

Arab Republic Of Egypt



**Financial Statement
Of
The State's General Budget
For FY2013/2014**

Cairo 2013

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Chapter One

The Economic Scene and Challenges of the Period

First: The Economic Scene:

On 30th June 2012, an elect civilian president assumed authority in Egypt. Coinciding with this transfer, there was also a transfer of accumulated defects and burdens from previous years to the current administration. Consequently, budget deficits during fiscal year 2011/2012 reached around 167 billion Pound, representing about 11% of the total local product. Total general debt reached about 1310 billion Pounds. This is 85 % of the total local product. Interest, only, on this sum is about 25 % of the total general expenditure, valued at 104.4 billion Pounds by the end of the previous fiscal year 2011/2012. This current government has inherited a heavy heritage of financial burdens. Debts of a number of economic organizations reached the limit at which affected their financial stand. As an example, debts of the General Petroleum Organization on 30th June 2012 hit 125 billion Pounds. Broadcast and Television Union, by the end of June 2012, was also in debt for the National Investment Bank by 14 billion Pounds. Add to that the depleting foreign currency reserves at the Central Bank of Egypt registering 15 billion Dollars in June 2012 coming down from around 36 billion Dollars in December 2010.

Since the 25th January 2011 revolution, the Egyptian economy went through a general regress appears in the form of by several indications of economic performance. Economic growth rates suffered from real retreat as it went from 5.1 % in fiscal year 2009/2010 down to about 2 % in average during the previous two

year, despite some improvement during the first half of the current fiscal year to reach an average of 2.4 %. But economic performance and economic growth is still far below the required minimum to make the economic activity go forward and create job opportunities for unemployed masses, and also to accommodate annual new comers to labor market. Consequently, unemployment rates went up to 13 % by the end of 2012 compared to around 9 % at the end of 2010.

Due to actions creating the state of political instability, coinciding with repeated laborers' strikes the economic activity of the private sector degenerated to a great extent. The contribution of private sector towards the growth of total local product went down and the economic activities considerably slowed down and in turn this led to sluggish economic performance.

From sectors' prospective, the last two years witnessed obvious decrease in activity of leading and key sects that stimulate growth. The sector of alteration industries went through a decrease of 0.2 % in average during the last two years against an average growth rate of 5.6 % during the previous three years. Building industry was also affected (3.5 % compared to a rate of 13.4 % during the same two periods). Tourism sector was also affected, (1.8 % compared to 13.4 %). These were some effects of events accompanied the transitional period. Other sectors were either directly affected, as a result of diminishing security, riots and strikes or indirectly by general decrease of local or global demands.

It is worthy mentioning that the crisis did not only influenced local demands, but also extended its negative effect on foreign sector, which was maintained, for many years, as one of the main strong points in evaluating the Egyptian economic performance. Internal security disturbances and economic regression that affected the most vital commercial allies of Egypt led to its budget deficits. This in its turn reflected on reduction of revenues of foreign currencies on which economy mainly relied on to form foreign currency reserves during the last decade. Despite the fact that the continuation of collecting export income in foreign currencies for growth rates that reached 7.3 % during the first half of the current fiscal year, yet growth rate of imports, particularly petroleum products recorded around 27 % during the past fiscal year and 24.5 % during the first half of the current fiscal year. This resulted in a drop in the commercial balance in general recording a deficit of 32 billion Dollars during fiscal year 2011/2012 against a deficit of about 27 billion Dollars in 2010/2011.

On the other hand, deterioration of services exporting performance shrank by about 5% during previous fiscal year. This trend has started since 2008/2009 with the eruption of the international financial crisis and thinning of the external demand, although there was a considerable and exceptional growth in money transfers of Egyptians working abroad during the last two fiscal years (where they went from 9.5 billion Dollars up to 17.8 billion Dollars), but deficits of current balance has nearly doubled during the same period to reach about 8 billion Dollars during 2011/2012 against a deficit of 4.3 billion Dollars two years earlier.

With the decline of capital influx, financing of current activities required foreign currency, (most of it comes from private sector) withdrawn from foreign currency reserves at the Central Bank of Egypt. Egypt obtained around 9 billion Dollars in economic aids since February 2011 until end of March 2013, but the balance of reserve of foreign currency at the Central Bank is continually diminishing to lose more than 50 % of its level in December 2010 which was 36 billion Dollars, where reserve balance was around 15 billion Dollars on 30 June 2012. This means that usage of foreign currency in Egyptian economy during the last two years was about 30 billion Dollars. This was clearly reflected on the rate of change of the American Dollar and other foreign currencies as it shoot up against the Egyptian Pound. This led to the creation of a parallel exchange market despite the efforts spent by the Central Bank to adjust the official exchange market and to alleviate repeated pressures in it.

It is important to mention here that despite the challenges that face the private sector and notwithstanding the steep retreat of its performance during the last two years while having the largest share in the economic activity, yet the unsurpassed governmental expenditure has alleviated, to some extent the effect of regression of private sector activities in such a way that most of the citizens did not get the real feeling of the actual impact of the crisis that is in general influencing the economy and in particular the private sector. With the continual increase of the governmental expenditure especially on wages and workers' compensation which is expected to reach a cumulative growth rate of more than 73 % within three years ending by the end of the current fiscal year. With the approval of consecutive increases of pensions costing about 29 billion Pounds since January 2011, the increasing governmental expenditure generally helped to keep the

income of about 14 – 15 million employees and pensioner and their families. In some cases this income was actually increased, which reflects good performance of consuming expenditure rates during this period.

This expenditure has a temporary positive effect on economic activity, but to keep this up is getting increasingly difficult for many reasons:

First: Deficits of the state general budget is engorging and getting beyond the ability of national savings and foreign aids to finance. The state general budget deficit has increased during three years to reach 135, 167 and about 200 – 205 (expected) billion Pounds respectively for the period 2010/2011 till 2012/2013. This represent 9.8 %, 10.8 % and 11.5 – 11.7 % of the total local product and is far beyond all survival criteria for general finances and the safe keep of total economic framework. It is worth mentioning that total general debts for general budget authorities is anticipated to hit 1553 billion Pounds by the end of current fiscal year (89 % of total local product), against 1310 billion Pounds (85 % of total local product) by the end of 2011/2012.

It is also important to mention that during the last three years, general treasury has mainly relied on the banking system either through the Central Bank or commercial banks to fulfill its financing needs. Then the government had to borrow most of increase in deposits and savings in the banking system. This is called (crowding), which results from the government acquisition of financing which was supposed to be directed towards the private sector. This led to the increase of the cost of general

government loan and greatly refinancing it. This had its effect on interest payment on general loan which inflated in a way that never happened before, expected to reach about 147 billion Pounds during the current fiscal year, against about 72 billion Pounds in 2009/2010 this means an increase of about 104 % during three years. This situation will not only have a negative effect on present but will also extend its burden on the future.

Second: Inability of the Central Bank to provide more direct finances to general treasury, because of the accompanying increased inflation risks that might have drastic influences on total economy. It is worth mentioning that the Central Bank of Egypt was able to provide a good deal of direct credit to the government during the last three years without having obvious inflation effect as a result of simultaneous increase of the credit with the exit of big amount of foreign assets from the local economy. This was because of the increase of local assets and kept the liquidity increase rates within safe limits.

Third: Most of the increase in government expenditure concentrated on ongoing expenditure, which does not participate in increasing production capacity of the national economy especially with the decrease of governmental investment expenditure which was accompanied by a big increase in the size and ratio of ongoing expenditure of wages and subsidy. These are expenditure aspects that do not participate in producing any increase in the production size, nor the future production capacity of the Egyptian economy. This aggravates inflation risks.

Fourth: With the continuation of the crisis, and with two years of the regression of economic activity and diminishing of the majority of foreign currency flow, the economy became vulnerable for even more regression as a result of lack of revenues necessary for the continuation of production activity in the private sector. On one hand it suffers from lack of foreign currency sources required for financing its needs of imported production requirements from abroad, on the other hand it suffers as a result of diminishing available local loans for financing its investments and developing its production activity, as this revenue currently goes to finance ongoing government expenditures as indicated above.

No doubt, it is impossible in any condition to get out of the crisis and restore economic activity with the presence of the existing financial defects. It is also certain that correcting the path of financial policies is a prerequisite of rectifying existing economic defects. It is of sure a launching point for getting out of the crisis the Egyptian economy is going through. Consequently the financial policy will be facing three main challenges in preparing the projected state general budget in short and medium terms:

1. The necessity to act quickly for the resumption of economic activities and lifting economic growth rates, particularly through providing the atmosphere that encourages activities of private sector.
2. It is mandatory to reduce the state total budget deficit gradually and in a way that suits the size of available finances to the government and in the same time keeping the fundamental balances on total economy providing suitable finances to meet requirements of other nongovernmental sectors.

3. The social aspect must be respected with fair distribution of fruits of economic growth and also observing the distribution of burdens that usually accompany economic reforms over different levels of the society in a way that is proportional with wealth and income.

By viewing the economic scene that has been presented to your esteemed council and out of the challenges that were mentioned, now we present the broad economic principles that were the bases for preparing the general budget for fiscal year 2013/2014 and also the most important factors that control the current financial scene. More details about different chapters of the general budget and the most important articles in nest chapter.

Second: Circumstances and challenges accompanied the preparation of the draft general budget of fiscal year 2012/2013:

It is important to view the circumstances and challenges that coincided with the preparation of the project of the general budget for fiscal year 2012/2013 which was formulated while there were expectations of applying reforms and anticipating certain ideas that will help to provide enough finances to fulfill required growth rates and to raise the citizens' standard of living and improve the quality of their lives according to the following:

(a) Circumstances of preparing project of 2012/2013 budget:

The main and fundamental target in preparing project budget for fiscal year 2012/2013 is the concentration on restoring the financial balance for national economy through a well defined and flexible program to reduce deficits and loan of the total local product in medium term, to make the first within the range 4 - 4.5 % and the latter to range between 60 and 65 %. The ability of the general balance to face possible pressures and future crises is to be rebuilt. In the light of that, main elements of expenditure and revenues were reevaluated through the two divisions: economic and functional, and clarifying the plan of financing deficit in view of expected total financing requirements and classifying of due loans and the expected debts position by the end of the year. The project of state general treasury budget was also presented in view of limitations concluded from the targets of both financial and economic policies.

From this stand, and as a lot of demands from the public and different peoples' categories were accommodated in the budgets of fiscal years 2010/2011 and 2011/2012, this made the main target of 2012/2013 budget is to apply policies that support financial adjustment and continuity, as the Draft budget included the reduction of total deficit rate by about 2.2 % of the local product to reach 135 billion Pounds (7.6 % of local product) by the end of June 2013. To achieve this target, it was pointed out that it was necessary to execute a group of measures which are expected to save 85 billion Pounds (4.8% of local product). The majority of such measures are structural ones on both the revenues and expenditure sides, which work on redistributing surplus produced by economy in a better and fairer way. It is very important to widen the base of taxation without increasing the burden on current tax payers (financers) or the current tax society. Subsidy that is not directed to limited income category has to be rationalized. This is mainly represented by energy subsidy. Financial tangles among different state authorities are to be disengaged through a more comprehensive program which enhances managing framework and monitoring of general funds. This will be fulfilled through measures of correcting the path financial control without the negative effect on the performance of economic activity, but working on its encouragement through reviewing definitions of budget priorities in a way that helps to provide revenues allowing an increase of general investments and the expenditure on programs of social aspects. The target is to support such measures with another group of temporary or nonstructural measures to alleviate pressures of financial requirements of the budget during borrowing, consequently, help in control over loan rates.

In the same time, estimates indicated that in case target measures were not applied, total deficits of general budget could reach between 220 – 223 billion Pounds (12.5 % of total product) instead of targeted deficit of 135 billion Pounds (7.6 % of total product), including financial effect of increasing financial requirements and the interest burden. This is besides the escalation of burden of financial requirements to reach a total of nearly 898.7 billion Pounds; the net of it is about 328 billion Pounds which is an enormous burden and in turn will be at a colossal cost to the economy and society.

(b)- Follow up of actual performance of 2012/2013 budget:

Preliminary estimates of performance of current fiscal year 2012/2013 indicate an expected rise of actual deficit beyond what was planned in the Draft budget because of not applying the group of structural measures mentioned above on preparing the Draft budget and due to slowing down of growth rates compared to estimations when the budget was prepared. It was discovered that assumptions on which the budget was built, and which was prepared before the existence of the elected president and was not discussed in the peoples' assembly, those assumptions were not applicable, and included reforms which were very difficult, even impossible to apply in one year especially under the prevailing circumstances, besides the negative effect of lack of security, repeated laborers' strikes and other demands on the expenditure side which has not yet been rationalized.

On the contrary, there was over expenditure that went beyond the figures of the Draft budget. Added to other factors this led to reduction of economic growth rates, which negatively influenced budget financial indices. This was accompanied with deterioration of rates of general revenues growth compared to

budget estimates because of regression of profits and diminution of sales size added to the retreat of some organizations' ability to pay their due taxes in due time.

As a result of the above, a presidential decree of law 100 for the year 2012 was issued for the opening of additional sum in the state general budget for fiscal year 2012/2013 for around 50 billion Pounds distributed as follows:

- § 6 billion Pounds in first chapter – pays and workers' compensation: to meet requirements for increased wages and salaries in different state authorities.

- § 5 billion Pound in third chapter – interest: to meet increase of interest of general local and external debts.

- § 37 billion Pound in fourth chapter - subsidies, grants and social benefits: to meet obligations of general petroleum organization and national organization for social security.

- § One billion Pound in fifth chapter – other expenditures: to meet national obligations.

- § One billion Pounds in sixth chapter – buying non financial assets (investments): to meet requirements for increase in investments of potable water and sewage.

The result is increase in estimated deficit to make total deficit hit the figure of about 185 billion Pound (10.4 % of local product).

Third: Bases of estimates for uses and resources in the draft state's general budget for fiscal year 2013/2014:

Draft general budget for fiscal year 2013/2014 shows, in its first image, that it will lead to a total deficit of 312.4 billion Pounds. i.e. a percentage of 15.1 % of the total product. This called for a review and Draft the application of a bundle of obligatory structural measures on both revenues and general expenditures. Draft measures on general revenues side will result in and increase of 56.4 billion Pounds with an increased percentage over the Draft budget (without the measures) to 12.8 %. Draft measures on the general expenditure side will result in rationalization of 60.4 billion Pounds, a reduction percentage from Draft budget (without measures) of 9.5 %.

Table no. (1)**Total Draft State's General Budget for fiscal year 2013/2014**

Billion Pounds

Item	Without measures (1)	Including measures (2)	Difference (2-1)
General revenues	440.7	497.1	56.4
Tax revenues	316.9	356.9	40.0
Grants	2.4	2.4	0.0
Other revenues	121.4	137.8	16.4
General expenditure	752.8	692.4	-60.4
Wages & compensation of employees	172.2	172.2	0.0
Purchase of goods & services	30.7	30.7	0.0
Interest	181.5	182.0	0.5
Subsidy, grants and social benefits	265.0	205.5	-59.5
Other expenditure	39.7	38.3	-1.4
Purchase of non financial assets (investments)	63.7	63.7	0.0
Deficit	312.1	195.3	-116.8
Percentage to GDP	15.1 %	9.4 %	5.6 %
Net financial assets possessions	0.3	2.2	1.9
Total deficit	312.4	197.5	-114.9
Percentage to GDP	15.1 %	9.5 %	5.5 %
Total GDP	2071.1	2071.1	0.0

Draft structural measures is a group of measures on both revenues and expenditure sides, such measures work on the redistribution of surplus produced by economy in a better and fairer manner. It is important to widen the taxation base without putting more burden on currently tax payer and adjusting the current tax society, added to the necessary rationalization on general expenditure, that concentrates on the restructuring of the whole subsidy system particularly the subsidy of petroleum products which is of a benefit for better off people with higher income rather than limited income people. It is also important to try to disengage financial tangle among different state bodies (especially electricity and petroleum). This paves the way to reach the targeted deficit of 9.5 % of the local product. Those estimates reflect the approval of tax reforms (income, stamp duty and sales) which were presented to your assembly during the last period.

It is of importance to point out that in case of disapproval of issuing the legislations that lead to increase of tax revenues as pointed out in the indicated dates, and not making the decisions by the competent authority to rationalize subsidy of petroleum products, deficit will increase beyond targeted figure appearing on the presented Draft budget.

Table no. (2)**Projected financial surplus from different measures on revenues and expenditure**

(Billion Pounds)

Measure	Total surplus (In billion Pounds)	
Measures on revenues side		
Income tax	- 0.4	
Committing cigarette companies to apply the band roll system for the control of smuggling and leak of state revenues	1.7	
Increasing taxation effectiveness through criminating the decline to issue tax receipts on free professions and other activities.	1.1	
Measure	Total surplus (billion Pounds)	
Increasing the tax exemption limit by around L.E 6000 to reach LE 7000 to be applied by Oct. 2013	- 3.2	
General sales tax	15.5	
Modifying sales tax in preparation to go to Value Added Tax in the third quarter of fiscal year 2013/2014	11.4	

Expanding taxation base to include all services according to general rate except for a negative list for social services that will still be tax exempted e.g. health and education besides all types of financial services	3.9	
Activating prime minister's decrees to affiliate all restaurants and tourists shops to ministry of tourism rather than local authorities as of February 2014.	0.2	
Implementing estate tax	2.0	
Non tax revenues	13.1	
Accelerating the issue of licenses of comprehensive communication services and ultra fast internet	7.5	
Charging additional \$ 10.00 for every tourist arriving to Egypt as of November 2013.	0.6	
Total measures on revenues side	30.2	
Measures on expenditure side		
Subsidy of petroleum products	36.3	
Applying the system of distributing diesel fuel by smart cards to different sectors, retaining subsidy granted to food industry and farmers unchanged.	24.0	
Applying the system of distributing petrol through smart cards as of July 2013.	9.7	

Measure	Total surplus (In billion Pounds)	
Completion of the application of distributing gas cylinders to qualified families using coupons	2.6	
Control of commodities rationing cards	3.1	
Total measures on expenditure side	38.4	
Activating maximum and minimum wages	1.2	
Reducing excess number of consultants	1	
Rationalizing expenditure within the state administrative system.	2	

According to previous measures presented in details in the Draft general budget for fiscal year 2013/2014 aiming at reducing total general budget deficit by about 2 % of the local product to be 197.5 billion Pounds (9.5 %) of the local product compared to anticipated total deficit of 200 – 205 billion Pounds (11.5 – 11.7 %) of the GDP during fiscal year 2012/2013 which calls for a big group of reform measures.

Table no. (3)**Total Draft State's General Budget for
Fiscal Year 2013/2014**

Billion Pounds

Item	Draft budget 2013/2014 (1)	Revised budget 2012/2013 (2)	Difference (2-1)
General revenues	497.1	393.5	103.7
Tax revenues	356.9	266.9	90.0
Grants	2.4	9.0	- 6.7
Other revenues	137.9	117.5	20.3
General expenditure	692.4	583.8	108.6
Wages & compensation of employees	172.2	142.6	29.5
Purchase of goods & services	30.7	28.8	1.9
Interest	182.0	138.6	43.4
Subsidy, grants and social benefits	205.5	182.8	22.7
Other expenditure	38.3	34.3	4.0
Purchase of non financial assets (investments)	63.7	56.6	7.1
Deficit	195.3	190.3	5.0
Net financial assets possessions	2.2	- 5.3	7.5
Total deficit	197.5	185.0	12.5
Percentage of GDP	9.5 %	10.7 %	
Total GDP	2071.1	1734.0	

(1) General revenues:

It is expected that total general revenues in the Draft budget of fiscal year 2013/2014 will be around 497.1 billion Pounds with a growth of 26.3 % compared to modified estimates of 2012/2013 budget which is around 393.5 billion Pounds with a rise of about 103.6 billion Pounds.

1. Total tax revenue in Draft budget of fiscal year 2013/2014 about 356.9 billion Pounds with a growth percentage of 33.7 % over the modified figure of 2012/2013 budget which was about 266.9 billion Pounds with a rise of 90 billion Pounds.
2. Total grant revenues in Draft budget of fiscal year 2013/2014 about 2.4 billion Pounds with a drop of 73 % from the revised budget of 2012/2013 which was about 9 billion Pounds, a drop of 6.6 billion Pounds.
3. total non tax revenues in Draft budget of fiscal year 2013/2014 about 137.9 billion Pound representing a growth of 17.4 % from the modified sum of fiscal year 2012/2013 which was about 117.5 billion Pounds, a rise of 20.4 billion Pounds.

(2) General expenditure:

Total general expenditure in the Draft budget of fiscal year 2013 / 2014 is about 692.4 billion Pounds with a growth of 18.6% compared to estimated modified figure in budget of 2012/2013 valued at about 583.8 billion Pounds with an increase of 108.6 billion Pounds.

1. Total wages and workers' compensation in Draft budget of fiscal year 2013/2014 about 172.2 billion Pounds with a growth percentage of 20.7 % compared to modified figure in 2012/2013 budget of 142.6 billion Pounds with an increase of 29.6 billion Pounds.
2. Total value of commodities and services purchase in Draft budget of fiscal year 2013/2014 about 30.7 billion Pounds with a rise of 6.6 % compared to modified figure in 2012/2013 budget of about 28.8 billion Pounds, this is an increase value of 2 billion Pounds.
3. Total interest in 2013/2014 budget is 182 billion Pounds. This is a rise of 31.3 % compared to modified figure of 2012/2013 budget of 138.6 billion Pounds, an increase of 43.4 billion Pounds.
4. Total of subsidies, grants and social benefits in Draft budget of fiscal year 2013/2014 about 205.5 billion Pounds with a growth of 12.4 % compared to modified figure of 182.8 billion Pounds in fiscal year budget of 2012/2013 representing an increase of 22.7 billion Pounds.
5. Total of other expenditures in the Draft budget for the fiscal year 2013/2014 about 38.3 billion Pounds, growth percentage of 11.7 % compared to modified figure in budget of fiscal year 2012/2013 which amounted to about 34.3 billion Pounds i.e. went up by 4 billion Pounds.
6. The total for buying non financial assets (investments) in Draft budget for fiscal year 2013/2014 about 63.7 billion Pounds, growth percentage of 12.5 % compared to modified figure of 2012/2013 budget amounting about 56.6 billion Pounds, up by 7.1 billion Pounds.

Fourth: Social programs and category demands in budget of fiscal year 2013/2014

The government is seeking to insert a bundle of ambitious economic and social reforms to participate in the comprehensive development in a way that guarantees that the outcome of such development will reach different categories of citizens in a better and fairer manner. The government in the same time will support marginalized categories and those who need care more through the implementation of a group of programs that will achieve direct benefits to them, and elevate their standard of living through following policies that will lead to better geographical distribution of development efforts.

Achieving stability and trust in the Egyptian economy and consequently the return of flow of investment leading to improvement in employment figures are with no doubt the most important factor that paves the way towards improving life conditions to the masses, beginning by providing a job that gives a real income through providing suitable general services and finally raising the standard of living to people. That is why the government is working hard to achieve protection and social justice through two inseparable avenues: social and economic.

The presented Draft budget includes earmarking about 364 billion Pounds to finance the program of social protection against 316 billion Pound in the revised budget of fiscal year 2012/2013 with an increase of 47.5 billion Pound representing an annual rate boost of 15 %. It is intended to direct 25 % of revenues from activating the new real estate tax law to finance activities of local authorities, and further 25 % to improve slums development fund.

The following is to show some social programs that the government has looked after and still working on the completion of the rest:

1. Turning temporary employment into permanent: the program aims to install temporary employment in permanent jobs and transferring their funds from different budget chapters into first chapter (article "permanent jobs"). The number of workers installed in the government system up till now is about 453000 worker distributed as follows:

Description	Number
Total	453104
Labourforce approved to install on first chapter	234543
Labourforce transferred from different budget chapters to first chapter preparing for installation	65666
Top graduates	17413
Revolution casualties	654
Assignees	28675
Disabled	88974

2. Social allowance: as a continuation of the government policy to approve annual social allowances starting since 1987/1988 as a percentage of the basic salary and with the addition of this allowance to the basic salary every five years, this addition increases variable salary to workers, while the burden of the allowance approved on 1/7/2012 according to law (82) for the year 2012 is about 3.3 billion Pounds. The project also includes the financial effect of adding the allowance of 30 % on the basic salary which was approved in May 2008. It contains, as well, the positive effect of raising the exemption limit for salary collectors from LE 4000 to LE 7000 together with the widening of lower segments in the income tax structure.

3. Minimum & maximum pay: The government is working on the completion of the minimum-pay system that started on 1/7/2011 according to decree of law No. (51) for the year 2011 as article 11 of it indicates an increase of the set incentives for workers so that total take home pay for each including periodical or annual bonus and incentives for extraordinary efforts or allowances etc. should not be less than 200 % of basic salary. The burden of such increase during the fiscal year 2012/2013 is about 8.8 billion Pounds. Currently there is work done to activate the top pay system according to the Prime Minister's decree No. 322 for the year 2012 regarding the executive rules of the decree of law No 242 for 2011 about the maximum limit of income tying it with the minimum limit.
4. Response to other category demands: After the 25th January 2011 revolution, category demands increased through sit-ins and strikes and this pushed the government to respond to some of the demands. As a result the burden of such demands reached the value of about 13.2 billion Pounds apart from the insurance benefits in Draft presented budget, the following is among them:
- § Approving performance incentive to teachers (working for Ministry of Education and Azhar)
 - § Increasing incentives for extraordinary efforts to administration workers in Education by 50 %.
 - § Treating Azhar representatives as employees of Ministry of Foreign Affairs.
 - § Improving conditions for Prayer leaders.
 - § Raising bonus of Ministry of Interior to 300 % and modifying police payroll by law 109 for the year 1971, also deciding special danger pay and raising the meal value for workers in the Ministry of Interior for the sake of improving and developing security performance and remedy of security breakdown.

- § Increasing the income of university and research institutions staff (University Allowance) as implementation of law 84 for the year 2012.
- § Increasing of incentive to attract labors
- § Quality incentive for improving conditions for hospital doctors and nursing staff.
- § Increasing incentives for veterinary doctors by 50 %.
- § Increasing incentives for employees in the Central Agency for Organization and Administration, also in directorates of Organization and Administration in governorates by 100 %.

5. School meals: increasing the school feeding program to cover 160 school days rather than 80 school days. In the presented budget there is around 0.8 billion Pounds set aside for that.

6. Bread Subsidy: The subsidy for improving the quality, fixing the price and keeping the strategic country stock of wheat. 19.4 billion Pounds earmarked for that in the presented budget.

7. Subsidy of commodities on the rationing card (rice, sugar, oil and tea): It is of subsidizing around 17.6 million rationing cards with an increase of 5 million new cards. The number of beneficiaries is about 66.6 million citizens and there is a sum of 11.4 billion Pounds earmarked for that.

8. Farmers subsidy: This subsidy aims to relieve farmers' burdens and the presented budget has around 3.0 billion Pounds for that through:

- § Subsidizing interest difference on loans for agriculture production as the government bears 6.5 % of interests on loan given to farmers which are 11.5 % and the farmer will be only charged for the interest of 5 %.
- § Subsidizing cotton price differences, where the state bears the difference between international prices and prices of supply to spin plants.
- § Subsidizing pest control for cotton plantations by payment of LE 100 for every acre.
- § Subsidizing local wheat crop to encourage farmers to expand in wheat planting as a primarily attempt to achieve wheat self sufficiency.

9. Subsidy of health insurance and medicine: This subsidy aims to alleviate burden on citizens and providing health care. The presented budget has about 6.4 billion Pounds for this purpose through the following:

- § Medicine for free treatment: providing drugs to general hospitals and health units free of charge for treatment of citizens.
- § Subsidy of infants' medicines and formulae: government bears the cost of price difference to meet losses resulting from importing infants' formulae and medicines selling them for prices less than their economic cost.
- § Medical treatment of citizens on the government expenses: to cover the cost treatment on state expenses.
- § Subsidizing health insurance for students: General treasury pays a direct subsidy to every school child to the value of LE 12.00 annually.
- § Subsidy of health insurance on infants of preschool age: Health insurance of infants from age of one day till school age. Number of beneficiaries is 13 million infants, where the guardian pays LE 5.00 annually for

every infant while the state pays LE 12.00 annually for each infant.

§ Health insurance on breadwinner females: The cost of embracing five million women into the program for family supporting women and their children in the system of social health insurance. Cost of insurance for every bread winning woman is LE 60.00 annually.

10. Subsidy of passengers' transport in Cairo & Alexandria: this subsidy is offered for providing passengers' transport service in greater Cairo and Alexandria for prices less the cost. The presented budget has about 1.4 billion Pounds for this purpose.
11. Increasing the social security pension to increase number of beneficiaries and the value of the pension: widening the base of beneficiaries by adding 300 000 families during 2012/2013. This makes the number of families that benefit from the system to about 1.5 million families. Adding about 500 000 families during the Draft budget makes the number of beneficiaries 2 million families together with a rise in the average pension value from LE 215 to LE 300 per month per family, apart from the school grant which is paid for eight months in the year to the value of LE 20.00 per student with a maximum of four students per family. The presented budget has about 4.7 billion Pounds set aside for this.
12. Subsidizing potable water: the subsidy is offered to the drinking water companies so they are able to provide drinking water to citizens for a price less than cost price. The presented budget has about 0.8 billion Pounds for potable water.

13. Subsidy of housing program for limited income people: It is the completion of the project of housing limited income. The Draft budget has about 0.3 billion Pounds.

14. Subsidizing interest on concessionary loans: In this case the government pays for the difference of loans interest where loans were for the purpose of public housing and also lending money for exporting projects. There is a sum of 0.9 billion Pounds in the presented budget for the purpose.

15. Participating in pension funds: The general treasury participates in pension funds. Draft budget contains about 29.2 billion Pounds for this participation.

Fifth: Risks that face estimates in Draft budget for fiscal year 2013/2014

- § Disapproval and non-implementation of the Draft reforms (both on revenues and expenditures sides) in Draft dates.
- § Budget estimates did not include any suggestions of employing more people in the governmental sector nor installing more temporary workers than listed in the budget and also launching the comprehensive medical insurance. In case there is a decision in this regard, then securing extra finances will be required to meet such decisions else, the targeted deficit in the Draft budget will be aggravated.

- § Some administrative bodies increase current rewarding systems against the provisions of general rules and the Draft budget of fiscal year 2013/2014.
- § Some administrative bodies contract with some employees on differed budget chapters, particularly chapter six (investments). This action gives such employees the right to apply for installation after the elapse of three years according to the provisions of law No. 19 for the year 2012 which modified law 47 for the year 1978 concerning government civil employees. This results in enlargement of the number of employees in the government and putting the cost of service and product up.

Sixth: Finance gap

In view of the rising need for finance to the general treasury, it is important to investigate the availability of such finance requirements during the fiscal year, where we find that:

1. It is expected that there will be surplus balance generated in the banking system (commercial banks) from deposits, valued at about 130 billion Pounds. If we assume that there will be an increase in credit of about 6 % granted to private sector, which is the minimum required for financing the private sector activities and encouraging economic activity, then the remaining of around 100 billion Pounds will be available for financing the general governmental debt.
2. It is expected that non banking finances (e.g. foreigners buying into government bonds and bills and participating in general and private insurance funds, companies, individuals etc.) will be within the vicinity of 45 billion Pounds and also assuming regaining the trust in Egyptian economy and foreigners contributions by about 2 billion Dollars during the fiscal year. This matter in itself is tied to the reduction of general budget deficits and improvement of the total economy indices.

3. In view of the government expanding on borrowing from the Central Bank during the last three year, it is risk to exaggerate in doing that in the period to come as this will make inflation uncontrollable and will create even more pressures on exchange rates which will, no doubt, lead to a negative effect on the economy as a whole, making it difficult to get out of the crisis.

4. Finance gaps with no measures:

§ Within the scenario of non implementation of mentioned measures and the deficit exceeding 300 billion Pounds and with the escalation of the general budget deficit, it will become rather difficult to go back to global debt markets, especially with the lowering of the credential classification of Egypt which was subject to reduction several times from international rating organizations. One of the reasons of this was the fear of such organizations from the deterioration of general budget deficit and the inability of the treasury to provide adequate finances.

§ Total financing gap of state general budget is then estimated at around 187 billion Pounds i.e. over 25 billion Dollars, which is with no doubt at all, could not be provided by the government any way. Accordingly, the government, headed by the economic ministerial team, Draft a group of measures and measures aiming to remedy some of the more nagging defects on both the revenues and expenditures sides making general budget deficit within the limits which could be suitably financed.

5. Finance gap with implementing of the measures:

Assuming that all above reform measures and measures were implemented and in the indicated dates, then it is expected to see the general budget deficit will be around 197 billion Pounds which is shown in the state general budget of fiscal year 2013/2014 which was presented to you by the Ministry of treasury.

There will still be a finance gap of about 67 billion Pounds which is equivalent to about 9 to 10 billion Dollars. The treasury needs to pay through external borrowing. It is worth mentioning also that in view of this scenario the financial policy is in par with growth targets and improvement of the investment atmosphere as a whole which gives credibility to the country's economic policies in general and opens the door wide for the government to provide remaining financial needs to the general treasury.

Seventh: medium term framework of general budget for 2013/2014 to 2016/2017

Within the framework of reform program adopted by the government to remedy financial defects facing the Egyptian economy, the government is seeking to reorder general expenditure priorities to achieve social justice together with achieving gradual reduction of the rate of budget deficits and public debt as a ratio to local product. The aim is to reach low rates to help in regaining trust in the financial sustainability of the Egyptian economy. Reducing financing requirements of general budget systems will allow for providing more financial revenues for producing nongovernmental sectors. Going back to form surplus and financing ability will make the government able to finance its priorities and economic and social programs.

The government aims to reduce the percentage of budget deficit to local product to reach 9.5 % of the local product in 2013/2014 coming down from 12 % in 2012/2013. The government aims also to continue in the gradual descending trend or reducing budget deficit to achieve a deficit of 5 – 5.5 % of the local product in 2016/2017 which will be impossible to achieve without implementing structural reform measures characterized by sustainable financial effect. In view of those assumptions, it is expected to reduce total debts of general budget systems to achieve about 75 % of the local product by the end of 2016/2017 compared to debts percentage to about 90 % by the end of June 2013.

To achieve financial targets, the government will adopt a gradual, comprehensive financial reform program that concentrates of widening the taxation base without adding new burdens on less fortunate citizens. On the contrary the program will contain several measures giving new tax advantages for low income earners will also include expansion of directed social protection program to achieve fairness in wealth distribution and serves the process of comprehensive development. The main elements of target financial reform program in the medium term could be summarized in the following:

1. Rationalization of energy subsidy for all sectors and uses through the activation of smart card system for supplying diesel fuel and petrol and the completion of subsidy reduction directed to industry (with the exception of food industry and the industries that affect limited income citizens), tourism and other consuming sectors, also working on making more rationalization of electricity subsidy.

2. Completing the reform of the sales tax system in preparation for applying the value added tax, including rise of registration limit and reducing the number of listed commodities on the table (production tax), simplifying measures and mechanisms of deducting and refunding the tax together with compiling different concessions and limit it to a limited number of commodities and services (health, education and financial services).
3. Activating taxation department to combat tax evasion through the activation of the law that criminalizes the non issuance of receipts (invoices) and intensifying tax auditing.
4. Activating the real estate tax law and its addenda.
5. Modifying the law for quarry exploitation and mineral wealth which has not been for decades, with a target of repeated annual increase of revenues within the limits of 10 billion Pounds.
6. Accelerating the issue of licenses of comprehensive service and the ultra fast internet in the communication field.
7. Developing the framework of unified treasury account in the light of results of actual applications and reviewing the uses of funds and special account in a way to serve the national economy and enhances the state revenues.
8. Disengaging the financial entanglements among the main state bodies (particularly petroleum, electricity, railways and radio and television union) looking for suitable mechanisms for financial restructure of such systems to help curing their problem of accumulating debts and the aggravation of their financial structures which represents additional burden on the government and demands for quick action to properly and radically remedy those problems.

9. Working on reforming and restructuring the whole pay and reward system to rectify main current defects represented in the huge differences in total overall pay of employees doing the same job in different place, but even some times in the same place. There are also some complications and exaggerations in tax treatment for some kinds of income. There are also some discrepancies regarding advantages and bonuses.
10. Reforming comprehensive health insurance system and increasing beneficiaries share with securing enough revenues to guarantee the financial stability of the system.
11. Expanding partnership programs between general and private sectors to finance investment projects and allowing for general services in a way to participate in adding new production economic capacities particularly in the field of infrastructure and general services with no effect on the stability of indices of general finance and debts also the utilization of "sokouk" law which will provide financial revenues through which a group of investment projects could be launched while the government is unable to perform on its own, despite their vital importance to accelerate development process.

Chapter II

■

Bases of Uses and Resources Estimates of the Draft State's General Budget for Fiscal Year 2013/2014

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Mr. Dr/ Chief of Shoura council

Messrs./ esteemed Members of Shoura council

I have the honor to highlight on most important of draft budget for FY2013/2014 aspects

	Billion EGP
• Total expenditures estimated by	692.4
• Total revenues estimated by	497.1
• Then the cash deficit estimated by	195.3
• Excluding impact of net acquisition of capital operations estimated by	2.2
• The overall deficit for draft budget	197.5

The pre-mentioned overall deficit represent 9.6% of projected GDP in coming fiscal year in light of targeted real growth rate ranging between 3.8% .

The following table shows the available revenues and expenditures and deficit according to draft budget of FY2013/2014 comparing with the FY2012/2013 and its revised budget, avtual outcomes of FY2011/2012:

Table no.(5)
Expenditures and Revenues

(Million Pounds)

Description	2013/2014	2012/2013		change (1-3)	Ratio %	2011/2012 Actual
	Draft (1)	Budget (2)	Revised (3)			
	<u>Expenditures</u>	<u>692,421</u>	<u>533,785</u>	<u>583,785</u>	<u>108,636</u>	
1- wages and compensation of employees	172,159	136,627	142,627	29,532	25	122,818
2- Purchase of Goods and Services	30,705	28,765	28,765	1,940	4	26,826
3- Interest	182,046	133,612	138,612	43,434	26	104,441
4- Subsidy, grants and social benefits	205,540	145,838	182,838	22,703	30	150,193
5- Other Expenditures	38,292	33,325	34,325	3,967	6	30,796
6- Purchase of non financial assets	63,679	55,618	56,618	7,061	9	35,918
<u>Revenues</u>	<u>497,145</u>	<u>393,476</u>	<u>393,476</u>	<u>103,669</u>		<u>303,622</u>
1- Tax revenues	356,925	266,905	266,905	90,020	72	207,410
2- Grants	2,358	9,021	9,021	6,664-	0	10,104
3- Other resources	137,863	117,549	117,549	20,313	28	86,108
Cash deficit	195,276	140,309	190,309	4,967		167,370
(Expenditures- Revenues)						
Acquisition of financial assets	2,218	5,314-	5,314-	7,532		665-
Overall Deficit	197,494	134,995	184,995	12,499		166,705
Primary Deficit	15,448	1,383	46,383	30,936-		62,264
GDP	2,050,000	1,733,978	1,733,978			1,570,000
% revenues to GDP	%24.3	%22.7	%22.7			%19.3
% expenditures to GDP	%33.8	%30.8	%33.7			%30.0
% cash deficit to GDP	%9.5	%8.9	%8.2			%10.7
% overall deficit to GDP	%9.6	%7.8	%10.7			%10.6
% primary deficit to GDP	%0.8	%0.1	%2.7			%4.0

On the lights of that above –mentioned , considering that the past year was full of political events and what accompanied of negative effect on economic activity, taking into account while discussing and preparing the draft budget for FY 2012/2013 that Egypt has entered in economy based on market mechanism through several disciplines and standards mostly important :

- 1- Elevate of poverty and promote the standards of living. the citizen is the focus of government agenda. Through establishment of citizens' right in work, decent income. Continuous promotion in standards of living, guaranteeing the income of citizen for today, and citizens' pension for tomorrow, meeting the required insurance as an expression for social loyalty.
- 2- Presenting comprehensive framework for economic, social and political aspects and present clear map for general financial, cash and commercial policies on a manner that provide supportive coherence general environment.
- 3- Achieving growth characterized by sustainability and justice, as the Egyptian economy would achieve growth rate ranged between 4% - 4.5% in FY 2012/2013 according to the increasing domestic demand and starting of recovering the investment rates to the gradual increase. As the reason of increasing the strength of the Egyptian economy stability is the reality of the diversity of growth sources which represented in transforming industries, trade, construction and building, communication, gas and other from economic sectors.

- 4- Measures to treat increasing rates of un-employment and poverty levels and types of health, education services . in addition to the distribution of wealth and gains in manner of meeting more justice to face the social concerns.
- 5- Continuous efforts of promoting the Public Sector performance especially state-owned enterprises and achieving progress in efficient PPP to decrease the pressure on the state's general budget and joining the private sector on infrastructure and capacity building.
- 6- Provide more job opportunities to support the production activity in purpose of assisting the low-income on not completely depending on the subsidy, increasing motives to provide job opportunities and guiding more credit for small-medium enterprises, treating strangulation in purpose to evacuate the gap between supply and demand and increasing investment in education and training , in addition to work in accord between inputs and available jobs.

In light of forementioned economic indicators, considering variavles in global prices for energy and prices of commodities and other- from one side- effects on international trade – from another side- draft state's general budget for FY2013/2014 comes a reflection to this.

Therefore, the draft budget for FY2013/2014 targeting achieving overall deficit not exceed 9.6% of GDP compared with 10.7% in FY2012/2013, which generate in light of current totals that record a primary deficit of 0.8% of GDP against 2.7% in FY2012/2013.

The estimates for the total state's general budget for FY2013/2014 amounted by about 820.1 Billion EGP compared to 685.4 Billion EGP in the budget of FY2012/2013 i.e. with an increase of 134.7 Billion EGP which means and increase of 19.7%.

It worth noting that each of operation expenses - from one hand - and revenues - on the other hand - shows the requirement of managing government work and available real revenues , then the gap between each of revenues and expenditures shows the cash deficit to state's budget.

In case of addition to such expenditures the acquisition of financial assets of loans and contributions(without the contribution of the reconstruction fund), moreover adding to the revenues the acquisition of financial assets(without the privatization proceed). Then the gap represent net acquisition of financial assets, this gad if added to the previously mentioned Budget deficit, then This actually expresses the net new borrowing or the net increase in general debts after excluding privatization proceed, if any.

Uses : Public Spending

The total image for uses or what so called "State's Public Spending " shows that total these uses reach in draft state's general budget in FY2013/2014 to around 820.1 billion EGP distributed in three major components which are:

- Expenditures
- Acquisition of financial assets
- Loans repayment

First : Expenditure

The expenditures in draft budget for FY2012/2013 estimated by around 692.421 Billion EGP against 533.785 Billion EGP in FY2012/2013 by an increase of 158.636 Billion EGP by growth rate 29.7% , an increase of revised budget around 108.636 million EGP which amounted by 583.785 million EGP percent of 18.6% of GDP.

It is important to point out that the mentioned increase in expenditure is mainly due to increases related to global price rise of imported food commodities which in turn are connected to subsidy of supply commodities. This is besides the inevitable increases in wages and the cost of applying the minimum wages and the interest payable for the general debts according to their due dates, increasing burdens that afforded by general treasury of contribution in pensions funds.

The expenditures of the state's general budget represent the major amount of the uses in the state's general budget, these expenditures amounted by 692.4 billion EGP in the draft state's general budget of the total uses amounted by 820.1 billion EGP

It is vital to present to you the division of such expenditure according to:

- Budget economic classification.
- Budget functional classification.

a) The most important elements of expenditure according to the economic classification:

The most important elements according to the economic classification for the general budget are:

- Wages and compensations of employees.
- Purchase of goods and services.
- Interests.
- Subsidy, Grants and social benefits.
- Purchase of non financial assets "investments"

The following tables shows expenditures in draft budget of FY2013/2014 comparing revised budget in FY2012/2013

Table no.(6)
Expenditures

(Million Pounds)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	value	ratio
	Million pounds	%	Million pounds	%	Million pounds	%
* wages and compensation of employees	172,159	24.9	142,627	24.4	29,532	20.7
* Purchase of goods and services	30,705	4.4	28,765	4.9	1,940	6.7
* Interest	182,046	26.3	138,612	23.7	43,434	31.3
* Subsidy, grants and social benefits	205,540	29.7	182,838	31.3	22,703	12.4
* Other Expenditures	38,292	5.5	34,325	5.9	3,967	11.6
* Purchase of non-financial assets (Investments)	63,679	9.2	56,618	9.7	7,061	12.5
Total	692,421	100.0	583,785	100.0	108,636	18.6

Wages and Compensation of Employees

Wages in draft budget for FY2013/2014 estimated by 172.159 Billion EGP against 142.627 Billion EGP in FY2012/2013 by an increase of 29.532 Billion EGP by growth rate of 20.7%.

Observed that the appropriation of wages and compensation of employees represent percent of 24.9% of total operation expenses in draft budget amounted by 692.421 million EGP, also represent 21.0% of total public spending of draft budget amounted by 820.068 million EGP

Taking into account in that regard :

- Considering all evitable amendments according to laws and decrees and relevant regular bonus and support rewards and promotions and social benefits and others.**
- Considering addition of special bonus decided by law no. 77 for year 2007 by 15%, considering addition of special bonus decided by law 114 for year 2008 by 30% starting from first of May 2013. the outcome amounted by around 17.0 billion EGP in presented draft budget.**
- Development decided for incomes of some employees in government whether in applying university allowance or polic cadre or considering 50% of burden of applying allowance of assigning Al-Azhsar teachers.**

It is important to emphasize that the state obligation to provide employees wages, bonuses and incentives highlight the care of the state and its role to fulfill the following social and economic sides:

- Employing around 5.8 Million employee in the governmental sector on actually occupied positions (besides 0.6 Million employee in economic authorities). This provides security to around 24 Million citizens who are those employees and their households.**
- Continuing of paying the employee's social bonus which reached the amount of 320% of the basic salaries for the period of 1987/1988 to 2010/2011, including the increase that was decided from April 2011 and was 15% from the basic wages according to decree number (2) for the year 2011. Such bonuses are to be added annually to the basic wages five years after they were decided, this was done in fiscal year 2010/2011 where bonuses that were decided in 2005/2006 were added and amounted to 250% of the basic wages.**
- There were subsequent increases in wages budgets born by the state general budget. In FY1980/1980 wages in the general budget were 1,452.6 Million EGP, then in 1990/1991 reached the amount of 7,118.4 Million EGP and jumped to 28,066.5 Million EGP in FY2000/2001. Now it is estimated at around 172.159 Million EGP in the draft budget for fiscal year 2013/2014.**

No doubt that the presented figures reflects the increasing attention of state for the employees and their households, and strongly expresses that power of work in Egypt is one of the main production elements ... and that the government is working towards the development of the public service concept, the effect of that will be pushing this production element towards more development and promotion.

- The estimated wages in the draft budget are distributed over their main purposes as follows:

Table no. (7)
Wages and compensation of employees

(Million Pounds)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	value	ratio
	Million pounds	%	Million pounds	%	Million pounds	%
* Permanent Jobs	28,431	16.5	23,123	16.2	5,308	23.0
* Temporary Jobs	2,401	1.4	2,075	1.5	325	15.7
* Rewards	74,200	43.1	59,008	41.4	15,192	25.7
* In- Kind allowances	20,062	11.7	10,505	7.4	9,556	91.0
* Cash Benefits	12,664	7.4	10,808	7.6	1,856	17.2
* In-Kind benefits	2,850	1.7	2,667	1.9	183	6.8
x social benefits	17,499	10.2	12,508	8.8	4,991	39.9
'Other kinds of wages chapter and contingencies	14,052	8.2	21,932	15.4	7,880-	35.9-
Total	172,159	100.0	142,627	100.0	29,532	20.7

2- Purchase of Goods and Services

These appropriations include the necessary requirements for the governmental operational work including the demands of food and medicine for schools, hospitals and also the periodical maintenance, cash-offset for remote areas, also The appropriations of lighting, water within considering the enviable rationing the expense, also costs of printing school-book.

The allocated appropriations for purchase of goods and services that included in second chapter in the state's budget in draft FY 2013/2014 by about 30.705 Billion EGP against 28.765 Billion EGP in FY 2012/2013, increase of 1.940 Billion EGP a percent of 6.7% .

The following table shows the distribution of these appropriations on its major compenents in draft budget if FY 2013/2014 comparing with revised budget of FY2012/2013:

Table no.(8)

Purchase of goods and services

(Million Pounds)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	value	ratio
	Million pounds	%	Million pounds	%	Million pounds	%
* Materials (medicine, food and others)	6,752	22.0	6,361	22.1	390	6.1
* Operating fuels, oil, and moving parts	1,174	3.8	979	3.4	195	19.9
* Fuels and oil for cars	110	0.4	105	0.4	6	5.3
* Spare parts and Supplies	975	3.2	935	3.2	40	4.3
* Lighting	3,956	12.9	3,692	12.8	264	7.2
* Water	700	2.3	598	2.1	102	17.1
x Maintanance	4,278	13.9	4,384	15.2	106-	2.4-
* Copy , periodicals and writing rights expenses	1,222	4.0	1,220	4.2	2	0.1
* Public transportation and Conveyance	2,674	8.7	2,431	8.5	243	10.0
- Medicin & follow-on Milk	353	1.2	349	1.2	5	1.4
x Judicial judgment execution expenses	332	1.1	287	1.0	45	15.5
xLump Sum Goods and Services for special accounts and funds	2,121	6.9	1,964	6.8	157	8.0
* other chapter two's items	4,159	13.5	3,962	13.8	197	5.0
x General contingencies for goods and services	1,900	6.2	1,500	5.2	400	0.0
Total	30,705	100.0	28,765	100.0	1,939	6.7

Note that estimated appropriations for Purchase for Goods and Services in presented draft budget is mainly represented in:

*** Raw materials:**

The sum for raw material is around 6.752 Million EGP in 2013/2014 budget against 6.361 Million EGP for fiscal year 2012/2013 i.e. there is an increase of 391 Million EGP, rise percentage of 6.1%

Raw materials are represented by:

	Draft budget	Revised
	<u>2013/2014</u>	<u>2012/2013</u>
	Million EGP	Million EGP
- Medicines & vaccinations	3.315	3.106
- Food for schools	2.054	2.003
- Other raw materials for operations	1.383	1.252
Total	<u>6.752</u>	<u>6.361</u>

*** Lighting:**

Lighting expenses in draft general budget for FY2013/2014 estimated by 3.956 Million EGP against revised budget by 3.836 Million EGP in FY2012/2013, an increase of 264 Million EGP i.e. a percentage of 7.2 %. Noted that lighting appropriations include 1.200 Billion EGP due for electricity sector and has a counter figure in resources as making settlements between dues for electricity sector from governmental entities and dues to treasury from electricity sector.

*** Water:**

In draft budget of 2013/2014 water expenses amounted by 700 Million EGP against revised budget by 598 Million EGP in the current fiscal year with an increase of 102 Million EGP representing 17.1% to pay for the cost of water supply and observing necessary controls.

*** Maintenance Cost:**

The presented draft budget of FY2013/20214 includes around 4.278 Million EGP as Maintenance expenses against 4.384 Million EGP revised budget of FY2012/2013 with an increase of 106 Million EGP i.e. 2.4%.

Those expenses are mainly directed to dredge canals and drains and to maintain buildings, roads, bridges, equipment and transport vehicles and etc.

*** Printing expenses:**

The presented budget has printing expenses of 1.222 Million EGP against 1.220 Million as revised budget in FY2012/2013, i.e. there is an increase of 2.0 Million EGP which is 0.2 % rise. Worth noting that these printing expenses represented mostly in printing school books.

*** Transport:**

The allocated appropriations for transportation in draft FY2013/2014 is around 2.674 Million EGP against revised budget for FY 2012/2013 of around 2.431 Million EGP, this means an increase of 243 Million EGP i.e. 10.0 % rise to face the normal growing rates.

The above-mentioned allocated appropriations represented in the following :-

	Draft Budget/ 2013/2014 Million EGP	Revised Budget/ 2012/2013 Million EGP
* Cash offset for employees at remote areas	1.936	1.698
* Public transportations by other means for internal Travel	497	487
* Public transportations by other means for external Travel	157	157
* Other	84	89
Total	2.674	2.431

Interests

They are the interests produced from governmental loans as such loans are used to finance its activities. They are usually interests due for short and long term bonds or because of loans used to finance projects of general state's plan.

Estimated interests of domestic and foreign loans in the draft budget of FY2013/2014 are 182.046 Million EGP against 138.612 Million EGP in revised budget FY2012/2013 with and increase of 43.434 Million EGP, 31.3 % rise.

Loan interests represent 26.3 % of the total allocated appropriations for operation' expenses in the state's general budget which amounted by 692.421 Million EGP and represents a percentage of 22.2 % of total general expenditure of 820.068 Million EGP in the draft general budget.

Next table shows distribution of the domestic and foreign interests distributed on major types compared with revised budget of Fiscal year 2012/2013 :

Table no. (9)
Interest

(Million Pounds)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	value	ratio
	Million pounds	%	Million pounds	%	Million pounds	%
(A) Foreign Interest						
x Foreign Public Debt interest	7,389	4.1	6,003	4.3	1,386	23.1
x Foreign interest paid by entities	72	0.0	88	0.1	16-	17.7-
Total (a)	7,462	4.1	6,091	4.4	1,371	22.5
(B) Domestic Interest						
x C.B.E.bonds	29,941	16.4	14,032	10.1	15,909	113.4
x Bills Interest	67,719	37.2	52,672	38.0	15,047	28.6
x Treasury Bonds	44,298	24.3	33,189	23.9	11,109	33.5
x Bonds of Banks Capital increase	540	0.3	320	0.2	220	68.8
-	9,225	5.1	7,838	5.7	1,388	17.7
x Government Notes to Compensate for the	19,111	10.5	17,600	12.7	1,511	8.6
x Other	3,751	2.1	6,871	5.0	3,121-	45.4-
Total (B)	174,585	95.9	132,521	95.6	42,063	31.7
Total	182,046	100.0	138,612	100.0	43,434	31.3

Such interests are, in all, inevitable and it is important to point out that those interests reach the amount of 182.046 Million EGP representing 8.9 % of the total GDP. It is important to highlight this fact because when the deficits in general budget are measured, it must be mainly mentioned that the Preliminary Deficit which is the total deficit before calculating interest on loans as the ratio of total deficit to the total GDP in the draft general budget is 9.6% while the Preliminary Deficit (by excluding the payment of interests) is just 0.8 % from the total GDP.

It is also worthwhile to mention that the estimated due interests are calculated based on actual interest rates on bonds, shares and loans currently due with the consideration of the conditions of borrowing which are projected during the next period of time and the coming fiscal year 2013/2014, and on the bases of current return rate projected in national economy, provided that foreign currency market is stable and the Central Bank continues to follow a policy that supports the process of economic development.

It must be pointed out that the majority of interests on investment loans are directed to retirement funds which are amounted by 19.111 Million EGP. This is a new obligation from the state towards those funds by paying retirement funds all that due to them in cash from the investment returns instead of acquisition of them as a capital in the National Investment Bank.

The major part of the obligations of National Investment Bank to pension and security funds has already been transferred to the general treasury within the limits of the treasury debts balance to National Investment Bank, so the general treasury is now responsible for those monies before the funds. Bonds to the valued of 205.3 Billion EGP have already been issued on the general treasury for the benefit of pensions fund with an interest in par with market prices. This procession insures the rights of pensioners and the safe acquisition of the funds' monies.

Also, the public treasury paid on cash the interest on pensions funds' monies that had been transferred to it in form of notes issued on public treasury that assist too much in providing cash inflows and liquidity for funds that enable it from performing full due pensions, specially the public treasury repay that interest monthly to pensions funds which implicitly means increasing the rate of real return performed by the treasury on these notes to pensions funds as the tradition is to repay the interest as one installment when merited after passing (12) months.

The more important is the current review between the Ministry of Finance and Ministry of Insurance to determine the actual merits to pensions funds within public treasury, as the current review is under settlement , as the pensions funds had merits within public treasury till 30.06.2012 around 169.8 Billion EGP, agreed on their repayment to insurance funds by notes on public treasury across 10 years in favor interest price. Amount of 14.2 billion EGP of this obligations has been securiting by issuance a bond in the same amount in favour of insurance funds, each of interest rate of 9% annually during FY 2012/2013, as to be consider securiting rest of the obligation on ten years which generate annual monetary advantage from one hand, recoring part of these obligation in limit of what have been securiting from another hand. Thus, the Ministry of finance recorded to the pensions funds its obligations within the state by around 221.5 Billion EGP according to the following:

	Billion EGP
Offset due movable from NIB's obligation to be on Public Treaury	205.3
According to scheduling due resulted from set obligations	14.2
According to laws issued to promote pensions conditions	
Sukuk of Acturial Deficit	2.0
Total	<u>221.5</u>

Subsidy, grants and Social Benefits

Estimations of the fourth chapter "subsidy, grants and social benefits" in the draft general budget of FY2013/2014 amounted by around 205.540 Million EGP against about 182.838 Million EGP as revised budget in the FY 2012/2013 i.e. an increase of 22.702 Million EGP which is nearly 12.4%.

In light with above-mentioned, the appropriations of "subsidy, grants and social benefits" in FY2013/2014 represented in the following appropriations :-

	Million EGP
* Subsidy provided for goods and services	160.122
* Grants offered to different entities	5.365
* Benefits, social help to pension and Social security funds	33.477
* Assigned sums and contingencies for Subsidies and different assistances	6.576
Total	205.540

The following table show the distribution of these appropriations on its major items compared with revised budget for FY 2012/2013.

Table no.(10)
Subsidy, Grants, social benefits

(Million Pounds)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	value	ratio
	Million pounds	%	Million pounds	%	Million pounds	%
*Subsidy:						
x To G.A.S.C	30,834	15.0	26,600	14.5	4,234	15.9
x To Oil materials	99,595	48.5	100,000	54.7	405-	0.4-
x To Electricity	13,280	6.5	5,000	2.7	8,280	165.6
x To exports promotion	3,100	1.5	3,100	1.7	0	0.0
x To Farmers	2,978	1.4	573	0.3	2,405	420.1
x To Upper Egypt	600	0.3	200	0.1	400	200.0
x To Manufacturing Production	400	0.2	300	0.2	100	33.3
-Medicine and Follow-on milk	300	0.1	192	0.1	108	56.3
- women-headed households	120	0.0	120	0.0	0	0.0
- Children under school age	160	0.0	156	0.0	4	0.0
- To Health Care on students	240	0.1	230	0.1	10	4.3
xTo Passengers Transport	1,434	0.7	1,224	0.7	210	17.2
x Soft Loans interest subsidy	800	0.4	790	0.4	10	1.3
x Low -income housing Subsidy	300	0.1	700	0.4	400-	57.1-
- water corporations	750	0.4	750	0.4	0	0.0
- Film	1,200	0.6	860	0.5	340	39.5
- Military Production	50	0.0	300	0.2	250-	83.3-
-Infrastructure for local trade	250	0.1	400	0.2	150-	37.5-
- Training	750	0.4	500	0.3	250	50.0
- Students subscription	3	0.0	3	0.0	0	0.0
- non-economic lines	329	0.2	245	0.1	84	34.1
- fund of real estate activity	350	0.2	205	0.1	145	70.7
*touristic organizations	1,250	0.6	0	0.0	1,250	208.3
- Other	1,050	0.5	539	0.3	511	94.8
Total subsidy	160,122	77.9	142,986	78.2	17,135	12.0
* Grants	5,365	2.6	6,013	3.3	647-	10.8-
* Social benefits						
x Social insurance pension	3,234	1.6	2,534	1.4	700	27.6
x Infant pension	53	0.0	47	0.0	6	12.8
x Contributions in Pensions funds	29,200	14.2	24,700	13.5	4,500	18.2
x Other	990	0.5	628	0.3	362	57.7
total social benefits	33,477	16.3	27,908	15.3	5,568	20.0
x Lump Sum subsidy , grants and social benefits recorded	476	0.2	430	0.2	46	10.7
* Additional requirements and contingencies	6,100	3.0	5,500	3.0	600	10.9
Total	205,540	100.0	182,838	100.0	22,703	12.4

By analyzing the most important elements of subsidy, Grants and social benefits, the following will be seen:

First: Subsidy

(a) Subsidy of food commodities

The subsidy of commodities in the draft FY2013/2014 amounted by around 30.834 Million EGP against about 26.600 Million EGP as revised budget in the FY 2012/2013 i.e. an increase of 4.234 Million EGP which is nearly 15.9 %.

The subsidy of commodities include around 21.3 Billion EGP to subsidy bread, whether imported wheat or domestic wheat or maize, also include appropriations of commodities around 11.5 billion EGP to subsidy basic commodities sold on ration card of sugar, oil, rice.

The following table shows the allocated subsidy of food commodities and its distribution on commodities:

Table no. (11)
Subsidy of commodities
In Draft FY2013/2014

Description	2013/2014		2013/2014		Change	
	Draft	QTY	Revised	QTY	Value	Ratio
	Million pounds	thousand ton	Million pounds	thousand ton	Million pounds	%
<u>First : Basic Commodities</u>						
1- Bread						
- Exported wheat	11,814	5,000	8,498	6,000	3,316	39.0
- Local Wheat	7,212	3,700	7,464	3,000	252-	3.4-
- maize	420	250	212	100	208	98.2
Total bread subsidy	1,877	1,000	0	0	1,877	0.0
1-Edible oil	21,324		16,174		5,150	31.8
2- Sugar	4,641	728	5,512	855	871-	15.8-
3- Rise	4,467	1,456	3,488	1,250	979	28.1
4-Tea	2,362	1,312	1,400	606	962	68.7
Total subsidy of basic commodities	0	0	1	4	1-	
deduct	11,470		26,575		6,219	112.8
change in inventory						
total revenues from expenditures	1,867-		0		1,867-	
Total subsidy of basic commodities	93-		25		118-	471-
Net subsidy of basic commodities	30,834		26,600		4,234	15.9

(B) Petroleum materials subsidy

The estimation of Petroleum materials subsidy in draft presented budget amounted by 99.959 Million EGP against 100.000 Million EGP in FY2012/2013, this subsidy represent the amount afforded by the state as a result of selling these materials by prices less than its cost of supplying in the domestic market whether through local production or importing some from abroad, this subsidy has been decreased in current fiscal year by 36.300 Million EGP in frame of public direction towards rationale the subsidy of energy and limited as soon as possible on its real beneficiaries through a set of mechanism that targeted insuring non leakage these materials in other channels rather than the legal ones and adopting developed method for distribution through coupons and smart cards on rest of sectors in July 2013 and keeping rest of grated subsidy for food industry and farmers without change, saving 24.000 million EGP, applying developed method to distribute benzene in smart cards in July 2013 saving around 9.700 million EGP, applying matrix of butane distribution in coupons on beneficiaries households saving 2.600 million EGP.

The following table shows the allocated subsidy for petroleum materials in presented draft budget.

Table no. (12)
Subsidy of Oil products
in Draft FY 2013/2014

Product	Qt	Cost	revenue of sale	subsidy	ratio
	thousand ton	Million pounds	Million pounds	Million pounds	%
Natural Gas	40426	50148	42032	8116	8.1%
Potane Gas	4500	26457	3579	22878	23.0%
Gasoline	6200	37476	18259	19217	19.3%
Kerosine	15	60	13	47	0.0%
Solar	13234	75009	35332	39677	39.8%
Gas Oil	14662	52636	42976	9660	9.7%
Total		241786	142191	99595	100.0%

(c) Subsidy of electricity

The budget's appropriations include 13.3 billion EGP represents the coverage of rate differentials of petroleum products used to produce electricity.

(d) Subsidy for Export Encouragement:

The draft FY 2013/2014 include 3.100 Million EGP to subsidy the imports against about 2.500 Million EGP .

It should be pointed out that this subsidy not directed to importers, but to subsidize the products that would be exported .

It worth noting that the mentioned subsidy is partially provided through transfers to Export Subsidy Fund from both the Ministry of Industry and External Trading and Export and Import Monitory Authority.

(E) Subsidy for farmers

Align with financial political objectives in eliminating suffering on small farmers, the state subsidy the requirements of agrarian production from fertilizers, seeds and herbicides and afford part of burdens fighting some plant disease and participate in decreasing the seeds prices, in addition to offering soft loans to some agrarian purposes and the public treasury afford for that purpose the discrepancy of the interests of these loans allocated for agrarian production.

Therefore, The subsidy for farmers amounted by 2.978 million EGP in FY2012/2013. Worthnoting this amount include 2.250 million EGP to subsidy crops as a result of state's directing to purchase whwat, maize from farmers in prices exceed average of global prices, as to encourade farmers to frow strategic crops.

(f) Subsidy of Passengers' Transportation:

Represented by subsidy given to both passenger transport authorities in Cairo and Alexandria, in order to cover part of the current deficits of both. The deficit is due to providing transportation of passenger's services for less than its economic cost, being considerate to low-income categories.

Estimation of subsidy of passenger's transportation amounted to about 1.434 million EGP in FY 2013/2014, against 1.224 million EGP for FY2012/2013 with an increase amounted by 210.0 Million EGP by a percent of 17.2%.

(g) The subsidy of Medicine and health insurance:

The state is working hard to provide a quality health services to citizens by trying to upgrade the facilities and performance of the health sector through the development of hospitals, supplying of workers and public supplies required for operation, in addition to the exerted efforts to provide the needs of citizens for medicine. As Law No. (99) for the year 1992 on health insurance for students, stated in Article III that "one of the sources of funding is the annual contributions borne by the public treasury for every student in schools, the state-owned kindergartens, aided private schools and El-Azhar institutes" which represents the direct subsidy of State in this regard for each student 12 EGP per year to about 19 million students.

In addition to that the subsidy of Medicine and follow-on formula represent the amounts that afforded by the state of cost discrepancy to face the losses resulted from importing the medicine and follow-on formulas and sold by price less than its economic cost and this subsidy is releases to relevant entity which is the Ministry of Health.

Estimation of subsidy of medicine and follow-on formula amounted by 820 million EGP in FY2013/2014, against 698.0 Million EGP in FY2012/2013 with an increase amounted by 122.0 Million EGP by a percent of 17.4%.

(h) Subsidy to Industrial regions :

The subsidy is released to the General Authority for Industrial Development. As enabling the authority to achieve its goals in industrial development, which lead to increase the ability of these industrial areas to attract investments and encouraging the competition among them.

The estimation of this subsidy amounted by around 400.0 Million EGP in draft budget for FY 2013/2014 against 300.0 Million EGP in FY 2012/2013.

(i) Subsidy to Water Corporations:

The subsidy of drinking water is mainly for the difference between income and expenditure of water companies to cover the current deficit in their budgets. It covers the difference between the economic price of water and the price of selling it according to the set tariff. This is based on what was mentioned in the decree of establishing such companies where the general treasury is supposed to bear this difference; this is in par with the state policy to supply pure drinking water to all areas.

The amount of this subsidy is around 750.0 Million EGP in the draft budget of FY2013/2014. which is the same amount appropriated in FY 2012/2013.

(j) Subsidy of Soft Loans Interest

The subsidy of soft loans interest estimations amounted by around 800.0 Million EGP in draft FY2013/2014, the same amount appropriated in FY 2011/2012, thus the state afford discrepancy of interest price on soft loans in popular housing, soft borrowing for poor families and exporting enterprises and others, in addition to discrepancy of interest price on balance of these loans for previous years.

(k) subsidy for low-income Housing

The Ministry of Finance target providing the financial appropriations to complete and deliver all special units in the national project for low-income housing as been included 300.0 Million EGP for that purpose in draft FY2013/2014 and it is the same amount estimated to finalize all related work for that project.

(l) Subsidy for Developing Upper Egypt:

The government is continually trying to develop Upper Egypt. The presented budget included 600.0 Million EGP for this purpose.

(m) Subsidy of Students' Tickets and Country's Non Economic Routs in governorates:

On the way of rectifying the defects in the financing structure of Egyptian Railway Organization because of burden of students' tickets and greatly reduced fares of other categories which are a lot lower than actual cost, together with losses born by the organization for running some non economic routes in country areas. It has been decided, that the general treasury will bear the expense of difference between actual cost and the subsidized students' tickets and other categories for a sum of 250 Million EGP. In addition to considering an amount of 750 Million EGP was included in draft coming FY budget to face the organization's losses for running non economic routes in governorates.

So the presented budget includes 1.000 Million EGP to subsidize the vital railways and to make it able to fulfill its service in transporting limited income citizens.

(n) Subsidizing the fund for the purchase of some fast transport vehicles:

The prime minister's decree n. (470) for 2009 was issued to establish a fund for the purpose of purchasing fast transport vehicles. The fund replaces old taxi vehicle with new ones, and pays LE 5000 for sales tax and LE 8000 in custom duties, for an amount of 329 Million EGP in the presented budget.

Second : Grants, Aids and Social Benefits

The appropriations of grants, aids and social benefits in draft budget for FY2013/2014 around 38.842 Million EGP represented mainly in the following:-

- 1- grants and aids offered from the state to human and social purposes and amounted by 5.365 million distributed as follows:-

	Million EGP
* Citizens' treatment and renal failure patients and ambulance aids and others.	2538
* Aids from Endowment revenues	509
* Youth and sports aids	359
* Aids for uprooted and soldiers families and monthly aids for poor families and others.	336
* Aids for Azhar institutions and primary students in El-Azhar and offices of keeping Quran and immigrant to El-Azhar.	77
* rewards of finalizing the service for employers in press institutions and aids to solve press institutions problems and allocations for Middle East Press Agency and national company for distribution.	116
* Aids for social care funds for employees and commercial syndicate and others.	467
* Aids for foreign cultural relations and supreme institutions and teachers syndicate.	18
* Culture development fund	9
* Foreign buildings fund	14
* Aviation support fund	450
* Other entities	472
Total Grants and Aids	5365

It is observed that part of this grants and aids have offset of revenues as enfowements' revenues:-

- 2- The social benefits to pensions and coial insurance funds amounted by 29.200 Million EGP represent contributions in pensions funds to assist these funds in releasing pensions allocated in pensioners m in addition to providing social insurance for poor families.
- 3- Allocation for social insurance pensions and enfant pensions and others as estimated by 3.287 Million EGP.
- 4- Other miscellenous insurance benefits estimated by 990.0 Million EGP

Rather than the estimations included in additional requiremntns and other Lump Sum Goods and Services recorded in budgets of different agencies for FY 2013/2014 around 6.576 Million EGP to face new needs through the fiscal year for subsidy, grants and social benefits distributed as follows:-

Million EGP

• General contingencies	6.100
• Total appropriations	476
Total	6.576

Other Expenditures

These expenditure estimated in draft state's general budget for FY2013/2014 by 38.292 million EGP against 34.325 million EGP as revised budget for FY 2012/2013 with an increase of 3.967 million EGP by percent of 11.6%.

These evitable appropriations related to national requirements and current and specialized transfers and subscription in authorities and institutions and compensations and penalties

Purchase of non financial assets

"Investments"

The draft budget for fiscal year 2013/2014 includes 63.679 Million EGP for purchase of non financial assets "investments" against 56.618 Million EGP in 2012/2013 i.e. the increase of 7.061 as percent of 12.5 %.

In general, Purchase of non financial Assets "investments" for FY2013/2014 was distributed as follows

Table no. (13)
Purchase of non-financial assets "Investment"

Description	Draft Budget 2013/2014	
	Million EGP	%
- Central administration	30.273	47.5
- Local Administration	3.672	5.8
- Services authorities	28.434	44.7
- Price differential Compensation for contractors	300.0	0.4
- Contingencies	1.000	1.6
Total	63.679	100

The following table shows the distribution of Investments on its major elements :-

Table no. (14)
Investments and its main components

(Million Pounds)

Description	2013/2014	2012/2013		Change	
	Draft (1)	Budget (2)	revised (3)	(2-1)	(3-1)
* Buildings and constructions					
x Dwellings	7,735	7,103	7,103	631	631
x Non-residential Buildings	13,270	12,450	12,450	820	820
x Constructions	21,896	17,647	18,647	4,249	3,249
Total	42,901	37,200	38,200	5,701	4,701
x Machines, equipments and Conveyance means					
x Conveyance means	1,646	1,058	1,058	588	588
x Transport means	189	155	155	34	34
x Machines and equipments	10,603	9,284	9,284	1,319	1,319
- Medicine & follow-on Milk	283	163	163	120	120
x Other Equipment	1,567	1,381	1,381	186	186
Total	14,288	12,041	12,041	2,247	2,247
* Other fixed assets					
x Cultivated assets	48	57	57	8-	8-
total	48	57	57	8-	8-
Total fixed assets	57,237	49,297	50,297	7,940	6,940
* Natural assets					
x Purchase of lands	1,108	922	922	186	186
x Land reclamation	30	23	23	7	7
Total	1,139	945	945	193	193
x Pre-operation Interest	19	60	60	41-	41-
x Scholarships	592	792	792	200-	200-
x Research and Feasibility studies for investment projects	2,160	2,185	2,185	25-	25-
x Advanced payments	1,233	1,538	1,538	306-	306-
x Price differential Compensation for contractors	300	150	150	150	150
x General contingencies	1,000	650	650	350	350
Total Investments	63,679	55,618	56,618	8,061	7,061

B- Expenditure Classification according the functional classification:

Clause four from the law 53 for the year 1973 regarding the state general budget – amended by law 87 for 2005 state that the general budget of the country is to be prepared and executed according the economic classification of the government activities and the administration classification for entities and units. Expenditures are presented according to functional classification of government activities.

It have previously presented expenditures in the budget of FY2013/2014 with a total of 692.421 Million EGP distributed according to economic classification of the government activities, thus different items of the budget, i.e. wages, purchase of goods and services, interest, subsidy, Grants social benefits and others together with purchase of non financial assets (investments).

So, abiding by law, It is a pleasure to present the expenditures of the budget with the total 692.421 Million EGP distributed according to functional classification of different government activities i.e. General Public Services and Defense and Public Order and Safety and Economic Affairs and Environmental Protection and Housing, Community Amenities and Health, Recreation and Culture, Religion and Education and Social Protection.

Table (20) and table (21) show assignments set for mentioned activities according to functional classification for the government activities as included in the draft general budget for fiscal year 2013/2014 in comparison with figures in the budget of fiscal year 2012/2013.

Table no. (15)
Functional classification for state's
expenditures according to state's
activities

(Million Pounds)

Functional activity	2013/2014	2012/2013		Change	
	Draft (1)	Budget (2)	Revised (3)	(1-2)	(1-3)
= General Public Services	240,228	183,041	198,769	57,187	41,459
=Public Order And Safety	32,681	26,331	26,331	6,350	6,350
= Economic Affairs	36,160	31,562	31,833	4,598	4,327
= Environmental Protection	1,460	1,257	1,257	203	204
= Housing and Community Amenities	22,003	17,185	17,185	4,818	4,818
=Health	32,736	27,413	27,413	5,323	5,323
= Recreation , Culture , and Religion	23,403	20,366	20,366	3,037	3,037
=Education	81,251	64,034	64,034	17,217	17,217
= Social Protection	191,552	135,068	169,068	56,484	22,484
miscellenous	30,947	27,529	27,529	3,418	3,418
Total	692,421	533,785	583,785	158,636	108,636

Table no. (16)
Expenditures according to functional classification
for draft budget for FY2013/2014

Functional Activity	Compensation of employees	Purchases of Goods And Services	Interests	Subsidies, Grants, and Social Benefits	Other Expenditures	Purchase of Non Financial Assets (Investments)	2013/2014 Draft Budget	2012/2013		2011/2012 Actual
								Budget	Revised	
= General Public Services	28,001	11,128	181,713	6,953	4,155	8,278	240,228	183,041	198,769	138,618
= Public Order And Safety	27,172	2,172	0	398	958	1,981	32,681	26,331	26,331	27,584
= Economic Affairs	12,485	3,343	180	3,983	891	15,278	36,160	31,562	31,833	26,692
= Environmental Protection	591	520	0	7	11	331	1,460	1,257	1,257	1,444
= Housing and Community Amenities	799	271	96	354	23	20,460	22,003	17,185	17,185	11,495
= Health	18,393	6,163	20	2,631	601	4,928	32,736	27,413	27,413	22,492
= Recreation, Culture, and Religion	15,275	1,552	1	1,635	533	4,407	23,403	20,366	20,366	17,496
= Education	67,513	5,449	35	173	396	7,685	81,251	64,034	64,034	56,409
= Social Protection	1,837	74	1	189,406	18	216	191,552	135,068	169,068	142,518
* Miscellaneous functional activities	93	33	0	0	30,706	115	30,947	27,529	27,529	26,244
Total	172,159	30,705	182,046	205,540	38,292	63,679	692,421	533,785	583,785	470,992

(Million Pounds)

Second : Acquisition of financial assets:

Acquisition of financial assets represents the contributions offered by general treasury to some economic authorities that suffer from deficit in their financing structures, besides the treasury help in reforming financing centers of some companies, added to that the available loans for some entities which are considered as obligations on the state general treasury.

Appropriations allocated to acquisition of financial assets in the draft budget of FY2013/2014 are estimated at about 13.193 Million EGP against 8.074 Million EGP for FY2012/2013, increase amounted by 5.119 million EGP, percent of 63.4% on FY2012/2013, due to:

- 1- Include 1.250 million EGP within lending environmental fund to use "renewable energy" in touristic buildings.
- 2- Increasing treasury contribution in economic authorities in amount of 1.413 million EGP as a result to finance investment.
- 3- Increasing Egypt quota in IMF amounted by 673 million EGP.
- 4- Contributing in holding compay in Egypt electricity" obligations of Elecricity rural authority" amounted by 275 million EGP.

This is clear from the following table:

Table no. (17)
Acquisition of
financial assets

(Million EGP)

Description	2013/2014		2012/2013		change	
	Draft	ratio	revised budget	ratio	value	ratio
	million EGP	%	Million EGP	%	Million EGP	%
* contribution in economic authorities	3,795	28.8	1,988	24.6	1,807	90.9
* in corporations	1,609	12.2	1,334	16.5	275	20.6
* miscelleneoua Loans	1,295	9.8	135	1.7	1,161	862.8
* in international organizations	3,684	27.9	3,006	37.2	678	22.5
* in restructuring fund	250	1.9	250	3.1	0	0.0
*other	2,560	19.4	1,362	16.9	1,198	88.0
Total	13,193	100.0	8,074	100.0	5,118	63.4

Third : Repayment of Loans Installments:

The estimated amount for the payment of domestic and foreign loans installments for FY2013/2014 is about 114.454 Million EGP against 93.517 Million EGP in revised budget of FY 2011/2012, the same ratified amount in FY2012/2013.

Installments for loans in draft budget are presented as follows:

Table no. (18)

Repayment of Domestic and Foreign of loans' installment

Description	(Million EGP)	
	2013/2014	2012/2013
	Draft	Revised
*Domestic	99.641	81.860
*Foreign	14.644	11.490
*Total	169	167
Total	114.454	93.517

It is noted that the mentioned loan installments that are depreciated for payment of due bonds on the general treasury. Generally it should be pointed out that payment of loans and depreciation of bonds are counted among components of general budget deficits, but those paid obligations are taken from financing sources or from new loans. This is for the reason of defining the real net increase in general debt.

This payment of loans and bonds represents a strength factor for the budget and represents a real deduction of general debt for domestic and foreign debt.

Table no.(19)
Public resources

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	Value	Ratio
	Million EGP	%	Million EGP	%	Million EGP	%
* Tax revenues	356,925	43.5	266,905	38.9	90,020	33.7
*Grants	2,358	0.3	9,021	1.3	6,664-	73.9-
* Other revenues	137,863	16.8	117,549	17.2	20,313	17.3
Total	497,145	60.6	393,476	57.4	103,669	26.3
* receipts from financial assets sales	11,224	1.4	13,638	2.0	2,413-	17.7-
* borrowing financial assets issuance	311,698	38.0	278,263	40.6	33,436	12.0
Total	820,068	100.0	685,376	100.0	134,692	19.7

General Resources:

The general picture of uses and resources of the budget in table (6) that the total resources in draft general budget of FY2012/2013, is about 820.1 Billion EGP distributed into three main components :

- General resources.
- Receipts from Acquisition of financial assets.
- Borrowing and Issuance of Securities.

The following table shows the pre-mentioned general resources

Table no. (20)
General revenues

(Million EGP)

Description	2013/2014		2012/2013		change	
	Draft	ratio	Revised	ratio	Value	Ratio
	Million EGP	%	Million EGP	%	Million EGP	%
Tax revenues *	356,925	71.8	266,906	67.8	90,019	96.8
Grants *	2,358	0.5	9,021	2.3	6,664-	73.9-
non-tax revenues * from surpluses. Profits and services revenues	137,863	27.7	117,549	29.9	20,313	17.3
Total	497,145	100.0	393,476	100.0	103,669	40.2

The three elements (or the three items) that consist the general revenues are discussed below:

- Taxes
- Grants
- Other revenues.

(a) Tax Revenues:

Taxes are considered to be the most important source of financing the state general budget, as they represent real revenue that supports the continually growing governmental expenditure which the state has to assume in different fields. This source does not call for any financing obligations of behalf of the country's general budget. On the other hand taxes are considered as one of the most important tools of the financial policy used by the government to accomplish the targets of the economic and social development plan while considering the social dimension.

Tax revenues arising from different incomes decided by laws and regulations could be from general tax, whether sales tax, custom duties or other tax revenues.

Estimates for tax in general budget of fiscal year 2013/2014 are around 356.925 Million EGP against 266.905 Million EGP in the fiscal year 2012/2013 budget.

So, estimates of tax in the draft budget exceed the projected in current fiscal year by about 90.020 Million EGP, a rise of 33.7%.

Next table shows development tax revenue during past years compared to estimates of the draft FY 2013/2014:

Table no. (21)
Development of tax revenues proceed

(Million Pounds)

Fiscal Year	Budget	Actual	Growth rate of previous years (Estimates) %
2004/2005	79,842	75,759	20.5
2005/2006	81,607	97,779	2.2
2006/2007	105,645	114,326	29.5
2007/2008	120,824	137,195	14.4
2008/2009	166,570	163,222	37.9
2009/2010	145,544	170,494	12.6-
2011/2010	200,424	192,072	37.7
2011/2012	232,232	207,410	15.9
2012/2013	266,905		14.9
Draft 2013/2014	356,925		33.7

In that regard, Tax could be divided into direct tax and indirect tax as follows:

*** Direct Taxes:**

Imposed on earned income, its burden can not be transferred to others, only affects income earners. The most important of which are tax on income, profit and capital gains. It includes tax on individuals' income and tax on profits (corporate)

*** Indirect Taxes:**

They are the taxes imposed on dealing with the income i.e. the way of spending it. It is paid by the final consumer of goods or services, expressed in the form of tax on goods and services (general tax on sales and services, taxes on local and imported goods, stamp duties, revenues development tax, social security taxes, entertainment taxes, world trading taxes and customs).

The above presentation shows the improvement in performance of tax collection where it is clear that collection started to improve as a result of tax performance improvements starting in fiscal year 2005/2006.

In general estimates of tax revenues in the draft budget are distributed over the following main elements:

Table no. (22)
Components of tax revenues

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
- General Tax	194,741	150,039	150,039	110,752
- Sales Tax	126,549	83,485	83,485	72,370
- Custom Tax	21,546	20,759	20,759	14,788
- Other tax revenues	14,089	12,622	12,622	9,500
Total	356,925	266,905	266,905	207,410

By viewing the components of tax revenues, it is clear that:

1- Taxes on income, profits and stamp duties:

General taxes on income, profits and stamp duties are the main tax revenues. They are estimated at around 194.741 Million Pound. This represents 54.6% of the total tax revenue of 356.925 Million EGP.

On the other hand, general tax on income, profit and stamp duties represent 39.2% of total general revenues that amount to 497.145 Million EGP. It is more important to note that such taxes of 194.741 Million EGP covers about 28.1 % of the total general expenditure of 692.421 Million EGP.

Tax on income, profits and stamp duties (general taxes) are distributed over its components as shown on next table.

Table no.(23)
General Tax

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
First : Tax on individual income				
x Development fees on salaries and the equivalent	18,515	18,321	18,321	13,756
x Taxes on industrial & commercial profits payable by Individuals	9,925	8,500	8,500	5,263
x Tax on professionals income	2,019	581	581	317
x Real estate tax	490	98	98	104
x General tax on income	30,949	27,500	27,500	19,440
Second: Tax on institutions ' profits	60,492	45,816	45,816	34,075
x From EGPC	16,409	14,095	14,095	11,800
x CBE	37,551	29,829	29,829	23,674
x Other	120,452	89,740	89,740	69,550
Total				
Third : Tax on movable capital revenues	8,938	4,323	4,323	3,676
- from CBE	18	66	66	18
- from commercial banks	8,956	4,388	4,388	3,694
Total				
Fourth : stamp Tax	2,902	2,514	2,514	2,254
- Stamp on salaries	8,608	8,568	8,568	5,465
- In-kind stamp	11,510	11,082	11,082	7,719
Total				
Fifth : Other tax	381	319	319	202
- On social solidarity	18,293	14,854	14,854	9,903
- on bonds and bills	3,844	0	0	0
- Other	356	2,156	2,156	244
Total	22,874	17,329	17,329	10,349
Total General Tax	194,741	150,039	150,039	110,752

From previous table the following could be observed:

- **Taxes on income of normal persons represented in taxes on salaries and on commercial and industrial activities, taxes of professional activities and taxes of property possession reach about 30.949 Million EGP, this is 15.9% from the total estimated general tax of 194.741 Million EGP.**
- **Taxes on company profits amounting to 120.452 Million EGP represent a percentage of 61.9 % from the total estimated collected general tax of 194.741 Million EGP. Company taxes include tax from petroleum and Suez Canal plus other general and private companies.**
- **Stamp duties either on salaries or specific duties are estimated at about 11.510 Million EGP which forms 5.9% of the total estimated collected general taxes of 194.741 Million EGP.**
- **Tax revenues include 18.293 Million Pound as tax on bonds and treasure issues according to law, they are interests collect among tax revenues. This tax was recently initiated by law 114 for the year 2008.**

2- Sales Tax:

Sales tax was estimated at about 126.549 Million EGP for FY2013/2014 against 83.485 Million EGP in FY2012/2013.

Sales tax targeted in the draft budget is about 126.549 Million EGP represent 35.5% from total tax revenue of 356.925 Million EGP.

The tax is 25.5% of the total revenues of 497.145 Million EGP. It is more important to note the it covers about 18.3% from total general expenditure of 692.421 Million EGP.

The following table show major types of sales tax

Table no. (24)
Sales Tax

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
* Sales tax __ goods				
x Local commodities	31,660	19,638	19,638	15,566
x Imported goods	30,465	23,923	23,923	21,607
total	62,125	43,561	43,561	37,174
Excises on items (Table 1 Goods)				
Local and imported				
x Tobacco & cigarettes	32,097	18,905	18,905	15,959
x Oil Products	8,911	7,270	7,270	9,120
x other	2,657	1,236	1,236	977
total	43,665	27,411	27,411	26,056
- Medicin & follow-on Milk				
x International & local communication s	7,413	5,245	5,245	3,928
x Operating services for others	4,205	4,607	4,607	3,110
x Hotel and restaurant services for tourists	3,182	2,143	2,143	1,740
other	5,959	518	518	363
total	20,759	12,513	12,513	9,141
total	126,549	83,485	83,485	72,370

3- Tax and Custom Duties:

Tax and custom duties in the projected general budget for fiscal year 2013/2014 is around 21.546 Million EGP against 20.759 Million EGP in the budget of fiscal year 2012/2013.

This means that the estimates of draft budget will exceed the projected figures in current fiscal year by about 787 Million EGP i.e. a rise of nearly 3.8%

In general taxes and custom duties in draft budget of 21.546 Million Pound represent 6.0% of the total tax revenues of 356.925 Million EGP.

Taxes and custom duties form 4.3% of the total general revenues of 497.145 Million EGP, more important, it covers about 3.1% from total general expenditure of 692.421 Million EGP.

The following table show the estimation of tax and custom duties

Table no. (25)
Tax and custom duties

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
Customs and other import duties				
Valued customs taxes	16,065	16,911	16,911	12,155
customs on petrol production	4,470	2,799	2,799	1,800
total	20,535	19,710	19,710	13,955
x Customs taxes on imported cigarettes and tobacco	569	590	590	440
total Customs and other import o	21,104	20,300	20,300	14,396
Other Taxes on international trade and transactions *				
x Taxes on exports	310	300	300	302
x customs taxes for subsidizing the navigation Transportation	0	28	28	0
x Penalties Revenues	100	100	100	81
x Forfeits Revenues	32	31	31	10
total Other Taxes on internationa	442	459	459	392
total customs taxes	21,546	20,759	20,759	14,788

While reviewing the custom tax, we didn't consider it just as proceed only, even it represent small percent of general revenues of contributed in covering the general expenditures, but we should give that tax a wider look to include its economic impact, as one of the most important financial instruments that used in managing the national economy as an important instrument contribute in increasing production and supporting the national industries and achieving a fair competitive protection.

Therefore, the implemented measures of custom tax reform and restructuring the custom tariff starting from 2004 and ending by amendments issued by presidential decree no. (51) for year 2009, the restructuring assist in providing part of the burdens afforded by the producers and exports users of intermediate commodities interfered in production and activate exports from one side, and discipline and organizing the imports movement from other side.

Moreover, it has been signed a corporation protocol with china regarding information of real value of commodities and sequenced of preventing invoices forgery.

4- Other Tax Revenues:

Other tax revenues complete the whole structure of taxes, which consists of income taxes, taxing profits, stamp duties, sales tax and custom duties as pre-mentioned and these tax revenues represent mainly in fees of revenues development and real-estate tax on lands , buildings and consular procedures

Other tax revenues in the draft general budget for FY2013/2014 are around 14.089 Million EGP against 12.622 Million EGP in FY2012/2013.

So estimation of other taxes in draft budget of fiscal year 2013/2014 that amounted by 14.089 Million EGP higher than revised budget for FY2012/2013 by 1.467 million EGP as of 11.6%.

Other tax revenues represent 4.0% from the total tax revenues of 356.925 Million EGP, representing 2.8% from the total general revenues of 497.145 Million EGP in the draft budget.

The other tax revenues cover only 2.0% of the general expenditure of 692.421 Million EGP.

Next table shows the distribution of other tax revenues.

Table no.(26)
Other tax revenues

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
* Development Fees	4,420	5,311	5,311	3,406
* Royalties on Suez canal	2,190	1,876	1,876	1,568
* Fees on consular procedures	1,728	1,250	1,250	1,080
* Fees on ports	990	951	951	930
* Land tax	221	252	252	175
* Buildings tax	2,217	752	752	346
* Property transferring fees	752	700	700	672
x Crossing fees	319	300	300	211
*Yield of the administrative expenses for the importation transactions	418	418	418	504
* Fees on work permits	150	150	150	126
Other	683	663	663	482
Total	14,089	12,622	12,622	9,500

(b) Grants:

They are un-obligatory transfers received by governmental units from three main sources, mainly, foreign governments, international organizations and units of government and general sector. Grants are classified according the nature of activity that it finances to current Grants and capital Grants.

The figure of Grants in the budget project of fiscal year 2012/2013 is about 9.021 Million EGP against 9.974 Million EGP projected in budget of fiscal year 2011/2012.

So the estimates of Grants in the draft budget of 9.021 Million EGP decrease the figures for FY2011/2012 by about 953.0 Million EGP as decline of 9.6%.

Such grants form 2.3% from the total general revenues of 393.476 Million EGP. They cover 1.7% of the total general expenditure of 533.785 Million EGP.

(c) Other Revenues:

Other revenues (apart from tax revenues and Grants) were estimated in the budget of fiscal year 2013/2014 by about 137.863 Million EGP compared to 117.549 Million EGP in the revised budget of fiscal year 2012/2013 with an increase of 20.314 Million EGP as of 17.3%.

Other revenues of 137.863 Million EGP representing 27.7% of total general revenues of 497.145 Million EGP cover 19.9% of total general expenditure of 692.421 Million EGP.

In general, other revenues mainly concentrate on surplus from Suez Canal and petroleum and surplus from other economic organizations, also profits of general companies besides other non-tax revenues as shown in next table.

Table no. (27)
Other revenues

(Million Pounds)

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
Dividends EGPC	37,847	25,986	25,986	15,026
Dividends SCA	21,673	18,636	18,636	16,118
Dividends Economic authorities	2,786	2,908	2,908	2,207
Dividends companies	7,344	6,046	6,046	3,991
* C.B.E	10,000	10,800	10,800	15,012
* revenues to finance investments	15,223	9,856	9,856	6,595
* Current revenues from special accounts and funds ☆	13,598	11,924	11,924	14,290
Legal Fees and Penalties	1,721	1,680	1,680	830
government services	5,433	3,478	3,478	2,668
* Interests	1,800	1,784	1,784	1,078
Royalties on petroleum	2,316	2,933	2,933	2,800
* Receipts from Gas Price differences	0	0	0	0
* The Mobile License	5,000	0	0	796-
* Cement & steal License	400	400	400	261
* Proceeds of sale of produced Lands	316	8,220	8,220	657
* Gold royalty	106	120	120	56
* Compensations and penalties	661	8,002	8,002	519
* other	11,638	4,777	4,777	4,795
total	137,863	117,549	117,549	86,108

☆ offset in different expenditures' chapters

Second: Receipts from acquisition of financial assets:

In the general budget of FY2013/2014 it is estimated at about 11.2 Billion EGP against 13.6 Billion EGP in FY2011/2012, with a decrease of 2.4 Billion EGP. include amount of 7.2 billion EGP as installments to be collected from electricity companies.

Third : Borrowing and Issuance of Bonds:

Borrowing and bonds in the draft general budget of FY2012/2013 are estimated at 311.7 Billion EGP against about 278.3 Billion EGP in the revised budget of FY2012/2013 with an increase of 33.4 Billion EGP, i.e. 12.0% rise.

Such borrowing represents the main source to finance the budget deficit and covering the gap between general income and operation expenditure; together with the covering of gap between receipts from the acquisition of financial assets plus the payment of previously mentioned local and foreign loans amounting by about 114.5 Billion EGP.

It is important to point out that the payment of loans actually represents a reduction in the general debts; consequently, the actual measure for the increase in debts is expressed by the total deficit in the budget, which is equal to net borrowing, i.e. the new borrowing with the deduction of local and foreign loan repayment.

Chapter III
—
Social Dimension
In Draft State's General Budget
For Fiscal year 2013/2014
—

The estimations of the draft state's general budget for FY 2013/2014 reflect the state's concern for the social aspects that touches the majority of civil servants in Education, Health, Subsidy and supporting the pension system and social insurance and other various social services.

The new budget allocated around 364.0 Billion EGP for social dimension requirements against 316.5 Billion EGP in current Fiscal year , with an increase amounted by 47.5 Billion EGP, by 15.0%.

The appropriations that allocated for social aspects that amounted by 364.0 Billion EGP by around 52.6% of expenditures of State's general budget that amounted by 692.4 Billion EGP.

Education

The draft State's general budget include 82.5 Billion EGP for Education compared with 66.6 Billion EGP in current FY 2012/2013, by an increase of 15.9 Billion EGP by growth rate of 23.9%, therefore this sector capture 11.9% of expenditure in state's general budget that amounted by 692.4 Billion EGP, also represent 4.0% of GDP, which shows the state's concern for this vital sector.

Health

The draft State's general budget include 34.1 Billion EGP for Health compared with 28.6 Billion EGP in current FY 2012/2013, by an increase of 5.5 Billion EGP by growth rate of 19.2%.

Thus, this sector absorb 4.9% of total expenditures on draft budget that amounted by 692.4 Billion EGP as represent 1.6% of GDP.

Subsidy

In frame of the social protection for low-income and providing the requirements of necessary subsidy for citizens for food commodities, petroleum materials and low-income housing subsidy and export activation and industrial development subsidy and others. The draft FY2013/2014 around 159.3 Billion EGP for that purpose. Represent 23.0% of total expenditures amounted by 692.4 Billion EGP, as subsidy represent 7.7% of GDP.

Support the pensions and social insurance system

The draft state's general budget include around 57.0 Billion EGP to support pensions and social insurance system and other aids against 47.9 Billion EGP with an increase of 9.1 Billion EGP by growth rate 19.0%.

These appropriations represent 8.2% of expenditures amounted by 692.4 Billion EGP, as represent 2.8% of GDP.

Other Social Services

The draft state's general budget allocated 31.2 Billion EGP against 28.2 Billion EGP in current fiscal year with an increase of 3.0 Billion EGP of growth rate 10.6%

These appropriations included mainly 7.8 Billion EGP allocated for social housing program , as the allocated appropriations for social services for youth, culture and religious affairs.

These appropriations represent 4.5% of expenditures amounted by 692.4 Billion EGP, as represent 1.5% of GDP.

Table no. (28) shows the appropriations allocated for pre-mentioned social dimension.

And table no. (29) shows the amount of appropriations of social dimension and its percentage to total public spending in draft budget after excluding the impact of interest, installment related to public debt from these expenditures.

Table no. (28)

The following table show the appropriations that allocated in the state's general budget for FY2013/2014 to achieve social dimension in framework of social and financial policy in state.

(Million EGP)

Description	Draft Budget 2013/2014		Revised Budget 2012/2013	
	Partial	Overall	Partial	Overall
<p>Education Provide the requirements of education operation whether essential education or pre-university education and university education, insuring that the education is right for all people as believing that the education is the essential gate for production and development and also providing requirements of applying the teachers cadres and education board members in both Egypt universities and El-Azhar university.</p>		82452.0		66584.0.0
<p>Health Provide the health services for citizens and requirements of their treatment in hospitals and health units, taking into account promoting living of doctor and nursuring board. In addition to amounts allocated as students subsidy in General authority for health insurance by 230.0 million EGP, medicine subsidy by 192.0 million EGP, subsidy of health insurance on women-headed by 120.0 million EGP, subsidy of children under school age by 156.0 million EGP.</p>		34056.0		28611.0
<p>Subsidy To subsidy of basic and additional food commodities and petroleum materials of solar, butane, natural gas and benzene and kerosene and gas oil. And electricity subsidy in framework of public policy to show subsidy of energy in state's general budget, in addition to subsidy of low-income housing and soft lands and activating exports and industrials development subsidy</p>		159301.9		145288.5
<p>Supporting the pensions and social insurance systems and others. Providing requirements of supporting pensions and social insurance systems and re-structuring and include :- <ul style="list-style-type: none"> • Imposing interest on pensions' funds used in financing government investments. • Treasury contributions to subsidy pensions funds. • Social insurance fund to subsidy pensions fund. • Enfant pension • Miscellaneous social aids. </p>	19111.0	56962.8	17600.2	47893.4
<p>Other social services Social housing program Youth , culture and religious affairs,</p>	7800.0 23402.0	31202.0	7800.0 20365.0	28165.0
Gross Total		363974.7		316541.9

Table no. (29)
Percent of social dimension's items
To public spending after excluding repayment of public
debt and debt services

Million EGP

Description	Draft 2013/2014	Budget 2012/2013
Education Sector	82452.0	66584.0
Percent to net public spending	15.7%	17.7%
Health Sector	34056.0	28611.0
Percent to net public spending	6.5%	6.3%
Subsidy	159301.9	145288.5
Percent to net public spending	30.4%	32.1%
Support pensions system and social insurance and others.	56962.8	47893.4
Percent to net public spending	10.9%	10.6%
Other Social services	31202.0	28165.0
Percent to net public spending	6.0%	6.2%
Total	363974.7	316541.9
Percent to net public spending	69.5%	69.8%

Chapter IV

The Basic Financial Equilibrating For the Draft Budget Fiscal Year 2013/2014

Mr. Dr./ Chief of Shoura Council

Messrs./ Esteemed Members of Shoura Council

According to the previous presentation of analyzing the revenues and expenditures elements of the draft state's general budget for the fiscal year 2013/2014, the following picture shows clearly on how to accomplish financial equilibration of the state's general budget :

	Million EGP
Expenditures.....	
Represent expenditures in state's general budget of wages, purchase of goods and services, loans interest, subsidy, grants and social benefits. Other expenditures, purchase of non-financial assets" investments"	692.421
Revenues.....	
Represent revenues state's general budget of tax revenues, released grants, non-tax revenues from surpluses and profits and services' revenues presented to the state ant others.	497.145
Cash deficit of the budget.....	
Resulted from the inability of the available revenues to cover the expenditures, gap between the cash deficit in state's general budget.	195.276
Acquisition of financial assets.....	
Represent what public treasury pay from contributions or lending deducted from it what collected of due revenues of these acquisitions as bringing back the loans' installments .	2.218
Overall Deficit of budget.....	
Represent the cash deficit plus or minus net acquisition of financial assets. It is the deficit required searching for financing sources.	197.494

As the revenues and expenditures elements were analyzed previously, it's a must to analyze the rest of the elements related to reach an equilibration for the state's general budget: which concludes:

- The Budget cash deficit.
- The Net acquisition of financial assets.
- The Total deficit of the budget.
- The Procedures of financing the budget's overall deficit.
- The Public foreign and domestic debt status.

First : The Budget cash deficit :

The explicit cash deficit in the budget in the fiscal year 2013/2014 represents the gap between the budget expenditures volume from one side and the available outcomes on the other side.

This gap which is about 195.276 million EGP represents a rate of 9.4 % of the total targeted GDP for this fiscal year, a deficit showing here the incapability in public outcomes in covering its public expenditures.

And so, even though the public budget cash deficit is related to the employment and the state necessities especially wage requirements, support, social benefits, education expenses, health expenses, real investments and the public debt interest definitely, outcomes must be found and obtained , these outcomes can ensure the decrease of this cash deficit or at least to rationalize public disbursement. All these matters are associated with cautions , but they are necessary to remit the need of new loans and to limit the increase of the public debt.

Second :The Net Acquisition of the Financial Assets :

According to the international financial rules (without the restructuring contributions) the acquisition of financial assets represented in the nation contributions in institutions and company's capitals and others, are considered to be additional burdens, also the nations lending other nations, these burdens are added to the public budget deficit.

On the opposite side what comes out of possessing the financial inventories and other outcomes (not including the privatizing proceed) is excluded from the cash deficit.

The receipts of acquisition of the Financial Assets and the resulting outcomes directs us to arrive to what is called the net acquisition of the financial assets, which is estimated to be 2.218 million EGP in the draft state's general budget for FY2013/2014 against (5.314) million EGP in FY 2012/2013.

The following table shows the elements of the net acquisition of financial assets, considering excluding the operations related to privatizing the inventories , even if they were incomes that resulted from the privatizing (considered internationally as financing elements) or what the nation burdens in restructuring the companies, which is treated with the same perspective :

Table no. (30)
Acquisition of financial assets

(Million EGP)

Description	2013/2014	2012/2014		change	
	Draft Budget	Budget	Revised budget	(1-2)	(1-3)
	(1)	(2)	(3)		
Acquisition of financial assets					
represent mainly in contributions in authorities and corporations available to some entities	13,193	8,074	8,074	5,118	5,118
excluded:					
* contribution in restructure fund	250	250	250	0	0
Net	12,943	7,824	7,824	5,118	5,118
Proceeds of Acquisition of financial assets					
	11,224	13,638	13,638	2,413-	2,413-
excluded:					
Privitization Proceed	500	500	500	0	0
Net	10,724	13,138	13,138	2,413-	2,413-
Net Acquisition	2,218	5,314-	5,314-	7,532	7,532

Third : The Overall Deficit of the Budget:

From the previous enlightening , adding the outcomes of the net acquisition of financial assets to the public budgets cash deficit we reach a total of the public budgets deficit for the country which is estimated to be 197.494 million EGP for the FY2013/2014 against 184.995 million EGP in the FY2012/2013 with an increase of 12.499 million EGP a rate of increase of 6.8 % and Overall deficit in the presented deficit is equivalent to 9.5 % of the GDP less than ad hoc in FY2012/2013 that amounted by 10.7% according to what's shown in the following table:

**Table no. (31)
Overall Deficit**

Description	2013/2014	2012/2013	2011/2012	
	Draft Budget	Budget	Revised	Actual
*Expenditures	692.421	533.785	583.785	470.992
*Revenues	497.145	393.476	393.476	303.622
Cash Deficit/ Surplus	195.276	140.309	190.309	167.370
Net Acquisition of Financial Assets	2.218	-5.314	-5.314	-665
Overall fiscal balance	197.494	134.995	184.995	166.705
G.D.P.	2.050.000	1.733.978	1.733.978	1.570.000
Revenues as a percentage of G.D.P.	24.3%	22.7%	22.7%	19.3%
x Expenditures as a percentage of G.D.P.	33.8%	30.8%	33.7%	30.0%
Cash Deficit) / Surplus (as a percentage of G.D.P.	9.5%	8.9%	8.2%	10.7%
Overall fiscal balance as a percentage of G.D.P.	9.6%	7.8%	10.7%	10.6%

Fourth : The procedures of financing the state's public budget deficit:

The gap between the public budget expenditures and its incomes added to the net possessing of financial inventories leads us to the total country public budget deficit, this deficit requires us to find and obtain financing resources to cover it .

In that regard , it should be differentiate between two important things:

First : The total financing required by the public budget is not limited by the total public budget deficit estimated in the budget project as 197.494 million EGP, but goes on to include searching for and obtaining financing resources to cover the local and external loan installments estimated in the presented budget to be 114.454 million EGP.

Second : The net of loans represents the actual increase in the local and external public debt , it is a must to exclude the new financing requirements from the local and external installments as they represent a derogation and reduction to the public debt accounts.

For that reason, the loans net required in budget for the FY2013/2014 had an amount of 197.244 million EGP against 184.745 million EGP for the FY2012/2013 with an increase of 12.499 million EGP as shown in the following table:

Table no. (32)
Net borrowing and financing sources

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
Overall Deficit	197.494	134.995	184.995	166.705
Plus				
Domestic and foreign loans' installment repayment	114.454	93.517	93.517	36.475
Total financing	311.947	228.513	278.513	203.180
Excl.				
Decline in Public Debt by value of repaid	114.454	93.517	93.517	36.475
Net privatization proceed	250	250	250	0
Net Borrowing	197.244	134.745	184.745	166.705

it considered during the draft budget to provide the required financing sources whether to cover the overall deficit or repayment of due installment from the following

Description	2013/2014	2012/2013		2011/2012
	Draft	Budget	Revised	Actual
Issuance of bills and bonds	308.140	226.512	276.512	185.492
borrowing from foreign sources	3.557	1.751	1.751	5.455
borrowing from other sources	0	0	0	12.233
Net privatization proceed	250	250	250	0
Total financing sources	311.947	228.513	278.513	203.180

Fifth : Domestic and foreign General Debt

Indeed, the nation public budget deficit is one of the main reasons of the increase in public debt, the draft state's general budget for the fiscal year 2013/2014 including a total deficit of 197.5 billion EGP which requires loaning to cover it, and so, leads to the increase in public debt.

For that reason, however many great challenges face our national economy ,especially after the recent incidents which had its effect on our public resources and on the national income , still the last challenge is the ability of the our financial strategy to overcome and limit the public debt locally and externally compared with the total GDP, especially at a time where the government is confronting problems to limit the public expenditures volume related to the public necessary requirements like wages, subsidy and social benefits or vital investments needed to push the economical and social development and others ahead.

Even if the public debt is measured through three levels, public budget systems debt, governmental debt and the nation public debt, still the first element named the public budget systems debt has the main impact in measuring the public debt

And though the ministry of finance policy devoted itself to limit the rational increase in this debt to avoid its effect on the national income and limiting also the burden consequences serving this debt, and reduce the share of debt held by the current and future generations.

The following table shows the development of the net public budget systems debt (that is the total debt for these systems after deducting their deposits in banks) compared to the GDP total :

Table no. (33)
Development of Net Public Debt

FY	Net public debt to budget's entities			GDP	Percent of net debt to GDP		
	Domestic debt	Foreign Debt	Total		% domestic debt	% Foreign Debt	% Foreign & domestic Debt
	<u>Million EGP</u>	<u>Million EGP</u>	<u>Million EGP</u>	<u>Million EGP</u>	٪	٪	٪
2007/2006	478172	71575	549747	744800	٪64.2	٪9.6	٪73.8
2008/2007	478699	145752	624451	895500	٪53.5	٪16.3	٪69.7
2009/2008	562326	143145	705471	1042200	٪54.1	٪13.7	٪67.7
2010/2009	663818	146717	810534	1206700	٪55.0	٪12.2	٪67.2
2011/2010	808112	158734	966846	1371800	٪58.9	٪11.6	٪70.5
2012/2011	990523	152333	1142856	1546200	%64.1	%9.9	%73.9
Till 30/06/2012							
2012/2013 till 31/12/2012	1131753	162673	1294426	1777600	%63.7	%9.2	%72.8

And so, from what has been mentioned previously, it is clear that the public budget systems debt volume locally and externally of the country is decreasing year after year , where after it had a value of 73.8 % in the fiscal year 2006/2007 (related to the GDP), then it kept on decreasing until it reached a value of 70.5% of GDP in end of FY2010/2011 of which 58.9% domestic debt, 11.6% for foreign debt, reach in FY2011/2012 around 11.6% , anf 73.9% in FY2011/2012, and domestic and foreign debt reach around 72.8% of GDP in December 2012.

Herewith, if we go not to the first level of measuring the public debt (public budget systems debt), but to the second level which is expressed as the governmental debt (which includes public debt, the national investment bank debt and the insurance debt), then to the third level which is expressed as the public debt (including the previously mentioned and also the economical authorities debt), we will notice the proportional reduction of this public debt volume compared to the total GDP, that is after excluding the interfering relations between these systems to reach the total value on one side , then deducting the private deposits from these systems on the other side to reach the net domestic debt.

The external governmental public debt which the ministry of finance is responsible for and is committed to serve, has reached a 22.3 billion dollars at the end of June 2012 (an equivalent of 152333 million EGP) adding it to the net public local debt at the end of June 2012 , the net public domestic and foreign debt at the end of June 2012 was about 1390190 million EGP of 89.9% of the GDP, as this debt reach 1540488 million EGP in end of December 2012, of 85.1% as shown in the following table:

Table no. 34
Development of Net Domestic and foreugn
Public Debt

(Million EGP)

Description	Till 30/6/2012	Till 31/12/2012
<u>Domestic Public Debt</u>		
State's general budget entities	990,523	1,131,753
Economic authorities	64,675	54,815
NIB	182,659	191,247
Total	1,237,857	1,377,815
<u>Foreign Public Debt</u>	152,333	162,673
Total	1,390,190	1,540,488
GDP	1,570,000	1,733,978
%Domestic Public Debt to GDP	%78.8	%79.5
% Foreign Government Public Debt to GDP	%9.7	%9.4
% Total Public Debt to GDP	%88.5	%88.8

From what was mentioned obviously, the public debt which the government is committed to, whether as a total or as a net, whether limited to the public budget entities or to the governmental debt or to the national public debt, is decreasing compared to the GDP year after year even though it is increasing as an absolute number, this assures that the public debt in its original form and its impacts on the national level is decreasing year after year compared to the GDP, as there is no country that doesn't take up loans, but the lesson is: not to exceed the rate of increase in the GDP, and as long as there is a decrease in this debt compared to the GDP, there is a sign of relief in the right direction.

Chapter V

Draft Public Treasury Budget FY 2013/2014

Mr. Dr/ Chief of Shoura Council

Messrs./ Esteemed Members of Shoura Council

According to the law of the national Public budget No. 53 for the year 1973 and its amendments, the Public treasury budget project is set by the international rules , the following terms are shown in the budget:

- The Cash deficit or excess
- The Total deficit or excess
- The Financing resources for the total deficit
- Financing the deficit in the entities concerned in the national public budget where any excess from those parties returns to the budget.

And the coming two tables show the following :

1. The Total Public treasury budget and the cash and total deficit it shows and the financing resources and the deficit to be financed by the Public treasury.
2. The final outcomes of the national public budget as shown by the Public treasury budget.

Table no. (35)
Public Treasury Budget
Total State's General budget

(Million Pounds)

Description	Budget 2013/2014				Budget 2012/2013
	Central Department	local Department	Services Authorities	Total	
# Revenues					
- Taxes	355,188	870	866	356,925	266,905
- Grants	1,616	0	742	2,358	9,021
- Other Revenues	113,135	5,801	18,927	137,863	117,549
total Revenues	469,939	6,671	20,535	497,145	393,476
x Expenditures					
- Compensation of employees	66,549	84,157	21,452	172,159	142,627
- Purchases of Goods And Services	14,743	8,904	7,058	30,705	28,765
- Medicin & follow-on Milk	181,660	213	173	182,046	138,612
- Subsidies, Grants, and Social Benefits	199,839	386	5,315	205,540	182,838
- Other Expenditures	35,891	594	1,806	38,292	34,325
- Purchase of Non Financial Assets (Investments)	31,573	3,672	28,434	63,679	56,618
total Expenditures	530,255	97,927	64,238	692,421	583,785
Cash Deficit / (Surplus)	60,316	91,256	43,703	195,276	190,309
# Net Acquisition of Financial Assets					
- Repayment to Government of loans and Sales of Financial Assets Excluding Privatization Proceeds	10,719	0	6	10,724	13,138
Acquisition of domestic and foreign financial Assets (without treasury contribution in Restructure fund finance)	12,863	0	80	12,943	7,824
Acquisition of Financial Assets	2,144	0	74	2,218	-5,314
Overall fiscal balance	62,460	91,256	43,778	197,494	184,995
Financing Sources					
=Domestic borrowing & issuance of securities other than shares					
Issuance of securities other than shares	174,807	91,446	41,887	308,140	276,512
. Borrowing From other sources	0	0	0	0	0
total Borrowing & issuance of securities other than shares	174,807	91,446	41,887	308,140	276,512
Foreign borrowing & issuance of securities other than shares					
For financing investments	1,244	0	2,314	3,558	1,751
.to finance capital liabilities	0	0	0	0	0
x to finance budget's deficit	0	0	0	0	0
total Foreign borrowing & issuance of securities other than shares	1,244	0	2,314	3,558	1,751
total Borrowing & issuance of securities other than shares	176,051	91,446	44,201	311,698	278,263
exclud Domestic and foreign loans repayment	113,842	190	423	114,454	93,517
net Borrowing & issuance of securities other than shares	62,210	91,256	43,778	197,244	184,745
net Privatization receipts	250	0	0	250	250
Net Financing Sources	62,460	91,256	43,778	197,494	184,995

Table no, (36)
Public Treasury Budget
Public Outcomes of State's General
Budget

(Million Pounds)

Uses			Resources			Outcomes		
Description	Budget 2013/2014	revised budget 2012/2013	Description	Budget 2013/2014	revised budget 2012/2013	Description	Budget 2013/2014	revised budget 2012/2013
total Expenditures	692,421	583,784	total Revenues	497,145	393,475	Cash Deficit / (Surplus)	195,276	190,309
- Acquisition of Financial Assets	12,943	7,824	Repayment to Government of loans and Sales of Financial Assets Excluding Privatization Proceeds	10,724	13,138	Net Acquisition of Financial Assets	2,218	-5,314
total Expenditures & Acquisition of Financial Assets	705,364	591,608	total Revenues&Re payment to Government of loans and Sales of Financial Assets	507,870	406,613	Overall fiscal balance	197,494	184,996
Domestic and foreign loans repayment	114,454	93,517	Borrowing	311,698	278,263	net borrowing	197,244	184,745
x Treasury contribution of restructure fund finance	250	250	Privatization Proceeds	500	500	net Privatization Proceeds	250	250
total	820,068	685,376	total	820,068	685,376		0	0

Chapter VI

Medium Term Trends in Financial Policies

Mr. Dr/ Chief of Shoura Council

Messrs./ Esteemed Members of Shoura Council

The current situation requires new trends in formulating financial policies aiming at the reduction of national debts and developing general revenues so increasing expenditures and state obligations could be met. It is important to look at expenditures wisely and make it reasonable without affecting basic needs of citizens.

The matter requires also fulfillment of economic and financial stability in the country within the medium term. This call for taking necessary structural processes, the most important of which is raising the awareness regarding energy subsidies and direct is solely to needy people. Beside the need for widening the taxation base and supporting organizational ability for taxation work that balances taxation burden on financers who currently pay their taxes on one hand and preventing negative effect on economic activity on the other hand.

Consequently, it is important to mention the financial measures which should be implemented in the medium term starting from the current fiscal year:

Priority Procedures During Middle Term

1. Working on gradual reduction of budget deficits and general debts in medium term to reach suitable rates and achieve stability and financial growth targets. Also to ascertain sufficient local and foreign finances enough for public and private activities.

2. Emphasizing the rebuilt of foreign currency reserves to, at least, cover Egypt's imports for three months. The efforts should also be extended to gradually build the reserves to exceed that.

3. Directing more revenues to high social content and in the same time participate in achieving growth and providing required infrastructures.

4. Implementing a well balanced financial policy to help the control of inflation rates and gradually reducing it in a way to enhance the value of citizens' real income (purchase power of Egyptian Pound) and to improve the competitive ability of the Egyptian economy.

5. Assuring that policies of financial sector result in the sector's safety and stability, providing that the banking system is not negatively affected and making necessary finances available for the private sector.

6. Adopting encouraging policies to investment and operations that, in the same time, support medium and small industries.

7. Accelerating the implementation of economic measures with consideration of social aspects through putting into operation a number of procedures that have both social and political dimensions.

8. Facilitating the acquisition and registration of land, including publicizing of pricing mechanisms and abiding by drawn contracts. Also simplifying the procedures for obtaining building and operating permits through the activation of "one window" mechanism.

9. Commitment to creditability and respecting of governmental agreements and promises to investors as long as there is no suspicion of corruption. Issuing of encouraging legislations for easy obtaining of different financing mechanisms including the issuing of bankruptcy and reconciliation laws and the law for ultra small projects, together with developing the mortgage system.

10. Updating of the investment and projects chart every six months while promoting it locally and overseas, specifying available investment encouragements regarding geographical distribution, together with the promotion of major development projects that would open new expansion horizons.

11. Support and encouragement to small and medium projects through getting into finances and providing development services in Cairo and other governorates. Getting into markets, providing data, trained labors and rebuilding of new generation of business and skill development pioneers.

12. Putting into effect a comprehensive plan to push non official sector to affiliate with official sector through the alleviation of beaurocracy and administrative complications in governmental and local authorities. Providing alternative sites in industrial area close by existing workshops in residential areas according to a mutually acceptable time tables. Approval of the law of tax exemption for period prior to official registration. Providing financial and non financial consulting services to enhance the ability of business people to obtain necessary finances for development, and providing technical assistance to workshops owners in preparing necessary files to be presented to competent authorities to issue permits and licenses.

13. The utilization of Sukuk as a financing and investment tool, through which parts of the state investment projects could be financed. This is expected to push economic growth further besides efficient utilization of the multitude of Egypt's revenues for the benefit of the Egyptian citizen.

14. Modernizing custom laws and respecting the rationalization of custom exemption. Completing development projects of custom authority and the mechanisms of examination and reducing risks of evasion with the enforcement of cooperation, and exchange of information and experiences among different custom department.

15. Updating custom duties law, giving consideration to customs exemption awareness and completing the projects of developing custom authorities and examination mechanisms and reducing smuggling probabilities, added to that supporting the cooperation among different custom departments including information and expertise exchange.

16. Completing the project of automating the governmental collection and payment system including employees' salaries allowing for more efficient management of money flow and reducing the cost of state money management.

17. Expanding partnership programs with private sector to finance investment projects and to allow for public services. This will give additional areas and economic ability to accelerate the execution of several projects in infrastructures and public services without affecting financial indices stability loans and deficits.

18. Continue the efforts to exchange as much possible of loans with friendly countries as one of the mechanisms to provide financial space for different development projects.

19. Disengaging of complicated financial relations among different governmental entities (general treasury, economic authorities, National Investment Bank & security funds), with implementing definite procedures to raise economic and financial efficiency within economic organizations, particularly, petroleum, electricity, railways, broadcast and TV union etc.

Table no.(37)
Estimates of the state's general budget performance during
next three years
(2014/2015 till 2016/2017)

(Billion EGP)

Description	Draft	Projected	
	2014/2015	2015/2016	2016/2017
Public revenues	532.8	590.1	664.5
Tax revenues	386.3	431.9	490.5
Grants	2.1	2.0	2.2
Other	144.4	156.2	171.8
Public Expenditures	730.0	777.3	848.1
Wages and compensation of employees	189.6	206.2	231.7
Purchase of Goods and services	35.0	41.3	49.0
Interest	199.0	203.0	215.4
Subsidy, grants and social benefits	198.2	199.9	210.5
Other Expenditures	40.0	43.4	47.2
Purchase of non-financial assets"Investments"	68.2	83.5	94.3
Net Acquisition of financial assets	1.3	2.0	0.5
Overall Deficit	198.5	189.3	184.1
<u>Remarks :GDP</u>	2,390.8	2,773.2	3,213.9
Overall Deficit	%8.3	%6.8	%5.7
Cash Deficit	%8.2	%6.8	%5.7
Primary Deficit	%0.0	-%0.5	-%1.0
Total Public Debt	%84.7	%82.6	%78.8
Domestic Public Debt	%72.9	%71.5	%68.5
Foreign Public Debt	%11.8	%11.1	%10.2
Economic Growth rates	%5.2	%6.1	%6.8
growth rates of individual quota in GDP (EGP)	%3.4	%3.9	%4.6

Estimates indicate that gradual economic recovery has started with the restoration of stability and political security and applying structural procedures which bring back trust in Egyptian economic stability, consequently encouraging both local and foreign investments. Accordingly, it is expected to record growth rates between 5.2 % and 4.5 % during fiscal year 2013/2014 against about 2% during current fiscal year. Then gradual growth rates will continue to rise to reach 5.4 % in 2013/2014, then 5.8 % in 2014/2015. This will coincide with decrease in unemployment and putting it into a down sliding path in future years.

In view of all previous anticipated deficit during fiscal year 2012/2013 is about 135 Billion Pounds (7.6 % of local product) and goes down during next year to between 7 % and 7.2 % of local product, reaching 6% of the local product in fiscal year 2014/2015. It is worthy mentioning that completing structural reforms will lead to continuous regression of total deficit to 3.8 % of local product in 2016/2017.

Connected to that is the total local and foreign liability regression of the general budget systems (administrative system, local administration, services organizations) to reach 80.3 % of the local product in 2012/2013, the reduction continues to 77.3 % of local product in 2014/2015 then to 63 % of the local product in 2016/2017, which means improvement in the ability of the economy to serve the loan and fulfill obligations without that being an obstacle to fulfill development targets.

Chapter VII

Relation with Economic Authorities

Mr. Dr/ Chief of Shoura Council

Messrs./ Esteemed Members of Shoura Council

Article no.3 of law no. 53 for the year 1973 concerning that state's general budget states that the state's general budget include all uses and resources for state's activity done by each of central administration, local governing units and public authorities and financing funds.

And the state's general budget don't include the budgets of economic authorities and financing funds of economic nature those the cabinet president issue decree for its determination as to prepare its budget separately and presented from Ministry of finance to cabinet to be submitted to parliament to be accredited and the relation between these separate budgets and the state's general budget limited on the surplus forwarded to the state, what allocated for these budgets of loans and contributions.

As a sequent, the draft budget of theses economic authorities have been submitted to your esteemed council for study in order to be accredited

But what is important in the first place is referring to the relations between the public treasury and economic authorities in draft state's general budget for FY2013/2014

Description	Draft 2013/2014	Original 2011/2012	change
Forwarded to public treasury from economic authorities	Billion EGP 153.6	Billion EGP 119.8	33.8
Public Treasury paid for economic authorities	165.4	121.6	43.8
Net	(11.8)	(108)	(10.0)

i.e. it is estimated to be forwarded from economic authorities in FY2013/2014 to Public Treasury (153.6 Billion EGP) less than amount borne by the public treasury to these authorities (165.4 Billion EGP) by around 11.8 Billion EGP.

Shown in tables no.s (40), (41), (42)

Table (39)
Amounts forwarded from economic Authorities to the
state's general budget compared to
draft budget 2013/2014 and budget 2012/2013

(Thousand EGP)

Description	Draft 2013/2014	Revised 2012/2013	Change
<u>1- surplus from</u>			
EPA	37,847,147	25,986,000	11,861,147
SCA	21,673,404	18,636,235	3,037,169
Other	2,786,146	2,907,636	-121,490
Total	62,306,697	47,529,871	14,776,826
<u>2- Income tax from</u>			
EPA	31,648,106	23,060,000	8,588,106
(foreign partner)EPA	28,843,902	22,756,000	6,087,902
SCA	16,408,936	14,095,323	2,313,613
Other	1,528,510	845,859	682,651
Total	78,429,454	60,757,182	17,672,272
<u>3- Royalties</u>			
EPA	2,315,838	2,933,157	-617,319
SCA	2,190,000	1,875,750	314,250
Total	4,505,838	4,808,907	-303,069
<u>4- Income tax on previous years</u>			
	500	500	0
<u>5- Duties</u>			
Commodities duties and tax	6,322,398	4,757,181	1,565,218
leaving Ports	3,305	3,310	-5
leaving country according to law53/1980	80,000	80,000	0
somid duties (EPA)	319,000	300,000	19,000
In-kind Stamp (EPA)	385,000	385,000	0
Total	7,109,703	5,525,491	1,584,213
<u>6- Other</u>			
Transfeerd from endowment authority to ministry of endowment	508,500	619,000	-110,500
transfeerd from construction auth. To Moagriculture (Observers)	12,600	13,000	-400
Re-lent Interest forwarded to Treasury	112,024	78,023	34,001
Re-lent Installement forwarded to Treasury	301,274	239,739	61,535
Allocated from EPA for roads and bridges	65,000	62,000	3,000
Allocated to presidency sector	65,000	62,000	3,000
Aids for other (Touristic governorates)	21,000	22,000	-1,000
Costs of services	154,035	118,322	35,714
Total	1,239,433	1,214,084	25,350
Total amounts forwarded to Central Administartion	153,591,625	119,836,034	33,755,591

Table no. (40)
Amounts forwarded from the state's general budget to
economic authorities compared with draft Budget
FY2013/2014 and FY2012/2013

(Thousand EGP)

Description	Draft 2013/2014	Revised 2012/2013	change
<u>1- Subsidy (Aids) to</u>			
EPA	99,594,931	100,000,000	-405,069
BASC	30,833,978	26,600,000	4,233,978
National authority for social insurance- fund of social insurance of government employees	16,090,000	12,900,000	3,190,000
National authority for social insurance- fund of social insurance of private and public sectors' employees	11,521,000	9,530,000	1,991,000
Other	2,507,950	2,603,371	-95,421
Total subsidy (Aids)	160,547,859	151,633,371	8,914,488
<u>2- contributions</u>	3,795,020	1,988,000	1,807,020
<u>3- TV Union</u>	1,037,000	985,000	52,000
<u>4- POST</u>			
commission on collected and released in favour of governmental organizations	40,000	40,000	0
Duties on finalizing Armed forces correspondances	1,000	1,000	0
Commission on checks balances	1,000	1,000	0
Commission on sales, stamps	7,000	8,000	-1,000
Total national authority for Post	49,000	50,000	-1,000
Total amounts forwarded from the state's general budget to economic authorities	165,428,879	154,656,371	10,772,508

Conclusion

Mr. Dr/ Chief of Shoura Council

Messrs./ Esteemed Members of Shoura Council

I have made the concern while presenting the state's general budget to insure that the implementation of the financial policies move in balanced steps, keeping all concern for the social aspects as continuous and connected social policy for our government, also move in that time in progress steps towards achieving economic aspects to meet the sustainable development focused on production factors and investment and setting up the suitable circumstances to activate our national economy.

Also , I pay the attention in my statement for draft state's general budget that the disclosure, transparency and credibility as reliance points where the government discussed with the parliament which declares through:-

- Estimating the appropriations of uses of state's general budget within efficient spending framework and rationale without extravagance or stinginess including investment appropriations and obligation with allocation ceilings without excess.
- Estimating the targeted general resources within framework of cost capacity of tax community, considering the state's direction towards implanting comprehensive matrix taking into account the importance of re-structuring some tax aspects to add the efficiency in performance and achieve tax justice.

- **Implementing an active financial policy through managing the general financial inflows for state's treasury in scientific method, while keeping control on public debt and decrease its burdens, with a frame of planning that balance between providing the necessary finance of real savings and financial discipline policies required for decrease the debt and linked to GDP.**
- **State's rights and its ownership to the institutions should achieve fruitful results and managing these institution and public ownership, should be in favor of public treasury , the achieve the suitable return on capital pf these institutions without ignoring the duties some of these institutions in performing a social rule in the state.**

I wont miss referring , in that field, to the importance of continuous and constant co-ordination between both financial and cash policies, implementing article no. (15) of state's general budget law, meeting the required discipline in the economic performance and stability of exchange rate, maintaining the purchase ability for Egyptian pound, controlling inflation and increase exporting rates and promote the budget of commercial transaction, increasing growth rates in general.

Believing that the guidance towards reform and development may increase depth in fruitful consultation and dialogue framework with your esteemed council and specific committees, this help on achieving the nobleness of this country and achieving welfare for citizens of Egypt that precious on all our hearts.

God Bless