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**Amendment of state and municipal
public budget law in accordance with
the economic and social rights of the
2014 Egyptian constitution**

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Executive summary:

The fair provision of public services has been quite problematic in a way that cannot be tackled just through adding a few articles to the constitution. These problems, instead, require legislative and administrative solutions that raise the citizens' living standards through an equal distribution of services offered by the state.

A major part of the problem lies in the way the state public budget is planned and administered. Several laws need to be amended through the intervention of members of parliament such as the State Public Budget Law number 53 for the year 1973 and its amendments and the Municipal Administration Law number 43 for the year 1979. Both laws are flawed with several structural problems that obstruct the availability of public resources for those who deserve them the most and that restrict the ability of public services to have a positive impact on eliminating poverty and achieving justice.

This paper deals with the amendments required in the system governing the administration and distribution of public expenditure in order to reach an effective implementation of the rights stated in the constitution such as education, healthcare, and housing.

The paper concludes that the Public Budget Law requires an amendment that revolves around linking financial and urban planning, presenting clear indicators that measure basic needs for fair distribution of expenditure across the country, and issuing a law for the free circulation of information. Towards the same end, it is also important to guarantee the transparency of state public budget and to put into practice the role of the governor as stated in the amendments of the Municipal Administration Law number 43 for the year 1979 and to amend this same law so as to allow more space for financial and not only administrative de-centralization.

Introduction:

The Egyptian case offers a clear example of the inability of constitutional articles and even international agreements to guarantee the actual materialization of economic and social rights. Despite clear constitutional texts that identify a number of rights and stress the state's responsibility for including them in the gross national product (GNP), those rights are not fully granted not only owing to the absence of the rights themselves at times, but also the tools required for the implementation of those rights. This cannot be avoided without the creation of a new system for the preparation, follow-up, and monitoring of the state public budget.

This paper basically aims at identifying the budget-related challenges facing the actual implementation of economic and social rights on the levels of structure, preparation, and follow-up. The paper will particularly focus on the right to education, healthcare, and housing.

The paper sheds light on the factors that obstruct the implementation of economic and social rights and which can be categorized under two levels:

- Structure and method of preparation and the complexity of both
- The criteria according to which those rights are provided and implemented

The paper then moves to international experiences in an attempt to analyze the main components of public budgets that guarantee the fair implementation of economic and social rights.

First: Rights in the 2014 Egyptian constitution: Theoretical texts and disproportionate application:

Education:

- The share of education in public expenditure and GNP is remarkably receding. Public spending on education decreased in GNP from 4.8% in 2004/2005 to 4% in 2013/2014, 3.9% in 2014/2015, and 3.5% in 2015/2016 despite the drop in subsidy items in the budget under the pretext of allocating more money to human development sectors such as education and healthcare. This was reflected in the decrease of the percentage allocated to education in public expenditure from 16% in 2004/2005 to 11.2% in 2012/2013 then 11.9% in 2014/2015.
- The problem of education is not confined to spending, but also extends to the administration and efficiency of this spending. Success indicators of the educational process have been dropping. For example, enrollment in primary education, granted as a free right in the constitution, amounts to 98% while only 40% of citizens between 20 and 24 years finish high school.
- The Gini coefficient of education, the index used to measure inequality in education, has remarkably increased to reach 56% in rural areas and 52% in urban areas, which reveals a high degree of inequality in education services. Meanwhile, in Indonesia the same index has reached 16% in urban areas and 12% in rural areas.
- The problem, therefore, revolves around the quality, efficiency, and fair distribution of the service, all issues related to the percentage of public expenditure allocated to the process of education itself whereas other education-related items have witnessed a remarkable hike. For example, the percentage allocated to salaries rose from 76% of the total public expenditure on education in 2004/2005 to around 85% in 2014/2015. This was done at the expense of the percentage allocated to the purchase of commodities and services and which dropped from 12% in 2005/2006 to 6% in 2014-2015. It is also noticeable that the percentage of teachers who actually perform administrative jobs is quite high, which means that this percentage is not an indication of a progress in the teaching process.
- There are no programs that could motivate students to attend classes regularly, possibly with the exception of meal plans, already suffering from a number of drawbacks, particularly the limited budget allocated to those meals compared to continuous price hikes and the number of students as well as lack of transparency about the targeting mechanism on which the program depends.

Health care:

- The share of healthcare in public expenditure and GNP is remarkably receding. The percentage allocated to healthcare in the GNP did not exceed 1.7% in the 2014/2015 budget and was even less from 2006/2007 to 2011/2012 where it ranged between 1.4% and 1.5%, one of the lowest percentages in the world. The percentage allocated to health care in public expenditure was only 39% in 2012 while this percentage reached 63% in El Salvador, 52% in Mexico, 74% in Turkey, and 63% in Jordan.
- Egypt has one of the highest rates in personal, direct spending on healthcare with a percentage that reached 98% of private expenditure in 2012, which in low and medium income countries does not exceed an average 77%.
- The percentage allocated to salaries is quite high. The budget figures reveals a drop in the percentage allocated to operation expenses from 31% in 2006/2007 to 17% in 2014/2015.
- Most investments in the healthcare sector are concentrated in central governorates. For

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example, the individual share of investment in the education and healthcare sectors in Assuit, one of the poorest governorates, did not exceed 20% of the individual share of more privileged governorates in the interval between 2002 and 2007. This pattern even continued throughout the application of the geographic targeting program, whose allocated amounts were remarkably meager.

- Justice is absent only on the vertical level. Targeted spending on healthcare, which aims at delivering health services to the poor, has only two components:
 - 1- State-funded medical care is estimated at LE 2.5 billion per year in the absence of rules regulating the allocation of this amount.
 - 2- Several insurance programs are limited to certain echelons and the entity in charge of implementing those programs is the General Authority for Health Insurance, an economic association. A 2015 study revealed that the percentage of women at the head of households who made actual use of such programs in 2014 in three of the poorest villages in the country is almost zero¹.

Housing:

- Housing administration in Egypt is faced with a number of problems, on top of which is the concept of healthy housing, which reflects on the amount of money allocated to housing, or the concept of the state's role in securing the poor's right to housing.
- The 2014/2015 public budget included approximately LE 11.2 billion for housing projects—ranging from social and family housing to land plots and cooperative housing—which constitutes only 1.4% of public spending. No detailed plan about the social housing project, which started in July 2012, was made public. The amounts allocated to these projects mainly depend on funds, which are very hard to monitor. In addition, neither the state public budget nor the plan contains a detailed account of the number of housing units or the amounts allocated to housing in every governorate and the rationale of this allocation. The 2015/2016 budget included LE 13 billion for the social housing project that is currently being expanded while amending the system according to which the treasury settled the amounts with the New Urban Communities so that the treasury itself would pay for subsidies.
- Regarding the fair distribution of housing among classes, the financial statement of the state public budget mentions only LE 150 million while LE 269.8 million is allocated to housing loans which, owing to the lack of transparency, most likely goes to the National Housing Project. The expansion of housing programs is also still dependent on loans from international organizations. Furthermore, the terms and conditions of the Mortgage Finance Fund still deprive 40% of lower classes of benefiting from such projects.

Second: How can the public budget become a tool of justice in service distribution?

- The implementation of rights warranted by the constitution necessitates a detailed description of the purpose of public expenditure, which is ensuring the implementation of such rights. This requires a budget that allows citizens to monitor the set of goals associated with economic and social rights. Without this structure it will be extremely hard to start promoting these rights through the state public budget and avoiding an increase in expenditure that is not accompanied by an equal distribution of services or the quality and sustainability of those services.
- This necessitates doing away with the form of budget that relies on abstract accounting items that do not contain actual goals against which implementation can be assessed.

In this kind of budget, there is little space for monitoring entities like the Accountability State Authority. Only financial monitoring is observed while the economic and social effect of public spending is overlooked.

- There is currently no monitoring mechanism that compares allocations in the budget to actual implementation. The House of Representatives does not get a detailed account on the projects that have already been implemented and the reasons for not implementing or transferring funding from others. The budget allocations in themselves do not reflect the implementation of projects on the ground and the submitted financial report does not trace the progress of those projects.
- The structure of the state public budget in Egypt is relatively hard to monitor since the public treasury budget is separated from that of economic authorities and private equity funds. The state public budget includes the treasury budget comprised of the administrative system and service and local authorities. Authorities are presented in independent budgets while popular monitoring is totally absent from private equity funds.
- There is no financial decentralization except in rare cases like local development programs, five programs which do not exceed 1% of public expenditure.
- The administrative division of public expenditure cannot be monitored at the level of districts or localities even though poverty rates vary from one district to another and sometime among localities in the same district.

Third: Recommendations based on international experiences:

- Shifting from a budget of items to one of programs in the education and healthcare sectors is required. In program budgets, expenditure is distributed among specific programs that represent a group of activities related to certain state goals such as primary care programs and education programs. This constitutes a major step towards shifting to a program budget and allowing for accountability.
- This shift makes it easier to estimate the required expenditure and set a time frame for it. This consequently makes easier to look for the proper funding through increasing the tax collection rate, imposing property taxes, and taxes on smoking as well as cooperating with international funding organizations based on the specified programs.
- Improving the infrastructure of the education and healthcare sectors so that comprehensive health insurance programs and cash transfers conditioned upon education attainment become efficient
- Increasing the transparency of state public budget to facilitate popular monitoring, providing clear data on investment projects down to the smallest municipal unit through linking each spending item to a specific goal that can be understood by average citizens, linking the budget to economic and social goals, and providing citizens with budgets and follow-up reports on implemented projects in a simple language and clarifying the share of each district and locality in state projects
- Setting clear formulas that determine levels of service deprivation on geographical basis and ratifying them in order to provide the required funding
- Setting clear criteria for justice in planning and which should be based on a combination of urban and developmental criteria so that planning is not only based on urban criteria, which focus on the design of housing units and their surroundings, but also developmental criteria that ensure the quality and sustainability of those units

Amendment of state and municipal public budget law in accordance with the economic and social rights of the 2014 Egyptian constitution

- The parliament is to revise the public budget and the closing statement on the level of the administrative system, the municipalities, and all economic authorities one at a time and not collectively.

ⁱ Abdel Halim, Reem, “Challenges facing pro-poor public expenditure: Case studies from Egypt’s poorest villages”, Annual Conference of Faculty of Economics and Political Science, May, 2015.