share in the regulatory role applying standards and norms that protect human health and health of the environment to all stages of the sanitation services, and their associated technologies and practices. Each sector is concerned with aspects of sanitation that are related to the mandate of that specific sector and has its own legal and regulatory framework that it applies to the area of sanitation. For example, a new technology developed by sanitary engineers may require accreditation by health and environment experts for conformity with health and environmental regulations and norms respectively. The situation is rendered more complex when it becomes apparent that each sector may be responsible for normative control of separate stages of one and the same process, often with some degree of overlap. Apart from some identified weaknesses and duplication in the current legislation and regulations between health and environment, the general opinion of workers in both domains is that the legislative framework is quite satisfactory. The problem lies in its application. In the experience of some northern countries, financial sanctions or administrative penalties are found to be more effective than attempting to enforce the law. Administrative penalties, usually targeting the middleman and not the end user, can consist in cancellation of a permit, withdrawal of a license or an awarded concessions. They are regarded as a powerful weapon as they can result in gross financial losses to the law breaker.

The focus, in the new decrees, on sustainability of the water supply and sanitation services and of their quality, and the creation of a regulation, monitoring and supervisory system to ensure high levels of performance presents an important challenge with regard implementation. It calls for detailed directives for the creation of such systems within the Drinking Water and Sanitation Authority and its affiliates in the explanatory texts that will be developed for implementation of the decrees. The new decrees are limited to the regulation of the

**Disposal of sewage evacuated from latrines, vaults or septic tanks is commonly accomplished using unhygienic procedures, and untreated waste matter is dumped in the nearest waterway**

'services' of water supply and sanitation, and do not deal with requirements where no sanitation services exist. They do not deal with the interface with integrated water resource management, which necessarily includes all partners sharing in water withdrawals and responsible for management of water use. These include agriculture, irrigation, industry, housing, and local government. The administrative separation of water supply from sanitation services, embodied in the pres-

**If increasing water pollution from industrial and domestic sources are allowed to go unchecked, the amount of water available in the future will be reduced**

ence of water only companies in Beheira and in Dumyat may even prove counter effective to efforts for improvement of sanitation. The fact that about 80 percent of water supplied for domestic purposes is turned into wastewater, necessitates the concomitant presence of collection and disposal systems, once access to drinking water is established.

The obvious absence of the Ministries of Agriculture, Irrigation and Water Resources, and that of Local Development (Local Government) from the membership of the governing board, reflects (a) the prevailing focus of concern accorded to water and sanitation services in urban settings; (b) the limitation of sanitation services to common public systems connecting agglomerations to a public sewage collection, treatment and disposal network; and (c) the non-recognition of the wider base of actors and partners involved in developing and servicing this sector, and of the role that the consumer plays whether in indicating his preferences or in contributing to the management of problems at the source.

The creation of a local decentralized coordinating body in the area of water and sanitation is needed to overcome the deficiencies of the centrally based governing board of the WS and S Authority by inclusion of representatives of local partners and actors which will necessarily include representatives of civil society and of the private sector. It is hoped that the internal statutes and the program of work will recognize all the potential partners, defining responsibilities of the different concerned sectors and distributing the respective roles by area and by level. Effective mechanisms for intersectoral dialogue will need to be more explicitly defined. More details will need to

be provided on activities for protection of the consumer and on the subject of equity in access to the services and calculation of tariffs. The latter is expected to be a complicated task because of a number of issues which include the unequal household accessibility figures for water supply and sanitation and the administrative separation of both services which will eventually need to be integrated as is the practice in all developed countries.

There is not one comprehensive regulatory and/or legal framework that can be used to regulate the sanitation activities of the different sectors and partners who contribute to the provision of sanitation services to communities not serviced by public systems. Furthermore, the sanitation standards applied by the different concerned sectors may not always be consistent (for example in housing construction and in workplace safety). The regulation role for protection of health and ecosystems is shared mainly between health and environment authorities that control and monitor the application of set norms and standards. The enforcement of enacted legislation/regulations is recognized to be an area that needs to be strengthened. The sanctions and/or penalties that are in the current environment protection laws are not considered to be strong enough to be effective. Awareness of and abidance by public health norms and regulations in the area of sanitation may be a little better than for the environment. In the case of domestic and community hygiene and sanitation, the front line agent is the sanitary technician. He is a member of the primary health care team and has an inspection, monitoring and advisory role at the household and community level, working closely with the local authorities and in collaboration with the epidemiological surveillance programme. However, the limitations of the public health content of the basic services package and the lack of a clear definition of the responsibilities of the sanitary technician in the new Health Service Reform Plan (2004) undermines the implementation of the important local public health role of the health team in the area of sanitation. The particular valuable contribution of this technician is that he can enter the homes and can personally inspect the sanitary facilities and observe behaviors and practices.

In practice, Local Government is held responsible for intervening to maintain appropriate sanitary conditions at the local level in communities not connected to sewage systems. Operating with

### Box 8.6 Presidential Decrees 135 and 136 on Water and Sanitation

Two Presidential Decrees issued in 2004, regulate the sector of water supply and sanitation under the responsibility of the Minister of Housing, Utilities and Urban Communities. The first decree, 135 for 2004, is concerned with the creation of a Holding Company for Drinking Water and Sanitation (DW and S) and its affiliated companies that include the General Economic Authorities for Drinking Water and Sanitation that already operate in some of the Governorates. With headquarters based Cairo, the DW and S is governed by the laws and executive decrees that regulate the business sector. The mandate of the Holding Company and its affiliates covers the purification, transport, distribution and sale of drinking water as well as collection, treatment and safe disposal of sewage. Under the new decree, the presently existing General Water and Sanitation Authority and the General Economic Authority for Drinking Water and Sanitation that operate in the governorates and/or within public sector companies, become affiliated to the Holding Company. The governorates that are listed in the decree and which benefit from the presence of such companies are, Cairo and Greater Cairo, Alexandria, Aswan, El Minia, Beni Suef, Fayoum, Dakahlia, Gharbia, Sharkia, Kafr El-Sheikh; with the Beheira Water Company for Beheira and the Damietta Water Company for Damietta.

The second Presidential Decree, 136 for 2004, covers the creation of the Authority for the Drinking Water and Sanitation Sector, and Protection of the Consumer. This decree aims at regulation, monitoring, and supervision of all that relates to drinking water and sanitation activities and interventions so as to achieve the highest level of performance and to guarantee the sustainability of the services and their required quality. It is placed under the authority of the Minister of Housing, Utilities and Urban Communities. With its head offices located in Cairo, the Authority retains the right to establish branches or offices in other parts of the Republic. The Minister of Housing heads the Governing Board, which includes members from outside the drinking water and sanitation sector, namely two technical experts and a representative of the consumers, seconded by the Minister of Housing. The ministries of Finance, Health and Population and of the Environment are represented on the governing board. The texts or statutes that regulate the internal functioning and the activities of the Holding Company and of its affiliates in line with the legislation that governs the General Business Sector, are to be issued by the Minister of Housing, Utilities and Urban Communities following approval by the governing boards of the respective companies. No internal changes are made in the administration and operation of the authorities and concerned companies until the implementation texts are issued and approved.

limited resources and in the absence of a defined sanitation strategy, their role seems to be rather limited and does not satisfy the demand. The case of Ibsawai (Fayoum governorate) shown in Box 8.5, illustrates the pitfalls of the dissociation of the water supply from the sanitation services and the absence of a coordinated strategy and plan. The limited intervention capacities of local authorities in such crises and the contribution of factors that are outside the control of the water and sanitation domain, namely related to irrigation and drainage demonstrate the need for an inclusive and integrated approach to water and sanitation that recognizes all the major partners/actors in integrated strategies and regulatory frameworks.

The present legislative and regulatory framework, as well as the nature of the interventions and responsibilities within the sector covers a mix of central and local situations. In the area of sanita-

tion, it is technical imperatives such as the capacity of a network or of a sewage treatment plant that may govern decisions

pertaining to a local situation. Close partnership and consultation is to be maintained between the central and the decentralized levels in all actions and decisions

that may have wider implications. However, creating the right types of legislation/regulations in support of extending sanitation services beyond public collection treatment and disposal systems is an essential pre-requisite for supporting the decentralized level and their contribution towards increasing access to the services. The legislation will need to create conditions that favor innovation, both in

**Apart from identified weaknesses in the current legislation and regulations between health and environment, the general opinion is that the legislative framework is satisfactory**

technology and in financing mechanisms; define cooperation between relevant stakeholders, including the private sector; allocate financial resources to capacity building and to monitoring, implementation and maintenance. The compilation of all existing laws and regulations, and the highlighting of those that are to be applied at the local level can help local authorities in fulfilling their monitoring and regulation role and/or in following up on the work of agents from the other sectors in this respect.

#### Constraints to Improved Sanitation

Access to sanitation is impeded by constraints and barriers, the most important of which is the reluctance to allocate public funds to a costly service. While water and electricity supply has always occupied a high place on the development agenda, sanitation did not enjoy the same importance. (97.1% and 98.8% of households have access to water and electricity respectively – EIHDS 2003) Politicians and decision makers are now beginning to acknowledge the urgency of the need for action.

The political will that backed the expansion of the drinking water supply network may be beginning to give similar backing to sanitation. The low priority order is also observed with the people themselves who are reticent to talk about the state

**There is not one comprehensive regulatory and/or legal framework that can be used to regulate the sanitation activities of the different sectors and partners who contribute to the provision of sanitation services**

of their sanitation facilities, and manage their problems commonly on their own, often, adopting the easiest disposal methods, with no awareness as to the important health hazards that untreated fecal matter represents when discharged directly into the waterways. Community level programs and initiatives in various geographic regions of the country have never met any difficulties in mobilizing community resources and their voluntary participation. (for example, the GTZ supported Nasireya Project in Aswan, and the peri-urban squatter areas within the Greater Cairo strategic sanitation plan). The political will that supports community initiatives is also not always sustained. This is an area that may require in depth investigations, given the traditional indifference of the people as to what lies in the public domain and public interest. The low degree of

environmental concern and the absence of an environment responsibility may be explained by the deep rooted reliance on the cleaning and rehabilitating function of the hot sun and the Nile flood waters that wash away and disinfect the surrounding environment.

#### Planning and Management

A lead sector for sanitation is the housing sector (and its Holding Company for Drinking Water and Sanitation, HCDWS), which is responsible for providing/selling public sanitation services to contributors. The management of sanitation facilities outside the public sewage and wastewater collection and disposal system is locally managed by the local authorities. The governorate level affiliates of the Holding Company are called upon to provide technical expertise, participate and/or support in surveillance, monitoring and the regulation activities, and to fulfill a clearing house and advisory function for the selection of appropriate safe and sustainable technologies suited to particular settings.

The last strategic master plan was formulated several decades ago and urgently needs to be updated to reflect the demographic, physical and hydrological changes that have occurred since. Now that the major part of the old plan is either completed or is well underway, with the realization of demonstrable great achievements in particular in greater Cairo, it is time to work on an update of the plan as well as the development of a national strategic sanitation plan for the whole country. It is recognized that this task will be greatly facilitated by the recent GIS mapping of the country and which clearly demarcates all the populated areas and by the figures for the Human Development Indicators for each and every village and neighborhood that had been published in the EHDR 2003.

One important administrative issue is the artificial administrative isolation of water supply from sanitation. At the present time, about 80 percent of pumped water is transformed into wastewater in densely populated urban settings. Hence, it is for evident reasons that measures should be adopted to ensure that technical provisions for safe disposal of human excreta and wastewater become an integral component of water supply plans. Many countries have now initiated a review and revision of their water policies in view of the development

### Box 8.7 The Case of Ibshawai in Fayoum Governorate

The town of Ibshawai, geographically situated near Lake Karoun, is in an area that is about 15 to 25 meters below sea level and which suffers from chronic water logging. Its proximity to the lake means that the agricultural wastewaters that are drained by gravitation towards the lake pass through the District of Ibshawai. In Fayoum, a fragile balance has to be maintained between agricultural practices in water use and the drainage capacity. This highly vulnerable balance of the agro-ecosystem can be reversed by any increase in agricultural water use or by a sudden flooding of water caused, as in this particular incidence, by leakage from repeated breakdown in the drinking water network.

In early 2004 extensive and persistent flooding was reported in the press to have occurred in a number of neighbourhoods in the town of Ibshawai in Fayoum Governorate. This resulted in seepage into homes and crumbling of walls, flooding of basements and of latrines. Water collections bred flies and mosquitoes and offensive odours. The flooding followed the launching of a new water supply line, with up to 22 incidents of breakdown in the water pipe system reported daily during the first days. Furthermore, it appears that a sanitation project for Ibshawai has been ongoing for eight years and is still incomplete. The case of Ibshawai illustrates the grave complications that can arise from the dissociation of water from sanitation and the lack of information to guide interventions, such as the state of an aging water pipe system, or the state of the ground water table. The complications included damage and loss of personal and public property and exposure of people to health hazards as well as causing major disruptions in their lives.

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of an integrated approach to water resource management that brings together all sectors that are major water users. This would be a first step towards rationalizing the use of water and protecting the precious resource.

Management of the huge sanitation challenge facing Egypt can be rendered affordable by developing a national strategic plan that serves as a guide to governorates for developing their own sanitation plans according to the priorities, needs and realities of the local situation, with technical, financial, and other assistance from the central level. User contribution for non-system sanitation facilities requires input from the concerned communities and will depend on the cost of the technology. Several options are possible. The example of the sanitation technology recently applied in Beni Suef governorate in an externally funded project introduced a low cost technology that serves a cluster of households and treats the sewage and waste water before its disposal. The installation cost is shared with the beneficiaries, each household also contributing to the cost of maintenance of the facility.

The application of a participatory approach with the involvement of women at the community level has proved its worth in many developing countries. Innovative financing sources for funding of locally developed plans and activities include

### Box 8.8 Barriers to Progress in Sanitation

- n Lack of political will.
- n Low prestige and recognition.
- n Poor policy at all levels.
- n Weak institutional framework.
- n Inadequate and poorly used resources.
- n Inappropriate approaches.
- n Failure to recognize defects of current excreta management systems.
- n Neglect of consumer preferences.
- n Ineffective promotion and low public awareness.
- n Women and children last.

*Source: Global Water Supply and Assessment Report 2000.*

mobilization of micro-credit schemes to fund the production of affordable sanitation technologies or for provision of a community service such as evacuation of latrines. Cost sharing or user charges schemes are expected to pay for such services. Local contractors providing the service of latrine evacuation do already exist in some villages, but there are complaints over their erratic schedules and the fact that they often discharge their load directly into the river. A good monitoring and regulatory system can ensure better performance of all such partners.

The steps to be taken by the central level in support of a governorate level action plan include:

- n Review and revision of existing policies and institutional analysis.
- n A national sanitation strategic plan in fulfillment of the accepted MDG Goal 7 (Target 10) from which the action plan for each governorate would be developed.
- n Ensuring that the new explanatory by-laws to be drawn up for implementation of the Presidential decrees covering the creation of the Drinking Water Supply and Sanitation Holding Company recognize and define the powers and responsibilities to be delegated to governors, and the interface to be maintained between them.
- n Making available a geological and hydrological map of the governorate, which also shows the existing and future water supply and sanitation networks and facilities.
- n Guidelines as to the appropriate sanitation technologies and systems, including simple treatment technologies that can be used in rural areas, whether communal or individual.
- n Modalities for creation of a governorate level rapid intervention capacity, trained and equipped to deal with emergency crises that commonly occur in the areas of water and sanitation.
- n Mobilize resources and technical expertise to provide interim solutions for putting an end to the pollution of surface and ground water, while awaiting more sustainable solutions. This may require a parallel awareness campaign.

**Local Government is held responsible for intervening to maintain appropriate sanitary conditions at the local level in communities not connected to sewage systems**

- n Working with the environmental authorities towards shortening the time allowance given to major producers of pollutants discharged into the waterways in the form of untreated human waste or industrial effluents, and adopting rapid interim solutions until the installation of safe methods for waste treatment.
- n Mobilize research and development capacity for technology that is suited for geological and hydrological conditions specific to different geographic regions of the country, taking costs building, operations and maintenance into account.

The steps to be taken at the local level would include:

- n Forging partnerships with civil society, in particular

with the village Community Development Associations, already engaged in activities aiming at protection of natural resources, as well as in the treatment and recycling of waste materials. CDA support would aim at the creation of the demand for sanitation, and for introducing hygienic and safe sanitation related behaviors and practices in the homes.

- n Coordination and collaboration with the health and environment 'education field teams' of the Ministry of Health and Population and to benefit from their technical capacities.
- n Using women to transmit knowledge and good practices to their families, and training women frontline workers to work within the home environment to diagnose and correcting faulty practices, identifying simple principles of hygiene and sanitation.
- n Follow up on the implementation of the sanitation facilities component of the Enhancement of Education Programme implemented in primary schools sanitation, and support schools that do not benefit from this programme to rehabilitate their sanitation facilities.
- n Train governorate field teams and front line workers in the application of the participatory approach and promote the contribution of the households and communities to all sanitation related activities and decisions.

**Financial Considerations**

In Egypt, the declared priority of increasing access to sanitation can leverage public funding. This can be used towards stimulating demand for sanitation and promoting hygienic practices in schools as well as at the household level. Delivering targeted subsidies where these can be demonstrated to increasing access can also be effective. Although external support agencies can help with funding, governments will still need to contribute most of the resources to accelerate implementation of sanitation and hygiene programs. Governments must select programs or technologies that provide maximum health benefits to the greatest number of people at the lowest cost. Where demand for sanitation exists, people are often willing to commit their own scarce financial and other resources to building sanitation facilities. The example of cost sharing by the beneficiaries, recently implemented in the Governorate of Beni Suef is a model that proved affordable to the beneficiaries. Providing the right types of incentives,

## Box 8.9 International Success Stories

### Political Commitment in South Africa

In 1994, the Government of the Republic of South Africa launched a coherent water supply and sanitation programme that included policy development, new financial arrangements, organizational reform, decentralization and implementation. It allocated more than US\$ 230 million to water and sanitation projects in 2002. The South African National Sanitation Programme has set a goal of providing access to all people in rural, peri-urban and informal settlements by 2010 – five years faster than the Millennium Development Goals specify. In 2002, sanitation services were provided to an additional 2.4 million people.

### The Rural Environmental Sanitation Program in Thailand

For the past 40 years, Thailand's rural environmental sanitation program has been incorporated into the country's five-year economic and social development plans. By 1999, 92 percent of the rural population had access to improved drinking-water sources, while 98 percent of rural families had access to improved sanitation facilities. As latrine coverage has increased, mortality related to gastrointestinal diseases has decreased by more than 90 percent. The program's success depended crucially upon capacity building: intensive training of project personnel and technical staff at local, central and national levels, and social mobilization and community health education conducted by mobile units and village volunteers. Other key components were the promotion of water-sealed latrines; the provision of supplies, equipment and transport, as well as government-allocated revolving funds for latrine construction; systematic qualitative and quantitative monitoring of progress; awards for achievement; latrines as a residency requirement beginning in 1989, and research and development.

### The Access Revolution in Lesotho

Lesotho has increased sanitation coverage from 20% to approximately 53% over 20 years. During this time, policies have shifted away from subsidizing latrines, and much more money is now channeled towards promotion and training. Key aspects include consistent significant allocation of the regular government budget to sanitation and earmarking of these funds for promotion, training local artisans and monitoring. In rural areas, government funds are also used to supply basic latrine components “at cost” to households and to support a 50% subsidy to school sanitation. The government also provides a subsidy through its operation of a loss-making pit-emptying service. No direct subsidies are provided to households. The sanitation budget is mainstreamed at district level in the health budget. While the allocations to sanitation have declined in recent years, the total investments made by households are estimated to range between 3 and 6 times the government contribution.

such as matching funds or gifts in-kind such as transportation of materials or supplying prefabricated sanitary platforms may stimulate households or communities to build their own facilities.

A variety of options for facilitating the people's contribution to the payment for their sanitary facilities can include targeted subsidies to households with limited resources and micro-credit schemes and credit facilities. The former (MCS) can support the financing of sanitation facilities through schemes that fund household sanitation improvements. Also, community initiatives for production of simple sanitary products may be supported by MCS. Mechanisms for generating user fees for funding continuing operation and maintenance of facilities have proved useful in

some countries. Product manufacturers may be induced to extend credit facilities to benefit families with limited incomes.

Local entrepreneurship and local contractors have been observed to be active in a number of villages and they fill a gap in the public services usually covered by municipalities. Engaged mostly in the provision of latrine evacuation services, their fees are affordable to the households. However, their work is not supervised and their abidance by the safety regulations in the handling and disposal of the human excreta is doubtful. Monitoring is

**Options for facilitating poor people's contribution to the payment for their sanitary facilities can include targeted subsidies to households**

needed and is the responsibility of the local authorities, also to ensure that funds are not used to finance high-cost, low-impact investments and that subsidy programs are clear and transparent.

## Summary Recommendations

The unheeded evolution in the sanitation sector has reached a quasi crisis level for both health and the environment. Urgent action is needed to stop the erosion of Egypt's human capital and environmental heritage. While much responsibility lies with

**Facilitating the people's contribution to the payment for their sanitary facilities can include targeted subsidies to households with limited resources and user fees for continuing operation and maintenance of facilities**

the central level, given the seriousness of what is a national problem, local government has a critical role to play since the bulk of the action is situated in the rural areas. The magnitude of the problem calls for national mobi-

lization around a sanitation improvement program requiring rapid and efficient interventions, and not another program to install a few more latrines.

***A summary of the main policy recommendations proposed are as follows:***

- n A clear statement of political will to rally national support around the urgency of good sanitation.
- n Dealing with all three aspects of sanitation, the behavioral, structural and the technical, and not solely as a service to be provided.
- n Ensuring that statutes of Presidential decrees 135 and 136 for 2004 deal comprehensively with the distribution of roles between the central and governorate levels, clearly identifying the role of local government and of other sectors concerned with water and sanitation.
- n Commissioning a policy analysis and an institutional capacity review for sanitation.
- n Adopting an integrated approach to water resource management with full involvement of the agriculture and irrigation sectors.

The following list is more of an operational nature:

- n To identify priority areas requiring immediate action which will help making efficient and sustainable decisions.
- n To develop a sanitation master plan that responds to current needs.
- n To assist governors in drawing up a sanitation action plan for access to sanitation facilities for those communities and agglomerations not serviced by public sewage collection systems, with priority given to communities or households acting as point sources of direct pollution to waterways.
- n To reinforce the monitoring and surveillance systems, and speed up the correction of major sources of water pollution such as factories, floating hotels and enterprises discharging into waterways.
- n To compile and publish a database on legislation, norms and standards applied to the practice of all types of sanitation collection, treatment and disposal.
- n To produce guidelines for the organization and management of sanitation programs for use at the governorate level that are adapted to the requirements of the local contexts.
- n To work through a broad-based community partnership, including schools, to promote hygienic behavior and to nurture the development of safe hygienic practices and environmental awareness.
- n In the immediate present, it is proposed that no changes are introduced to the present division of responsibilities and roles. There is an obvious sharing of responsibility for most recommendations. The sectoral identity for listed activities is evident. Thus, while all the technical matters relating to sanitation remain with the HCWS, the latter is expected to work closely with the MOH and the MOE on most of the other issues. It is the health sector that can be given the task of compiling data on legislation and producing guidelines for use at the decentralized level, with the help of other partners. However, an integrated approach to water policy would necessarily involve all partners including agriculture and irrigation.

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## The Decentralization of Micro-Finance Services

It is estimated that only 10 to 15 percent of small and micro-enterprises (SMEs) in the non-agricultural sector in Egypt, or about 300,000 such enterprises, have access to finance in addition to 3 million borrowers of the Principal Bank for Development and Agricultural Credit (PBDAC). This can be contrasted to a country like Bangladesh where micro-finance (MF) reaches 13 million poor households (IBRD, 2004) .

In Egypt, there are a number of channels through which finance for SMEs can become accessible, although these too have not been exploited to their full potential:

From a commercial bank's perspective, SMEs are not attractive due to the high overheads in providing numerous small loans with small returns each, and the high risk due to SMEs' lack of formal status, collateral and financial books, as well as poor technical and marketing capabilities. But the National Bank for Development (NBD) and Banque du Caire (BdC) have established successful MF programs within their respective banks, with initial donor support, applying policies and procedures that differ from the banks' non-MF operations. That is, using higher interest rates to cover MF's high overheads, and streamlined procedures to reduce overheads, special Management Information Systems (MIS), special staff skills, and flexible policies for collateral and business formalization.

NGO potential to help the SME sector is limited by constraints which include the prohibition on savings mobilization (thus the lack of a stable source of funds), their uncertain legal status and the obligation to have all loan checks signed centrally (as per NGO Law 84/2002). Further, they lack banking skills and branch networks. The conversion of NGOs to formal banks – like some international micro-finance institutions (MFIs) – is hampered by the regulatory environment (for example, large minimum capital requirements),

limited institutional capacities, and an unwillingness to transform to a bank that is subject to Central Bank of Egypt (CBE) regulations and supervision, payment of taxes, stamp duties, and so forth.

This chapter reviews the status of micro-finance institutions (MFIs) and their performance, with a focus on those who work in a local setting. This will help identify the benefits and strengths of decentralizing micro-credit services in terms of increased efficiency and better access to the poor.

The chapter addresses the ways of implementing decentralization of micro-finance services, as well as the risks associated with decentralization and

ways of overcoming these risk. The two selected case studies represent cases of urban and rural institutions respectively, Alexandria Business Association (ABA) and the Principal Bank for Development and Agricultural Credit (PBDAC).

### The Lending Institutions

In Egypt, a major portion of present active borrowers are in NGOs and business associations, in different governorates, mostly donor-funded . The Alexandria Business Association (ABA) is the most prominent such organization. In addition to SME lending, poverty lending or *bashaeyer* was introduced by ABA and other MFIs since 2000, targeted at very small group-loans, mostly for women (Box 9.1), and ABA and Egypt's National Bank for Development were classified by a recent World Bank study as two out of three examples of best practice MFIs in the MENA region (GOE et al., 2003).

In the banking sector, the Principal Bank for Development and Agricultural Credit (PBDAC), the National Bank for Development (NBD) and

**In Egypt, a major portion of present active borrowers are in NGOs and business associations, in different governorates, mostly donor-funded**

**Donor activities in the MF sector in Egypt lack coordination, information exchange, and mapping of efforts to avoid duplication**

Banque du Caire (BdC) – which are state/development banks – have micro finance activities, at various levels of performance. Recently, a number of other state banks have introduced MF programs but it is too early to assess their impact.

Egypt's Social Fund for Development (SFD) channels small and micro loans through banks and NGOs respectively, acting as an umbrella organization under its two major programs, the Small Enterprise Development Organization (SEDO) and the Community Development Program (CDP). Its main donors include the EU, the World Bank, the Arab Fund for Social and Economic Development, the Kuwait Fund,

UNDP and the Kreditanstalt für Weiderrbau (KfW) Bank. The SFD has the longest record and largest outreach, but has been criticized for a weak quality of portfolio (that is, weak loan repayment) and for allowing its NGOs a one percent interest spread which does not cover risk and operating costs (GOE et al., 2003).

Donor activities in the MF sector in Egypt lack coordination, information exchange, and mapping of efforts to avoid duplication. An SME Sub-Donor Group was formed recently to meet this deficiency, under the auspices of the Donor Advisory Group (DAG), chaired by the Canadian International Development Agency (CIDA).

**Performance Indicators for MFIs**

*Outreach:* Outreach is a main criterion for judging micro-finance institution performance, that is, the

**Table 9.1 Performance Indicators for Some Major MFIs in Egypt**

	<b>PBDAC</b>	<b>SFD</b>	<b>ABA</b>	<b>NBD*</b>	<b>BdC*</b>
Start-up Date	1930	1992	1990	1987	2001
Balance Sheet	LE 15 billion	N/A	LE 177 million	N/A	N/A
No. of Units	1,200	(through banks )	27	44	96
Cumul. Loans	N/A	SEDO:LE3.5billion	LE 732 million	LE902 million	LE270 million
Outstanding loans	LE 12.3 billion	N/A	LE 52 million	LE 30 million	LE 89 million
Cumul. Clients					
1998	N/A	92,961	39,660	40,000	--
2003	N/A	174,813	116,516	105,724	60,482
Active Clients					
1998	N/A	N/A	18,901	10,893	--
2003	3.5 million approx		43,256	23,099	47,234
Interest rate and Sustainability	non-agric loans 14%; agric. 7.5% (subsidized)	CDP: start-ups 7% existing 9% subsidized	15% flat**	16% flat** + 3%***	16% flat**
Return on Assets	0.5%	N/A	2.3%	**** high	N/A
Repayment	89%	N/A	SME: 99%	95% (2002)	99%
Loan Size (LE)	No limits	(said to be weak) CDP: upto 10,000 EDP: 10,000-1 mil	POV: 100% SME:1000-25000	Max. 10,000	1,000-10,000
Average Loan Size (LE)	N/A	19,000 (2002)	POV: 240 SME: 2,800	Approx. 1,500	2,800
Women Loans	2% approx.	27% for SEDO	47% (weighted)	22%	21%
Target	Both existing and start-ups		Existing only (except POV)		N/A
Jobs Created	N/A	651,000	208,000	N/A	N/A

NB. \*Cumul.: cumulative number. \* Datad for NBC and BdC only refer to the MF program within each \*\* Flat interest is not computed on a reducing basis, it gives a higher effective rate e.g. 15% flat is equivalent to over 20%. \*\*\* the additional 3% is for L/Os transport costs: on-site collection \*\*\*\*NBD's MF-program profitability is higher than the bank's other lending (IBRD,2004). Sources include interviews, annual report, websites.

**Table 9.2 Performance Highlights for PBDAC, BRI of Indonesia, and Grameen**

	<b>PBDAC</b>	<b>BRI</b>	<b>Grameen</b>
<b>Start up</b>	1930	1968	Mid-70s
No. of Lending Units	1,200	3,900	N/A
Outstanding Portfolio	LE 12.3 billion	US \$ 1.3 billion	N/A
Number of Clients	3.5 million approx.	30 million	Over 2 million
Interest Rate	agric. loans 7.5% (subsidized)	sustainable, no subsidies.	Subsidized interest, said to be
And	non-agric. 14%	working capital 24% flat	in need of increase by 65% to
Sustainability	(Sustainability is questioned).	investment loans 18% flat	be sustainable
Repayment	89%	98.3%	Over 90%
Loan Size	No limit (90% below LE100,000)	The equivalent of US \$ 5,000 maximum	(tiny loans: the very poor are targeted)

Source: For PBDAC, published financial statements for 2003, and personal interviews. For BRI, Patten and Rosengard, 1991 and www.bri.co.id, checked in June 2004. For Grameen: Krogstrup, 2000

number of clients that it attracts, thus its ability to realize economies of scale and achieve break-even point. Some studies estimate that a branch of a well-performing MFI can achieve break-even point at 1,500 active clients, or in two years from start-up. Small average loan size mean that the poor are accommodated (even though this has a higher cost to the MFI); some specialists consider that this equity in access to financial services can be reflected by an average loan size of about 30 percent of GDP per capita.

n **Sustainability:** Financial sustainability refers to the ability to cover all costs by revenue from operations (earned interest and fees/charges if any), thus ensuring independence from reliance on subsidies from government or donors. The rate of loan repayment affects MFI performance as non-repayment leads to capital erosion and to extra overheads for increased staff efforts in field collection and follow-up. Portfolio at Risk (PAR) is a better indicator for the quality of the MFI portfolio than the rate of repayment, as it takes into account all the remaining installments of a borrower who has at least one late installment; even if these were not yet due, then provisions are charged according to the aging of overdue.

n **Productivity:** Staff productivity affects MFI costs of operation; by international standards, a loan officer (L/O) should be in charge of 120-150 active borrowers (or more in group lending). L/Os are key productive staff members in charge of solicitation and follow-up of borrowers; the number of administrative staff ought to be kept to a minimum. Staff salaries and bonuses vis-a-vis prevailing market

wages affects staff satisfaction and retention, and are a factor in fighting potential corruption.

n **Jobs and Income:** Job creation and income growth are major areas for MFI impact-assessment; the potential is higher in small than in micro enterprises. The SME sector has the advantage of low cost per job opportunity. Apart from job creation at the SME level, MF itself is a labor-intensive service that offers job opportunities for large numbers of L/Os. The share of female borrowers in total number of borrowers addresses gender-balance, with spin-off effects. For example, it was found that female micro-credit has a better impact on children's health than male micro-credit (Krogstrup, 2000)..

**Studies estimate that a branch of a well-performing MFI can achieve break-even point at 1,500 active clients, or in two years from start-up**

Performance indicators for some major MFIs in Egypt are shown in Table 9.1. PBDAC is the only agricultural organization in Table 9.1; its performance is compared in Table 9.2 against well-known rural banks such as Bank Rakyat of Indonesia (BRI) and the Grameen Bank of Bangladesh. Both tables indicate that non-subsidized interest does not hamper large outreach and/or excellent repayment.

### Benefits of Decentralizing Services

Experience in a number of countries has shown that decentralization of policies to the level of the MFI enhances its performance. Major areas where improvement is evident are in:

**Table 9.3 Appropriate MFI Levels of Hierarchy to Perform Different Functions**

Functions:	Branch	Head Quarters	Board of Directors
Setting Interest Rates		proposal	approval
Loan approval (with limit)	by delegation from HQ		
Loan Approval (no limit)		by delegation of BOD	
Loan Reschedule (case by case)	proposal	approval	
Loan Write-off (Policy)		proposal	approval
Collateral (Policy)		proposal	approval
Staff hiring		by delegation of BOD	
Staff Incentive Policy		proposal	approval
Change loan terms & conditions	proposal	approval	approval

n *Pricing policy:* MFI autonomy to determine interest rates allows it to adequately cover its costs and be sustainable with no reliance on grants and subsidies. IBRD (2004) refers to MF success stories where a conducive macro-environment was created by governments implementing a 'hands-off' regulatory policy. In Egypt, governmental and quasi-governmental MFIs, like PBDAC and SFD, are subject to state-imposed rates.

n *Collection policy:* MFI autonomous policies for loan collection and rescheduling enhance profitability and sustainability, and ensure repayment discipline among borrowers. By contrast, state decrees stipulating collective debt-forgiveness or re-scheduling

**State decrees stipulating collective debt-forgiveness or re-scheduling have a widespread negative effect on repayment**

have a widespread negative effect on repayment; borrowers refrain from repaying taking advantage of the publicly announced reschedule decrees.

n *Client screening policy:* MFI autonomous client screening policy ensures that selection is based on sound analysis of creditworthiness, with no external pressures. Borrowers imposed by some government officials could negatively affect the quality of the portfolio.

n *Staff policies:* Staff selection should be based on an assessment of the employee's caliber and integrity, two essential requirements for the job of loan officer, given the credit risk involved. Imposed staff can and does affect the MFI performance.

**Decentralization to the Lower Levels**

Lessons learnt point out that successful MFIs delegate significant decision-making authorities away

from head offices (IBRD, 2004). It is clear that some decentralization of functions should reach the lowest levels of the MFI hierarchy, given that these functions are best performed by lower levels as, for example, the local branch (or Village Bank in PBDAC). These are in direct field-contact with existing and prospective borrowers. This is not to say that adequate attention must not be given by head office to field feedback obtained from the lower levels, to ensure that the MFI policies respond to market needs, community preferences and financial capabilities.

MFI functions are listed in Table 9.3, together with the proposed appropriate level to perform each function. This is an autonomous scenario where government imposes minimum regulations. In reality, banks are regulated by the Central Bank of Egypt, and NGOs or business associations are regulated by the Ministry of Social Affairs (MOSA). The functions tabled suggest that the lowest level branches be given full authority in loan screening and in collateral required from the client within an approved MFI policy. The branch is delegated to approve loans up to certain amounts, propose loan-rescheduling and write-off on a case by case basis, propose target branch productivity (target number and value of loans), and propose changes in loan terms and conditions and/or new loan products in the light of field feedback.

**Two Different MFI Experiences**

**A Decentralized Model that Works: The ABA**

The Alexandria Business Association (ABA) was founded in the early 1980s by prominent businessmen in Alexandria to provide voluntary community development services. USAID, in 1990, offered

financial and technical support to set-up the SME-development project, with US\$8 million for on-lending and \$2 million to support start-up and operating costs until break-even was achieved. ABA placed this fund in dollar deposits with commercial banks as a back-up collateral fund for borrowing LE overdraft facilities.

ABA's large and successful outreach is indicated by current cumulative loans of LE 732 million, cumulative clients of 116,000 and current active clients of 43,000. The latter includes 27,000 clients in SME-lending and 16,000 in poverty-lending. L/Os perform field work for loan-promotion and repayment follow-up. Average number of active borrowers per L/O exceeds 100, which is close to international norms. Branch networks are continuously increasing, with 27 branches at present in Alexandria and adjacent governorates. ABA's model has been replicated in six governorates..

#### The Benefits of Efficiency

ABA is regulated by the NGO Law stipulating that the Chairman sign each loan-cheque. But successful negotiations were made by the Executive Director, who in turn initiated, since 1995, a process of decentralization of loan approvals to the branch level, up to an amount of LE 10,000. The cheque is handed to the borrower to cash from one of the funding banks; a list of all cheques is signed in one lot by the Executive Director to streamline procedures; the funding banks are notified that this list replaces the required signature on each cheque.

Huge investment in staff training, automation of operations and streamlining of procedures led ABA to achieve an overheads ratio said to be the lowest worldwide for MFIs. ABA successively reduced the interest rate charged to borrowers from 17 percent to 16 percent and again to 15 percent, flat. The reductions were made possible by this cost-efficiency, and negotiations with banks for lower interest rates on ABA's borrowings. This supported ABA's efforts in dealing with a fast growing competition.<sup>1</sup> Even with the cost efficiency achieved, average loan size is only LE 2,700 and LE 220 under SME-lending and poverty-lending programs respectively, reflecting the commitment to serve the poor (interview, ABA, 2004).

1. ABA's flat rates of interest yield higher effective rates if computed on a reducing basis i.e. over 20 percent. This is the norm in most MFIs worldwide and many local business associations acting as MFIs.

L/O incentives are directly linked to the number of active borrowers, to the new clients introduced every month, and repayment. This ensures high staff productivity, noting that incentives and bonuses constitute a major part of their monthly income. Basic salaries and bonuses are reviewed in light of market salary surveys aiming at improving staff retention. Staff is hired according to transparent procedures, with no external pressure.

#### Success Comes from Autonomy

ABA has full autonomy in policy formulation, and gets no government subsidies. It sets interest rate levels in a way to be sustainable, and was able to cover costs of operations in two years from start-up, then achieved full financial sustainability (including cost of funds, provisions) in two more years. As a result of an excellent track record with banks, ABA has at times used bank leverage for about 150 percent (that is, borrowed from the banks 50 percent in excess of value of the collateral fund). This is not common, given the reluctance of banks to lend to NGOs, which are viewed as a high risk sector. Also to be noted is the fact that ABA borrows from commercial banks at market interest rates, thus ensuring complete independence and commercial operations. ABA is a non-profit institution: profits are partly used for setting up new branches, and partly for retention to help reduce bank borrowing and interest expense and in turn cut the interest rates charged to clients.

**ABA borrows from commercial banks at market interest rates, thus ensuring complete independence**

ABA has an autonomous loan collection policy; its independence and self-sustainability ensure that no external pressures act to enforce debt-reschedule and/or forgiveness. The rate of repayment is 99 percent, and PAR usually at 3 to 4 percent. Repayment discipline is very strong in the ABA culture, among both staff and clients; repayment delays and delinquencies are dealt with on a sound financial and case by case basis.

#### ABA's Market Orientation

Policies are applied in full knowledge of the realities of the market, so that:

- n No pledge of assets is required as collateral, as this

is unrealistic in case of SMEs. A security cheque or trust receipt is signed by the client to serve as pressure in case of unjustified delinquency. A third party guarantor is required in high-risk loans. A group-guarantee is used for poverty-lending. Otherwise, regular field inspection by L/Os serves as a collateral substitute, and incremental lending is used as in international best practices, and also as a

**Huge investment in staff training, automation of operations and streamlining of procedures led ABA to achieve an overheads ratio said to be the lowest worldwide for MFIs.**

collateral substitute. This means that new borrowers get small loans of, say, LE 1,000, then prompt repayment entitles the borrower to successively larger loan amounts with longer maturities.

- n Flexibility in requirements of business formalization is also applied: for loans below LE 3,000 the client only presents his identity card and his business-shop (or home) lease-contract and/or electricity bill. As successive loans grow in size, he is required to issue other documents such as commercial registry, tax card, or social insurance for his employees.

Like many prominent international MFIs, Egypt's ABA did consider converting its status into a bank, to be authorized to mobilize client deposits; but it does not need this now as it has surplus funds. ABA can be considered a best practice MFI by international standards, given its record of innovation and sustainability. In terms of impact on clients served, it also exhibits high job creation per unit of loan (see Table 9.1).

**The Case of the PBDAC**

The Principal Bank for Development and Agricultural Credit (PBDAC) is fully owned by the Ministry of Finance (MOF). It operates under Law 117 and has a reporting line to the Minister of Agriculture. Total manpower is about 27,000 including 3,000 in the principal bank in Cairo while the rest, are distributed across 18 governorates, with 170 district branches and 1,200 subsidiary village banks (VBs). Total assets at end 2003 were LE 16 billion, including LE 12 billion in loans. On the liability side, client-deposits were LE 10 billion, bank overdraft was LE 1 billion and paid in capital LE 1.5 billion (PBDAC, 2003).

**Pricing Policy**

PBDAC's pricing policy is subject to state inter-

ventions: cases of government-imposed cuts in interest rates have occurred. The government then compensates the bank with low-cost deposits. Agricultural loans (25 percent of total portfolio) are subject to a government-imposed ceiling interest rate of 7.5 percent, and 3 percent are obtained by MOF as a subsidy; that is, a 10.5 percent gross return to the bank on agricultural loans, which is still low. Non-agricultural loans bear a rate of interest of 12-13 percent plus 1 percent fee (interview, PBDAC 2004). It is uncertain whether this covers all costs and sustainability is thus questionable. Net profit is reported at LE 85 million in 2003, that is, only 0.5 percent return on total assets.

**Collection Policy**

PBDAC has no autonomy in collection policy; frequent sovereign decrees announce collective debt re-scheduling, sometimes for as long as ten years. Such decrees are public, usually initiated in the People's Assembly, and could be in response to collective complaints or other political considerations. The decrees have a serious negative effect on repayment discipline: even those borrowers who have no business difficulties can take advantage and refrain from paying.

**Staff Incentives**

Staff incentive system in VBs has been based on three criteria a) value of loans disbursed, b) rate of repayment and c) volume of held deposits and savings accounts. Targets for each VB are set, and performance evaluations are made accordingly. This had loopholes:

- n Fictitious repayment and re-lending is said to exist, with client-employee collusion, which may raise doubts about the quality of the portfolio.
- n The incentive-criterion relating to lending does not specify number of borrowers but simply the total value of loan disbursements; thus there is no motive to increase outreach.
- n Employees can mobilize forced savings by giving loans in excess of the amount needed by the borrower then placing the excess in a depository account in his name. This reflects positively on VB's incentives but the client incurs a cost differential between debit and credit rates of interest.
- n The volume of deposits used for evaluation is the deposit balances on fiscal year-end (FYE) rather than average balance year-round. So shortly before

## Box 9.1 A Successful Experience in Micro-Credit for Women

One of Egypt's successful programs for micro-loans for women, aiming to improve household income, are the Principal Bank for Development and Agricultural Credit (PBDAC) Rural Women's Development Program (RWD) in effect since the early 1990s with support from the German Bank, Kreditanstalt für Weiderrbau (KfW).

KfW funded a credit line and technical assistance for a RWD program at PBDAC's Suez Canal and Sinai governorates' bank branches. PBDAC has no gender-discrimination under its regular loans that normally require land-collateral, but this requirement, in effect, prevented poor landless women's access to micro-loans. A circular - that initially, was not applied - provided senior management approval to disburse RWD loans up to LE 1,000 with no land-collateral, provided there was a third party guarantor acceptable to the village bank (VB), and provided the project's cash flow justified the loan. The program sought to enforce this circular by having it re-confirmed by the bank's chairman and circulated to all VBs, thus transferring to the lowest hierarchical level the authority to grant these loans.

Teams were set-up by selecting, for each VB, one VB-employee and one agronomist from the Ministry of Agriculture's local departments. Candidates were required to do field work to promote RWD loans and follow-up installment collection. The teams consisted of 55 officers in 17 VBs in North Sinai, Ismailia and Suez. They were given in-class and on-the-job training on cash flow studies, loan terms and conditions, basics of marketing and client-solicitation, pre-disbursement site-inspection at client's place, and post-disbursement follow-up to ensure business genuineness. A survey was conducted seeking input from VB and MOA officials on suitable economic activities to be financed by the loans, in light of available resources and environmental conditions, with a focus on North Sinai. Specialists in animal husbandry and agro-processing developed cash flow studies for small projects for the activities identified. Loan-packages were then developed.

In 20 months ending June 1998, about 1,700 loans were disbursed for LE 1.5 million, and the repayment rate was 91 percent. The average loan size of LE 865 reflects that very poor women were accommodated. This outreach is a successful achievement given that officers are not fully committed to rural women's loan activities, doing it over and above their original jobs - a situation that also prevented an accurate assessment of the extent of the program's cost-recovery.

A number of recommendations were provided by the program, the most notable of which are:

- n Personal contact with prospective clients, individually or in community seminars, ensures fast outreach to women who were never aware of this service,
- n The importance of assigning to officers the joint tasks of loan promotion and collection (and linking both criteria to their performance evaluation) to avoid disbursing non-viable loans where collection responsibility is vague,
- n The large outreach reflects clients' benefiting from the loans; the bank could thus consider charging higher interest rates on micro-loans to cover the actual extra cost to the bank
- n Administrative costs to the bank could be reduced by specifying only one or two days a month for loan disbursement, as in most successful micro-finance institutions worldwide, and
- n Transaction costs to the client could be reduced with no reduction in the bank's revenues by eliminating those costs that do not constitute any income to the bank. For example, a sign board displayed in each VB could clarify all loan procedures and required documents, thus minimizing client's trips to the bank.

FYE, employees are motivated to prevent clients from withdrawing funds from their deposit accounts, to keep a high FYE balance. This negatively affects customers' willingness to place further deposits, for fear that their money would not be handy when needed.

### New Control Measures

PBDAC has now introduced some measures that would minimize, though not eliminate, the potential for manipulation:

- n VB profit is now used for performance evaluation; thus no reason for showing artificially high deposit



## Box 9.2 Servicing the Poorest of Women Through the Private Sector

The *Bashayer* poverty-lending program of both the Alexandria Business Association and the Dakahlia Business Association for Community Development, with USAID-support, has successfully serviced the borrowing needs of poor women

The program was introduced by the Alexandria Business Association in 2000, under a group-guarantee mechanism with 3-6 members per group. Loan sizes range from LE 100-500 repayable in weekly installments over 10-40 weeks. Average loan size is LE 220. The growth in outreach has been impressive as indicated by a number of active borrowers of 1,805, 7,248 and 16,257 as of end 2001, 2002 and 2003 respectively. This is in spite of a charged interest rate of 26 percent per annum flat (which means an effective rate higher than this level). The rate of repayment is 100 percent. The Dakahlia Association's *Bashayer* program recently raised its loan size limits so as to range between LE 300-800; otherwise their terms and conditions resemble those of ABA. The increase in outreach was also significant, while also maintaining a rate of repayment of 100 percent; active borrowers were 1,975, 3,900 and 6,130 as of end 2001, 2002 and 2003 respectively. Loan disbursement and collection take place twice a week, on-site in some agreed upon public place in the village. The cashier accompanies the loan officers on the day of disbursement, and the collector accompanies them on days of collection. Both associations fully cover their costs. Loan terms and conditions are constantly reviewed in light of field feedback from loan officers.

**In 20 months ending June 1998, about 1,700 PBDAC loans were disbursed for LE 1.5 million, and the repayment rate was 91 percent.**

- n Clients with ongoing businesses who have repayment difficulties can now repay 10 percent every year, and have the loan renewed with the balance, provided interest is fully paid on time, (that is, a 10-year re-schedule with no interest loss). But the VBs' portfolio would shrink over the years unless replenished by introducing new borrowers.

### The PBDAC Services

#### Autonomy in Pricing Policy

MF best practices call for avoiding interest rate subsidies and their inherent distortions. Subsidies are imposed on the premise that the small farmer cannot bear the full interest expense. It is thus important to estimate the weight of this expense and see if it is worth the disadvantages of interest subsidies, namely, inequities due to large farmers' benefiting from the subsidy while they do not need it. The significance of the subsidy to the borrower can be estimated to constitute only 1.5 percent of

balances at FYE (as profit is affected by the average year-round balance of deposits that serve to fund the VB's loans and reduce its cost of funds).

total costs of production to a small farmer.<sup>2</sup> The significance to the farmer is thus questionable; meanwhile, MOF bears about LE 500 million annually to compensate PBDAC for the interest subsidy. It would be more cost effective to help the farmer by supporting the provision of agricultural extension services, said to have large productivity-increase impact: 30 percent and 50 percent for traditional crops and horticulture respectively. It is estimated that this could cost MOF only LE 120 million annually.<sup>3</sup>

Some non-small farmers currently buy extension services at their own expense, which means that they benefit from it. As to small farmers, the aim is that through time, as and when their crop productivity and their income improve due to acquired extension services, they would be able to fully pay for the services at later stages. Thus a proposed gradualism in privatizing agricultural extension. In the past, PBDAC had success stories in enabling small farmers to bear the full cost of finance: the Small Farmer Pilot Project in the 1980s was based on providing extension together with credit; (loans were provided at a high rate of interest of 15 percent at a time where the prevailing rates were subsidized at 6 percent only; the benefit to the farmers was reflected by high demand and an excel-

2. Interview with Mr. Mahmoud Nour, PBDACs Advisor and former Vice Chairman.

3. Study by Mr. M. Nour: Annual costs per extension agent are estimated at LE 3,300 (i.e. LE500, LE1,200, LE600 and LE1,000 for training, bonus, transportation and supervisors' overheads respectively). The estimated number of agents is 37,500 (total land 7.5 million feddans, while each agent can serve 200 feddans). Total costs of agents are thus LE 124 million per annum (which is 37,500 agents at LE 3,300 each).

lent 100 percent repayment). Similar other projects were implemented, but were all donor-funded on pilot basis, and did not continue.

### Autonomy in Collection Policy

The situation of PBDAC is similar to SFD which is also frequently subject to sovereign decrees prohibiting legal action (against SFD borrowers) that entails jail sentence due to non-repayment. MFI efforts to follow-up borrowers may not be strong enough, so over-dues remain unpaid for longer periods, and, the number of delinquents increases due to word-of mouth on absence of MFI positive action against non-payment. MFI lax collection efforts lead to widespread non-payment. Delinquents can collude and relay the problem to parliamentary members for raising collective complaints. At this stage, it is too late to avoid state interference. One way to avoid the problem is for the MFI to address repayment delinquencies promptly and thus there is a need for stronger capacities for monitoring and follow-up. Some delinquencies may be due to inadequate initial credit-assessment of the borrower's repayment ability.

### Decentralization of Functions within PBDAC

The lending authority assigned to a VB, i.e. the maximum amount loanable to one borrower with no need to refer to higher levels, used to be LE 30,000 and LE 50,000 for small and large VBs respectively. The bank has now raised these limits to LE 100,000, a good step towards decentralization which should ensure flexibility and faster administrative procedures. The authority for loan screening and borrower selection is best assigned to the lowest level i.e. the VB-level that has direct contact with the field. This helps increase access and outreach, which are major objectives of decentralization. But in reality, VBs are often reluctant to lend to non-traditional activities, and are largely confined to cattle-loans (and vehicle loans to a smaller extent). This could be due to inadequate staff caliber in credit-assessment of various economic activities. Thus the importance of capacity building at VB-level; otherwise, people's access to credit is negatively affected, as well as the quality of VB's portfolio.

It is worthwhile to consider as a new criterion for VB-staff incentives the share of non-animal loans in VB's portfolio. This could reduce false

loans, lead to better diversification, and enhance VBs' ability to stand competition. Some business associations (eg. the ABA model) have recently penetrated the cattle-loan market, even though their effective interest rates are much higher than PBDAC's. This could be due to associations' faster and more flexible procedures, and their strong focus on loan field-marketing.

### Staff Redeployment and Capacity Building

VB capacities need to be enhanced in loan marketing, credit-assessment, and internal control. More administrative staff could be released from their present functions and re-trained to perform these three functions. A study could be conducted to assess workload at branch levels so that branch employees could be redeployed to work at VBs, with better incentive payments to compensate for the heavier workload at VBs and inferior working conditions. (PBDAC addressed this by restricting new hiring to VBs only).

Unlike prominent MFIs, PBDAC has no system of L/Os in charge of loan initiation, follow-up and collection. PBDAC could benefit from introducing the loan-offer system, and acquiring the know-how from a best-practice local business association. At present, a VB has one credit-specialist and one financial analyst, which is inadequate for 1,000-1,500 non-agricultural borrowers per VB. Per international norms, L/Os constitute 65-70 percent of total manpower, and an L/O is in charge of 120-150 clients.

The present outreach gap in micro-finance in Egypt suggests that there is potential for PBDAC to expand outreach, also noting that since most business associations confine their loans to short-term working capital finance, then there is a vast market for PBDAC to provide long-term fixed-asset finance.

### Implementing Decentralization

Table 9.4 summarizes the proposed ways of implementing decentralization of MFI services. As noted in the table, one way to achieve decentralization of policies to the MFI level is to work on obtaining independence from external support and from its interventions. This does not only apply to loan pricing but also involves close monitoring of loan repayment and prompt problem solving.

**The significance of the subsidy to the borrower can be estimated to constitute 1.5 percent of total costs of production to a small farmer**

**Table 9.4 Ways of Implementing Decentralization of MFI Services**

Purpose	Approach
Independence from reliance on external support, and from the associated imposed pricing and collection policies that can impair MFI's financial standing.	<ul style="list-style-type: none"> <li>n Allowing MFIs to determine their interest rates at their discretion at a level that allows for cost-recovery.</li> <li>n Assessing the subsidy's weight in total borrower's cost of production to demonstrate whether it is worth the associated distortions and negative impact on the MFI's sustainability.</li> <li>n MFIs are to strengthen monitoring of repayment delays/delinquencies, and to handle them promptly, to avoid government interference to solve a collective problem of long-accumulated overdues and widespread delinquencies.</li> </ul>
Realizing large outreach thus economies of scale and early achievement of break-even point.	<ul style="list-style-type: none"> <li>n Flexibility to be allowed for MFIs in requirements for collateral and business formalization, as in successful local MFIs (e.g. ABA uses collateral substitutes, and gradual formalization of the firm as successive loans grow in size). Bank-MF is not to abide by regulations concerning borrower's formal status.</li> <li>n Delegations to lower levels to streamline procedures, associated with capacity building, staff redeployment, and stronger credit and internal control functions.</li> <li>n The central level is to set the broad guidelines of the credit policies.</li> </ul>

**Minimizing the Risks**

Table 9.5 indicates a number of risks that could be associated with decentralization of financial services,

**Local success cases indicate that initial donor support of start-up costs, and costs of operation until break-even, technical assistance, and funds for on-lending, do result in a successful and sustainable MF operation**

together with ways of mitigation. Some risks specifically relate to PBDAC. As noted in the table, the main risks of MFI autonomy in setting interest rates includes possible usury, but this could be overcome by market competition. Another risk is that transfer of loan approval could lead to non-viable loans. This can be mitigated through capacity building as well as stronger internal controls.

**Conclusions and Recommendations**

MFI experiences in Egypt in last decade provide evidence of success of those using best practices such as strong repayment discipline, streamlined procedures, high staff skills, advanced MIS for loan tracking, flexible collateral requirements and flexible business formalization requirements. BRD (2004) has noted that critical success factors for Egypt's NBD and Kazakhstan's Small Business Program included

an enabling policy environment where no government regulations forbid 'commercial' MF and/or other innovative techniques. Local and international experience also shows that the poor are willing to pay high effective interest rates to have continued access to simple, quick, and uncollateralized credit.

Traditional collateral in the form of property ownership has always been a major deterrent to SME access to finance. The alternative types of collateral most commonly used by successful MFIs in the Egyptian context are a) cheques and/or trust receipts that can be used as a pressure against delinquent borrowers, b) stepped/incremental lending, and c) third party guarantor in cases of high credit risk. Otherwise, regular site visits by loan-officers and internal control officers serve as a collateral substitute. Group-guarantees are mostly used in poverty-lending programs with very small loans; but those at the higher end of the SME sector refrain from getting into the high transaction costs of group-formation and the free-rider problems in group-lending.<sup>4</sup>

Local success cases indicate that initial donor support of start-up costs, and costs of operation until break-even (say for 2-3 years), technical assistance, and funds for on-lending, do result in a successful and sustainable MF operation as long as

4. Group-guarantee is more widespread in Grameen as Bangladesh has more poverty than Egypt.

**Table 9.5: Financial Services Decentralization: Risks and Mitigation**

<b>Potential Risk</b>	<b>Risk Mitigation</b>
<p>With the proposed autonomy in determining interest rates, risks could be:</p> <p>a) Market-entry by excessive numbers of MFIs may cause an over supply of loans that would negatively affect each MFI's outreach and ability to achieve break-even.</p> <p>b) Usury (due to non-regulated interest rates).</p>	<ul style="list-style-type: none"> <li>n Licensing for new MFIs should be 'with gradualism' to give them the chance to grow, achieve break-even and stand the competition, (e.g. when Banque du Caire -BdC launched their MF program in 2001 with USAID-support, the latter agreed not to replicate this model with other banks for 2 years).</li> <li>n Competition prevents usury because clients have other options, and leads to exit of inefficient MFIs. It also encourages MFIs to reduce their interest rates by working on cost-squeezing and productivity increase. Since BdC's entry into the MF market, ABA negotiated better rates with its funding banks and reduced interest rate from 17% to 16% then to 15% in 2003 and 2004 –all flat.</li> <li>n The risk of over-supply of loans is mitigated by the present large outreach-gap, and the fact that some MFIs could be targeting different segments than others. For example, a) BdC is interested in loans of LE 3000-10000 while ABA goes up to LE 25,000 for their SME-program and down to LE 300 for their Poverty-program, b) business associations target existing SMEs with short-term loans for working capital while SFD and PBDAC finance start-ups as well and provide medium-term fixed-asset finance, and c) MFIs that are mature, with adequate retained profits, could afford to offer preferential treatment to particular segments, e.g.: ABA introduced a new program to help the jobless by an initial 'grant' of LE 200, after which the beneficiary can become a borrower of ABA's poverty-lending program. SFD also provides preferential interest to business start-ups.</li> </ul>
<p>Increased numbers of MFIs increases opportunities for cross-borrowing and the risk of over-debt. Also delinquent borrowers of an MFI could go unnoticed and borrow from another.</p>	<ul style="list-style-type: none"> <li>n Credit bureaus are recommended whereby a link is implemented between all MFIs.</li> </ul>
<p>Delegation of loan-approval authority to lower levels could lead to disbursement of non-viable loans and/or larger fraud opportunities.</p>	<ul style="list-style-type: none"> <li>n Capacity building for L/Os and unit-managers. Enhanced MIS to strengthen follow-up.</li> <li>n Capacity building for Internal Control officers. Larger numbers of Internal Control officers allow for site inspection for larger samples of borrowers.</li> <li>n Periodical rotation of L/Os, Managers, and Internal Control officers, to reduce the risk of collusion with borrowers or colleagues.</li> </ul>
<p>For PBDAC, the agricultural extension agent may get the bonus but not pay adequate field visits to the farmers.</p>	<ul style="list-style-type: none"> <li>n Enforcing the existing 'farmers' complaints system'.</li> <li>n Where crop productivity could be tracked by the delivered quantities, the lack of extension service provision could be identified.</li> </ul>

best practices are adhered to. Otherwise donors' aid could be wasted and capital eroded. EBRD (2004) points out that subsidies can be justified to support MFIs at their early stages as long as there is a viable route to institutional sustainability. .

Interest subsidies should be assessed in terms of weight in total borrower's cost of production, to decide when the resulting distortions, risk of misuse, and harm to MFI autonomy and financial

standing is justified. In fact, beneficiaries would be the first to be negatively impacted by a closedown of an MFI due to non-sustainability. It may be more cost-effective to support the borrower's profitability thus enabling him/her to bear market interest rates; this is through non-financial business development services. There are successful local cases of providing these services at cost and by gradual cost recovery.

### Box 9.3 One Stop Shopping versus One Shop Stopping

Legal and regulatory burdens are common for all private businesses in Egypt, but are particularly detrimental to SMEs because of the disproportionate effect due to their size, and their limited capacity to deal with complex procedures. Also, productivity is severely reduced if valuable human resources are used to deal with a plethora of bureaucratic entanglements.

To register and operate a business, an entrepreneur must receive various approvals and comply with at least 18 laws managed by approximately 24 government entities and over 100 presidential, prime ministerial or ministerial decrees, in addition to governorate based decrees. Some of these could be conflicting, confusing or contradictory; the burden is further increased by unclear jurisdictions by government authorities over the regulatory environment. It takes about one year for all these approvals to be completed; this could be among the reasons behind the huge but undetermined size of the informal sector in Egypt. Entrepreneurs choose to stay small thereby presumably obviating greater profit potential in order to avoid the bureaucratic jungle of formalizing. Meanwhile, they are consistently at risk for not having a license which can result in a business being shut down for lack of compliance. As businesses expand, formality becomes even more necessary as it is more difficult to evade detection. Thus there is a hidden disincentive to grow.

Solutions to this problem were tested and applied in different countries. The Canadian example has been successfully implemented on a pilot basis; it focuses on the needs of the small entrepreneur, and organizes government departments to serve entrepreneurs' needs through a single window approach. Applying the Canadian model of Business Service Centers where a single window or office plus a customer orientation of 'path finding' rather than 'gate keeping' has significantly reduced regulatory constraints on SMEs. This facility has deservedly attracted the unique term 'best practice'. If the regular way of doing business is referred to as a one shop 'stop', implying nothing would move beyond it, the Canadian business service centers truly deserve the reference One Stop Shops (OSS). Entrepreneurs receive the administrative requirements and licenses from one location that is well known and well identified. Inside the offices which are decentralized around the country, key agencies are represented and have the delegated authority to approve licenses, thus preventing the entrepreneur from having to make multiple trips to various locations in search of the required approvals; licensing time and effort is thus drastically reduced.

In 1996, Egypt's then Prime Minister issued a decree to establish 'investor service offices' in governorates to pilot the OSS and support GOE's Administrative and Civil Service Reform decree of 1995. A project funded by the Canadian International Development Agency has been operating in Dakhilia since 1996 to support SMEs in various ways including the establishment of an OSS in Mansoura in partnership with the governorate (decree signed in 1999), aiming to decrease registration/licensing procedures from an average of 336 days to just 45 days. Benefits include a) circumventing bottlenecks created by bureaucratic systems, to encourage business start ups, b) increasing the efficiency and effectiveness of government services provided to entrepreneurs, c) greater potential for continuously transforming service provisions in government, reducing corruption and increasing system transparency, and d) reducing the financial burden on government institutions (charging fees) and increasing revenues by mainstreaming the informal sector.

Since 1999, the multi-jurisdictional OSS in Dakhilia has progressed and is now issuing about 100 industrial licenses a month in an average of 14 days. It has also streamlined procedures and reduced the number of application forms from 21 to 5. The stage is now set to process the licenses electronically in accordance to the Prime Minister's E-Government priorities. Since the significant success of the pilot, OSS in Beni Suef and Alexandria (where average processing time is 7 days) have also opened using the same model as the 'best practice' in Mansoura. The Prime Minister decreed that all governorates should establish an OSS and institutionalized this in the new SME Law. The Social Fund for Development will take on the responsibility of working with governorates, with the technical support of Canada in broadly applying the successful example of OSS in every governorate.

Decentralization and delegation of responsibilities are keys to the success of One Stop Shops in Egypt along with adherence to the principles of applying 'best practices'. SFD, the agency responsible for implementation of the SME Law has embraced this effort with vigor and is actively laying the groundwork for its successful realization.

*Greg Goodwin, SME Policy DEvelopment Project, Ministry MFTI .*

The MFIs' sustainability also requires autonomy in collection policy. For governmental and quasi-governmental MFIs, this type of autonomy would be an outcome of improved follow-up of repayment delays, thus avoiding an aggravated problem. Strong internal control is essential. The MFI should have the liberty to decide on re-scheduling, on a case-by-case basis with no external pressures affecting the client's repayment discipline.

A transfer of loan screening and approval authority to MFIs lower levels – that is, those in direct contact with the borrowers – leads to streamlining of procedures and reduction in cost of operations. However, it is best associated with the strengthening of both the credit function and the internal control function, which may make it necessary to have staff redeployment and retraining.

In addition to the above, short-term recommendations for improved access to MF are:

- n Banks, especially the public sector banks that have a large branch network, could be approached for setting up MF programs within the bank, as a profitable business to the bank. For example, NBD's net profit of LE 55 million in 2002 included LE 18 million from their MF program alone (GOE et al., 2003).<sup>6</sup> It may be less costly to set up an MFI within a bank than via an NGO because the availability of deposits would save the necessary finance of a credit line for on-lending.
- n Better coordination between donors and local stakeholders on the mapping of MFIs is needed and disparities addressed. Ample time also should be allowed for a new MFI to achieve break-even before another MFI is set-up in the same geographic area.
- n Wider use should be made of consultancy from, and study tours to, successful local MFIs. In this respect, some donors have used ABA's package for a number of NGOs that it supports.
- n The need for credit bureaus is strengthened with the increase in MFIs. Credit bureaus ensure linkages

between NGOs and could be initially implemented at governorate level and later at national level.

- n A wider use of international MFI rating firms is recommended. Some consideration should be given to the idea of professional certification programs and code of ethics for L/Os.
- n In the NGOs Law, central signatory obligation is to be addressed; it was handled by some NGOs by case-by-case delegations/exceptional approvals – but not as an overall practice.

**Interest subsidies should be assessed in terms of weight in total borrower's cost of production**

In the medium-term, the issue of the precarious legal status of NGOs is to be addressed. Some NGOs/business associations have remarkable achievements and ought to be recognized as professional MFIs. NGOs are regulated by MOSA which is not MF specialized, and yet, several NGOs are no longer concerned with the issue of converting into a bank to be authorized to mobilize deposits.

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# Role of Participation and Collaboration

This chapter describes the role citizen participation and stakeholder collaboration play in promoting good governance, enhancing decentralized decision-making processes, and improving services at the local level. It examines the mechanisms used in four Egyptian local communities to mobilize stakeholders to identify, prioritize, and address their needs within a participatory, bottom-up framework, and it analyzes the methods used to institutionalize their efforts. Experiences on the ground illustrate that empowering local citizens to improve services related to local economic growth and development not only fit well with local and national priorities, but are also an area where decentralization can be more easily promoted, especially in the short term.

The chapter also assesses the constraints, challenges, opportunities, and achievements that emerged as a result of promoting stakeholder collaboration in local service delivery. Finally, it analyzes the lessons learned and the conditions required to reproduce such bottom-up approaches.

### Background

Central government in Egypt lacks both the resources and the internal coordination to adequately meet citizens' increasing demands for services. Inadequate services at the local level are the result of a number of interrelated problems. Chief among these are the insufficiency and centralization of revenues; the centralized provision of services by line ministries which are poorly coordinated; and the inability of local government to generate resources. Mechanisms for enhancing citizens' participation in community decision-making, and for fostering and institutionalizing local resource generation, are also lacking.

There have been several externally funded attempts to improve governance structures and

operations in Egypt. USAID, for example, has been supporting local government activities for over twenty years. During the 1980s and 1990s, USAID programs in Egypt approached the objectives of participation and decentralization through the central or governorate-level bureaucracies. The Basic Village Services/Neighbourhood Urban Services (BVS/NUS) and Local Development II programs of the 1980s were large, highly visible and nationwide in scope. But both programs made only modest progress toward either of the objectives of participation and decentralization.

Only modest progress could also be said of the USAID-supported Shorouk Program, which aimed to promote rural integrated development based on grassroots participation at all stages of the process. None of these major reform programs stimulated the creation of advocacy groups for decentralization and participation: neither did they mobilize significant numbers of new individuals or groups, nor provide resources or incentives to those already in existence. In essence, these were programs that were designed to build institutional capacity for administrative structures which devoted insufficient attention and resources to enhancing collective action by citizens and did not generate demands for more accountable, participatory government.

### Rationale for a New Approach

In late 1999, a group of prominent Egyptians cooperated with USAID, on a voluntary basis, to articulate, design, test, and refine methods for improved management of local services through enhanced participation. This novel arrangement was intended to ensure sensitivity towards local realities. Forming

**Central government in Egypt lacks the resources to adequately meet citizens' increasing demands for services**

**CCLS was based on the premise that community services are best provided through enhanced cooperation among governmental agencies, businesses, NGOs and citizens**

a Consultative Group (CG) for the Collaboration for Community-Level Services (CCLS), it experimented, on a pilot basis, with a bottom-up approach in four carefully-selected local communities. From its conception the objectives of the CCLS Project were informed by the lessons learned from previous donor-funded democracy/governance projects, local and international best practices in stakeholder collaboration, and field research of various types of Egyptian communities (new and old, urban and rural, agricultural, residential, and industrial) within different administrative/regulatory contexts.

### Conceptual Framework

CCLS was structured to be sensitive to central government so that it would be willing to tolerate and eventually support decentralized decision-making. Based on the premise that community services are best provided through enhanced cooperation among governmental agencies, businesses, NGOs and citizens, efforts focused on creating and sustaining effective forms of collaboration among stakeholders in the four pilot communities through:

- n Facilitating citizens' involvement in decision-making processes related to services;
- n Mobilizing resources, and
- n Enhancing relationships with the private sector and NGOs.

A two-fold model embracing enhanced service delivery and improved governance was adopted, with the latter conceived of as essentially a form of social capital, which can further be divided into bonding capital and bridging capital. Bonding capital refers to the level of identity, cohesion, cooperativeness, sense of purpose and capacity to act effectively within a group., while bridging capital denotes the extent and quality of linkages between different groups and other actors, who can be either institutional or individual, and either public or private. Both kinds of social capital are essential to mobilize communities and enhance collaborative relationships within them.

The CCLS Project was implemented during

January 2001–January 2004 in four urban centers across Egypt, New Borg al Arab, Damietta, the Tenth of Ramadan, and Naqada in the Qena Governorate. This mix of old and new communities was intended to ground field experiences in different administrative contexts so that the findings could be applied to a wide range of communities later on. Project inputs were relatively limited, not intended to finance the deficient services themselves, but rather to support mechanisms to create an enabling environment in which community stakeholders could address service needs and generate their own resources. Inputs were a mix of technical assistance, training, and limited small-grant funds and commodities, adapted to suit the different needs of the four communities.

The following section reviews collaborative efforts in Damietta, New Borg Al Arab, the Tenth of Ramadan, and Naqada. Damietta will be assessed in relatively more detail given that it is the community where the local initiative matured the furthest and where the most lessons have been learned. This is followed by a comparative analysis of the four communities and the relevance of project outcomes to replicating the approach on a wider scale.

### Damietta's Experience in Participation

Damietta's economy is primarily based on furniture manufacturing, which employs the largest portion of its population. It is well known in Egypt as an entrepreneurial community, and is home to a once-flourishing furniture industry that is now faced with a number of problems relating to product quality, diminishing markets, and aggressive global competition. Damietta's furniture sector had many unmet needs, but had no local institutions in place to bring stakeholders together to address these needs collectively and effectively. Several bodies operate in Damietta – in different capacities – to serve the furniture sector, but there has been little coordination and cooperation among them. The primary goal in Damietta was therefore to encourage furniture stakeholders to work together to address their mutual interests within a formal structure that facilitated collective action. This required the active cooperation of stakeholders and some degree of organizational capacity from all those involved.



### Ground Work and Needs Assessment

At first, the focus was to fully involve local officials and furniture stakeholders in the process of deciding how all could cooperate. Needs assessment engaged all those concerned with the industry (the governorate, relevant line ministries, local institutions and NGOs, the Elected Popular Council, MPs to the Shaab and Shoura Councils, small, medium and large furniture producers, exhibitors, exporters, and representatives of some donor organizations). This exercise illuminated critical issues and produced practical recommendations: most importantly, participants identified the need to form a body to represent the sector's stakeholders and coordinate their effort.

### Mobilization of Stakeholders

The stakeholders initially set up a temporary formal umbrella organization under which they could start cooperating. The 'Committee for Upgrading the Furniture Sector' (CUFS) was established by a Governor's Decree and included representatives from manufacturers and local government. Its mandate was to identify and prioritize problems, develop action plans, enhance collaboration among the sector's stakeholders, mobilize resources, with the eventual goal of founding an NGO to institutionalize the committee's status. Once formed, committee members met on a regular basis, selected officers from amongst themselves, established operating guidelines, and formed a number of task forces which were assigned specific tasks. Nine months after its formation, the Committee became formally registered as an NGO – the 'Association for Upgrading the Furniture Sector in Damietta' (AUFSD). The Association developed criteria for membership, a mission statement and strategic direction, an internal structure and by-laws, and clarified the roles and responsibilities of the different actors within it. From membership fees, members' contributions, and other sources AUFSD hired staff and is now operating autonomously and covering its operating costs.

### Accomplishments and Mobilization of Resources

Building on their strategic vision and action plans, together with the momentum that was created and the internal strength which continued to grow within the NGO, stakeholders were able to achieve

several on-the-ground accomplishments, including:

- n Creating an internship program at Damietta's factories;
- n Establishing a manufacturers' service center;
- n Participating collectively as an NGO in international trade fairs;
- n Developing a proposal for establishing a data-base;
- n Prompting the establishment of a Faculty of Applied Arts in Damietta, cooperating with the Mubarak-Kohl Initiative for training and apprenticeship;
- n Engaging in dialogue with local and central governmental authorities to advocate for changes that impact the furniture sector.

AUFSD's success in mobilizing local and external resources and in partnering with donor programs, academic, governmental and non-governmental institutions was instrumental. Resources mobilized include land, infrastructure, and loan facilities from the governorate; over US\$100,000 from USAID to purchase wood drying kilns; office equipment from the CCLS project; funds from the IMP; and in-kind contributions from local NGOs and the Chamber of Commerce.

**In just two years, people's belief in the value of collective action increased, and tangible benefits to manufacturers were evident**

### The Damietta Outcome

Several of those involved described the experience in Damietta as 'transformative' given the individualistic nature of the Damietta people and the lack of collective initiatives by furniture stakeholders in the past. In only two years, people's belief in the value of collective action increased, tangible benefits to manufacturers occurred, and positive linkages with academic, governmental, and donor institutions were created.

### Enhancing Support Services

In terms of enhancing services supporting the furniture sector, qualitative assessments indicate that AUFSD's past, current, and future intervention plans have and will continue to contribute to improvements in quality and marketing. For example, the internship program has fostered ongoing collaboration and information-sharing among AUFSD and the Faculty of Applied Arts. The cooperation with the Mubarak-Kohl Initiative will provide students of vocational schools with better technical equipment. The establishment of a

Faculty of Applied Arts will ultimately lead to improved practices on the factory floor and a heightened understanding within academic institutions of the practical issues of production. The operation of AUFSD's Furniture Manufacturers' Service Center and its drying kilns should have a direct impact on small producers, helping them improve the quality of their final product and therefore increasing their income. In addition, through joint participation in trade fairs, manufacturers are developing their combined export potential and enhancing their competitiveness. Although exhibiting their products under the

**Meager social capital was also a major constraint on promoting stakeholder collaboration in New Borg Al Arab**

umbrella of AUFSD at the Dubai Fair in the UAE was a challenge, the group had developed enough cohesion to outweigh indi-

vidual interests: indeed, participants at the fair soon realized that their cooperation provided increased business opportunities for many smaller workshops.

Measurable improvements in production and marketing are difficult to quantify in the short run. However, qualitative assessments of short-term outputs, the expanding size of AUFSD membership, as well as its activities, accomplishments and future plans, are all very promising. These should be viewed as steps along the way to greater and far-reaching effects with quantifiable results that will significantly impact the economic well-being of the community.

#### Improved Governance

In terms of improved governance, Damietta now has an association of stakeholders, with identified mutual concerns, which is acting collectively and in a transparent manner to promote the economic interests of its members, and which is achieving results. AUFSD is operating according to formalized internal procedures, it has a mission and a strategic vision, it is responsive to the sector's needs, and is working to expand its membership base.

#### Organizational Capacity

AUFSD appears poised to develop and grow. With a clear understanding of what needs to be done, members have demonstrated a commitment towards working collectively and have institutionalized the means to achieve their objectives. Strengthened relations and improved outreach have resulted in

broadening representation within the Association, evident through its growing membership base, particularly in terms of medium-sized producers. In addition, a change of chairmanship of the Association has been achieved democratically and with the active participation of members. In sum, AUFSD has developed enough momentum and internal strength to sustain itself as an organization and to face the many challenges that will inevitably arise.

#### New Borg Al Arab Experience

In New Borg Al Arab, a broad-based approach was taken to identify and address community needs in cooperation with the city's Board of Trustees. Initiatives were spread along several sectors (including education, potable water, children with special needs, and industrial safety) – contrary to the focus on one issue in Damietta. As a result, the impact was mixed. On the one hand, disaggregated efforts generated positive outcomes, such as improving some educational services, supporting children with special needs, implementing an industrial safety program, and the formation of a "Friends of the Parks Committee" for developing community parks. On the other hand, these efforts lacked focus and did not help bring about major changes in the way key players in a community can address service delivery issues. They did not add up to a "whole" – a model for promoting good governance in new communities that could be replicated elsewhere.

Meager social capital was also a major constraint on promoting stakeholder collaboration in New Borg Al Arab. When the project chose to work in new communities, it was assumed that new communities would provide a good setting for exploratory activities because they could be more receptive to novel ideas and because they enjoyed relatively greater autonomy from central government, as well as comparatively superior physical and human resources. However the project soon realized that new communities in fact have very little social capital.

In New Borg al Arab, efforts focused on enhancing and broadening participation to improve services through various means, including: building trust, eliciting the support of local leadership, sensitizing key players to participation, and engaging stakeholders in planning and monitoring activities. However the efforts to improve relationships, social relations and services were charged with tensions that made collaboration most difficult. Conflicts

existed between almost all the key players in the community, including the city's Board of Trustees, the City Development Agency, the Investors Association, the few functioning NGOs, as well as between investors themselves. These complex relationships where special interests clashed, could not produce a favorable environment for citizens to work with governmental bodies to improve services or in which community leaders and other citizens could engage in collective action to address shared problems and issues of public concern. Nevertheless, the experience in New Borg Al Arab is of interest in its own right, as it illuminates the constraints and challenges facing new communities.

### Efforts in the Tenth of Ramadan

The CCLS project began in the Tenth of Ramadan City with no particular focus other than working with the Board of Trustees to identify and help resolve community needs. But during the last six months of the project, efforts concentrated on working with community-based groups to address a single service area (industrial linkages), and tangible outcomes began to be achieved. Industrial integration emerged as a priority to stakeholders given that mechanisms for promoting linkages among various levels of industry in the city were lacking, despite the Tenth of Ramadan's status as the first new city established in Egypt and its contribution of approximately 25 percent to Egypt's export earnings.

Stakeholders from the business community, government, and local NGOs catering to small and medium-sized enterprises examined the constraints and possible strategies to promote industrial linkages within a supply-demand framework. The objective was to improve vertical and horizontal integration, which should benefit businesses of all sizes and, accordingly, enhance the city's potential for economic growth and increased exports. As in Damietta, stakeholders in the Tenth of Ramadan formed an 'Industrial Linkages Steering Committee' (ILSC) comprising representation from different levels of enterprise in the city, which then identified a set of goals and a plan of action, with a view to eventually setting up a full NGO to achieve these aims. In less than six months, and with technical assistance from the project, this committee was able to:

- n Articulate its role as a promoter of industrial integration in the city through the establishment of an 'Industrial Integration Center';

- n Develop a vision for the Center;
- n Mobilize resources from the Board of Trustees, the Business Resource Center of the IMP (a local NGO concerned with developing SMEs, and business leaders);
- n Develop a six-month action plan with a view to becoming a formally registered NGO;
- n Carry out a pilot phase to test the main components of the Industrial Integration Center, producing comprehensive documentation and a business plan;
- n Spread awareness of the pilot phase and disseminate information about the proposed Center among the broader enterprise community in a transparent manner;
- n Establish selection criteria for participation;
- n Take steps to ensure the sustainability of the initiative, formalizing its own activities through the establishment of internal procedures such as a creating a rotating chairmanship; and
- n Schedule regular meetings and set up task forces.

January 2004 marked the end of CCLS' involvement in the Tenth of Ramadan, leaving the ILSC at an important cross-roads as it was in the process of institutionalizing itself

as an NGO. Once formal registration is complete, the Industrial Integration Center will be poised to move from the planning stages to a

fully-functioning organization serving the community. It will need to develop its own internal capacity, build links within and beyond Tenth of Ramadan, successfully operate in a sustainable manner, and strengthen its role as an advocate of industrial integration in the city. These challenging tasks will need support from donors and other development organizations. If the Committee is successful in obtaining the support it needs, this will not only be an accomplishment in its own right, but it will also demonstrate to the community that citizens and their institutions can collaborate to produce valuable results.

It is worth noting that the reservoir of social capital available to improve service delivery in the Tenth of Ramadan was also relatively low, but not as meager as in New Borg Al Arab. Thus the 'level of tension' was generally lower, while in addition, the key players had economic and political interests and leverage at the central level, which served to their advantage.

**Tenth of Ramadan players had economic and political interests and leverage at the central level, which served to their advantage**

## Efforts in Naqada–Qena Governorate

In Naqada, efforts were geared to respond to the community's expressed need for enhancing the production and marketing of traditional handicrafts, such as hand-woven textiles and pottery. The primary goal was to enable community stakeholders to determine collectively how they could save their ailing crafts and the jobs associated with them and/or develop alternative strategies for increasing the income of crafts people. Crafts people were encouraged to come together, which was especially

**The goal is to enable community stakeholders to save their ailing crafts and the jobs associated with them**

important given that there was no local institution in place to cater to the needs of this sector. The formation of an NGO, representing all crafts, followed shortly afterwards with the purpose of organizing collective action to revitalize craft production and marketing.

Activities in Naqada began with needs assessment and participatory planning workshops that provided the basis for focused interventions, while subsequent actions aimed to support handicraft development and build structures within the newly formed NGO to help it become stronger and, therefore, better equipped to promote collaborative efforts. In addition, a comprehensive marketing study was conducted with significant input from community leaders and crafts representatives. NGO representatives and community leaders also received training on 'best practices' in community mobilization, volunteerism, resource generation, and in the empowerment of marginalized groups.

Crafts people were also encouraged to establish linkages and elicit support from the relevant governmental and non-governmental stakeholders, including other donors. Such support materialized after both CIDA and the World Bank granted funds to the crafts NGO. CIDA's grant is intended to build the capacity of the NGO and to fund quality improvement interventions, while the World Bank funds support the establishment of a network of ten civil society organizations whose purpose are to solicit local and external support for implementing the recommendations of the crafts marketing study.

## Four Communities: Lessons Learned

Although its impact is measurable only in qualitative terms, CCLS was an important project. First, because it was designed and directed by Egyptians

for Egyptians; second, because it explored innovative structures and approaches for improving local governance; and third, because this exploration provided many useful findings, highlighting the constraints, potentials, and opportunities in different local contexts and in both old and new communities.

### **Concentrating on an issue that is widely recognized as vital by community stakeholders.**

This proved extremely useful in Damietta as it helped focus activities and interventions on the furniture sector from the start, in other words providing the "right take-off" point. In contrast, the initial focus of attention in New Borg al Arab, the Tenth of Ramadan, and to a somewhat lesser extent Naqada, was community wide. In these cases, especially in New Borg Al Arab and the Tenth of Ramadan, broad-based community needs assessments produced few results. However, once areas of concentration were identified (e.g. industrial linkages in the Tenth of Ramadan; crafts development in Naqada; and community parks in New Borg Al Arab) results became visible. Unless there is concentration on an issue of vital community concern, and a quick involvement of as many knowledgeable stakeholders as possible in a diagnosis of the problem and identification of possible solutions, the likelihood is that the community will amass an overwhelming list of disparate problems. As a result, efforts will diffuse, few service delivery accomplishments will occur, and governance improvement goals will fail.

### **Focusing on a community issue related to economic growth and income generation.**

This proved to be an effective approach in accomplishing governance objectives. The experience in Damietta, Naqada, and the Tenth of Ramadan, indicate that citizens will become involved and public-private partnerships will form quite rapidly if attention is focused on an issue related to economic growth and local economic priorities. This was the case from the start in Damietta, and one of the initial foci in Naqada. Positive project results began to occur almost immediately in both of these sites. In the Tenth of Ramadan, virtually nothing of substance was occurring until efforts began to converge around building community systems and structures that would encourage commercial linkages. Once the issue was clearly defined and the relevant community leaders identified, an organization composed of local stakeholders was soon formed and significant progress was made.

Several lessons can be drawn from the four experiences:

**Disparities of physical, financial and human resources affect the pace at which local initiatives develop.** Although there are clear parallels between the formation of the furniture NGO in Damietta and the crafts NGO in Naqada, the former enjoyed superior enabling conditions such as access to resources and members with more sophisticated backgrounds and experiences. Damietta's furniture stakeholders are entrepreneurs by nature, have a history of working in clusters, and have been active in the marketing and export arenas for a considerable time; whereas Naqada's crafts people have modest educational and socio-economic backgrounds. Such limitations should be taken into consideration. On the other hand, progress occurred at a fast pace in the Tenth of Ramadan, where stakeholders were aggressive industrialists who quickly developed a clear vision of how industrial integration in their city could be best enhanced. In addition to their sophisticated backgrounds, they (as individuals) enjoyed economic and political leverage in their community and also had useful leverages with the relevant local and central governmental bodies.

**Focusing on a single service sector generates quick, tangible results on the ground.** It also facilitates the identification, recruitment, and engagement of the "right" subset of stakeholders. The experience of Damietta clearly demonstrates this principal. In contrast, initial needs assessments in New Borg al Arab, Naqada, and the Tenth of Ramadan were community-wide in focus and designed to engage women and marginalized groups. In these assessments, stakeholders were encouraged to articulate their needs in a broad manner, covering almost all sectors of service delivery in their communities (e.g., education, health, transportation, recreation and culture, and the environment). While this approach succeeded in allowing a wide variety of parties to identify their needs, it proved to be ineffective in allowing the community to focus on particular service areas where a limited number of specific interventions could produce tangible outcomes in a timely manner. Neither did it succeed in promoting community cohesion and institutional change.

**Social capital is key to the success of local stakeholder collaboration initiatives.** Old, traditional communities such as Damietta and Naqada

typically enjoy a richer reservoir of social capital than new communities because they have well-developed linkages and informal networks. This greatly facilitated the mobilization of stakeholders and the establishment of useful linkages to support service provision. New communities, on the other hand, tend to lack well established informal networks and NGOs. Thus, social capital in the Tenth of Ramadan, but more so in New Borg Al Arab, is very modest, which made building effective linkages to support service provision and community cohesion most challenging. There is clearly a need to incorporate more mechanisms (NGOs, community centers, sports and social clubs) that are likely to promote greater community interaction at the planning stage for new cities. Despite this limitation, economic development in the Tenth of Ramadan proceeded at a faster pace than in New Borg Al Arab because the local economic elites there were willing to meet on a "common ground" to promote industrial integration. In contrast, the key community players in New Borg Al Arab were mostly in conflict with one another; awareness of the benefits of more focussed cooperation was lacking.

**The community should be defined on the basis of common interests.** Mobilizing stakeholders in Damietta was highly successful, as from the very beginning there emerged a clearly defined community, the furniture stakeholders, who came together because of shared and deeply felt interests, as opposed to any geographic or political reason. Such a definition ensures the key players and entities that need to be involved are engaged, and provides a common ground on which all stakeholders can be motivated to work collectively. Thus, initially defining the "community" according to geography in New Borg Al Arab, the Tenth of Ramadan, and Naqada was not helpful. It was only after the "community" was defined as those concerned with establishing a community park in New Borg Al Arab; those concerned with business linkages in the Tenth of Ramadan; and those concerned with promoting crafts in Naqada, that the mobilization of stakeholders became feasible.

**Local communities need to be conceived in terms of their governance systems, rather than in terms of their existing governance structures.** Primary attention was initially given to

**Shared interests ensure that key players are engaged and motivated to work collectively**

local deliberative bodies such as the Elected Popular Councils and the boards of trustees in the old and new communities respectively. The intention was to use them as vehicles to mobilize the community and encourage stakeholder collaboration through improving their responsiveness to community needs, making them more representative of their communities, and enhancing their transparency and accountability. Work on the ground, however, revealed that these organizations are not always best suited to promote collaborative efforts, and that it could be more effective to work with NGOs, ad-hoc groups, and ‘real people’ who have higher stakes in their communities. In Damietta and Naqada, tangible results were associated with economic-sector-related NGOs that were created locally to respond to perceived local needs. In New Borg al Arab, a group of residents and concerned stakeholders came together in an ad-hoc form to support the development of public parks. In the Tenth of

**Stakeholders found the institutional setting of an NGO the most legitimate form through which to relate to government, donors and other institutions**

Ramadan, results have come from working with local industrialists who initially organized themselves as a committee then decided to form an NGO. In sum, the ‘ideal’ deliberative body to mobilize stakeholders may or may not be in place in a given community. But from wherever this ‘body’ emerges, it should be representative of those who share a common stake and have a real need and interest in addressing an articulated community problem.

**The formation of NGOs emerged as the preferred option for community organization.** In Damietta, stakeholders found the structure of an NGO most suitable to formalize their collective action, in light of the limitations of the existing local institutions concerned with the furniture sector and stakeholders’ unfavorable perceptions of them. It was inevitable that a new structure be formed to provide a neutral venue within which a wide range of stakeholders could interact. The same path was pursued in Naqada and the Tenth of Ramadan. Clearly, stakeholders in the three communities found the institutional setting of an NGO the most legitimate since it is an accepted form through which to relate to government, donors and other institutions. In both

Damietta and Naqada, once the NGO was formally established, various donor agencies extended support to them. The Tenth of Ramadan initiative has also been promised support from donors once it is formally registered.

Support of local leadership is crucial to success. Experiences in the four communities indicate that a structure that provides governmental support at the local level is critical. In Damietta and Naqada, the respective governors provided ample support and endorsement to the community initiatives, legitimated citizens’ participation, and allowed them autonomy in decision-making. In New Borg Al Arab and the Tenth of Ramadan, both new cities that operate under a more flexible legal status, the respective boards of trustees (in conjunction with the city development agencies) played a similar role, but to a much lesser extent. However, in new communities, boards of trustees themselves continue to have vague legal status. Their authorities overlap with those of city development agencies and they remain under the centralized control of the Ministry of Housing. For example, several of the decisions made by the New Borg Al Arab and the Tenth of Ramadan boards of trustees first had to be cleared centrally by the Ministry before they could be put into action. This is a real constraint in new communities. However, the political leverage that the Tenth of Ramadan city enjoys at the central level seems to have reduced this problem.

Gaining the trust and confidence of local stakeholders is essential. Promoting stakeholder collaboration in an abstract manner and by ‘preaching’ the merits of citizen participation and democratic practices does not generate great interest or support at the local level. This approach can also raise doubts and suspicions and increase the ‘level of discomfort’ of government officials. This has particularly been a problem in the new communities, where boundaries of governmental authorities are blurred. Building trust and gaining the confidence of local stakeholders were challenging tasks in the Tenth of Ramadan, but more so in New Borg Al Arab. In contrast, in Damietta and Naqada, where the governors expressed explicit support for local initiatives, it was much easier to gain the trust and confidence of community stakeholders and to mobilize them to work collectively.

## Mechanisms of Mobilization

A number of lessons were learned from the efforts of the four communities – Damietta, New Borg Al Arab, the Tenth of Ramadan, and Naqada – and deserve to be considered in any wider application of programs designed to enhance the role of community participation and stakeholder collaboration in promoting good governance:

- n The bottom-up approach proved effective, not only in producing tangible improvements in local services, but also in mobilizing, organizing, and empowering the local community. It has illustrated the economic and political efficacy of participatory structures and practices to governmental and non-governmental stakeholders alike.
- n Conceptualizing interventions and activities along a two-fold model of improved services and enhanced social capital was highly useful in focusing efforts, accomplishing meaningful results, and ensuring that both service and governance objectives were simultaneously met.
- n A catalytic force was essential to the success of this bottom-up approach. Deliberate, systematic efforts mobilize the community, bring stakeholders together, raise awareness of the benefits of collective action, increase representation in decision-making, and mentor stakeholders through participatory practices, such as convening meetings, facilitating discussions, and managing conflicts.
- n Sector-focused participatory needs assessment is a powerful tool to encourage stakeholder participation. It provides an effective spark for collaborative efforts when promptly followed by interventions which clearly respond to felt needs. This strategy increases stakeholders' interest in participation and provides them with 'hands-on' experiences in collective action.
- n Taking actions with quick tangible results help in building credibility and capitalizing on local enthusiasm.
- n Building capacity is extremely worthwhile. Enhancing stakeholders' skills in areas such as democratic decision-making, strategic planning, resource mobilization, and the monitoring and evaluation of service delivery were highly useful in enabling local partners to achieve their objectives. In addition, capacity building not only supports the inner workings of institutions, but also makes them more attractive to donor agencies.
- n Building synergies with multiple donors augments the capacities of local institutions and enlarges their pool of financial and non-financial resources. It also

avoids replication of activities and coordinates efforts more effectively.

## The Potential for Replication

Evidence from the four community projects confirm the usefulness of the model that emerged in Damietta. They also illuminate its limitations as well as the favorable conditions which should exist for the model to be replicable on a larger scale. An advantage of this model is its being 'politically non-threatening'. Economic growth and economic local development are areas the government should be most willing to support. Therefore, most efforts directly related to those goals are likely to be welcomed and endorsed; first, because they do not pose a political or security threat, and second, because they fit well with national priorities. The chances for success with this model are high because many stakeholders share an interest in making it work, including central and local government, the private sector, citizens and donors.

Empowering communities to take charge of their own affairs and address the service needs of their economic activities will not only enable stakeholders to develop innovative local solutions and accountable governance structures, but will also increase the competences and competitiveness of these communities and is also likely to promote economic clustering within them. The furniture industry in Damietta is one example, but economic sub-sectors which suffer constraints similar to those encountered by Damietta are numerous and are widely spread throughout Egypt. Obviously, the conditions in Damietta were favorable to a decentralized activity since the parties involved and most actively engaged were those with vested interests and who could foresee direct benefits from joining and supporting the activity. It is probable that this same approach could work elsewhere in Egypt in communities and localities with similar conducive conditions: the new industrial cities and older areas such as Shubra El Khema and Mahalla Al Kobra, for example, are potential locations.

**The government should redefine its role, from that of service provider to a provider of fora within which many non-governmental stakeholders can participate in making and implementing public policy towards those services**

For the model to be tailored to other service areas, particularly those in which the government remains the primary provider (for example in health and education), and where governmental service providers are likely to impede decentralized local solutions to service problems, several changes would be required. A number of short and long-term measures should be taken by the State to support alternative means to improve public service delivery at the local level. Namely:

- n The government needs to consider redefining its role, from that of service provider to a provider of fora within which many non-governmental stakeholders (the private sector, NGOs and other elements of civil society) can participate in making and implementing public policy toward those services.

- n As a first step, and until a road map for supporting the various interest groups is developed, the government needs to be flexible. It should be responsive to opportunities that arise as a result

**For bottom-up decentralization to succeed the government needs to create an enabling environment, under which local initiatives can flourish**

of initiatives taken by civil society actors. By responding to these initiatives as quickly as possible and by working to broaden their impact, the government

would be better poised to develop a long-term strategy and be free to move from the sectors that are easier to decentralize to the more complicated ones.

- n The government needs to play a supportive role, encouraging the autonomy of local initiatives and ending the long-standing condition of mutual suspicion between the State and civil society actors. The relationship between governmental and non-governmental stakeholders is currently characterized by a lack of trust which is a major obstacle to enhanced participation and greater accountability.

- n The government needs to increase partnerships with NGOs in service delivery, encourage the formation of new purpose-driven NGOs and associations of stakeholders, and foster coalitions of NGOs and other elements of civil society. It should also modify the difficult policy environment in which these organizations operate, and re-examine the centralized governmental structures under which NGOs are currently organized. In addition, the government needs to plan for the upgrade of the capacities of these NGOs so that they become more effective vehicles for citizen participation and service provision.

In addition to relaxing the central hegemony and the other structural and institutional constraints associated with the current system, the government needs to develop a vision of how to aggregate local initiatives in improved governance and enhanced services into a 'whole'. This 'whole' could be a model with universal applicability – one that promotes volunteerism, encourages competition, and recognizes and rewards innovation and achievement while at the same time promoting the sharing of experiences and best practices among local communities. Measures for ensuring transparency and accountability should be embedded in this model, together with a system of performance monitoring and evaluation.

## Conclusion

Experience now shows that local communities in Egypt appear willing and eager to work on issues and services that critically affect their livelihood. Stakeholders could be organized to work collectively and citizen participation can be sustained as long as people see hope and are achieving progress as a result of their involvement. Bottom-up approaches that use catalytic agents to energize local communities, which build capacity, provide technical assistance, require minimal resources, and that capitalize on local government support, are very useful in promoting stakeholder collaboration and good governance at the local level. The results are not only an improvement in services and innovative governance structures, but also an increased belief in the value of collective action as well as an augmented demand for participation and representation amongst citizens.

There are many windows of opportunity to enhance citizens' involvement in local-level decision making beyond the formal local government structures and operations using bottom-up approaches, particularly in service areas related to economic growth. However, bottom-up approaches are not a substitute for top-down decentralization, they only complement and increase it. For bottom-up decentralization approaches to succeed on a broad scale and in service areas beyond those related to economic development, the government needs to demonstrate its commitment to lift its hegemony over local activities and create an enabling environment, under which local initiatives can flourish.



Technical Notes  
and Sources  
of Data



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## Technical Notes and Sources of Data

### A. Human Development Index

The national Human Development Report (HDR) for 2004 represents achievements in three key human development areas:

- n Longevity: measured by life expectancy at birth.
- n Educational attainment: measured by a weighted average of literacy (15+) (two-thirds) and a combined first-, second-, and third-level gross enrollment ratio (one-third).
- n Standard of living: measured by average GDP per capita in US\$ according to purchasing power parity (PPP).

### Calculation of HDI

Before the calculation of the HDI, an index for each key component is calculated separately. For that, maximum and minimum values (posted goals) of the four basic variables are determined as follows:

Indicator	Maximum Values	Minimum
Life expectancy at birth	85	25
Literacy (%)	100	0
Combined enrolment ratio	100	0
GDP per capita (PPP\$)	40,000	100

The index for any component of HDI can be computed as  $(\text{the actual value} - \text{the minimum value}) / (\text{the maximum value} - \text{the minimum value})$ . HDI is then calculated as the simple average of the three indices.

The HDI value indicates the level of development. When it goes below the value of one, this shows how far the country/governorate is from achieving the human development goals. In this case, the development plan should find the gaps that retard the level of development, and set up the necessary policies and programs for achieving the ultimate development goals, which are more inclusive than just increasing income level. The benefit of ranking the governorates in descending order is limited, as it does not show in which areas the differences between governorates exist. Is it because of economic, health, environmental, or educational factors? It might be all of the components combined or, perhaps, what might be more important is speeding up the development process.

One of the main objectives of this report was to construct a human development index at the governorate levels. This required establishing a huge database with the collaboration of the Central Agency for Public Mobilization and Statistics (CAPMAS). It includes data related to the population and labor force and other data for 2001. This made it possible to update most of the indicators. Other sources were helpful in providing the report with necessary data. The Ministry of Local Development and the Organization for Reconstruction and Development of the Egyptian Village (ORDEV) were the main sources. They provided the report with infrastructure data (clean water, sanitation, electricity, etc.). The Ministry of Health and Population and the Ministry of Education provided the report with all required data related to health and education at the governorate level.

The following example of Port Said governorate may illustrate the above-mentioned steps for calculating the human development index.

#### 1. Calculating Longevity Index:

Life expectancy at birth was estimated using detailed data on mortality and population by age group.

Life expectancy at birth for Port Said governorate in 2002 was estimated as 71.6 years, therefore, the life expectancy index =  $(71.6 - 25) / (85 - 25) = 0.777$

#### 2. Education Index

The education index measures the relative achievement of Port Said governorate in the literacy rate (15+) and the combined gross enrollment ratio (basic, secondary, and university). Educational attainment indices are calculated separately and added together to form the education index giving two-thirds to literacy rate (15+) and one third to the combined gross enrollment ratio as follows:

Literacy index for Port Said governorate (15+) =  $(88.0 - 0) / (100 - 0) = 0.88$

Combined gross enrollment index =  $(71.6 - 0) / (100 - 0) = 0.716$

Education index =  $2/3(0.88) + 1/3(0.716) = 0.825$

#### 3. GDP Per Capita Index

GDP per capita for Egypt was estimated from the national income accounts of 2001/2002. The estimated GDP per capita in local currency (LE) was transformed to its value in US\$ using an appropriate exchange rate (average for 2002, taking into consideration the Ministry of Planning estimations). Then, the real GDP per capita (PPP US\$) was calculated by applying a suitable factor to the estimated GDP per capita in US\$ (the factor used in the international report for 2001). This resulted in a national GDP per capita index of 0.607 in 2002. For income per capita at the governorate level, the report has benefited from the results of the latest Household Income and Expenditure Survey (HIES) carried out by CAPMAS in 1999/2000.

In the HDI, income per capita substitutes for all other aspects of human development that are not reflected in literacy rate or in life expectancy at birth. Income per capita is refined since achieving a proper level of development does not mean having a specific level of income. Therefore, the logarithm of the income value used is as follows:

GDP index for Port Said governorate =  $[\log(8287) - \log(100)] / [\log(40000) - \log(100)] = 0.737$

#### 4. Calculation of HDI

HDI is calculated as a simple average of the three indices.

HDI for Port Said governorate =  $1/3(0.777 + 0.825 + 0.737) = 0.780$

### B. Demographic Aspects

The main sources of demographic data are population censuses, vital registration, and special national surveys. CAPMAS is the official national organization responsible for carrying out and/or publishing the results of some of these sources (population censuses and vital statistics). CAPMAS is also a major partner or consultant in carrying out the other sources (e.g. National Fertility Surveys). The demographic indicators, derived from these sources, reflect the population situation and its trends. Some of these indicators are used in other fields (e.g. health). In addition, population figures (total or for specific categories) are necessary for computing many indicators in various fields. CAPMAS provided all necessary data related to demographic aspects for 2002. The present report includes the following demographic indicators:

- n Population counts and projections (thousands).
- n Population annual growth rates (%).
- n Rural population as % of total.
- n Urban population as % of total.
- n Annual growth rates of urban population (%).
- n Population of largest city as % of total urban.
- n Demographic dependency rate (%).
- n Net lifetime internal migration as % of total population.
- n Population density per km<sup>2</sup>.
- n Population doubling date at current rate.
- n Crude birth rate (per 1000 population).
- n Total fertility rate.
- n Ratio of 2002 fertility to 1960.
- n Contraceptive prevalence rate (%).
- n Average age at first marriage.
- n Crude death rate (per 1000 population).
- n Infant mortality rate (per 1000 live births).
- n Under five mortality rate (per 1000 live births).
- n Maternal mortality rate (per 100000 live births).
- n Life expectancy at birth.

The first ten indicators listed above were derived from census data and/or population projections provided by CAPMAS, for the year 2002. Net lifetime internal migration as % of total population at the governorate level was derived from the 1996 census data, and the population doubling date given at the national level. The latter indicator is calculated by the exponential function using the annual growth rate for 1996-2002.

Mortality measures, crude birth rates, and average age at first marriage rely on vital statistics. Life expectancy at birth, at the national and governorate levels for 1976 and 2002 were computed from detailed data on deaths and population by age and gender after allowing for under-registration of infant deaths. Motherhood and childhood indicators, related to the preservation of the child's life, in addition to data on contraceptive prevalence, are taken from Ministry of Health and Population figures for 2002.

### C. Labor Force and Unemployment (15+)

Labor force and unemployment indicators in this report rely on CAPMAS estimates for the labor force and its various distributions (by gender, age, industry, occupation, employment status, etc.) for urban/rural areas of each governorate in 2002. The indicators covered are as follows:

- n Labor force (15+) as % of total population.
- n % of females in the labor force (15+).
- n Labor force (15+) in agriculture, industry, and services (%).
- n Wage earners, i.e. employees, as % of labor force (15+).
- n Professionals and technicians as % of labor force (15+).
- n % of females in legislative and managerial staff.
- n % of females in professional and technical staff.
- n Employees in government and public sector as % of total labor force (15+).
- n Unemployment rate (%): total, females, and adults (15-29).
- n Urban and rural unemployment rates (15+).
- n Unemployment rate by education (15+).
- n Absolute numbers of unemployed (15+).
- n Future labor force replacement ratio (%), i.e. population under 15 divided by one-third of population (15-64).

### D. Education and Literacy

Education and literacy indicators require three types of data:

1. Standard educational data, e.g. students (enrolled or graduates), teachers, classes, etc. The primary sources of this type of data are the Ministry of Education and Al Azhar Education Administration. These data are updated and published annually. They are given in detailed gender and governorate desegregation for pre-university levels. The Ministry of Education (information center) and Al-Azhar Education Administration provide these data at the governorate for the year 2001/2002. For the tertiary level, the Supreme Council of Universities publishes the data at national and university levels.
2. Literacy data (15+). These data are published through Census-based data. CAPMAS provides estimates of illiterate and literate (able to read and write) population categories (15+) for all levels of desegregation. There is a noticeable decrease in the illiteracy rate between 1996 and 2002, due to the exclusion of those who became literate according to the data provided by the Public Organization for eradicating Illiteracy and Adult Education for 2002. This contributed to a decline in the illiteracy rate to 30.6% in 2002.
3. Economic data required for deriving indicators of public expenditure on education. The government budget, published annually by the Ministry of Finance, is the primary source of data on public expenditure on education.

However, the data are not disaggregated by governorates. Based on these types of data, the report includes the following indicators on education and literacy:

- n Apparent primary intake rate (%).
- n Primary gross enrollment ratio (%).
- n Preparatory gross enrollment ratio (%).
- n Basic gross enrollment ratio (%).
- n Secondary gross enrollment ratio (%).
- n Combined basic and secondary gross enrollment ratio (%).
- n Tertiary enrollment ratio (university and high institutes) (%).
- n Combined first-, second-, and third- level gross enrollment ratio (%).
- n Primary repeaters as % of primary enrollment.
- n Preparatory repeaters as % of preparatory enrollment.
- n Secondary repeaters as % of secondary enrollment.
- n Transition to preparatory as % of enrollment in final grade of primary education/ preceding year.
- n Transition to secondary as % of preparatory completers.
- n Primary pupils/teacher ratio (i.e. average number of pupils per teacher).
- n Preparatory pupils/teacher ratio.
- n Class density (average number of pupils per class) at primary or preparatory level.
- n Secondary technical enrollment as % of total secondary.
- n Tertiary science enrollment as % of total tertiary.
- n Public expenditure on education as % of total.
- n Public expenditure on education as % of GDP.
- n % of basic and secondary enrollment in government, private, and Al-Azhar schools.
- n % unfit school buildings (total, completely unfit, badly maintained).
- n Literacy rate (15+) %.
- n % of population (15+) with secondary or higher education.
- n Tertiary graduate ratio (as % of corresponding age).
- n Science graduates (as % of total graduates).
- n Absolute numbers of illiterate (15+).

These indicators are given by gender for national and governorate levels. Moreover, literacy indicators are also calculated for urban and rural areas. However, expenditure indicators and those for tertiary education are given for the national level only. The following notes pertain to the indicators listed above:

- 1) Since reliable data on enrollment by age are not available, especially for primary education, gross enrollment ratios were calculated for all levels.
- 2) The population figures in the age groups corresponding to different educational levels were estimated by applying Sprague Multipliers to the census population by age groups in 1960 and 2002 respectively.
- 3) Some of the enrollment and transition ratios exceed 100% as a result of the numbers of students above (or below) the age limits of the education level.

4) Since enrollment in university and higher education by governorate are not available, the combined first-, second-, and third-level gross enrollment ratios for various governorates were derived after distributing total enrollment in university and higher education at the national level according to the relative shares of the governorates in pre-university enrollment.

### E. Nutrition and Food Security

The report includes the following nutrition and food security indicators:

- n Daily calorie supply per capita.
- n Shares in daily calorie per capita (vegetables and animal products).
- n Children ever breastfed (%).
- n Underweight children below the age of five (%).
- n Food production per capita index (1979-1981=100)
- n Agricultural production as % of GDP.
- n Cereal imports (1000 metric tons).
- n Food exports as % of food imports.
- n Food imports as % of merchandise exports.
- n Food self sufficiency ratio (%).
- n Food import dependency ratio (%).

The first two indicators are based on the Food Balance Sheet (FBS) published by the Ministry of Agriculture and Land Reclamation. The next two indicators, on children nutrition, are taken from the Ministry of Health and Population for 2002 at the governorate level. The remaining indicators are given at the national level only. Food production per capita index is taken from the FAO Annual Bulletin of Statistics. Agricultural production as % of GDP was derived from National Income Accounts provided by the Ministry of Planning. Food imports and exports as well as total merchandise exports are published annually by CAPMAS.

The last four indicators depend on the value of local food production, food imports, as well as food and total merchandise exports. The volumes of detailed groups of commodities of local food production were available from the Ministry of Agriculture, while the detailed tabulations of volumes of commodities of the remaining components are published annually by CAPMAS.

The value of local food production was computed by applying Free On Board (FOB) prices to the volumes of tradable commodities and producer prices to non-tradable commodities. The value of food imports were derived by applying Cost Insurance Freight (CIF) prices whereas FOB prices were applied for computing the value of food exports.

The overall food self-sufficiency ratio was derived by dividing the value of local food production by the value of total food consumption (i.e. local food production - food exports + food imports). On the other hand, the food import dependency ratio is computed by dividing the value of food imports by the value of food consumption.

### F. Health and Public Utilities

In addition to health-related indicators covered by other sections, this report includes the following indicators on health and public utilities:

- n Population with access to health ser-vices (%)
- n Pregnant women with prenatal care (%)
- n Children (12-23 months) fully immunized (%)
- n Doctors (MOHP) per 10000 people
- n Nurses (MOHP) per 10000 people
- n Nurse/doctor ratio (%)
- n Beds per 10000 people (total and Ministry of Health and Population)
- n Health units per 100000 people
- n Public expenditure on health as % of total public expenditure
- n Public expenditure on health as % of GDP
- n Population or households with access to piped water (%)
- n Population or households with access to sanitation (%)

Health services are constitutionally rendered free of charge to everyone. However, the first indicator is estimated to be 99% in rural areas compared to complete accessibility in urban areas.

Egypt Demographic and Health Survey (EDHS) provide indicators at the national level and for rural and urban areas of the main groups of governorates. The health related data on the national and governorate levels are provided by the Ministry of Health and Population information center for 2002 from which are derived the data at the level of various groups of governorates (Urban governorates, Lower Egypt governorates, Upper Egypt governorates and Frontier governorates).

Data on public expenditure on health rely on national balance data, published annually by the Ministry of Finance, in addition to GDP figures taken from National Income Accounts provided by the Ministry of Planning. These indicators are given by gender at the national and governorate levels. However, public expenditure on health is given at national level only.

The following notes pertain to the indicators listed above:

- a) The data on total health personnel are deficient as there is no efficient system to update their number taking into account factors such as migration, retirement, on-leave periods, and duplication in the statistics of personnel in private or government institutions. The relevant indicators in this report include only the health personnel in the Ministry of Health and Population (MOHP). Consequently, they may not accurately reflect regional disparities in this respect.
- b) It should be noted that health personnel attending births include doctors, nurses, and trained midwives. The traditional birth attendant (daya), however, plays an important role, especially in rural areas. This is reflected in the high rate of births attended by private health personnel at the national, governorate, and administrative units levels.
- c) The indicator of households with access to sanitation reflects the % of the population with access to proper sanitation systems, such as toilet linked to public network, underground sanitation tank, or toilet connected to simple or enhanced hole. According to the concept of health science, any private or joint (but not public) disposal system is considered healthy if it separates between human disposals and human beings.

### G. Natural Resources and Energy Consumption

The present report includes the following indicators on natural resources and energy consumption:

- n Land area (thousand km<sup>2</sup>)
- n Cultivated area:
  - Thousand feddans
  - As % of land area
  - Persons per feddan
- n Irrigated land as % of arable land area .
- n Crop area: thousand feddans
- n Crop 1 cultivated land ratio
- n Total water resources (billion m<sup>3</sup>)
- n Water consumption as % of total water resources
- n Internal renewable water as % of total water resources
- n Per capita internal renewable water (m<sup>3</sup>/year)
- % of water withdrawals by:**
  - Agriculture
  - Localities
  - Industry
  - Navigation
- n Total fish catch (thousand tons)

n % of fish catch from:	Electricity
Fresh water (Nile & Lake Nasser)	Coal
Marine (Mediterranean & Red Sea) -Lakes	n Commercial energy consumed (in kg of oil) equivalent per LE 1000 of GDP
Aqua culture	n Net commercial energy imports (as % of energy consumed)
Gas	n Final energy consumption: total (mil-lion ton of oil)
Electricity	n Final energy consumption from:
n Electricity consumption: total (billions of kilowatts-hour)	Oil products
n Electricity consumption per capita (kilowatts-hour)	Gas
n Total commercial energy consumption (million ton oil equivalent)	Electricity
n Commercial energy consumption per capita (kg oil equivalent)	n % of final energy consumed by:
n % of commercial energy consumption from:	Industry
Oil products	Transportation
Natural Gas	Agriculture
	Households & commercial

The total land area by governorate is available from the Ministry of Local Development. The data on cultivated and crop area at the governorate level were taken from the publications of the Ministry of Agriculture and Land Reclamation.

The indicators on water resources, withdrawals, and consumption were derived from data from the Ministry of Public Works and Water Resources (Center for Water Resources). Fish catch indicators were calculated from the data available.

The indicators on energy consumption for 1999/2000 were computed from data in "Energy in Egypt 1999/2000," published by the Agency for Energy Planning. The main difference between commercial and final energy consumption is the exclusion in the latter of the amounts of energy source (or sources) consumed as input in the production of another source (e.g. the use of natural gas or oil products in the production of electricity). The commercial energy consumed in kgs oil equivalent per LE 1000 of GDP is based on market prices.

## H. Communications

The communications profile is represented by a number of indicators. The major sources of data required for deriving these indicators are population censuses and annual reports on related areas. CAPMAS publishes these reports in cooperation with the concerned ministries and organizations.

The communications indicators included in this report are:

- |  |   |
|--|---|
| n Households with television (%)                     | n Annual cinema attendance per 1000 people. |
| n Households with radio (%)                          | n Annual theater attendance per 1000 people |
| n Telephones per 1000 people                         | n Annual museum attendance per 1000 people  |
| n Daily newspapers circulation per 1000 people       | n Library books per 1000 people             |
| n Average number of people served by one post office | n Passenger cars per 1000 people            |

The first two indicators are taken from EDHS 2000. The third indicator is derived based on data provided by Egypt Telecom for 2001. The remaining indicators were derived from the latest available CAPMAS annual reports for the related areas of communication for 2001/2002.

## I. Economic Aspects

Economic indicators included in this report are as follows:

- |   |   |
|---|---|
| n Average GDP per capita (LE) at the national and governorate levels for the year 2002.   | n Gross domestic investment as % of GDP                         |
| n Average GDP per capita (PPP\$) at the national, governorate, and administrative units' levels. (Estimates of Ministry of Planning).                       | n Gross domestic saving as % of GDP                             |
| n Income share of poorest 40% of population   | n Tax revenue as % of GDP                                       |
| n Ratio of richest 20% to poorest 20%. Gini coefficient   | n Exports as % of GDP   |
| n Total poor persons as % of total population   | n Imports as % of GDP   |
| n Ultra poor persons as % of total population   | n Total civil external debt as % of GNP                         |
| n Wages of poor households as % of their income   | n Civil external debt service ratio (as % of exports)           |
| n Wages of poor households as % of total wages  | n Workers' remittances from abroad (LE million)                 |
| n % of total expenditure spent on social security   | n Export/import ratio (%) .                                     |
| n % of total expenditure spent on defense, security, and justice (in addition to % of public expenditure spent on education and health referred to earlier) | n Trade dependency (exports plus imports as % of GDP)           |
| n Public expenditure on social security as % of GDP   | n Current account balance (LE billion).                         |
| n Public expenditure on defense, as % of GDP (in addition to public expenditure on education or health as % of GDP referred to earlier)                     | n Gross international reserves including gold                   |
| n Total GDP (LE billions)   | n Gross reserves (US\$ billion)                                 |
| n Agricultural product as % of GDP  | n Months of import coverage                                     |
| n Industrial product as % of GDP  | n GDP at constant factor cost for 2001/2002 (LE billion)        |
| n Services as % of GDP  | n Annual growth rate of real GDP (%)                            |
| n Households consumption as % of GDP  | n Annual growth rate of GDP per capita (%)                      |
| n Government consumption as % of GDP  | n Consumer price index (1995/96=100)                            |
|   | n Wholesale price index (1995/1986=100)                         |
|   | n Annual growth rate of exports (%)                             |
|   | n Annual growth rate of tax revenue (%)                         |
|   | n Direct taxes as % of total taxes                              |
|   | n Overall budget surplus (deficit) as % of GDP at market prices |

GDP per capita (LE) and GDP per capita (PPP\$) were derived for the country and at the governorate level using National Income Accounts, provided directly by the Ministry of Planning (MOP), and the results of the CAPMAS Household Income and Expenditure Survey (HIES) 1999/2000, in the manner described in Section (A-3) above.

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The results of HIES were used in deriving poverty indicators. It is noteworthy, however, that a poor person (or household) is defined in the present report as one whose expenditure is less than the specified poverty line in urban and rural areas. The following procedure was adopted for estimating poverty lines:

1. The amount required is set to accord with the observed diet pattern of the poor to reflect their consumption habits and tastes.
2. The actual diet per adult equivalent in the reference households was augmented to yield adequate energy intake, i.e. 2200 daily calories.
3. The annual cost of the selected diet per household was estimated using actual current prices. The cost of such diet was estimated as LE 4500 and 3752.6 for urban and rural areas respectively. This is considered as the food-based poverty line. Those who are below this line are referred to as ultra poor.
4. Non-food expenditure was estimated for households who are capable of reaching their food requirements, but choose not to do so in order to get their essential non-food needs. Non-foods are added to the food poverty line to yield the poverty line used in this report.

Indicators of public expenditure on various sectors were derived from the government budget published annually by the Ministry of Finance (MOF).

The data required for deriving indicators for national income accounts were provided directly by the Ministry of Planning (MOP). These data are regularly included in the successive follow-up reports.

The indicators of GDP (growth rates and per capita growth rates), as well as growth rates of exports are calculated from data provided by the Ministry of Planning inflation indicators. The source of data for the Consumer Price Index as one of the indicators of inflation is the Central Bank of Egypt, Economic Bulletin Vol. 43, 1st issue, 2002/2003. The source for the Wholesale Price Index is the Follow-Up Report of MOP. Finally, the indicators of taxes and budget surplus (deficit) were calculated from the Institute of National Planning, Public Domestic Debt Management and Public Investment Finance Department's "Issues of Planning and Development", No. 158, July 2002, and the People's Assembly "Eighth Session, Fourth Report of the Budget Committee Proposed State Budget for Fiscal Year 2004/2005", May 2004.

## J. Participatory Development

The EHDR 2003 report presented, for the first time, the idea of public participation in local development, and measuring it using indicators of public participation in political, social, and economic life at the governorate levels. The Ministry of Local Development and the Organization for Reconstruction and Development of the Egyptian Village (ORDEV) provided these types of data, such as public participation in the 2000 People's Assembly elections and the 2002 local elections. Public participation in infrastructure projects, as well as economic development projects supported by the Shorouk Program for Village Development during the period 1994/95-2001/2002 are also provided, in addition to participation-related indicators. This report includes the following participation-related indicators:

- |   |   |
|---|---|
| ▫ Political participation in the People's Assembly elections of 2000  | ▫ Informal sector workers as % of total workers (15+)                                       |
| ▫ Political participation in the local elections of 2002  | ▫ % of public participation (investment) in economic development projects (Shorouk Program) |
| ▫ Participation in social and personal activities (those who work in community services and social & personal services as % of total workers (15+). Private | ▫ % of public participation (investment) in infrastructure projects (Shorouk Program)       |





# Human Development Indicators



# National Indicators

## N.1 Human Development Index

Life expectancy at birth (years)	2002	70.1
Adult literacy rate 15+ (%)	2002	69.4
Combined 1st, 2nd & 3rd- level gross enrolment ratio %	2001/2002	72.1
Real GDP per Capita (ppp\$)	2001/2002	3793.0
Life expectancy index	2002	0.752
Education index	2002	0.703
GDP index	2002	0.607
Human development index	2002	0.687

## N.2 Profile of Human Development

Life expectancy at birth (years)		2002	70.1	
Households with access to:	Health services %	Urban	2001	100.0
		Rural	2001	99.0
	Piped water %	Total	2001	91.3
		Rural	2001	82.1
	Sanitation %	Total	2001	93.6
		Rural	2001	78.2
Daily calorie supply per capita		2001	3905.0	
Literacy rate 15+ %		2002	69.4	
Combined 1st, 2nd & 3rd-level gross enrolment rate%		2001/2002	90.1	
Daily newspaper circulation (per 1000 households)		2002	53.9	
Households with television (%) TV sets per 1000 family		2000	89.4	
GDP per capita (LE)		2001/2002	5742.1	

## N.3 Profile of Human Deprivation

			(thousands)
Population without access to:			hou-
			sands)
Population without access to:	Health Services	2001	0
	Piped water	2001	6847.5
	Sanitation	2001	4109.1
Children dying before age five		2002	56.474
Malnourished children under five		2002	135.7
Children not in basic or secondary school		2001/2002	1770.9
Illiterates (15+)		2002	13260.9
Unemployed people (15+)	Total	2002	2075.6
	Female	2002	1060.2
Poor persons	Total	2002	11053.7
	Absolute Poor	2001	3833.6

## N.4 Trends in human development

Life expectancy at birth (years)	1976	55.0
	2002	70.1
Infant mortality rate (per 1000 live births)	1961	108.0
	2002	24.5
Households with access to safe piped water %	1976	70.9
	1996	81.4
	2001	91.3
Daily calorie supply per capita	1991	3700.0
	1996	4258
Literacy rate 15+ (%)	1960	25.8
	2002	69.4
Combined basic and secondary enrolment ratio %	1960	42.0
	2001/2002	90.1

## N.5 Human capital formation

		Total	Female
Literacy rate 15+ %	1960	25.8	12.5
	2002	69.4	57.3
Basic & secondary enrolment ratio (%)	1960/1961	42	32.1
	2001/2002	90.1	87.1
Professionals and technicians (as % of labor force 15+)	2002	24	30.4
% of people 15+ with secondary or higher education	2001	29.3	23.5
Tertiary graduate ratio (as % of corresponding age)	2001/2002	4.2	4.1
Science graduates (as % of total graduates)	2001/2002	28	28.5

\* Including El Azhar

## N.6 Status of women

Life expectancy at birth (years)	2002	72.1	
Maternal mortality rate (per 100000 live births)	2002	68.9	
Average age at first marriage	1969	19.8	
	2002	26.1	
Enrolment ratios (gross %)	Basic education	2001/2002	90.6
	Primary %	2001/2002	98.4
	Preparatory %	2001/2002	101.3
	Secondary education	2001/2002	76.5
	Tertiary education %	2001/2002	25.8
Tertiary science enrolment (% females)	2001/2002	39.6	
% females 15+ with secondary or higher education	2001	23.5	
Legislative and managerial staff (% females)	2002	16.1	
Professional & technical staff (% females)	2002	30.4	
Women in the labor force (% of total)	2002	21.8	

## N.7 Female - male gaps

Life expectancy at birth		2002	106.5
Population		2002	95.4
Literacy (15+)		1960	30.0
		2002	67.4
Primary enrolment*		1960/1961	63.2
		2001/2002	107.1
Preparatory enrollment		2001/2002	93.3
Secondary enrolment		2001/2002	95.4
Tertiary enrolment & postgraduate		2001/2002	90.0
Labor force		2002	28.0

## N.8 Rural urban gaps

Rural Population (as % of total)		1960	62.0
		2002	57.5
Households with access to health services (%)	Urban	2001	100.0
	Rural	2001	99.0
Households with access to piped water (%)	Urban	1999	99.0
	Rural	2001	82.1
Households with access to sanitation (%)	Urban	2001	99.6
	Rural	1999	89.6
Literacy rate (15+) (%)	Urban	2002	83.0
	Rural	2002	56.2
Rural - urban disparity	Health	2001	99.0
	Water	2001	84.2
	Sanitation	2001	78.5
	Literacy	2002	67.7

## N.9 Child survival and development

Pregnant women with prenatal care (%)		2001	61.1
Maternal mortality rate (per 100000 live births)		2002	68.9
Infant mortality rate (per 1000 live births)	Registered	1961	108.0
	Adjusted	2002	24.5
Under five mortality (per 1000 live births)	Registered	1961	204.0
	Adjusted	2002	31.4
Children ever breastfed (%)		2003	95.2
Birth attended by health personnel %		2002	94.7
Children 12-23 months old fully immunized** (%)		2002	97.9
Underweight below age 5 (%)		2002	1.3

\* This ratio has been estimated according to the data of the information center in the Ministry of Health and population.

\*\* Those who received BCG, measles and three doses of DPT and polio vaccines.

## N.10 Health profile

Households with access to	Health services %	Urban	2001	100.0
		Rural	2001	99.0
	Piped water	Total	2001	91.3
		Rural	2001	82.1
	Sanitation%	Total	2001	93.6
		Rural	2001	78.2
Doctors per 10000 people (MOH)			1982	5.4
			2002	8.8
Nurses per 10000 people (MOH)			1982	9.1
			2002	14.3
Nurse/doctor ratio (%) (MOH)			1982	169.0
			2002	170.0
Maternal mortality rate(per 100000 live births)			2002	68.9
Beds per 100000 people		Total	2002	21.7
		MOH	1998	18.0
Health units per 100000 people			2002	3.8
Public expenditure on health		(as % of total)	2001/2002	2.9
		(as % of GDP)	2001/2002	1.9

(MOH=Ministry of Health only)

## N.11 Education flows

		Total	Female
Primary intake rate %	1960/1961	68.6	57.4
	2001/2002	110.6	101.8
Primary enrolment ratio (gross) %	1960/1961	61.3	49.0
	1999/2000	99.2	98.4
Primary repeaters (as % of primary enrollment)	2001/2002	5.1	0.0
Transition to completers	2001/2002	99.7	0.0
Preparatory enrollment ratio (gross) %	1960/1961	17.2	10.1
	2001/2002	105.0	101.3
Preparatory repeaters (as of preparatory enrollment)	2001/2002	9.6	0.0
Transition to completers	2001/2002	90.8	0.0
Secondary enrollment ratio (gross) %	1960/1961	17.1	8.4
	2001/2002	78.4	0.0
Secondary repeaters (as % of secondary enrollment)	2001/2002	3.4	0.0
Tertiary enrollment ratio %	1960/1961	9.5	3.3
	2001/2002	27.3	25.8

## N.12 Education imbalances

Primary pupil/teacher rate		2001/2002	21.9
Preparatory pupil/teacher rate		2001/2002	20.5
Class density	Primary	2001/2002	39.7
	Preparatory	2001/2002	42.3
Secondary technical (as% of total secondary)		2001/2002	59.8
Tertiary science (as a % of total tertiary)		2001/2002	24.6
Public expenditure on education (as % of total)		2001/2002	19.5
Public expenditure on education (as % of GDP)		2001/2002	5.2
Public expenditure on pre-university education (as % of all levels)		2001/2002	72.7
Public expenditure on higher education (as % of all levels)		2001/2002	27.3
% of basic and secondary enrolment in:	Gouvernement schools	2001/2002	85.8
	Private schools	2001/2002	6.1
	El Azhar schools	2001/2002	8.1
% of unfit school buildings	Total	2001	23.8
	Completely unfit	2001	11.0
	Maintenance	2001	12.8

## N.13 Communication

Households with television %	Total	2000	89.4
	Rural	2000	84.3
Daily newspaper circulation (per 1000 people)		2002	55.0
Telephones (per 1000 households)		2002	364.0
Average number of people served by one post office		2002	6814.0
Annual cinema attendances (per 1000 people)		2000	152.6
Annual theater attendances (per 1000 people)		2002	16.4
Annual museum attendances (per 1000 people)		2002	20.7
Library books(per 1000 people): All libraries		2002	180.3
Public libraries only		1999	40.2
Pessenger cars (per 1000 people)		2002	48.6

## N.14 Labor force

Labor force 15+ (as % of total population)		2002	30.1
% of females in the labor force 15 +		2002	21.8
% of labor force 15+ in:	Agriculture	2002	30.4
	Industrial	2002	21.0
	Services	2002	48.6
Wage earners (as % of the labor force 15+)	Total	2002	59.4
	Female	2002	67.7
Professionals and technicians (as % of Labor force 15)	Total	2002	24.0
	Female	2002	41.1
Employees in Government & public sector (% of labor force 15+)	Total	2002	27.3
	Female	2002	32.0

## N.15 Unemployment

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Unemployment rate %	Total	2002	10.2
	Female	2002	23.9
	Urban	2002	11.0
Urban/Rural unemployment rate %	Rural	2002	9.5
	Below secondary	2002	1
	Secondary	2002	20.4
	University	2002	14.4
Future labor force replacement ratio %		2002	190.0

## N.16 Income distribution, poverty and social investment

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GDP per capita (L.E)		2002	5742.1
Income share of lowest 40%	Total	2000	22.7
	Rural	2000	25.3
Ratio of highest 20% to lowest 20%	Total	2000	4.4
	Rural	2000	3.3
Gini coefficient	Total	2000	29.3
	Rural	2000	23.6
The poor (as % of total population)	Actual	1999/2000	16.74
	Preliminary	2001/2002	16.35
Wages of poor households:	As % of their income	2000	45.1
	As % of total wages	2000	12.4
% of total public expenditures spent on:	Education	2001/2002	14.3
	Health	2001/2002	5.4
	Social security	2001/2002	7.1
	Defense, security & justice	2000/2001	17.8
Public expenditure on education (as % of GDP)		2001/2002	5.2
Public expenditure on health (as % of GDP)		2001/2002	1.9
Social security benefits (as % of GDP)		2000/2001	2.5
Public expenditure on defense (as % of GDP)		2000/2001	6.1

## N.17 Urbanization

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Urban population (as % of total)	1960	38.0
	1986	44.0
	1996	42.6
	2002	42.4
Urban population annual growth rate %	1960/1976	3.0
	1976/1980	2.8
	1986/1996	2.0
	1996/2002	1.8
Population of largest city (as % of total urban)	1996	26.1
	2002	69.4
Houses with electricity %	2001	98.7



## N.18 Demographic Profile

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Population (thousands)		1960	25984.0
		1986	48254.0
		1996	59116.8
		2002	67603.1
Annual population growth rates (%)		1960/1986	2.4
		1986/1996	2.1
		1996/2002	2.3
Population doubling date (current rate)		year 2033	
Total fertility rate		2002	3.5
Ratio of 2001 fertility to 1980 (%)			66.0
Contraceptive prevalence (%)		2003	60
Demographic dependancy Ratio (%)		2002	69.9

## N. 19. Natural Resources

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Land Area	Thousand (km2)	2002	997.2
Population density	(per km2)	2002	67.5
Cultivated area	Thousand feddans	2002	8148.0
	% of land area	2002	3.4
	persons per feddan	2002	8.3
Irrigated land (as % of arable area)		1997	100
Crop area	Thousand feddans	2002	14350.3
	Ratio to cultivated area	2002	1.8
Total water resources (Billion m3)		1997	72.7
Water consumption (as % of total water resources)		1997	69.3*
Internal renewable water (as % of total water resources)		1997	98
Per capita internal renewable water (m3/year)		1997	890
% of water withdrawals by	Agriculture	1997	80.8
	Municipal	1997	6.6
	Industrial	1997	10.5
	Navigation	1997	0.3
	Fish wealth	1997	1.8
Total fish catch (thousand tons)		2002	801.5
% of fish catch from	Fresh water (Nile & Lake Nasser)	2002	18.0
	Marine (Mideterranean & Red Sea)	2002	16.5
	Other Lakes	2002	18.5
	Aqua culture	2002	47.0

\*This ratio did not include the waste through evaporation of flat water and sanitation.

## N.20. Energy Consumptions

Electricity consumption: Total (Billions of kilowatt-hours)		1999/20	60.9
Electricity consumption Per capita ( kilowatt-hours)		1999/20	943.6
Commercial energy consumption: Total (million tons of oil equivalent)		1999/20	44.1
Commercial energy consumption per capita (kg of oil equivalent)		1999/20	683.4
Commercial energy consumption from	Oil products	1999/20	55.3
	Gas	1999/20	35.6
	Electricity	1999/20	9.1
Commercial energy consumed in kg of oil equivalent per LE 1000 of GDP		1999/20	138.7
Commercial energy imports (as % of commercial energy consumed)		1999/20	15.9
Final energy consumption: Total (million tons of oil equivalent)		1999/20	24.4
Of final energy consumption from:	Oil products	1999/20	55.7
	Gas	1999/20	35.6
	Electricity	1999/20	7.4
	Coal	1999/20	1.3
of final energy consumed by:	Industry*	1999/20	42.4
	Transportaion	1999/20	39.6
	Agriculture	1999/20	0.5
	Households &		
	Commercial	1999/20	14.2
	Other	1999/20	3.3

\* Including Coal

## N.21. Food Security

Food production per capita index (89-91=100)		2002	126.7
Agricultural production (as % of GDP)		2001/20	16.47
Daily calorie per capita		1996	4258
		2001	3905
Shares in daily calorie per capita (%)	Vegetable products	1996	93.5
		2001	91.9
	Animal products	1996	6.5
		2001	8.1
Cereal imports: (1000 metric tons)		2002	10319.7
Food exports as % of food imports		2002	12
Food imports as % of merchandise exports		2002	46.8
Food self sufficiency ratio (%)		2002	84.2
Food import dependency ratio (%)		2002	14.1

## N.22 Resource Flow Imbalances

Total Civil external debt (as % of GNP)		2001/20	32.9
Civil external debt service ratio (as % of exports)		2001/20	9.7
Workers' remittances from abroad (LE millions)		2001/20	3108.8
Export/import ratio (%)		2001/20	48.7
Trade dependency (exports plus imports as % of GDP)		2001/20	25.8
Current account balance (LE billions)		2001/20	(-17.2)
Gross international reserves including gold:	(US\$ millions)	2001/20	14.1
	Months of import coverage	2001/20	11.6

N.23 National Income Accounts	1991/1992	2001/2002
Total GDP at current market prices (L.E. billions)	139.1	378.9
Agricultural product (as % of GDP at factor cost)	16.5	16.5
Industrial product (as % of GDP at factor cost)	33.3	19.8
Services (as % of GDP at factor cost)	50.2	50.8
Household consumption (as % of GDP)	74.2	73.6
Government consumption (as % of GDP)	10.4	12.5
Gross domestic investment (as % of GDP)	18.2	18.3
Gross domestic savings (as % of GDP)	15.4	13.9
Tax revenue (as % of GDP)	16.0	13.8
Exports (as % of GDP)	29.0	8.5
Imports (as % of GDP)	31.8	14.5

## N. 24 Economic Performance

GDP at constant (1997/1998) factor cost (L.E. billions)	1997/98	253.1	
	2001/2002	308.3	
Annual growth rate of real GDP (%)	1981/82-1991/9	6.0	
	1996/97-2001/2	4.5	
Annual growth rate of per capita GDP (%)		3.6	
	19981/82-1991/	3.0	
	1996/97-2001/2	127.1	
Consumer price index (1995/96=100)	Urban	2001/2002	121.6
	Rural	2001/2002	115.0
Wholesale price index (1995/96=100)	2001/2002	-10.8	
Annual growth rate of commodity exports (%)	1981/82-1991/9	5.6	
	1996/97-2001/2	2.6	
	1981/82-1991/9	5.3	
Annual growth rate of tax revenue	1995/96-2001/2	44.9	
Direct taxes (as % of total taxes)	2001/2002	(-0.9)	
Overall budget surplus/deficit (as % of GDP at market prices)	1996/97	(-12)	
	2001/2002		

## N. 25. Participation in Development

Political participation in casting of election (%)	Localities	2002	42.4
	People's assembly	2000	24.1
Employees in social & personal community services (as % of labor force 60+)	Total	2001	2.2
	Female	2001	2.1
% of basic and secondary enrollment in private schools		2002	6.1
Popular participation in Shrouk program (% of projects)	Infrastructure		28.8
	Economic Development		31.5
Employees in craftsmen activities (as % of labor force 15+)	Total	2001	14.0
	Female	2001	2.2
	Total	2001	9.7
Employees in informal sector (as % of labor force 15+)	Female	2001	21.5



# Governorate Indicators

## G.1 Human Development Index

	Life expectancy at birth (Years)	Adult literacy rate (+15)	Combined 1st,2nd & 3rd level gross enrolment ratio %	Real GDP per capita (ppp\$)	Life expectancy Index	Education Index	GDP Index	Human Development Index	Rank of Gov.
	2002	2002	2001/2002	2001/2002	2002	2002	2002	2002	2002
Cairo	70.7	85.8	73.6	6964.3	0.762	0.817	0.708	0.762	2
Alexandria	70.9	84.2	78.0	5525.2	0.765	0.821	0.670	0.752	4
Port Said	71.6	88.0	71.6	8287.0	0.777	0.825	0.737	0.780	1
Suez	71.2	84.4	77.5	6272.1	0.77	0.821	0.691	0.761	3
<b>Urban Govs:</b>	<b>71.1</b>	<b>85.4</b>	<b>75.0</b>	<b>6907.5</b>	<b>0.768</b>	<b>0.819</b>	<b>0.707</b>	<b>0.765</b>	<b>00</b>
Damietta	71.5	74.2	76.3	4281.6	0.775	0.749	0.627	0.717	5
Dakahlia	70.7	71.3	75.1	2995.7	0.762	0.726	0.567	0.685	11
Sharkia	70.2	65.9	75.1	2864.4	0.753	0.69	0.560	0.668	13
Kalyoubia	71.6	72.6	65.3	3693.0	0.777	0.702	0.602	0.694	10
Kafr El-Sheikh	69.6	59.8	74.6	3450.6	0.743	0.647	0.591	0.660	14
Gharbia	71.2	73.5	75.0	3640.4	0.77	0.74	0.600	0.703	7
Menoufia	70.5	71.3	70.7	2885.4	0.758	0.711	0.561	0.677	12
Behera	70.5	59.2	70.5	3200.7	0.758	0.63	0.578	0.655	15
Ismailia	69.9	77.0	73.4	4102.3	0.748	0.758	0.620	0.709	6
<b>Lower Egypt:</b>	<b>70.5</b>	<b>68.6</b>	<b>72.5</b>	<b>3465.0</b>	<b>0.780</b>	<b>0.699</b>	<b>0.592</b>	<b>0.666</b>	<b>00</b>
<b>Urban</b>	<b>00</b>	<b>81.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>62.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	68.5	75.2	69.7	4214.7	0.725	0.734	0.624	0.694	9
Beni Suef	70.6	54.3	65.5	2281.7	0.76	0.58	0.522	0.621	17
Fayoum	68.5	50.5	63.0	2474.6	0.725	0.547	0.536	0.603	22
Menia	68.3	52.2	70.4	2682.2	0.722	0.583	0.549	0.618	20
Assiut	68.3	52.2	70.4	2682.2	0.722	0.583	0.549	0.618	20
Suhag	69.5	52.4	73.4	2245.3	0.742	0.594	0.519	0.618	18
Qena	69.5	52.9	73.4	2692.1	0.742	0.563	0.550	0.618	19
Luxor	68.8	64.3	79.7	2767.0	0.73	0.653	0.554	0.646	16
Aswan	70.2	74.3	77.7	3274.4	0.753	0.754	0.582	0.696	8
<b>Upper Egypt:</b>	<b>69.2</b>	<b>59.7</b>	<b>70.6</b>	<b>3433.2</b>	<b>0.737</b>	<b>0.633</b>	<b>0.590</b>	<b>0.653</b>	<b>00</b>
<b>Urban</b>	<b>00</b>	<b>80.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>47.4</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	70.2	84.2	61.7	5487.5	0.753	0.767	0.668	0.729	00
New Valley	70.2	83.0	72.9	3887.9	0.753	0.796	0.611	0.720	00
Matrouh	70.1	58.9	67.2	4362.5	0.752	0.617	0.630	0.666	00
North Sinai	70.2	71.7	65.5	4287.1	0.753	0.696	0.627	0.692	00
South Sinai	70.1	80.2	56.5	7916.4	0.752	0.723	0.730	0.735	00
<b>Frontier Govs:</b>	<b>70.1</b>	<b>74.3</b>			<b>5132.6</b>	<b>0.753</b>	<b>0.657</b>	<b>0.708</b>	<b>00</b>
<b>Urban</b>	<b>00</b>	<b>84.6</b>		<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>56.2</b>		<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>70.1</b>	<b>69.4</b>	<b>72.1</b>	<b>3792.96</b>	<b>0.752</b>	<b>0.703</b>	<b>0.607</b>	<b>0.687</b>	<b>0</b>
<b>Urban</b>	<b>00</b>	<b>83.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>56.2</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G.2 Profile on Human Development

	Life expectancy at birth (Years)	Households with access to piped water (%)	Sanitation %	Literacy Rate (15+) (%)	Combined basic and secondary enrollment%	GDP per capita (LE)	Electricity %	Households with Radio %	Television %
	2002	2001	2001	2002	2001/2002	2001/2002	2001	2002	2002
Cairo	70.7	99.9	99.9	85.8	98.1	10543.2	99.9	90.9	95.9
Alexandria	70.9	99.8	99.9	84.2	99.8	8364.5	99.5	87.9	93.7
Port Said	71.6	96.6	200.0	88.0	91.5	12545.6	99.8	93.1	97.6
Suez	71.2	99.8	100.0	84.4	96.3	9495.2	99.6	97.5	96.7
<b>Urban Govs:</b>	<b>71.1</b>	<b>99.8</b>	<b>99.9</b>	<b>85.4</b>	<b>98.2</b>	<b>10457.0</b>	<b>99.8</b>	<b>90.3</b>	<b>95.3</b>
Damietta	71.5	99.3	99.4	74.2	98.2	6481.7	98.7	85.3	90.7
Dakahlia	70.7	90.2	99.3	71.3	94.9	4535.1	99.7	90.7	95.5
Sharkia	70.2	81.6	98.5	65.9	92.9	4336.3	97.3	75.4	86.2
Kalyoubia	71.6	94.6	98.7	72.6	83.0	5590.9	99.4	95.2	95.3
Kafr El-Sheikh	69.6	97.6	95.3	59.8	93.3	5223.8	98.9	78.2	85.6
Gharbia	71.2	95.5	97.4	73.5	94.8	5511.1	99.4	87.4	92.6
Menoufia	70.5	75.4	97.8	71.3	89.6	4368.3	98.7	88.6	88.8
Behera	70.5	80.1	97.2	59.2	88.9	4845.5	98.2	71.6	86.2
Ismailia	69.9	93.0	100.0	77.0	93.7	6210.5	99.3	91.3	94.9
<b>Lower Egypt:</b>	<b>70.5</b>	<b>89.6</b>	<b>98.2</b>	<b>68.6</b>	<b>91.4</b>	<b>5245.6</b>	<b>98.8</b>	<b>84.2</b>	<b>90.6</b>
<b>Urban</b>	<b>00</b>	<b>0</b>	<b>00</b>	<b>81.9</b>	<b>00</b>	<b>00</b>	<b>99.7</b>	<b>90.6</b>	<b>94.5</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>62.3</b>	<b>00</b>	<b>00</b>	<b>98.4</b>	<b>81.1</b>	<b>88.6</b>
Giza	68.5	94.2	99.0	75.2	87.4	6380.6	99.3	92.3	93.1
Beni Suef	70.6	72.1	83.2	54.3	78.7	3454.1	91.1	50.8	78.8
Fayoum	68.5	79.6	81.4	50.5	76.2	3746.2	92.5	73.2	76.0
Menia	68.3	82.3	89.4	52.2	84.5	4060.6	93.1	57.8	78.6
Assiut	69.7	83.9	73.0	55.0	82.3	3119.9	92.9	66.6	78.4
Suhag	9.5	88.9	75.7	52.4	88.3	3399.2	94.6	66.2	83.9
Qena	69.5	89.6	86.3	52.9	91.3	4075.4	97.2	79.6	84.3
Luxor	68.8	88.3	88.1	64.3	101.0	3971.3	97.3	81.2	85.4
Aswan	70.2	94.2	88.4	74.3	97.9	4957.1	98.2	68.6	90.7
<b>Upper Egypt:</b>	<b>69.2</b>	<b>85.9</b>	<b>84.9</b>	<b>59.7</b>	<b>86.1</b>	<b>5197.4</b>	<b>95.4</b>	<b>73.3</b>	<b>84.2</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>80.1</b>	<b>00</b>	<b>00</b>	<b>99.1</b>	<b>85.8</b>	<b>93.2</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>47.4</b>	<b>00</b>	<b>00</b>	<b>93.4</b>	<b>66.3</b>	<b>79.1</b>
Red Sea	70.2	83.7	99.6	84.2	75.2	8307.5	99.5	81.5	90.8
New Valley	70.2	97.8	98.5	83.0	85.0	5885.8	99.1	96.9	95.3
Matrouh	70.1	88.1	78.9	58.9	79.1	6604.3	75.4	71.9	61.3
North Sinai	70.2	92.8	91.2	71.7	76.6	6490.2	94.6	80.4	83.5
South Sinai	70.1	87.8	89.5	80.2	67.5	11984.6	96.6	82.3	84.1
<b>Frontier Govs:</b>	<b>70.1</b>	<b>90.0</b>	<b>91.6</b>	<b>74.3</b>	<b>77.8</b>	<b>7770.2</b>	<b>90.6</b>	<b>81.9</b>	<b>81.2</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>84.6</b>	<b>00</b>	<b>00</b>	<b>92.3</b>	<b>89.3</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>56.2</b>	<b>00</b>	<b>00</b>	<b>73.2</b>	<b>74.6</b>	<b>00</b>
<b>Egypt</b>	<b>70.1</b>	<b>91.3</b>	<b>93.6</b>	<b>69.4</b>	<b>90.1</b>	<b>5742.1</b>	<b>98.7</b>	<b>81.9</b>	<b>89.4</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>83.0</b>	<b>00</b>	<b>00</b>	<b>99.6</b>	<b>89.3</b>	<b>94.5</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>56.2</b>	<b>00</b>	<b>00</b>	<b>96.9</b>	<b>74.6</b>	<b>84.3</b>

### G.3 Profile on Human Deprivation

	Thousands									
	Without access to piped water	Without access to piped water	Children dying before age 5	Children not in basic or secondary schools	Illiterates (15+)	Poor persons		Malnourished children below age 5	Female	Total
	2001	2001	2002	2001/2002	2002	Total	Ultra Poor	2001	2002	2002
Cairo	6.6	6.6	7.2	31.5	655.7	426	00	00	94.0	182.3
Alexandria	7.2	3.6	2.6	1.4	358.7	261	00	00	41.7	68.0
Port Said	17.3	00	0.3	10.9	38.6	5	00	00	5.8	10.2
Suez	0.9	00	0.3	4.4	44.9	10	00	00	5.8	10.2
<b>Urban Govs:</b>	<b>32.1</b>	<b>10.2</b>	<b>9.6</b>	<b>48.2</b>	<b>1097.9</b>	<b>699</b>	<b>00</b>	<b>00</b>	<b>156.0</b>	<b>282.1</b>
Damietta	7.0	5.6	0.5	4.7	163.7	1	00	00	7.6	11.9
Dakahlia	452.4	30.3	3.0	62.6	853.3	681	00	00	130.5	248.0
Sharkia	873.5	69.1	3.6	95.2	1022.6	601	00	00	90.3	176.9
Kalyoubia	196.6	45.5	2.2	176.4	626.4	288	00	00	48.8	93.3
Kafr El-Sheikh	58.6	113.0	1.2	46.0	615.1	130	00	00	39.4	91.7
Gharbia	167.1	94.4	2.0	51.6	617.0	251	00	00	93.2	161.0
Menoufia	744.8	65.2	1.8	89.1	547.8	567	00	00	379.6	666.7
Behera	872.5	120.8	2.0	138.8	1129.1	343	00	00	113.0	193.0
Ismailia	56.2	00	0.7	14.3	116.2	48	00	00	23.3	37.5
<b>Lower Egypt:</b>	<b>3428.9</b>	<b>543.8</b>	<b>19.0</b>	<b>678.9</b>	<b>5673.2</b>	<b>2901</b>	<b>00</b>	<b>16.8</b>	<b>573.5</b>	<b>1118.9</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>517</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>2361</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	305.8	54.2	3.5	188.7	824.4	684	00	00	34.5	77.7
Beni Suef	581.9	349.5	2.7	131.6	603.2	988	00	00	23.4	41.6
Fayoum	456.1	414.9	2.4	166.1	700.4	699	00	00	23.6	45.2
Menia	661.0	397.3	5.3	166.3	1129.6	800	00	00	71.8	94.9
Assiut	510.2	852.7	5.5	163.9	900.3	1656	00	00	59.6	126.7
Suhag	391.4	855.4	4.7	119.0	1061.8	1412	00	00	32.4	92.5
Qena	284.1	375.4	3.0	35.2	812.8	612	00	00	36.0	78.8
Luxor	46.4	47.2	0.4	4.8	236.5	117	00	00	3.3	5.9
Aswan	61.0	122.4	0.9	6.2	64.5	196	00	00	29.3	73.7
<b>Upper Egypt:</b>	<b>3297.9</b>	<b>3469.0</b>	<b>27.2</b>	<b>977.1</b>	<b>6333.5</b>	<b>7204</b>	<b>00</b>	<b>00</b>	<b>285.1</b>	<b>637.5</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>1529</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>5613</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	28.3	0.7	0.1	14.0	17.4	17	00	00	2.3	5.1
New Valley	3.5	2.4	0.1	7.5	17.0	12	00	00	6.4	7.9
Matrouh	29.0	51.4	0.3	16.2	63.4	36	00	00	2.9	6.3
North Sinai	20.5	25.1	0.3	22.7	51.0	47	00	00	3.0	8.6
South Sinai	7.4	6.4	0.0	6.3	7.5	1	00	00	00	00
<b>Frontier Govs:</b>	<b>88.7</b>	<b>86.0</b>	<b>0.7</b>	<b>66.7</b>	<b>156.3</b>	<b>95</b>	<b>00</b>	<b>00</b>	<b>14.6</b>	<b>27.7</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>22</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>73</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>6847.5</b>	<b>4109.1</b>	<b>56.5</b>	<b>1770.9</b>	<b>13260.9</b>	<b>11053</b>	<b>00</b>	<b>00</b>	<b>1060.2</b>	<b>2075.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>2762</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>8194</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

\*Qena and Luxor Combined

## G.4 Trends in Human Development

	Life expectancy at birth (Years)		Infant mortality (per 1000 live births)		Population with access to piped water %		Literacy Rate (15+) (%)		Combined basic and secondary enrollment	
	1976	2002	1961	2002	1976	2001	1960	2001/2002	1960/1961	2001/2002
Cairo	57.0	70.7	151.0	32.9	91.1	99.9	48.9	85.8	58.9	98.1
Alexandria	59.1	70.9	139.0	24.7	94.9	99.8	45.3	84.2	57.6	99.8
Port Said	59.2	71.6	108.0	21.3	90.5	96.6	42.2	88.0	63.4	91.5
Suez	52.6	71.2	157.0	19.5	92.9	99.8	38.3	84.4	68.0	96.3
<b>Urban Govs:</b>	<b>57.6</b>	<b>71.1</b>	<b>147.0</b>	<b>29.9</b>	<b>92.3</b>	<b>99.8</b>	<b>46.9</b>	<b>85.4</b>	<b>59.1</b>	<b>98.2</b>
Damietta	57.5	71.5	82.0	14.0	89.5	99.3	31.3	74.2	45.7	98.2
Dakahlia	56.9	70.7	71.0	18.8	77.4	90.2	27.9	71.3	42.9	94.9
Sharkia	54.6	70.2	72.0	19.8	72.8	91.6	21.5	65.9	36.3	92.9
Kalyoubia	53.9	71.6	137.0	18.5	62.3	94.6	24.8	72.6	43.4	83.0
Kafir El-Sheikh	56.6	69.6	60.0	14.2	73.2	97.6	15.3	59.8	23.2	93.3
Gharbia	55.5	71.2	107.0	18.0	76.0	95.5	25.3	73.5	45.2	94.8
Menoufia	54.8	70.5	130.0	17.1	71.2	75.4	24.2	71.3	46.2	89.6
Behera	56.0	70.5	77.0	13.8	47.8	80.1	18.8	59.2	28.1	88.9
Ismailia	57.7	69.9	99.0	21.3	56.3	93.0	29.2	77.0	52.7	93.7
<b>Lower Egypt:</b>	<b>55.6</b>	<b>70.5</b>	<b>93.0</b>	<b>18.1</b>	<b>69.2</b>	<b>89.6</b>	<b>23.1</b>	<b>68.6</b>	<b>38.9</b>	<b>91.4</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>80.8</b>	<b>0</b>	<b>00</b>	<b>81.9</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>65.0</b>	<b>00</b>	<b>00</b>	<b>62.3</b>	<b>00</b>	<b>00</b>
Giza	55.2	68.5	126.0	17.7	61.1	94.2	27.9	75.2	45.8	87.4
Beni Suef	50.1	70.6	106.0	31.5	67.7	72.1	18.6	4.3	43.6	78.7
Fayoum	49.3	68.5	151.0	26.9	83.0	79.6	16.3	50.5	40.9	76.2
Menia	52.1	68.3	108.0	33.4	58.9	82.3	18.1	52.2	35.2	84.5
Assiut	53.2	69.7	107.0	42.5	58.4	83.9	17.4	55.0	37.8	82.3
Suhag	54.7	69.5	86.0	32.6	56.2	88.9	14.2	52.4	27.0	88.3
Qena	*53.6	69.5	*80	29.1	*45.6	89.6	*13.5	52.9	28.7	91.3
Luxor	00	68.8	00	27.7	00	88.3	00	64.3	00	101.0
Aswan	51.4	70.2	109.0	28.1	67.0	94.2	20.0	74.3	45.8	97.9
<b>Upper Egypt:</b>	<b>53.0</b>	<b>69.2</b>	<b>102.0</b>	<b>29.2</b>	<b>60.4</b>	<b>85.9</b>	<b>17.8</b>	<b>59.7</b>	<b>36.5</b>	<b>86.1</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>72.4</b>	<b>00</b>	<b>00</b>	<b>80.1</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>55.2</b>	<b>00</b>	<b>00</b>	<b>47.4</b>	<b>00</b>	<b>00</b>
Red Sea	00	70.2	114.0	17.0	77.5	83.7	37.7	84.2	0	75.2
New Valley	00	70.2	181.0	19.0	42.2	97.8	20.3	83.0	00	85.0
Matrouh	00	70.1	98.0	22.7	42.0	88.1	12.3	58.9	00	79.1
North Sinai	00	70.2	94.0	27.4	00	92.8	39.9	71.7	00	76.6
South Sinai	00	70.1	00	10.4	00	87.8	00	80.2	00	67.5
<b>Frontier Govs:</b>	<b>0</b>	<b>70.1</b>	<b>124.0</b>	<b>21.2</b>	<b>47.8</b>	<b>90.0</b>	<b>22.5</b>	<b>74.3</b>	<b>00</b>	<b>77.8</b>
<b>Urban</b>	<b>0</b>	<b>00</b>	<b>00</b>		<b>63.6</b>	<b>00</b>	<b>00</b>	<b>84.6</b>	<b>00</b>	<b>0.0</b>
<b>Rural</b>	<b>0</b>	<b>00</b>	<b>00</b>		<b>28.7</b>	<b>00</b>	<b>00</b>	<b>56.2</b>	<b>00</b>	<b>0.0</b>
<b>Egypt</b>	<b>55.0</b>	<b>70.1</b>	<b>108.0</b>	<b>24.5</b>	<b>70.9</b>	<b>91.3</b>	<b>25.8</b>	<b>69.4</b>	<b>42.0</b>	<b>90.1</b>
<b>Urban</b>	<b>00</b>	<b>70.1</b>	<b>00</b>	<b>00</b>	<b>84.2</b>	<b>00</b>	<b>00</b>	<b>83.0</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>0</b>	<b>00</b>	<b>00</b>	<b>60.6</b>	<b>00</b>	<b>00</b>	<b>56.2</b>	<b>00</b>	<b>00</b>

\*Qena and Luxor Combined



## G.5 Human Capital Formation

	Literacy Rate (15+) %		Basic & secondary enrollment ratio %		% of population 15+ with secondary or higher education		Professional & technical staff (as % of labor force (15+))	
	Total	Female	Total	Female	Total	Female	Total	Female
	2002	2002	2001/2002	2001/2002	2001	2001	2002	2002
Cairo	85.8	70.8	98.1	98.6	43.5	38.9	63.0	42.1
Alexandria	84.2	69.5	99.8	99.5	36.4	33.2	60.8	29.9
Port Said	88.0	72.7	91.5	92.2	45.4	43.0	65.4	47.9
Suez	84.4	69.7	96.3	96.5	39.1	34.0	52.4	35.4
<b>Urban Govs:</b>	85.4	70.5	98.2	98.5	41.3	37.2	62.3	35.6
Damietta	74.2	61.3	98.2	100.9	27.6	27.9	57.4	15.6
Dakahlia	71.3	58.9	94.9	97.2	29.8	25.6	42.6	21.0
Sharkia	65.9	54.4	92.9	92.6	26.7	21.1	36.3	24.3
Kalyoubia	72.6	60.0	83.0	81.8	29.5	24.4	48.5	24.8
Kafr El-Sheikh	59.8	49.4	93.3	90.6	24.4	18.8	37.0	17.2
Gharbia	73.5	60.7	94.8	94.3	31.9	26.7	28.4	21.1
Menoufia	71.3	58.9	89.6	87.3	30.0	24.1	32.4	25.3
Behera	59.2	48.9	88.9	84.0	22.3	16.2	26.	16.5
Ismailia	77.0	63.6	93.7	91.9	33.3	28.5	43.0	27.1
<b>Lower Egypt:</b>	68.6	56.6	91.4	90.2	28.0	22.9	35.0	26.0
<b>Urban</b>	81.9	67.6	00	00	39.0	35.0	46.6	39.3
<b>Rural</b>	62.3	51.4	00	00	23.4	17.8	27.2	20.8
Giza	75.2	62.1	87.4	86.1	32.8	27.1	69.3	28.3
Beni Suef	54.3	44.8	78.7	69.4	21.6	14.2	18.6	13.6
Fayoum	50.5	41.7	76.2	67.3	20.0	14.0	51.1	13.2
Menia	52.2	43.1	84.5	73.7	20.7	13.0	15.0	12.0
Assiut	55.0	45.4	82.3	75.1	22.8	15.2	46.7	17.9
Suhag	52.4	43.3	88.3	80.2	19.2	11.2	47.8	17.3
Qena	52.9	43.7	91.3	81.3	19.1	9.6	37.3	19.4
Luxor	64.3	53.1	101.0	96.6	24.3	15.6	35.8	19.8
Aswan	74.3	61.3	97.9	94.2	30.6	23.4	40.5	29.9
<b>Upper Egypt:</b>	59.7	49.3	86.1	79.4	23.9	16.5	36.2	18.8
<b>Urban</b>	80.1	66.1	00	00	39.8	33.7	44.8	00
<b>Rural</b>	47.4	39.1	00	00	16.0	8.0	23.3	00
Red Sea	84.2	69.5	75.2	77.2	40.4	27.7	53.8	35.2
New Valley	83.0	68.5	85.0	81.5	38.8	31.2	60.8	42.5
Matrouh	58.9	48.6	79.1	65.7	17.3	11.2	61.9	30.3
North Sinai	71.7	59.2	76.6	72.5	29.8	22.0	64.0	42.0
South Sinai	80.2	66.2	67.5	67.7	39.0	22.8	41.0	30.5
<b>Frontier Govs:</b>	74.3	61.3	77.8	72.9	30.9	21.9	58.8	36.8
<b>Urban</b>	84.6	69.8	00	00	39.0	30.3	71.4	30.9
<b>Rural</b>	56.2	46.4	00	00	20.0	11.0	35.0	13.0
<b>Egypt</b>	69.4	57.3	90.1	87.0	29.3	23.5	30.4	24.0
<b>Urban</b>	83.0	65.0	00	00	40.2	35.6	36.8	33.6
<b>Rural</b>	56.2	30.3	00	00	20.2	13.5	20.2	15.7

\*Qena and Luxor Combined

## G.6 Status of Women

	Life expectancy at birth (Years)	Maternal mortality rate (per 100000 live births)	Average age at first marriage (Years)	Total	Enrollment ratios (gross)			Females 15+ with secondary or higher education	Legislative & managerial staff	Professional & technical staff	Woman in labor force (as % of total)
					Basic education			%	(% females)	(% females)	
	2002	2002	2002	2002	2002	2001	2002	2002	2001	2002	2002
Cairo	73.3	100.6	28.2	102.2	103.5	111.8	89.5	38.9	18.6	63.0	23.7
Alexandria	73.4	102.6	29.5	106.3	109.3	120.0	80.5	33.2	19.4	60.8	17.5
Port Said	73.1	36.2	27.0	89.2	91.2	99.1	100.4	43.0	25.0	65.4	22.1
Suez	73.4	113.0	26.0	94.7	96.2	105.1	101.8	34.0	21.4	52.4	27.0
<b>Urban Govs:</b>	<b>73.3</b>	<b>100.9</b>	<b>28.3</b>	<b>102.6</b>	<b>104.5</b>	<b>113.4</b>	<b>87.9</b>	<b>37.2</b>	<b>19.3</b>	<b>62.3</b>	<b>22.0</b>
Damietta	73.8	58.2	25.0	99.8	98.9	123.7	103.8	27.9	18.1	57.4	10.6
Dakahlia	74.4	110.7	25.1	98.0	98.9	112.4	94.7	25.6	13.3	42.6	24.0
Sharkia	72.9	45.0	24.7	94.9	96.7	108.9	85.8	21.1	15.3	36.3	27.1
Kalyoubia	73.0	88.1	25.0	85.9	89.5	93.2	70.2	24.4	16.5	48.5	19.9
Kafr El-Sheikh	72.5	56.3	25.5	92.2	93.0	107.1	86.2	18.8	10.9	37.0	17.6
Gharbia	74.0	69.2	25.9	95.3	95.7	108.9	91.4	26.7	15.0	28.4	29.2
Menoufia	72.8	23.3	25.1	89.7	89.9	105.0	80.6	24.1	13.1	32.4	31.4
Behera	72.2	43.7	25.5	90.3	99.6	100.5	66.2	16.2	16.6	26.6	25.5
Ismailia	71.3	79.2	26.3	94.8	97.9	106.9	84.0	28.5	19.3	43.0	24.2
<b>Lower Egypt:</b>	<b>73.9</b>	<b>47.4</b>	<b>25.2</b>	<b>92.9</b>	<b>95.5</b>	<b>105.8</b>	<b>82.7</b>	<b>22.9</b>	<b>14.7</b>	<b>35.3</b>	<b>24.9</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>35.0</b>	<b>18.1</b>	<b>58.5</b>	<b>25.2</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>17.8</b>	<b>12.4</b>	<b>24.3</b>	<b>21.1</b>
Giza	70.6	44.3	25.5	92.2	100.2	97.6	68.7	27.1	21.2	69.3	12.8
Beni Suef	72.6	60.9	23.3	74.0	99.0	73.8	53.2	14.2	9.7	18.6	26.8
Fayoum	70.4	42.3	23.5	71.7	87.8	81.3	54.2	14.0	17.1	51.1	12.7
Menia	70.1	89.1	23.5	77.0	102.9	76.1	62.2	13.0	10.7	15.0	23.9
Assiut	71.2	58.6	24.5	82.0	102.5	89.7	54.9	15.2	17.7	46.7	17.1
Suhag	70.2	61.1	24.3	86.0	101.0	97.8	60.4	11.2	12.5	47.8	14.0
Qena	71.3	81.5	24.4	85.5	95.6	98.4	66.9	9.6	15.9	37.3	14.7
Luxor	71.0	28.3	25.0	99.9	109.9	118.0	86.4	15.6	14.1	35.8	13.8
Aswan	72.4	53.0	26.0	95.7	93.4	114.1	89.9	21.4	17.1	40.5	18.6
<b>Upper Egypt:</b>	<b>71.3</b>	<b>70.1</b>	<b>24.4</b>	<b>84.2</b>	<b>99.8</b>	<b>91.7</b>	<b>64.0</b>	<b>16.5</b>	<b>15.6</b>	<b>36.2</b>	<b>17.3</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>33.7</b>	<b>18.6</b>	<b>66.9</b>	<b>22.9</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>8.0</b>	<b>11.2</b>	<b>17.4</b>	<b>14.4</b>
Red Sea	72.4	67.9	27.6	76.2	75.2	90.1	80.7	27.7	11.6	53.8	23.2
New Valley	72.4	46.4	25.6	78.1	80.9	86.6	92.9	31.2	18.2	60.8	37.8
Matrouh	72.3	87.6	31.7	73.9	106.2	64.2	37.9	11.2	23.0	61.9	19.6
North Sinai	72.3	44.2	27.6	76.2	81.8	84.0	59.6	22.0	14.4	64.0	17.1
South Sinai	72.3	61.0	30.8	69.7	75.2	80.4	58.1	22.8	10.8	41.0	14.4
<b>Frontier Govs:</b>	<b>72.3</b>	<b>57.1</b>	<b>28.3</b>	<b>75.5</b>	<b>86.3</b>	<b>80.7</b>	<b>63.7</b>	<b>21.9</b>	<b>15.2</b>	<b>58.8</b>	<b>22.9</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>30.3</b>	<b>18.3</b>	<b>57.8</b>	<b>23.1</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>11.0</b>	<b>9.4</b>		<b>22.8</b>
<b>Egypt</b>	<b>72.1</b>	<b>68.9</b>	<b>26.1</b>	<b>90.6</b>	<b>98.4</b>	<b>101.3</b>	<b>76.5</b>	<b>23.5</b>	<b>16.1</b>	<b>30.4</b>	<b>21.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>35.6</b>	<b>18.7</b>	<b>00</b>	<b>24.6</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>13.5</b>	<b>27.3</b>	<b>22.7</b>	<b>19.7</b>

## G.7 Female - Male Gaps

	Life expectancy (Years)	Population	Literacy Rate 15+	Primary enrollment		Prep- aratory enrollment	Secondary enrollmen	Labor Force (15+)	
	2002	2002	1960	2002	1960	2001/2002	2001/2002	2001/2002	2002
Cairo	106.6	95.4	50.0	73.4	80.5	104.1	100.6	108.8	31.0
Alexandria	105.3	95.8	48.0	73.9	75.7	105.4	100.8	107.1	21.2
Port Said	106.2	95.1	50.0	77.3	83.7	106.8	100.4	108.6	28.5
Suez	106.7	95.3	40.0	70.9	69.1	104.1	97.4	111.5	37.1
<b>Urban Govs:</b>	<b>106.6</b>	<b>95.0</b>	<b>48.0</b>	<b>73.8</b>	<b>78.7</b>	<b>104.6</b>	<b>100.5</b>	<b>108.4</b>	<b>28.2</b>
Damietta	106.9	95.6	44.0	80.1	79.6	104.1	108.4	130.5	11.8
Dakahlia	109.0	96.2	28.0	70.3	65.8	108.3	107.7	112.4	31.7
Sharkia	107.4	94.5	21.0	62.5	55.9	108.3	99.9	100.2	37.2
Kalyoubia	106.6	93.9	19.0	65.6	59.8	104.1	95.5	102.4	24.9
Kafr El-Sheikh	108.1	98.9	20.0	67.4	56.9	104.1	94.6	94.3	21.3
Gharbia	107.7	97.8	24.0	69.6	61.7	104.1	99.2	104.8	41.2
Menoufia	107.0	94.3	20.0	62.4	54.4	104.1	91.9	100.5	45.8
Behera	107.0	96.3	21.0	63.2	52.8	105.5	90.7	89.1	34.2
Ismailia	106.6	95.6	33.0	70.5	60.5	104.1	96.5	101.3	31.9
<b>Lower Egypt:</b>	<b>108.6</b>	<b>95.0</b>	<b>23.0</b>	<b>67.2</b>	<b>59.7</b>	<b>105.7</b>	<b>97.7</b>	<b>101.9</b>	<b>33.2</b>
<b>Urban</b>	<b>95.0</b>	<b>95.0</b>	<b>00</b>	<b>84.7</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>41.9</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>78.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>30.1</b>
Giza	106.8	93.6	31.0	67.0	58.1	108.3	96.2	99.5	14.7
Beni Suef	106.6	95.7	20.0	59.3	69.4	108.3	73.8	82.5	36.6
Fayoum	105.2	92.7	26.0	54.8	74.2	109.8	81.0	70.5	14.5
Menia	106.2	95.5	23.0	58.8	54.2	109.7	75.2	71.2	31.3
Assiut	106.2	94.8	25.0	70.1	54.0	112.8	84.0	81.6	20.6
Suhag	104.7	95.5	18.0	58.0	35.8	109.7	83.5	74.3	16.3
Qena	106.9	98.8	*21	58.6	*53.1	96.7	74.7	58.4	17.3
Luxor	106.9	99.6	00	60.0	0.0	105.0	84.9	76.1	16.0
Aswan	106.9	95.1	22.0	66.8	60.9	104.1	91.8	87.3	22.9
<b>Upper Egypt:</b>	<b>106.8</b>	<b>95.0</b>	<b>23.0</b>	<b>61.8</b>	<b>55.6</b>	<b>109.3</b>	<b>85.2</b>	<b>81.3</b>	<b>21.0</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>83.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>29.7</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>75.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>16.9</b>
Red Sea	106.9	76.0	54.0	44.9	00	115.5	96.8	123.0	30.2
New Valley	106.9	92.8	21.0	66.1	00	107.1	84.7	93.3	60.8
Matrouh	106.9	90.0	17.0	56.0	00	111.4	62.3	55.6	24.4
North Sinai	106.8	92.0	37.0	61.3	00	110.5	88.3	74.2	20.7
South Sinai	106.9	65.0	0.0	31.8	00	112.2	99.6	110.2	16.9
<b>Frontier Govs:</b>	<b>106.9</b>	<b>95.0</b>	<b>25.0</b>	<b>62.1</b>	<b>00</b>	<b>115.5</b>	<b>83.1</b>	<b>83.9</b>	<b>29.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>48.4</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>30.0</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>40.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>28.8</b>
<b>Egypt</b>	<b>106.5</b>	<b>95.4</b>	<b>30.0</b>	<b>67.0</b>	<b>63.2</b>	<b>107.1</b>	<b>93.3</b>	<b>95.4</b>	<b>28.0</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>80.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>32.6</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>50.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>24.6</b>

\*Qena and Luxor Combined

## G.8 Rural-Urban Gaps

	Rural Population (as % of total)		Piped water %		Sanitation %		Literacy (15+) %		Rural - urban disparity		
	1960	2002	Urban	Rural	Urban	Rural	Urban	Rural	Water	Sanitation	Literacy
Cairo	00	00	99.9	00	99.9	00	85.7	00	00	00	00
Alexandria	00	00	99.7	00	99.9	00	84.2	00	00	00	00
Port Said	00	00	96.5	00	100.0	00	88.0	00	00	00	00
Suez	00	00	99.7	00	100.0	00	84.4	00	00	00	00
<b>Urban Govs:</b>	<b>00</b>	<b>00</b>	<b>99.7</b>	<b>00</b>	<b>99.9</b>	<b>00</b>	<b>85.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Damietta	75.1	70.4	100.0	92.8	100.0	99.1	81.4	71.0	94.9	99.1	<b>87.2</b>
Dakahlia	81.9	71.7	99.7	89.6	100.0	99.0	82.0	66.4	89.8	99.3	80.9
Sharkia	83.8	77.4	98.6	78.4	99.6	98.3	83.5	59.5	79.4	99.0	71.2
Kalyoubia	74.6	59.2	99.8	88.9	100.0	97.3	80.3	66.9	89.0	97.6	83.3
Kafr El-Sheikh	83.0	76.7	98.8	86.6	98.0	94.1	75.8	53.8	87.6	96.0	70.9
Gharbia	71.8	68.6	100.0	81.9	99.2	96.3	86.3	66.3	85.5	97.4	76.8
Menoufia	86.4	79.7	100.0	75.4	98.8	97.3	82.8	67.8	81.3	98.8	81.9
Behera	81.8	79.9	88.9	79.8	99.0	96.6	76.7	53.0	86.5	97.9	69.1
Ismailia	0.0	49.9	98.0	89.0	100.0	100.0	87.0	64.2	90.7	100.0	73.8
<b>Lower Egypt:</b>	<b>78.3</b>	<b>71.1</b>	<b>98.4</b>	<b>84.7</b>	<b>99.5</b>	<b>97.5</b>	<b>81.8</b>	<b>62.3</b>	<b>87.2</b>	<b>98.3</b>	<b>76.2</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	67.6	40.5	98.4	87.0	99.8	97.8	85.0	63.5	88.2	98.3	74.7
Beni Suef	78.6	76.6	98.3	61.0	97.7	79.2	75.4	45.7	65.2	81.3	60.6
Fayoum	80.7	77.7	100.0	79.6	97.3	75.3	73.0	41.7	86.0	77.6	57.1
Menia	82.8	80.8	96.7	62.7	97.6	87.1	79.0	43.3	64.7	89.5	54.8
Assiut	78.2	73.0	99.2	78.1	96.4	61.3	77.7	43.4	78.6	63.8	55.8
Suhag	81.9	78.6	99.2	72.3	92.4	72.0	74.5	44.7	78.2	78.2	60.0
Qena	86.3	78.8	97.9	85.2	95.4	83.2	74.2	45.6	86.9	87.5	61.5
Luxor	0.0	53.4	98.3	86.1	98.3	89.4	77.2	50.8	87.6	90.9	66.0
Aswan	74.6	57.6	100.0	88.5	97.7	80.8	81.8	67.2	90.9	83.0	82.2
<b>Upper Egypt:</b>	<b>00</b>	<b>00</b>	<b>98.6</b>	<b>75.8</b>	<b>97.9</b>	<b>79.9</b>	<b>80.0</b>	<b>47.4</b>	<b>78.7</b>	<b>82.8</b>	<b>59.3</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	00	27.8	100.0	82.9	99.3	100.0	87.2	76.4	87.4	100.7	87.6
New Valley	00	51.5	100.0	97.6	96.7	100.0	91.2	73.8	98.4	103.4	81.0
Matrouh	00	44.9	93.5	76.8	97.5	43.6	69.5	45.3	81.8	49.2	65.2
North Sinai	00	41.9	99.4	85.9	99.8	69.5	86.1	48.2	86.1	69.8	56.0
South Sinai	00	50.7	69.8	85.2	92.5	84.0	97.0	53.1	88.4	91.1	00
<b>Frontier Govs:</b>	<b>00</b>	<b>42.3</b>	<b>00</b>	<b>85.7</b>	<b>97.3</b>	<b>00</b>	<b>84.6</b>	<b>58.0</b>	<b>88.5</b>	<b>81.9</b>	<b>68.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>00</b>	<b>57.5</b>	<b>99.0</b>	<b>82.1</b>	<b>0.0</b>	<b>89.6</b>	<b>83.0</b>	<b>56.2</b>	<b>84.2</b>	<b>78.5</b>	<b>67.7</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G.9 Child Survival and Development

	Pregnant women with prenatal care %	Maternal mortality rate (per 100000 live births)	Infant mortality rate (per 100000 live births)		Under five mortality rate (per 100000 live births)		Children ever breastfed %	Births attended by health personnel %	Children 12 - 23 month fully immunized %	Under weight (below age 5 years) %
			Registered	Adjusted	Registered	Adjusted				
	2001	2002	1961	2002	1961	2002	2003	2002	2002	2001
Cairo	53.5	100.9	151.0	32.9	24.0	39.4	92.2	97.1	94.9	11.7
Alexandria	56.2	102.6	139.0	24.7	216.0	29.4	94.9	98.6	97.6	9.5
Port Said	53.7	36.2	108.0	21.3	147.0	25.0	94.3	99.8	97.0	8.5
Suez	53.9	113.0	163.0	19.5	236.0	24.0	94.2	98.7	96.9	16.2
<b>Urban Govs:</b>	<b>54.5</b>	<b>100.9</b>	<b>147.0</b>	<b>29.9</b>	<b>231.0</b>	<b>33.2</b>	<b>94.7</b>	<b>96.9</b>	<b>96.6</b>	<b>11.5</b>
Damietta	56.2	58.2	82.0	14.0	136.0	18.3	94.8	99.4	97.5	2.6
Dakahlia	54.9	110.7	71.0	18.8	179.0	24.4	94.9	98.7	97.7	3.2
Sharkia	62.3	45.0	72.0	19.8	159.0	26.7	100.0	98.6	99.3	3.6
Kalyoubia	56.0	88.1	133.0	18.5	297.0	23.2	95.0	99.5	97.7	6.2
Kafr El-Sheikh	49.5	56.3	60.0	14.2	125.0	19.4	95.3	99.1	98.1	9.7
Gharbia	52.5	69.2	107.0	18.0	215.0	23.0	95.3	97.4	98.1	3.3
Menoufia	72.9	23.2	130.0	17.1	275.0	21.5	95.2	92.7	98.0	7.8
Behera	64.1	43.7	77.0	13.8	158.0	18.5	94.9	85.5	97.7	3.7
Ismailia	64.5	79.2	99.0	21.3	161.0	28.1	95.0	99.7	97.7	3.1
<b>Lower Egypt:</b>	<b>59.2</b>	<b>00</b>	<b>93.0</b>	<b>18.1</b>	<b>194.0</b>	<b>26.3</b>	<b>94.0</b>	<b>100.4</b>	<b>98.0</b>	<b>4.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>92.2</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>94.7</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	69.9	44.3	126.0	17.7	254.0	23.9	100.0	94.2	99.6	13.9
Beni Suef	54.6	60.9	106.0	31.5	196.0	40.5	94.3	95.5	92.5	10.9
Fayoum	71.1	42.3	151.0	26.9	290.0	34.4	94.4	99.0	92.6	12.6
Menia	65.0	89.1	108.0	33.4	213.0	43.5	94.3	97.0	92.5	13.0
Assiut	75.4	58.6	107.0	42.5	207.0	53.2	95.0	74.7	93.2	21.7
Suhag	65.4	61.1	86.0	32.6	173.0	43.2	93.3	91.5	91.5	10.9
Qena	57.4	81.5	*80	29.1	*154	38.2	95.0	98.4	93.2	4.6
Luxor	58.4	28.3	00	27.7	00	36.3	96.9	98.9	95.0	2.5
Aswan	54.6	53.0	109.0	28.1	191.0	35.1	96.0	99.2	94.2	2.1
<b>Upper Egypt:</b>	<b>63.1</b>	<b>00</b>	<b>102.0</b>	<b>29.2</b>	<b>199.0</b>	<b>36.1</b>	<b>96.5</b>	<b>74.9</b>	<b>93.8</b>	<b>10.2</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>96.1</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>96.6</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	68.8	00	191.0	17.0	266.0	23.5	94.8	99.3	86.4	17.5
New Valley	78.7	00	181.0	19.0	334.0	25.0	95.7	96.3	87.2	5.5
Matrouh	60.2	00	98.0	22.7	176.0	27.8	94.0	98.0	86.5	3.3
North Sinai	58.0	00	94.0	27.4	136.0	34.3	94.3	85.8	85.9	4.9
South Sinai	86.3	00	00	10.4	00	17.7	94.9	83.9	86.5	1.8
<b>Frontier Govs:</b>	<b>68.6</b>	<b>00</b>	<b>124.0</b>	<b>21.2</b>	<b>210.0</b>	<b>29.0</b>	<b>93.0</b>	<b>106.4</b>	<b>86.5</b>	<b>6.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>61.1</b>	<b>68.9</b>	<b>108.0</b>	<b>24.5</b>	<b>204.0</b>	<b>31.4</b>	<b>95.2</b>	<b>94.7</b>	<b>97.9</b>	<b>1.3</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>94.3</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>95.7</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G.10 Health Profile

	Households with access to		Physicians per 100000 people MOH*	Nurses per 100000 people MOH*	Nurse/physician ratio % MOH*	Maternal mortality rate (per 100000 of live births)	Beds per 10000 people MOH*		Health units per 100000 population
	Piped Water %	Sanitation %					Total	MOH*	
	2001	2001	2002	2002	2002	2002	2002	2002	2002
Cairo	99.9	99.9	9.8	6.5	80.0	100.9	45.5	13.8	6.4
Alexandria	99.8	99.9	12.2	10.9	100.0	102.6	29.1	11.4	3.0
Port Said	96.6	100.0	25.9	32.7	140.0	36.2	31.5	18.7	6.6
Suez	99.8	100.0	9.7	18.2	200.0	113.0	31.4	21.6	5.2
<b>Urban Govs:</b>	<b>99.8</b>	<b>99.9</b>	<b>10.4</b>	<b>9.7</b>	<b>103.0</b>	<b>100.9</b>	<b>32.2</b>	<b>15.1</b>	<b>3.5</b>
Damietta	99.3	99.4	15.2	58.6	390.0	58.2	23.4	21.3	3.7
Dakahlia	90.2	99.3	13.2	13.4	110.0	110.7	21.3	12.8	4.8
Sharkia	81.6	98.5	6.5	11.3	180.0	45.0	16.1	8.8	3.0
Kalyoubia	94.6	98.7	4.4	12.2	280.0	88.1	25.3	17.3	
Kafr El-Sheikh	97.6	95.3	9.8	18.5	200.0	56.3	12.9	10.5	2.2
Gharbia	95.5	97.4	17.1	31.3	190.0	69.2	23.3	12.5	4.1
Menoufia	75.4	97.8	7.9	17.7	230.0	23.3	17.4	11.0	3.5
Behera	80.1	97.2	5.2	18.0	360.0	43.7	11.3	8.6	2.2
Ismailia	93.0	100.0	8.1	18.3	240.0	79.2	26.6	15.0	4.0
<b>Lower Egypt:</b>	<b>89.6</b>	<b>98.2</b>	<b>9.2</b>	<b>18.3</b>	<b>205.2</b>	<b>47.1</b>	<b>17.3</b>	<b>10.2</b>	<b>2.7</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	94.2	99.0	10.7	10.0	100.0	44.3	21.1	10.8	4.9
Beni Suef	72.1	83.2	5.3	14.7	290.0	60.9	11.7	10.4	2.6
Fayoum	79.6	81.4	4.9	13.1	280.0	42.3	10.5	8.9	1.8
Menia	82.3	89.4	5.5	10.5	200.0	89.1	14.3	11.1	2.6
Assiut	83.9	73.0	6.6	20.4	320.0	58.6	21.0	10.9	3.4
Suhag	88.9	75.7	5.6	4.6	90.0	61.1	12.5	10.2	2.7
Qena	89.6	86.3	4.4	4.6	120.0	81.5	11.1	10.1	2.6
Luxor	88.3	88.1	9.6	8.7	100.0	28.3	24.5	24.1	3.0
Aswan	94.2	88.4	12.2	13.8	120.0	53.0	22.7	13.9	5.3
<b>Upper Egypt:</b>	<b>85.6</b>	<b>84.9</b>	<b>7.5</b>	<b>11.0</b>	<b>155.5</b>	<b>70.1</b>	<b>18.6</b>	<b>10.5</b>	<b>3.0</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	83.7	99.6	23.2	21.9	100.0	67.9	26.1	19.8	6.2
New Valley	97.8	98.5	14.4	66.0	470.0	46.4	52.0	46.1	11.8
Matrouh	88.1	78.9	13.6	27.8	220.0	87.6	36.0	33.8	7.2
North Sinai	92.8	91.2	10.5	33.1	330.0	44.2	18.0	16.3	4.5
South Sinai	87.8	89.5	24.2	53.3	230.0	61.0	78.1	71.7	16.1
<b>Frontier Govs:</b>	<b>90.0</b>	<b>91.6</b>	<b>18.2</b>	<b>37.5</b>	<b>213.4</b>	<b>57.1</b>	<b>40.7</b>	<b>24.6</b>	<b>9.5</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>91.3</b>	<b>93.6</b>	<b>8.8</b>	<b>14.3</b>	<b>170.0</b>	<b>68.9</b>	<b>21.7</b>	<b>12.1</b>	<b>3.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G.11 Education Flows

	Primary intake rate (%)		Primary enrollment ratio (gross) (%)	Primary repeaters (as % of primary enrollment)	Transition to preparatory (as % of primary completers)	Preparatory enrollment ratio (%)	Preparatory repeaters (as % of preparatory enrollment)	Transition to secondary (as % of preparatory completers)	Secondary enrollment ratio (%)	Secondary repeaters (as % of secondary enrollment)
	Total	Female								
	2001/2002	2001/2002	1999/2000	2001/2002	2001/2002	2001/2002	2001/2002	2001/2002	2001/2002	2001/2002
Cairo	125.0	124.7	105.9	3.4	100.98	111.4	6.2	87.7	87.7	3.2
Alexandria	114.8	114.5	115.3	7.3	98.3	119.5	12.0	85.1	98.1	3.0
Port Said	106.4	107.5	98.8	6.0	99.8	98.9	3.7	93.5	93.5	2.3
Suez	113.5	112.5	101.5	5.2	100.1	106.5	10.3	95.2	95.2	2.2
<b>Urban Govs:</b>	<b>120.3</b>	<b>120.0</b>	<b>108.3</b>	<b>4.9</b>	<b>99.8</b>	<b>113.1</b>	<b>8.1</b>	<b>90.4</b>	<b>84.4</b>	<b>3.1</b>
Damietta	114.9	113.5	106.9	5.9	101.4	118.8	10.3	96.4	91.2	2.3
Dakahlia	106.4	108.2	101.1	5.3	99.9	108.2	8.2	95.7	89.3	4.1
Sharkia	105.9	106.3	100.0	3.6	99.1	108.9	6.5	96.3	85.7	2.7
Kalyoubia	101.0	99.7	99.5	5.9	98.4	95.4	10.1	96.4	69.4	2.1
Kafr El-Sheikh	101.6	100.1	98.3	3.3	100.5	110.2	8.0	96.3	88.9	3.6
Gharbia	105.1	104.2	103.7	5.4	100.1	109.4	7.4	95.5	89.2	3.1
Menoufia	101.4	99.9	103.0	6.0	100.4	109.7	9.9	95.8	80.4	3.8
Behera	101.6	99.6	101.0	8.1	96.8	105.8	14.3	87.7	70.3	3.8
Ismailia	118.2	116.8	108.3	5.6	96.0	108.9	12.5	96.5	83.4	3.1
<b>Lower Egypt:</b>	<b>104.4</b>	<b>103.7</b>	<b>101.4</b>	<b>5.5</b>	<b>99.2</b>	<b>107.1</b>	<b>9.4</b>	<b>94.9</b>	<b>81.9</b>	<b>3.3</b>
<b>Urban</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	13.2	113.1	103.8	5.7	97.6	99.6	8.9	86.2	68.9	4.7
Beni Suef	94.9	88.6	84.5	7.0	95.8	87.4	15.8	92.0	59.3	3.1
Fayoum	101.7	82.6	87.4	4.2	99.4	91.4	9.6	97.5	66.0	4.9
Menia	96.5	90.6	86.8	4.8	94.8	89.4	9.5	91.0	75.8	3.1
Assiut	91.4	88.0	90.5	5.5	100.5	98.7	10.6	91.9	61.5	3.0
Suhag	89.4	85.8	92.6	4.9	100.6	108.0	13.3	91.4	71.5	2.5
Qena	101.5	97.5	96.0	2.9	100.0	110.7	12.2	91.4	83.9	6.2
Luxor	99.5	98.8	94.7	2.6	102.5	121.4	6.7	91.1	93.2	1.9
Aswan	101.0	100.2	100.9	2.3	98.2	119.3	7.9	89.6	96.6	4.9
<b>Upper Egypt:</b>	<b>98.9</b>	<b>94.2</b>	<b>93.2</b>	<b>4.9</b>	<b>98.8</b>	<b>100.1</b>	<b>10.5</b>	<b>90.9</b>	<b>71.8</b>	<b>3.9</b>
<b>Urban</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	80.4	80.0	108.9	6.1	115.3	91.7	10.9	92.4	72.5	1.4
New Valley	100.4	98.9	103.8	2.2	105.9	94.6	5.1	95.7	96.3	1.5
Matrouh	108.7	99.6	98.2	6.3	89.6	84.8	15.1	80.6	53.8	9.9
North Sinai	93.8	93.3	96.0	3.6	98.8	89.8	4.9	87.4	70.4	3.4
South Sinai	83.8	84.2	94.2	3.6	95.7	80.6	15.7	79.5	55.0	4.2
<b>Frontier Govs:</b>	<b>95.6</b>	<b>92.6</b>	<b>100.1</b>	<b>4.6</b>	<b>101.1</b>	<b>89.2</b>	<b>9.2</b>	<b>87.1</b>	<b>70.1</b>	<b>3.9</b>
<b>Urban</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>110.6</b>	<b>101.8</b>	<b>99.2</b>	<b>5.1</b>	<b>99.7</b>	<b>105.0</b>	<b>9.6</b>	<b>90.8</b>	<b>78.4</b>	<b>3.4</b>
<b>Urban</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>		<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G.12 Education Imbalances

	Primary pupil/ teacher rates	Preparatory pupil/ teacher rates	Primary class density	Preparatory class density	Secondary technical enrollment (as % of total secondary)	% of basic and secondary enrollment in			% of unfit school buildings
	2001/2002	2001/2002	2001/2002	2001/2002	2001/2002	Government schools %	Private schools %	El-Azhar schools%	2001/2002
Cairo	19.9	15.4	39.5	40.9	41.8	72.3	23.8	3.9	15.3
Alexandria	24.5	17.8	46.7	45.8	48.3	83.1	14.9	2.0	16.0
Port Said	12.8	14.0	31.1	36.1	58.9	91.4	6.1	2.4	19.0
Suez	15.9	14.7	35.4	34.4	65.3	89.2	7.8	3.0	22.8
<b>Urban Govs:</b>	<b>20.5</b>	<b>16.0</b>	<b>40.9</b>	<b>41.8</b>	<b>45.6</b>	<b>77.3</b>	<b>19.6</b>	<b>3.2</b>	<b>16.0</b>
Damietta	13.6	14.0	35.1	40.2	57.6	92.4	2.9	4.7	22.7
Dakahlia	17.3	19.2	37.2	40.3	61.9	87.3	2.2	10.5	21.0
Sharkia	21.5	19.8	39.4	40.6	60.5	87.1	1.3	11.5	26.7
Kalyoubia	19.6	25.3	38.9	44.2	64.1	90.7	4.3	5.0	13.7
Kafr El-Sheikh	22.3	23.9	37.1	40.9	63.0	86.4	0.4	13.2	22.9
Gharbia	20.2	16.0	38.9	43.7	56.1	84.7	2.3	13.0	21.9
Menoufia	18.2	18.4	37.6	44.9	60.3	90.8	1.8	7.3	28.4
Behera	26.3	26.7	40.6	45.0	71.8	90.0	1.7	8.2	19.1
Ismailia	19.4	18.6	31.8	34.4	64.6	90.3	4.0	5.7	16.9
<b>Lower Egypt:</b>	<b>20.1</b>	<b>20.2</b>	<b>38.3</b>	<b>42.2</b>	<b>62.3</b>	<b>88.3</b>	<b>2.1</b>	<b>9.6</b>	<b>22.0</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	28.5	27.7	45.3	47.7	51.2	78.4	16.5	5.1	21.0
Beni Suef	26.2	25.0	37.3	40.9	67.3	91.4	2.4	6.2	22.5
Fayoum	24.2	28.7	41.6	44.5	76.7	93.1	2.0	4.9	17.1
Menia	31.2	21.2	42.4	41.3	72.1	91.2	3.0	5.8	35.1
Assiut	25.9	24.5	42.8	42.6	61.2	87.3	2.4	10.3	30.3
Suhag	24.0	23.2	41.3	42.9	64.2	81.6	1.3	17.1	27.5
Qena	22.6	25.4	42.8	46.0	62.5	87.2	0.4	12.8	29.4
Luxor	24.8	27.1	40.4	43.2	66.7	87.1	1.2	11.3	40.5
Aswan	16.4	22.5	32.9	36.8	65.6	93.5	0.2	6.3	44.7
<b>Upper Egypt:</b>	<b>25.7</b>	<b>24.9</b>	<b>41.7</b>	<b>43.5</b>	<b>63.7</b>	<b>86.3</b>	<b>5.0</b>	<b>8.7</b>	<b>28.4</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	14.2	12.4	28.9	29.7	59.4	92.6	2.2	5.1	18.9
New Valley	6.4	7.7	20.1	26.2	62.6	95.1	0.0	4.9	18.4
Matrouh	22.6	18.7	30.8	35.9	73.8	93.5	2.0	4.5	63.6
North Sinai	12.9	9.9	26.6	27.2	63.7	92.7	1.3	6.0	44.6
South Sinai	11.1	9.6	16.3	20.1	41.3	89.4	0.4	10.2	20.3
<b>Frontier Govs:</b>	<b>12.6</b>	<b>10.9</b>	<b>25.7</b>	<b>28.5</b>	<b>63.7</b>	<b>93.2</b>	<b>1.4</b>	<b>5.4</b>	<b>35.7</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>21.9</b>	<b>20.5</b>	<b>39.7</b>	<b>42.3</b>	<b>59.8</b>	<b>85.8</b>	<b>6.1</b>	<b>8.1</b>	<b>23.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>



## G.13 Communication

	% of house holds with		Telephones (per 1000 households)	Average number of people served by one post office	Annual cinema attendances (per 1000 people)	Annual theatre attendances (per 1000 people)	Annual museum attendances (per 1000 people)	Library books (per 1000 people)	Passenger Cars (per 1000 people)
	Radio	Television							
	2000	2000	2002	2002	2002	2002	2002	2002	2002
Cairo	90.9	95.9	485.0	00	681.2	00	00	00	133.5
Alexandria	87.9	93.7	382.0	00	461.0	00	00	00	121.2
Port Said	93.1	97.6	488.0	00	475.1	00	00	00	100.2
Suez	97.5	96.7	314.0	00	63.5	00	00	00	141.5
<b>Urban Govs:</b>	<b>90.3</b>	<b>95.3</b>	<b>447.0</b>	<b>00</b>	<b>582.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>128.7</b>
Damietta	85.3	90.7	237.0	00	138.2	00	00	0052.5	52.5
Dakahlia	90.7	95.5	99.0	00	18.4	00	00	00	292.
Sharkia	75.4	86.2	108.0	00	34.6	00	00	00	32.6
Kalyoubia	95.2	95.3	145.0	00	61.9	00	00	00	29.9
Kafr El-Sheikh	78.2	85.6	67.0	00	33.8	00	00	00	17.7
Gharbia	87.4	92.6	151.0	00	128.4	00	00	00	35.8
Menoufia	88.6	88.8	117.0	00	0.0	00	00	00	29.7
Behera	71.6	86.2	72.0	00	23.3	00	00	00	19.9
Ismailia	91.3	94.9	207.0	00	296.0	00	00	00	56.2
<b>Lower Egypt:</b>	<b>84.2</b>	<b>90.6</b>	<b>116.0</b>	<b>00</b>	<b>53.2</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>29.9</b>
<b>Urban</b>	<b>90.6</b>	<b>94.5</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
<b>Rural</b>	<b>81.1</b>	<b>88.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
Giza	92.3	93.1	318.0	00	85.9	00	00	00	72.0
Beni Suef	50.8	78.8	80.0	00	21.1	00	00	00	23.1
Fayoum	73.2	76.0	73.0	00	93.2	00	00	00	30.5
Menia	57.8	78.6	61.0	00	30.3	00	00	00	14.0
Assiut	66.6	78.4	79.0	00	49.5	00	00	00	20.9
Suhag	66.2	83.9	80.0	00	79.6	00	00	00	12.9
Qena	79.6	84.3	59.0	00	56.2	00	00	00	14.6
Luxor	81.2	85.4	291.0	00	20.2	00	00	00	29.5
Aswan	68.6	90.7	129.0	00	62.6	00	00	00	30.7
<b>Upper Egypt:</b>	<b>73.3</b>	<b>84.2</b>	<b>131.0</b>	<b>00</b>	<b>61.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>30.7</b>
<b>Urban</b>	<b>85.8</b>	<b>93.2</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
<b>Rural</b>	<b>66.3</b>	<b>79.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
Red Sea	81.5	90.8	353.0	00	00	00	00	00	76.6
New Valley	96.9	95.3	271.0	00	00	00	00	00	53.3
Matrouh	71.9	61.3	239.0	00	00	00	00	00	56.6
North Sinai	80.4	83.5	220.0	00	00	00	00	00	46.6
South Sinai	82.3	84.1	498.0	00	00	00	00	00	117.0
<b>Frontier Govs:</b>	<b>81.9</b>	<b>81.2</b>	<b>277.0</b>	<b>00</b>	<b>36.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>60.5</b>
<b>Urban</b>	<b>89.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
<b>Rural</b>	<b>74.6</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>0.0</b>
<b>Egypt</b>	<b>81.9</b>	<b>89.4</b>	<b>364.0</b>	<b>6814.0</b>	<b>152.6</b>	<b>16.4*</b>	<b>20.7*</b>	<b>180.3*</b>	<b>48.6</b>
<b>Urban</b>	<b>89.3</b>	<b>94.5</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>74.6</b>	<b>84.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

\* Available data on National Level only

## G.14 Labor Force

	Labor force 15+ (as % of total population)	% of women in labor force 15+	Percentage of labor force 15+ in			Professional & technical staff (as % of labor force 15+)	Wage earners (as % of labor force)		Employees in gov. & public sector (as % of total labor force 15+)	
			Agriculture	Industry	Services		Total	Females	Total	Females
	2002	2002	2002	2002	2002	2002	2002	2002	2002	2002
Cairo	30.4	23.7	0.1	31.5	68.1	2.1	74.4	92.6	102.0	71.3
Alexandria	27.5	17.4	1.6	33.6	64.8	29.9	66.8	94.4	21.2	47.5
Port Said	32.7	22.1	1.0	17.1	81.9	47.9	87.2	98.4	30.1	73.1
Suez	31.0	27.0	2.5	40.6	57.0	35.4	85.1	96.7	20.2	38.1
<b>Urban Govs:</b>	<b>29.7</b>	<b>22.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>38.6</b>	<b>73.3</b>	<b>93.5</b>	<b>72.6</b>	<b>64.4</b>
Damietta	28.8	10.6	44.0	22.5	33.5	15.6	44.9	94.9	24.5	114.0
Dakahlia	33.5	24.0	37.1	19.4	43.6	21.0	54.1	76.6	19.8	25.4
Sharkia	32.2	27.1	39.8	16.6	50.1	24.3	56.0	54.6	16.8	21.0
Kalyoubia	28.1	19.9	16.7	30.4	53.0	24.8	73.4	82.7	14.7	26.3
Kafr El-Sheikh	31.7	17.6	39.8	9.3	50.9	17.2	45.7	69.5	14.6	30.8
Gharbia	35.1	29.2	30.7	23.8	44.3	21.1	57.6	59.5	18.9	22.6
Menoufia	235.4	31.4	38.3	17.5	39.5	25.3	62.0	49.4	18.1	17.2
Behera	34.2	25.5	46.1	13.6	40.3	16.5	46.2	52.7	11.8	14.8
Ismailia	34.4	24.9	16.9	22.4	60.7	27.1	72.5	88.6	28.7	38.2
<b>Lower Egypt:</b>	<b>32.8</b>	<b>23.8</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>21.5</b>	<b>56.3</b>	<b>62.1</b>	<b>17.1</b>	<b>23.2</b>
<b>Urban</b>	<b>34.1</b>	<b>25.2</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>35.2</b>	<b>73.3</b>	<b>93.5</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>32.3</b>	<b>23.4</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>16.5</b>	<b>51.5</b>	<b>48.7</b>	<b>00</b>	<b>00</b>
Giza	27.0	12.8	14.2	32.0	53.8	28.3	62.3	90.2	22.5	54.8
Beni Suef	32.1	26.8	53.7	15.1	31.2	13.6	48.3	30.2	14.6	17.7
Fayoum	26.7	12.7	45.5	17.6	36.9	13.2	46.0	84.5	14.3	36.5
Menia	31.0	23.9	63.0	8.8	28.2	12.0	45.6	27.5	13.2	15.8
Assiut	26.1	17.1	38.9	18.3	42.8	17.9	68.1	85.6	16.2	28.2
Suhag	24.1	14.0	44.2	12.8	43.0	17.3	51.0	78.5	17.2	14.2
Qena	23.1	14.7	39.0	17.3	43.7	19.4	59.1	77.2	18.7	28.9
Luxor	23.4	13.8	11.0	14.3	74.7	19.8	60.5	55.2	20.7	39.6
Aswan	29.0	18.6	28.0	17.4	45.1	29.9	61.2	82.5	21.2	34.7
<b>Upper Egypt:</b>	<b>27.1</b>	<b>17.3</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>18.8</b>	<b>55.1</b>	<b>58.6</b>	<b>17.4</b>	<b>27.4</b>
<b>Urban</b>	<b>29.5</b>	<b>22.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>33.5</b>	<b>68.9</b>	<b>90.4</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>26.0</b>	<b>14.4</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>11.7</b>	<b>46.8</b>	<b>34.2</b>	<b>00</b>	<b>00</b>
Red Sea	34.5	23.2	1.5	4.6	93.9	35.2	88.2	100.0	25.8	33.9
New Valley	38.7	37.8	27.4	8.2	64.5	42.5	88.1	97.7	43.3	38.8
Matrouh	29.9	19.6	3.0	17.4	79.6	30.3	78.8	97.4	17.1	28.6
North Sinai	29.2	17.1	23.3	7.6	69.1	42.0	71.4	89.6	36.7	62.9
South Sinai	44.3	14.4	7.2	15.8	77.0	30.5	85.9	94.9	24.6	41.0
<b>Frontier Govs:</b>	<b>33.0</b>	<b>22.9</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>36.8</b>	<b>81.2</b>	<b>96.3</b>	<b>30.1</b>	<b>40.7</b>
<b>Urban</b>	<b>38.7</b>	<b>23.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>38.2</b>	<b>72.0</b>	<b>91.2</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>32.9</b>	<b>22.8</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>34.3</b>	<b>78.1</b>	<b>91.7</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>30.1</b>	<b>21.8</b>	<b>30.4</b>	<b>21.0</b>	<b>48.6</b>	<b>24.0</b>	<b>59.4</b>	<b>67.7</b>	<b>27.3</b>	<b>32.0</b>
<b>Urban</b>	<b>32.3</b>	<b>24.6</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>36.3</b>	<b>71.9</b>	<b>92.0</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>28.5</b>	<b>19.7</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>14.6</b>	<b>49.9</b>	<b>44.9</b>	<b>00</b>	<b>00</b>

## G.15 Unemployment

	Unemployment rate %		Adults* 15-29	Urban	Rural	Unemployment rate by education 15+			Future labor force replacement ratio %
	Total	Female				Below secondary	Secondary	University	
	2002	2002				2002	2002	2002	
Cairo	8.0	17.4	00	8.0	00	2.5	10.3	10.3	138.6
Alexandria	6.7	23.6	00	6.7	00	1.2	14.3	7.1	145.8
Port Said	6.0	15.3	00	6.0	00	2.5	5.0	8.2	143.8
Suez	15.0	37.0	00	15.0	00	2.4	21.9	15.5	175.6
<b>Urban Govs:</b>	<b>7.8</b>	<b>19.6</b>	<b>00</b>	<b>7.8</b>	<b>00</b>	<b>2.0</b>	<b>11.6</b>	<b>9.6</b>	<b>142.4</b>
Damietta	4.0	24.0	00	9.3	2.0	00	11.5	7.3	171.4
Dakahlia	15.6	34.2	00	18.5	14.4	1.5	33.1	20.0	178.3
Sharkia	11.2	21.1	00	13.6	10.4	00	25.6	14.6	197.3
Kalyoubia	8.9	23.4	00	12.4	6.2	0.7	15.8	15.4	185.8
Kafr El-Sheikh	11.6	28.3	00	8.4	12.3	00	23.5	22.9	191.7
Gharbia	12.1	24.0	00	14.0	18.3	0.8	22.4	20.7	174.7
Menoufia	9.1	16.5	00	14.1	7.8	0.8	15.2	16.6	186.2
Behera	12.5	28.7	00	17.1	11.2	0.6	27.5	19.9	196.3
Ismailia	13.2	33.0	00	12.5	13.8	00	23.4	10.4	183.4
<b>Lower Egypt:</b>	<b>11.7</b>	<b>25.2</b>	<b>00</b>	<b>14.3</b>	<b>10.6</b>	<b>0.7</b>	<b>23.8</b>	<b>17.5</b>	<b>186.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	5.3	18.4	00	5.6	4.9	0.4	9.9	9.88	183.9
Beni Suef	6.0	12.6	00	12.2	3.9	00	14.4	17.59	240.6
Fayoum	7.3	30.0	00	11.9	5.6	00	18.9	13.7	243.5
Menia	7.9	25.0	00	15.1	6.0	00	20.4	19.5	235.4
Assiut	14.8	40.7	00	19.1	12.7	00	29.5	22.2	236.1
Suhag	10.5	26.3	00	15.0	8.8	1.3	25.9	22.3	233.6
Qena	12.1	37.6	00	17.3	10.2	00	20.9	25.6	233.2
Luxor	6.2	24.8	00	6.1	6.5	00	12.6	0.0	198.3
Aswan	23.6	50.4	00	25.5	21.6	00	48.4	20.6	194.9
<b>Upper Egypt:</b>	<b>9.4</b>	<b>24.3</b>	<b>00</b>	<b>12.4</b>	<b>7.8</b>	<b>0.3</b>	<b>21.0</b>	<b>16.75</b>	<b>221.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	8.2	16.3	00	7.3	19.6	00	9.4	10.8	166.7
New Valley	12.5	26.9	00	12.0	12.9	00	14.8	18.0	186.8
Matrouh	8.3	19.3	00	10.9	0.5	00	9.4	19.9	214.7
North Sinai	10.0	20.1	00	12.9	3.8	4.9	14.5	3.3	215.8
South Sinai	00	00	00	0	00	0.00	00	0.00	170.9
<b>Frontier Govs:</b>	<b>8.8</b>	<b>20.3</b>	<b>00</b>	<b>9.6</b>	<b>2.0</b>	<b>1.9</b>	<b>11.4</b>	<b>11.8</b>	<b>197.5</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>10.2</b>	<b>23.9</b>	<b>00</b>	<b>11.0</b>	<b>9.5</b>	<b>1.0</b>	<b>20.4</b>	<b>14.4</b>	<b>190.1</b>
<b>Urban</b>	<b>11.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>11.0</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

\*Data is unavailable

## G.16 Income Distribution, Poverty and Social Investment

	GDP per capita (LE)	Income share			Poor persons (% of total)		Wages of poor households		
		Lowest 40%	Ratio of highest 20% lowest 20%	Gini coefficient	Actual	Preliminary	Ultra poor	as % of total wages	as % of their income
		<b>2002</b>	<b>2000</b>	<b>2000</b>	<b>2000</b>	<b>1999/2000</b>	<b>2001/2002</b>	<b>2002</b>	<b>2000</b>
Cairo	10543.2	18.2	6.5	39.0	5.01	5.68	00	4.2	58.2
Alexandria	8364.5	21.0	4.9	32.3	6.24	7.08	00	20.3	60.3
Port Said	12545.6	20.5	5.2	33.7	0.90	1.02	00	0.3	44.8
Suez	9495.2	22.6	4.1	28.7	1.91	2.17	00	0.4	47.5
<b>Urban Govs:</b>	<b>10457.0</b>	<b>19.1</b>	<b>6.0</b>	<b>36.9</b>	<b>5.06</b>	<b>5.74</b>	<b>00</b>	<b>7.7</b>	<b>59.6</b>
Damietta	6481.7	30.3	2.2	15.5	0.07	0.07	00	0.4	54.4
Dakahlia	4535.1	26.9	2.9	21.3	14.88	14.35	00	8.0	37.6
Sharkia	4336.3	28.0	2.6	19.4	12.70	12.25	00	9.1	38.2
Kalyoubia	5590.9	25.0	3.4	24.7	7.94	7.72	00	13.9	48.7
Kafr El-Sheikh	5223.8	26.8	2.9	21.9	5.42	5.23	00	6.0	33.5
Gharbia	5511.1	25.4	3.3	24.0	6.85	6.63	00	6.7	56.5
Menoufia	4368.3	26.1	3.0	22.6	18.96	18.23	00	15.9	47.2
Behera	4845.5	27.4	2.7	19.9	7.85	7.59	00	21.5	
Ismailia	6210.5	25.9	3.1	22.9	6.03	5.79	00	3.5	45.1
<b>Lower Egypt:</b>	<b>5245.6</b>	<b>26.3</b>	<b>3.0</b>	<b>22.5</b>	<b>10.31</b>	<b>9.95</b>	<b>00</b>	<b>11.3</b>	<b>46.4</b>
<b>Urban</b>	<b>00</b>	<b>24.6</b>	<b>3.5</b>	<b>25.7</b>	<b>6.17</b>	<b>6.25</b>	<b>00</b>	<b>12.5</b>	<b>50.6</b>
<b>Rural</b>	<b>00</b>	<b>26.9</b>	<b>2.8</b>	<b>21.2</b>	<b>11.83</b>	<b>11.31</b>	<b>00</b>	<b>10.7</b>	<b>44.0</b>
Giza	6380.6	21.4	5.1	33.0	12.89	12.60	00	5.0	38.2
Beni Suef	3454.1	25.3	3.4	25.2	47.26	45.71	00	22.7	36.1
Fayoum	3746.2	26.7	2.9	21.0	31.18	30.13	00	31.7	37.2
Menia	4060.6	25.7	3.3	24.3	21.41	20.64	00	25.3	34.5
Assiut	3119.9	25.9	3.0	23.3	52.08	50.47	00	35.3	51.5
Suhag	3399.2	26.5	3.0	22.0	39.89	38.64	00	33.7	40.8
Qena	4075.4	*26.3	*3.0	*22.8	22.46	21.69	00	*25.4	*41
Luxor	3971.3	00	00	00	29.19	28.67	00	00	00
Aswan	4957.1	23.5	3.6	26.2	18.61	18.19	00	22.6	49.1
<b>Upper Egypt:</b>	<b>5197.4</b>	<b>23.4</b>	<b>4.0</b>	<b>28.1</b>	<b>29.72</b>	<b>28.79</b>	<b>00</b>	<b>20.9</b>	<b>38.2</b>
<b>Urban</b>	<b>00</b>	<b>19.6</b>	<b>5.7</b>	<b>36.7</b>	<b>19.27</b>	<b>19.31</b>	<b>00</b>	<b>16.7</b>	<b>34.9</b>
<b>Rural</b>	<b>00</b>	<b>35.0</b>	<b>3.3</b>	<b>24.3</b>	<b>34.15</b>	<b>32.81</b>	<b>00</b>	<b>25.0</b>	
Red Sea	8307.5	00	00	00	9.53	9.76	00	00	00
New Valley	5885.8	00	00	00	7.36	7.49	00	00	00
Matrouh	6604.3	00	00	00	14.13	14.17	00	00	00
North Sinai	6490.2	00	00	00	16.15	15.86	00	00	00
South Sinai	11984.6	00	00	00	1.16	1.14	00	00	00
<b>Frontier Govs:</b>	<b>7770.2</b>	<b>22.4</b>	<b>4.0</b>	<b>29.3</b>	<b>9.92</b>	<b>9.94</b>	<b>00</b>	<b>9.3</b>	<b>45.2</b>
<b>Urban</b>	<b>00</b>	<b>21.8</b>	<b>4.2</b>	<b>31.2</b>	<b>3.70</b>	<b>3.98</b>	<b>00</b>	<b>11.2</b>	<b>46.9</b>
<b>Rural</b>	<b>00</b>	<b>23.3</b>	<b>3.7</b>	<b>26.6</b>	<b>18.30</b>	<b>17.97</b>	<b>00</b>	<b>5.4</b>	<b>40.7</b>
<b>Egypt</b>	<b>5742.1</b>	<b>22.7</b>	<b>4.4</b>	<b>29.3</b>	<b>16.74</b>	<b>16.35</b>	<b>00</b>	<b>12.4</b>	<b>45.1</b>
<b>Urban</b>	<b>00</b>	<b>21.1</b>	<b>4.9</b>	<b>36.9</b>	<b>9.21</b>	<b>.55</b>	<b>00</b>	<b>10.6</b>	<b>53.3</b>
<b>Rural</b>	<b>00</b>	<b>25.3</b>	<b>3.3</b>	<b>23.6</b>	<b>22.07</b>	<b>21.18</b>	<b>00</b>	<b>15.4</b>	<b>38.5</b>

## G.17 Urbanization

	Urban Population (as % of total)			Urban Population annual growth rates (%)		Population of largest city (as % of total urban)			Households with electricity %
	1986	1996	2002	1976/1986	1996/2002	1986	1996	2002	2001
Cairo	100.0	100.0	100.0	1.8	1.1	100.0	100.0	100.0	99.9
Alexandria	100.0	100.0	100.0	2.4	1.3	100.0	100.0	100.0	99.5
Port Said	100.0	100.0	100.0	4.3	1.6	100.0	100.0	100.0	99.8
Suez	100.0	100.0	100.0	5.4	2.5	100.0	100.0	100.0	99.6
<b>Urban Govs:</b>	<b>100.0</b>	<b>100</b>	<b>00</b>	<b>2.2</b>	<b>1.3</b>	<b>00</b>	<b>61.6</b>	<b>100.0</b>	<b>99.8</b>
Damietta	25.2	27.4	29.6	2.7	3.0	47.8	31.2	32.2	98.7
Dakahlia	26.2	27.8	28.3	3.3	2.6	34.6	30.8	30.1	99.7
Sharkia	21.1	22.5	22.6	3.1	3.0	34.0	29.2	26.9	97.3
Kalyoubia	3.8	40.6	40.8	4.9	2.0	64.7	58.0	64.1	99.4
Kafr El-Sheikh	22.8	22.9	23.3	3.5	2.2	25.0	24.5	23.8	98.9
Gharbia	32.7	31.1	31.4	2.1	1.2	38.2	37.3	37.1	99.4
Menoufia	20.1	19.9	20.3	2.9	2.1	29.7	28.6	28.1	98.7
Behera	23.4	22.8	20.1	2.5	1.8	25.5	25.5	25.4	98.2
Ismailia	48.8	50.3	50.1	4.3	3.1	80.0	70.9	68.9	99.3
<b>Lower Egypt:</b>	<b>27.6</b>	<b>26.6</b>	<b>28.9</b>	<b>3.2</b>	<b>2.2</b>	<b>12.4</b>	<b>12.4</b>	<b>38.1</b>	<b>98.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>99.7</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>98.4</b>
Giza	57.5	54.1	59.5	4.5	1.9	88.8	85.8	76.9	99.3
Beni Suef	25.1	23.5	23.4	2.8	1.9	41.9	39.2	38.0	91.1
Fayoum	23.2	22.5	22.3	2.7	2.2	59.2	58.4	56.5	92.5
Menia	20.8	19.4	19.2	2.5	1.6	32.6	31.3	29.9	93.1
Assiut	27.9	27.3	27.0	2.8	2.2	44.2	45.0	43.0	92.9
Suhag	22.0	21.7	21.4	2.7	2.4	24.8	25.1	25.0	94.6
Qena	*23.4	*24.4	21.2	*3	*2.6	*23.9	30.0	29.3	97.2
Luxor	00	00	46.6	00	00	00	92.5	91.9	97.3
Aswan	39.6	42.6	42.4	3.2	2.6	59.8	52.9	52.2	98.2
<b>Upper Egypt:</b>	<b>31.7</b>	<b>30.8</b>	<b>30.8</b>	<b>3.4</b>	<b>2.1</b>	<b>34.5</b>	<b>33.2</b>	<b>55.1</b>	<b>95.4</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>99.1</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>93.4</b>
Red Sea	85.5	74.7	72.2	4.7	4.4	30.8	30.7	31.5	99.5
New Valley	44.5	48.3	48.5	3.8	3.1	76.4	72.3	72.4	99.1
Matrouh	50.8	55.5	55.1	4.7	3.7	52.4	44.4	44.8	75.4
North Sinai	61.6	59.1	58.1	28.2	3.5	64.0	67.3	66.5	94.6
South Sinai	39.5	50.0	49.3	00	9.1	38.6	38.6	39.2	96.6
<b>Frontier Govs:</b>	<b>57.8</b>	<b>58.7</b>	<b>57.7</b>	<b>7.9</b>	<b>4.0</b>	<b>20.8</b>	<b>21.9</b>	<b>52.1</b>	<b>90.6</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>92.3</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>73.2</b>
<b>Egypt</b>	<b>44.0</b>	<b>42.6</b>	<b>42.5</b>	<b>2.8</b>	<b>1.8</b>	<b>28.6</b>	<b>26.1</b>	<b>69.4</b>	<b>98.7</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>99.6</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>96.9</b>

## G.18 Demographic Profile

	Population (thousands)		Annual population growth rates %			Crude birth rate	Crude death rate	Contrace- ptive prevalence rate(%)	Net lifetime internal migration (as % of total)	population Demo- graphic dependency ratio (%)	
	1986	1996	2002	1960/1986	1986/1996	1996/2002	2002	2002	2001	2003	2002
Cairo	6069.0	6813.2	7497.1	2.3	1.1	1.6	24.4	8.8	65.8	8.8	52.6
Alexandria	2927.0	3339.1	3691.3	2.5	1.3	1.7	23.6	7.5	66.2	7.5	54.7
Port Said	401.0	472.3	521.5	1.9	1.6	1.7	21.3	5.8	58.6	5.8	53.0
Suez	328.0	417.5	469.3	1.8	2.5	2.0	26.6	5.7	56.3	5.7	63.1
<b>Urban Govs:</b>	<b>9725.0</b>	<b>11042.1</b>	<b>12179.2</b>	<b>2.3</b>	<b>1.3</b>	<b>1.6</b>	<b>22.7</b>	<b>8.0</b>	<b>68.5</b>	<b>00</b>	<b>53.6</b>
Damietta	740.0	913.6	1035.1	2.5	2.1	2.1	27.0	6.1	70.0	6.1	62.3
Dakahlia	3484.0	4223.9	4746.2	2.1	1.9	2.0	26.2	6.3	65.0	6.3	66.0
Sharkia	3414.0	4281.1	4906.4	2.4	2.3	2.3	27.5	5.6	63.7	5.6	72.3
Kalyoubia	2516.0	3301.2	3731.5	3.6	2.8	2.1	25.5	5.1	66.7	5.1	67.6
Kafr El-Sheikh	1809.0	2223.7	2492.4	2.4	2.1	1.9	24.4	5.3	67.0	5.3	69.4
Gharbia	2885.0	3406.0	3790.7	2.0	1.7	1.8	23.0	6.2	68.4	6.2	64.9
Menoufia	2221.0	2760.4	3112.4	1.9	2.2	2.0	26.5	5.5	65.0	5.5	70.3
Behera	3249.0	3994.3	4515.0	2.5	2.1	2.1	25.6	5.2	62.1	5.2	70.3
Ismailia	545.0	714.8	825.4	2.5	2.8	2.4	29.1	6.0	62.2	6.0	66.4
<b>Lower Egypt:</b>	<b>20863.0</b>	<b>25819.0</b>	<b>29155.2</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>26.6</b>	<b>5.9</b>	<b>65.2</b>	<b>00</b>	<b>68.4</b>
<b>Urban</b>	<b>5750.0</b>	<b>7252.2</b>	<b>8275.6</b>	<b>3.3</b>	<b>2.2</b>	<b>2.2</b>	<b>00</b>	<b>00</b>	<b>66.3</b>	<b>00</b>	<b>60.4</b>
<b>Rural</b>	<b>15113.0</b>	<b>18566.8</b>	<b>20879.5</b>	<b>2.1</b>	<b>2.2</b>	<b>2.0</b>	<b>00</b>	<b>00</b>	<b>64.8</b>	<b>00</b>	<b>71.7</b>
Giza	3726.0	4784.1	5426.8	4.0	2.5	2.1	27.0	5.7	63.3	5.7	66.7
Beni Suef	1449.0	1859.2	2161.7	2.0	2.5	2.5	30.7	6.1	55.9	6.1	89.0
Fayoum	1551.0	1989.8	2320.9	2.4	2.5	2.6	30.8	5.3	53.2	5.3	88.9
Menia	2645.0	3310.1	3874.6	2.0	2.3	2.7	31.6	6.4	50.1	6.4	86.7
Assiut	2216.0	2802.3	3280.9	2.0	2.4	2.7	33.4	7.1	44.8	7.1	87.1
Suhag	2447.0	2914.9	3654.6	1.7	2.5	3.8	29.9	6.5	39.0	6.5	86.2
Qena	**2259	2442.0	2820.2	2.0	2.2	2.4	28.0	6.1	39.4	2.1	86.8
Luxor	00	361.1	406.9	2.9	1.9	2.0	26.2	6.8	38.8	6.8	71.6
Aswan	809.0	974.1	1077.2	2.9	1.9	1.7	22.8	4.9	46.5	4.9	72.9
<b>Upper Egypt:</b>	<b>17102.0</b>	<b>21437.6</b>	<b>25024.0</b>	<b>2.4</b>	<b>2.4</b>	<b>2.6</b>	<b>29.6</b>	<b>6.2</b>	<b>49.4</b>	<b>00</b>	<b>81.5</b>
<b>Urban</b>	<b>5415.0</b>	<b>6659.3</b>	<b>7916.0</b>	<b>4.1</b>	<b>2.1</b>	<b>2.9</b>	<b>00</b>	<b>00</b>	<b>59.8</b>	<b>00</b>	<b>65.5</b>
<b>Rural</b>	<b>11687.0</b>	<b>14778.3</b>	<b>17107.9</b>	<b>1.8</b>	<b>2.5</b>	<b>2.5</b>	<b>00</b>	<b>00</b>	<b>44.7</b>	<b>00</b>	<b>90.0</b>
Red Sea	90.0	157.3	178.8	4.9	5.7	2.2	24.9	4.7	66.9	4.7	53.6
New Valley	113.0	141.8	162.7	4.7	2.3	2.3	26.8	4.0	55.7	4.0	69.0
Matrouh	161.0	212.0	254.9	1.7	2.8	3.1	35.9	4.6	63.5	4.6	75.2
North Sinai	171.0	252.2	294.9	5.4	4.0	2.6	31.1	4.9	60.8	4.9	75.6
South Sinai	29.0	54.8	62.3		6.6	2.2	26.5	4.9	55.8	4.9	55.7
<b>Frontier Govs:</b>	<b>564.0</b>	<b>818.1</b>	<b>953.6</b>	<b>3.8</b>	<b>3.8</b>	<b>2.6</b>	<b>27.5</b>	<b>4.1</b>	<b>59.4</b>	<b>00</b>	<b>82.6</b>
<b>Urban</b>	<b>326.0</b>	<b>480.2</b>	<b>546.9</b>	<b>1.6</b>	<b>3.9</b>	<b>2.2</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>91.7</b>
<b>Rural</b>	<b>238.0</b>	<b>337.9</b>	<b>406.7</b>	<b>00</b>	<b>3.6</b>	<b>3.1</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>71.0</b>
<b>Egypt</b>	<b>48254.0</b>	<b>59116.8</b>	<b>67603.1</b>	<b>2.4</b>	<b>2.1</b>	<b>2.3</b>	<b>26.9</b>	<b>6.3</b>	<b>60.0</b>	<b>6.3</b>	<b>69.9</b>
<b>Urban</b>	<b>21215.0</b>	<b>25433.8</b>	<b>28917.7</b>	<b>3.0</b>	<b>1.8</b>	<b>2.2</b>	<b>00</b>	<b>00</b>	<b>65.5</b>	<b>00</b>	<b>58.9</b>
<b>Rural</b>	<b>27039.0</b>	<b>33683.0</b>	<b>38685.3</b>	<b>2.0</b>	<b>2.3</b>	<b>2.3</b>	<b>00</b>	<b>00</b>	<b>55.9</b>	<b>00</b>	<b>79.2</b>

## G. 19 Natural Resources

	Km2	Population density (per km2)	Thousand feddans	as % of land area	Persons Per feddan	Thousand feddans	Crop cultivated land ratio
	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
Cairo	3435.3	2430.1	19.2	2.6	390.5	23.3	1.2
Alexandria	2299.7	1604.9	232.1	42.4	15.9	431.0	1.9
Port Said	1344.9	387.8	24.6	7.7	21.2	41.9	1.7
Suez	9002.2	52.1	19.1	0.9	24.6	31.7	1.7
<b>Urban Govs:</b>	<b>16082.1</b>	<b>774.2</b>	<b>295.0</b>	<b>7.9</b>	<b>41.3</b>	<b>527.9</b>	<b>1.8</b>
Damietta	1029.0	1137.3	109.7	50.6	9.4	207.6	1.9
Dakahlia	3716.0	1277.4	638.7	72.2	7.4	1310.4	2.1
Sharkia	4911.0	999.1	794.6	68.0	6.2	1443.0	1.8
Kalyoubia	1124.0	3319.0	190.5	71.1	19.6	334.2	1.8
Kafr El-Sheikh	3748.0	664.9	632.7	70.9	3.9	1093.8	1.7
Gharbia	1943.2	1946.4	393.5	84.9	9.6	731.3	1.9
Menoufia	2554.0	1246.0	384.6	64.7	8.1	721.8	1.9
Behera	9122.8	459.5	1183.2	50.6	3.8	2187.8	1.8
Ismailia	4482.8	162.9	209.4	17.4	3.9	333.6	1.6
<b>Lower Egypt:</b>	<b>32630.8</b>	<b>863.9</b>	<b>4536.9</b>	<b>56.5</b>	<b>6.4</b>	<b>8363.5</b>	<b>1.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Giza	85153.0	411.6	292.7	9.3	18.5	581.1	2.0
Beni Suef	10954.0	197.3	280.6	10.8	7.7	545.0	1.9
Fayoum	6068.7	383.0	431.8	29.9	5.4	774.6	1.8
Menia	32279.0	120.0	483.3	6.3	8.0	863.5	1.8
Assiut	25926.0	239.1	337.4	10.3	9.7	621.1	1.8
Suhag	11022.0	331.6	309.5	11.8	11.8	592.5	1.9
Qena	10798.0	261.2	331.8	12.9	8.5	432.9	1.3
Luxor	2410.0	168.9	44.6	7.8	9.1	67.6	1.5
Aswan	62726.3	17.2	146.8	1.0	7.3	195.3	1.3
<b>Upper Egypt:</b>	<b>247337.0</b>	<b>153.4</b>	<b>2658.5</b>	<b>6.8</b>	<b>9.4</b>	<b>4673.6</b>	<b>1.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
Red Sea	130000.0	1.5	00	00	00	00	00
New Valley	376505.0	0.4	119.0	0.1	1.4	144.8	1.2
Matrouh	166563.0	1.5	392.8	1.0	0.6	480.9	1.2
North Sinai	27564.0	10.7	137.7	2.1	2.1	151.4	1.1
South Sinai	28438.0	2.0	8.1	0.1	7.7	8.2	1.0
<b>Frontier Govs:</b>	<b>729070.0</b>	<b>1.2</b>	<b>657.6</b>	<b>0.4</b>	<b>1.5</b>	<b>785.3</b>	<b>1.2</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Egypt</b>	<b>997738.0</b>	<b>67.5</b>	<b>8148.0</b>	<b>3.4</b>	<b>8.3</b>	<b>14350.3</b>	<b>1.8</b>
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

## G. 20 Development Participation

	Political participation in election voting %		Workers in Social Civil Services % of Labor Force(15+)		Total percentage of education Enrollment in the Private Sector	People's Investment Shrook Programme (1994/95-2001/2002)		Participation in Economic Activities				
	Registered in Localities	District People's Assembly	Total	Female		in Infras- tructure Projects	in Economic Development projects	Workers in Hand Craft activities % of Labor Force (15+)		Workers in Informal Sector % of Labor Force (15+)		
	2002	2000	2001	2001	2002	2001	2001	2001	2001	2001	2001	2001
Cairo	13.2	12.6	4.1	4.7	23.8	00	00	21.6	2.6	8.7	12.7	
Alexandria	20.3	7.4	2.7	2.7	14.9	31	32.3	20.9	3.5	7.7	13.7	
Port Said	57.0	22.2	1.9	1.0	6.1	37.9	23.0	9.9	2.2	9.9	16.8	
Suez	15.6	17.9	1.3	0.7	7.8	48.2	28.0	17.5	1.2	9.2	18.0	
<b>Urban Govs:</b>	<b>10.2</b>	<b>17.3</b>	<b>3.4</b>	<b>3.8</b>	<b>19.6</b>	<b>38.9</b>	<b>27.7</b>	<b>20.6</b>	<b>2.8</b>	<b>8.5</b>	<b>13.4</b>	
Damietta	57.7	25.7	1.2	0.7	2.9	26.1	41.6	30.3	18.1	6.5	18.9	
Dakahlia	59.5	27.1	1.6	1.0	2.2	32.1	46.9	12.0	13.3	12.7	28.0	
Sharkia	49.8	22.4	1.7	0.8	1.3	31.9	32.1	9.9	1.6	10.1	29.0	
Kalyoubia	47.2	22.3	2.4	1.5	4.3	32.8	34.7	19.5	3.4	7.6	16.5	
Kafr El-Sheikh	60.7	31.1	1.6	0.9	0.4	33.3	29.3	7.3	1.3	13.4	34.4	
Gharbia	35.4	30.2	2.0	1.5	2.3	43.3	42.7	12.6	15.0	13.2	28.6	
Menoufia	54.7	22.0	1.8	0.8	1.8	25.6	25.2	9.1	1.6	9.4	20.5	
Behera	45.7	31.5	1.6	1.0	1.7	31.0	32.9	8.2	16.6	10.2	30.4	
Ismailia	59.9	19.3	1.6	1.3	4	34.7	16.5	13.8	19.3	7.6	14.7	
<b>Lower Egypt:</b>	<b>50.9</b>	<b>25.8</b>	<b>1.8</b>	<b>1.1</b>	<b>2.1</b>	<b>32.4</b>	<b>33.6</b>	<b>12.2</b>	<b>2.1</b>	<b>10.6</b>	<b>25.8</b>	
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
Giza	64.7	26.1	3.9	4.8	16.5	31.2	41.6	21.6	3.0	5.3	8.7	
Beni Suef	55.3	31.1	1.5	0.5	2.4	26.9	34.2	9.8	9.7	8.5	19.0	
Fayoum	57.3	23.9	1.4	1.1	2.0	26.7	36.3	12.1	2.0	8.7	26.9	
Menia	27.6	28.4	1.4	0.9	3	24.2	30.7	6.4	10.7	9.2	21.4	
Assiut	46.8	26.8	1.4	0.8	2.4	26.5	25.9	6.9	0.9	11.9	30.6	
Suhag	60.8	21.6	1.7	1.2	1.3	20.3	18.8	11.4	12.5	10.0	27.2	
Qena	28.0	23.6	1.6	1.4	0.8	20.9	26.3	13.2	15.9	12.1	28.0	
Luxor	23.5	20.9	2.0	1.2	2.2	22.7	28.9	16.2	14.1	12.8	30.4	
Aswan	42.8	23.4	1.8	0.5	0.2	30.5	30.2	10.5	17.1	15.3	30.9	
<b>Upper Egypt:</b>	<b>41.7</b>	<b>25.4</b>	<b>2.1</b>	<b>2.0</b>	<b>5.0</b>	<b>25.6</b>	<b>30.4</b>	<b>12.6</b>	<b>2.0</b>	<b>9.3</b>	<b>21.2</b>	
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
Red Sea	38.4	27.3	1.4	2.5	2.2	00	47.4	13.4	11.6	20.0	53.7	
New Valley	42.6	28.1	2.2	0.4	00	24.6	24.6	6.9	18.2	11.1	22.8	
Matrouh	25.0	19.0	1.0	1.4	2	21.2	12.3	11.7	23.0	2.6	7.1	
North Sinai	1.6	26.5	1.6	2.0	1.3	11.0	34.8	8.3	14.4	6.1	12.4	
South Sinai	43.4	30.6	5.2	2.4	0.4	14.7	24.8	9.7	10.8	12.2	39.2	
<b>Frontier Govs:</b>	<b>30.4</b>	<b>31.0</b>	<b>1.9</b>	<b>1.0</b>	<b>1.4</b>	<b>18</b>	<b>28.7</b>	<b>10.1</b>	<b>2.5</b>	<b>9.9</b>	<b>26.4</b>	
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
<b>Egypt</b>	<b>42.4</b>	<b>24.1</b>	<b>2.2</b>	<b>2.1</b>	<b>6.1</b>	<b>28.8</b>	<b>31.5</b>	<b>14.0</b>	<b>2.2</b>	<b>9.7</b>	<b>21.5</b>	
<b>Urban</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	
<b>Rural</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	