

Arab Republic Of Egypt



**Financial statement  
of  
State's General Budget  
For Fiscal Year 2012/2013**

Cairo 2012



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**In the name of Allah, the most gracious, most merciful  
“I only desire betterment to the best of my power and my  
success can only come from God, in him I trust and unto I  
look”**

**Almighty Allah speaks the truth.**

**Mr. Marshal/ Hussein Tantawy**

**Chief of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

I have the honor to present to you the financial statement on the draft state budget for the fiscal year 2012/2013 as the state's general budget is the financial program for the public plan for coming fiscal year that targeted achieving growth rates to promote both the production and GDP and also rise the level of income and activate the investment and increase the operating ad decrease the unemployment, in all cases it is a financial budget within general plan including social and economic plan aiming to implement the state's public policy in framework of required equilibrium between the social justice and achieving the economic growth.

Therefore, I have the honor to present to you the financial statement for draft state's general budget for FY2012/2013, which is associated with the first year of the five-year plan for economic and social development for the period from 2012/2013 till 2016/2017.

First, we admit that definitely Egypt pass a very critical phase in its political history, face very sensitive phase on the economic aspect and should work by its full capabilities to meet the social requirements in the hard equation balance between what is possible and what is required to fight the poverty and eliminate the un-employment, and before all above-mentioned the social justice should be our guidance in work.

Thus, the formulation of the financial statement that expressed by the state's general budget should link the economic policy in a scientific vision able to contribute in setting the basis of social justice beside moving in designing the economic policy to achieve growth rates necessary and reflect the outcomes in form of real increase in citizens' income and achieve fruits of decent living in every Egyptian house.

The states' general budget for coming fiscal year 2012/2013 comes after eighteen months which the Egyptian economy has witnessed through it several challenges as a result of the relevant circumstances in the transition phase that we pass through.

This transition period have witnessed, especially in the first year followed the January revolution. a lower growth rates and the widening financing gap, which reflected clearly in rise domestic interest rates and the erosion of the balance of international reserves during this period, along with the increasing pressure on the state budget and reverse the so-called "fiscal space" or "fiscal range" available to the fiscal policy, which allows the intervention, even in

exception, to cope with emergency conditions, or was it the one hand, expectations for his performance in the medium term and its ability to recover in the foreseeable future in light of the internal and external challenges that it faces.

That Coincides with that faced by the global economy from one of the worst crises - especially in the countries of Europe's , the main economic partner to Egypt - and that requires treatment not just pumping the huge financial resources or the application of a set of difficult economic measures, but essentially need to treat the disorder in the financial balances and economic at the level of different regions in the world, and it is an issue where international politics play a larger role, and therefore it be long-term solved in radical or sustainable terms, and should be prepared to face the consequences whenever necessary.

These developments have influenced in the assessment of the creditworthiness of the Egyptian economy and reduce the assessment of sovereign organizations to classify Egypt's creditworthiness of Egyptian investments and its institutions - including the financial and banking sector - to decline due to the decline in the sovereign valuation, which require further efforts and reforms required to re-build confidence in the national economy again.

Therefore, the current transition during the past six months to intensify its efforts starting from limit the economic recession and bleeding of deterring the state's general budget, with keeping in that time considering the evitable social requirements in spite of huge pressures on the state's general budget on the state's budget that with in favor of Almighty Allah and efforts of all loyal sons of Egypt :-

- Achieving growth rate during the third quarter of FY2011/2012 reach 5.2% of GDP after it decline to -4.3% during the comparative period 2010/2011.
- Rationale the state's public spending according to decree by law no. (189/2011) as the expenditures of the state's general budget for FY2011/2012 by 14.3 Billion EGP based on decreasing the expenditures that touches the low income in any way, also other efforts exerted in an attempt to maximize the size of rationing to 20 may be 25 billion EGP if circumstances allow this .
- Strengthening the efforts to resume economic activities, particularly with the progressive improvement in security. Even if this does not seem enough, yet the matters needs more time. It has been noticed that tourism is convalescing, the transformation industries are growing, the building industry started to move and Suez Canal is continuing in its distinguished performance.
- The continuous regression in Egyptian foreign currency reserves must by slowed by reviving the performance of economic activity even if it is in somewhat slow rate.
- Paying interest in numerous social programs that are taking care of farmers and trying to disengage some of their entangled problems with the Agriculture Development and Credit Bank. Providing health care for women-headed households, babies and infants under school age. Lifting up the value of social security pension, and increasing the number of its beneficiaries. Securing enough provisions necessary for school nutrition. Completing the execution of the program for subsidizing housing for limited income people. Increasing pension by 10% taking special care with

people receiving small pension and setting a minimum value for increase resulting from social measures.

- Cutting off gas subsidy for big gas consumers and diverting it in favor of general budget and reducing amount of subsidy of petroleum products.
- Setting maximum value for income related to its minimum in a way to minimize the gap between categories which benefit from public money and to fulfill social equality. This is still under revision by your esteemed council to put more control and measures to it.
- Responding to numerous categories demands despite the exaggeration of some of them, and going gradually to move temporary into permanent together with the planning to keep other contracting segments for limited periods of time on budget chapters other than the first chapter "wages and compensation of employees" or those contracted on special funds and accounts as temporary contracts in low salaries

In view of available information, implementing financial and economic policies in this new phase of the history of Egypt has to revolve around rebuilding the trust in our national economy and to deal with the problem of lack of local liquidity. We have to launch, with full speed towards accomplishing a comprehensive permanent development based on strong organizational foundations so known as "comprehensive development" i.e. economic and social development would reach all Egyptians through a group of main directions such as: rising operational development rates, emphasizing financial and economic stability through applying structural processes characterized by its continuity besides sustaining tight control frameworks in general fields and the field of company operations and also supporting frameworks of

transparency, control, accountability and social debates. Efficient policies and programs are set to maintain social protection with as much justice and equality as possible, together with the establishment of effective systems for cooperation with the outside world based on parity and equal evaluation of mutual interests.

There is no doubt that the structure of Egyptian economy has greatly changed. Obviously the pushing powers for achieving development became more varied and dynamic, and in the same time spread to cover many industrial sectors mainly transforming industries, building, tourism, communication and financial services together with traditional fields which used to represent elements of launching base of the Egyptian economy in the past and include both petroleum and Suez Canal. The change gave the economy its ability to persevere for a long period facing external and internal crises. The continuation of the economy to keep its ability to overcome the circumstances requires strict fast action by such sectors to restore their activity and operational abilities.

I again insure that negative economic consequences that the country currently witness are expected as well as being temporary and basically connected to deterioration of trust in Egyptian economy during the current transitional period. In the same time they were not connected to the weak structure of Egyptian economy and its pillars. This in its self, calls for optimism (cautious optimism) and requires fast get together and cooperation of all political voices and society segments to accommodate them before they turn to be weak points affecting the structure of national economy and its productive elements. Consequently, we are facing the inevitability to unit and revive the Egyptian economy to restore its place and the position of its markets among promising economies, which could, with God's will, be fulfilled in few years.

Within the framework of presenting the financial data of the proposed general budget of fiscal year 2012/2013 I have the pleasure to present the following:

- First: Economic position and the period's challenges.
- Second: General picture of proposed general budget of 2012/2013.
- Third: Bases of estimates and uses of resources of proposed general budget of fiscal year 2012/2013.
- Fourth: The social dimension of the proposed general budget of fiscal year 2012/2013.
- Fifth: Basic financial balances of proposed general budget of fiscal year 2012/2013.
- Sixth: proposed general budget of fiscal year 2012/2013.
- Seventh: Medium-range financial policies directions.
- Eighth: Relations with economic authorities.

## **Chapter I**

### **Economic Status & Current Challenges**

It is of great importance while we are paving the way to present the proposed state general budget of fiscal year 2012/2013 to mention all economic stands on both local and global scales, so we can recognize the challenges that we would face.

#### **First: Economic Status on the foreign Scale**

##### **1- Performance of the International Economy:**

During 2011, the world economy went through a noticeable regress of development rates as it had a growth rate of 3.9 % while this was 5.3 % in 2010. The reason is performance retreat of economy of well developed countries, particularly in the United States and Europe, added to that the relative decrease of growth rates in developing and growing economies from previous levels of past years.

The report of world economy Outlook issued by International Monetary Fund in April 2012 expected that the regression of world economy growth will reach 3.5 % in 2012 before it starts to go up again to about 4.1 % in 2013, with an expectation of an increase in non governmental world demand and with the return of improvement of total economic indices due to governments applying reform policies, and financial control which started to be applied by some developed countries these days.



During the last quarter of 2011 and the first quarter of 2012 some positive indications started to show up. Such indications helped to improve expectations regarding performance of world economy, although they are still within the area of caution as will be shown later. Industrial consumption index in developed and relatively growing countries is improving. There is also some improvement in the employment figures in the United States with expectation of decrease of unemployment from 9 % in 2011 to between 7.8 % and 8 % in late 2012. The diminishing of the aftermath of floods in Thailand and acceleration of reconstruction in Japan after the devastating earthquakes led to increase of commercial and industrial production in different Asian countries with further expectations of growth of product development rates.

**Table (1) Development of growth rate in total domestic and international product**

	Annual change							
	2008	2009	2010	2011	2012		2013	
					Expectations in Jan. 2012	Expectations in April. 2012	Expectations in Jan. 2013	Projections in April 2013
World Economy	2.8	-0.6	5.3	3.9	3.3	3.5	3.9	4.1
Developed economies	0.0	-3.6	3.2	1.6	1.2	1.4	1.9	2.0
USA	-0.3	-3.5	3.0	1.7	1.8	2.1	2.2	2.4
Euro area	0.4	-4.3	1.9	1.4	-0.5	-0.3	0.8	0.9
Japan	-1.0	-5.5	4.4	-0.7	1.7	2.0	1.6	1.7
UK	-1.1	-4.4	2.1	0.7	.06	0.8	2.0	2.0
Canada	0.7	-2.8	3.2	2.5	1.7	2.1	2.0	2.2
Developing economies	6.0	2.8	7.5	6.2	5.4	5.7	5.9	6.0
Middle & E. Europe	3.2	-3.6	4.5	5.3	1.1	1.9	2.4	2.9
Commonwealth Independent Countries	5.4	-6.4	4.8	4.9	3.7	4.2	3.8	4.1
Asian Developing economies	7.8	7.1	9.7	7.8	7.3	7.3	7.8	7.9
China	9.6	6.2	10.4	9.2	8.2	8.2	8.8	8.8
India	6.2	6.6	10.6	7.2	7.0	6.9	7.3	7.3
Latin America	4.2	-1.6	6.2	4.5	3.6	3.7	3.9	4.1
Middle East & North Africa	4.7	2.7	4.9	3.5	3.2	4.2	3.6	3.7
Egypt 1/	7.2	4.7	5.1	1.8		2.0		3.5
Africa south Desert	5.6	2.8	5.3	5.1	5.5	5.4	5.3	5.3

Source: Report of World Economy Outlook -International Money Fund, April 2012

/ According to Egyptian government estimate in view of negotiations with World Money Fund mission that visited Egypt in the period between 28<sup>th</sup> March and 10<sup>th</sup> April 2012. It is worth mentioning that data regarding Egypt reflect the development through fiscal years and not Gregorian years. It is important to note that unemployment in United States in April 2012 decreased to a minimum since three years hitting a record of 8.1 %.

Although there are signs of improvement as mentioned above, yet recovery indices of world economy are fragile, and the world economic atmosphere is still dicey because the main reasons behind the world crises have not been remedied till now. These are represented by imbalance among main international economic zones added to that, financial structural problems and world markets, and the influence of such factor on many countries particularly the countries of European Union. Adjoining to that some contracting factors e.g. moving from encouraging financial packages of economic activities to policies of tight control due to increase of loans and budget deficits in most countries, specially in developed countries, where unemployment among young people is increased, together with rise in international inflation rates, coming from international increase in prices of petroleum products and fluctuation of food prices. This is besides banks' desire to reduce their credit portfolio and the decline in family loans also losses that prevail over the American real estate market. Those factors place many challenges against recovery of world economy or sustaining this recovery for a long period.

In Euro area, it is anticipated to apply harsher measures amounting to about 1.5 points percent from the total product in 2012, as its severity varies in the countries suffer from sovereign debts like Greece, Portugal, Spain and Italy and other countries that avoid falling in the same destiny. Such policies are expected to drive the Euro area into a condition of stagnation during 2012. (Expected negative growth of 0.3 % of the product). For example unemployment in Spain stays at its high level of 25 %.

Fears are rising due to the accelerated deterioration of European economy and the international banking organizations, and also threatening the essence of the united European currency (Euro) in case the Greek parliamentary elections in mid June 2012 leads to the winning of parties that refuse the execution of new package of belt tightening measures starting next month. This will result in pushing Greece out of the Euro area and the possibility of transferring negative effect to other countries of South Europe and also threatening their stay within the united European currency.

Stagnation in Euro area is negatively affecting the economy performance of developing countries connected to Europe with strong economic relations, including Egypt and other South Mediterranean countries as it has an influence on the size of mutual trading, in particular South of the Mediterranean countries and also the size of foreign investment flow and financial aids, European tourism and transfers from people working overseas. All that put extra burden over the economies of these countries.

As far as the United States is concerned, there is some improvement shown lately by some economic indices, yet absence of clear decisive solutions of the problem of swelling of loans and budget deficits, specially during the year of American presidential elections, shed doubt over the future of American economy and its ability to grow with a rate higher than 1.9 % in 2012, particularly in view of weak performance of real estate market there, and also the effects connected with the European crisis which limits the ability of American economy to recover fast enough.

In China, the second largest economy in the world, the growth rate is expected to go down to about 8.2 % in 2012 which is one percent lower than it was in 2011 and against 10.4 % last year. Surplus of external dealings balance in China went down to 2.8 % of the product in 2011 against a surplus of 10.1 % of product in 2007. This is due to reduction of commercial surplus which went up with the global price rise of primary goods and the rise of local production cost and the reduction of demand rates of main commercial partners of China.

For the countries of the Middles East and North Africa, growth rates went down to an average of 3.5 % in 2011 and expected to go up to about 4.2 % in 2012. Regress was more in countries that import petroleum products in the area as average growth rate was only 2 % in 2011 and expected to reach around 2.2 % in 2012. Economies of the countries in the area are affected by the cost attached to the process of political changes, countries of North Africa in particular as these countries suffer from reduction of foreign currency revenues caused by decline in tourism and foreign investments. This is connected to negative external developments such as stagnation of the European economy as Europe is the main commercial partner to countries of the area, and also the global rise in oil prices. Those countries, of the democratic conversion, also face important challenges that are represented in the inability of their economies to provide enough job opportunities to new comers to work market especially young people, and to respond to people's increasing demands and also the inability to apply new model for economic growth in which all sectors of the society can reap the fruits. Recommendation paper of the meeting of financial ministers of the countries of in Deville in April 2012 has estimated the need to fill the gap between external finance and the general budget's deficit for countries importing petroleum by between 93.0 Billion USD and 103.0 Billion USD respectively of FY2012/2013.

## **2. Market performance for main goods**

On the other hand, Prices developments of primary goods in world market represent additional pressures on international inflation rates besides their sharp effects on feed security in developing countries that import foodstuff. International food prices fluctuations get affected by several factors, like increase of demand in growing countries, drought in some food producing countries on one hand and increase in global storage of some goods because of excess in production, e.g. grains, on the other hand. Although there was some increase in international stock levels of food during last year, yet this stock is still less than the average of the last four decades, compared to consumption rates according to the International Monetary fund. Food prices fluctuations represent extra pressures on budgets of growing countries, particularly food importing ones.

Average American wheat prices in international stock exchange retreated during the period July 2011 to March 2012 by 8% compared to the first nine months of the previous fiscal year, where average price was \$ 252 / ton as farmers increased grain cultivated areas in many wheat producing countries to utilize prices increase that took place in FY2011/2012, particularly increasing the crop in USA, the second largest international wheat exporter. This lead to increase expectations of rising amounts of global wheat stock in FY2011/2012 by about 2% compared to previous year. On the other hand, increased exchange rate of American dollars against main currencies caused global declination in demand for wheat purchasing contracts in world market.

In the same time, prices of Soya bean oil continued to go up during FY2011/2012 and reached an average of 1170 USD/ton during the period July – March 2011/2012, with an increase of 8 % compared to the first nine months of previous year. The reason was that production of Soya beans in Latin American countries which are among the major international exporters of Soya bean oil was affected by dry weather this year which led to loss in crops productivity of about 30 %. The international price rise of petroleum products put up the prices of Soya bean oil during the period of study in view of the connection between the prices of both commodities as there is a possibility to use vegetable oils to produce bio fuel as an alternative of traditional energy sources.

Political developments in the Middle East resulted in continuous increase of the international petroleum prices Brent went higher than 120 USD/Barrel in most times of July – March 2011/2012 as reduction of production and export from Libya has caused a decrease in global supply, added to the dangers of escalation with Iran which will affect not only oil supplies from Iran but also the closure of “Hormoz Col” through which about 40 % of international petroleum trading goes. Anticipations show that petroleum will be between \$ 110 and \$ 113 per barrel during 2012.

**Table no. (2)**  
**Development of international prices to set of selected**  
**most important primary commodities**

(USD/ton)					
Commodities	2009	2010	2011	2012	2013
	Actual			Estimations <sup>3/</sup>	
<b>Food commodities</b>					
Wheat <sup>1/</sup>	224.1	223.6	316.3	290	270
Growth rate		-0.2%	41.5%	-8.3%	-6.9%
Maize	165.5	185.9	291.7	260	230
Growth rate		12.3%	56.9%	-10.9%	-11.5%
Rice <sup>2/</sup>	555.0	488.9	543.0	500	490
Growth rate		-11.9%	11.1%	-7.9%	-2.0%
Soya Oil	848.7	1004.6	1299.3	1100	1000
Growth rate		18.4%	29.3%	-15.3%	-9.1%
Sugar/	40.0	469.3	573.2	480	450
Growth rate		1073.3%	22.1%	-16.3%	-6.3%
Cocoa	2888.8	3133.0	2980.1	2700	2400
Growth rate		8.5%	-4.9%	-9.4%	-11.1%
Tea	2724.0	2884.9	2920.5	2810	2760
Growth rate		5.9%	1.2%	-3.8	-1.8%
<b>Minerals</b>					
Aluminum	1664.8	2173.1	2401.4	2300	2400
Growth rate		30.5%	10.5%	-4.2%	4.3%
Copper	4711.0	6672.4	7181.3	8500	9000
Growth rate		41.6%	7.6%	18.4%	5.9%
Gold (USD/Oka)	890.1	1084.5	1275.7	1750	1600
Growth rate		21.8%	17.6%	37.2%	-8.6%
<b>Primary commodities</b>					
Cotton	1382.0	2283.4	3327.9	2300	2280
Growth rate		65.2%	45.7%	-30.9%	-0.9%
Rubber	1920.7	3653.9	4823.2	3500	3250
Growth rate		90.2%	32.0%	-27.4%	-7.1%
Oil Brent (USD/Barrel)	61.9	79.6	110.9	105.9	103.2
Growth rate		28.7%	39.3%	-4.5%	-2.5%

## **Second: Economic status on local level and challenges of the period.**

Although the Egyptian economy has overcome the crisis of international price rises of primary goods of FY2007/2008 and then the international financial crisis which started in the last quarter of 2008 without, technically speaking, getting into the stagnation state, even under current circumstances, yet growth rates reached since then, despite the improvement in the last two quarters, still generally less than required growth rates that are enough to generate job opportunities for new employees in the work market or to provide surplus necessary for to finance economic activity, which led to widening the gap between finance and the necessity to attract more investment flow from abroad. Those investment flows not only stopped, but changed to net capital flows to outside coinciding with the current transitional phase.

Available data indicate that economic growth rate was 1.8 % during FY2010/2011 against 5.0 % in previous year affected by previously mentioned events. Annual growth rates during the first half of the current FY2011/2012 were around 0.3 % against 5.6 % during the same period of last year and 5.2 % during the third quarter of current year. These rates are still low, and represent a real challenge as this comes affected by most important growth pushing sectors e.g. converting industries, tourism, building industry and bulk and retail trading.

Primary studies show that expected relative improvement in growth rate of current fiscal year to range between 2 % and 2.25 % and could range between 4.0 to 4.5 % during FY2012/2013 and then gradually increases to about 6.0 % during FY2013/2014.



But to reach such rates, consideration must be given to execute necessary steps to provide required short range liquidity to alleviate the burden of financing cost for different economic activities, shortening the transitional period and continue the efforts of restoring the security stability together with applying a number of necessary and urgent structure measures that help in regaining trust in Egyptian economy and stopping the deterioration of regional security situation or financial and economic situation on a global scale. Consequently, dangers threatening the ability to reach required rates will stay important in view of different state's organizations.

State's General Budget for FY2011/2012 is expected to have a deficit within the range of 150.0 Billion EGP during current fiscal year, i.e. about 9.8% of local product which is the same deficit of fiscal year 2010/2011. Such rates are considered high which requires big financing demands that increase year after year. This situation can not stay without economic and financial negative consequences. So it is important to work on reducing budget deficits. The matter might call for looking for a package of permanent structural measures and work on the redistribution of surpluses produced by economy in a more fair way, including awareness of energy subsidy, widening the taxation base and affecting the financial disengagement among different state authorities, together with completing reform clockwork of general treasury and finance etc., which can be supported in the same time with some extra changes other than non-structural ones e.g. land sales programs and issuance of licenses to investors, etc. Although this last type of extra processes can not be relied upon as main remedy of structure deformity present in general revenues and expenditures.

State's General Budget for FY2011/2012 is expected to have a deficit within the range of 150.0 Billion EGP during current fiscal year, i.e. about 9.8% of local product which is the same deficit of fiscal year 2010/2011.

The draft budget of FY2012/2013 aims to have a deficit of about 135.0 Billion EGP (7.6 % of local product) which will require the review of some awareness measures and make changes on distribution of expenditure in favor of limited income people and providing their basic needs e.g. commodities, services, education and health. Work should be done to activate the taxation system, widening taxation base, fulfilling taxation fairness in accordance with the general framework of the social and economic program that aims to fulfill state general financial reform targets.

When it comes to the management of monetary policy, the Central Bank of Egypt will continue adopting policies that participate in providing economic activity with required liquidity and in the same time providing the protection against aggravation of inflation rates pushed up by demand factors. This in itself requires, in the same time, treating the reasons behind inflation, represented mainly in the need to support the efficiency of local markets and constrictions in structure channels of distributing basic commodities, food in particular. The Central Bank of Egypt has lately reduced banks' reserves in two stages to reach 10% of the local deposit base, evaluated in Egyptian Pounds instead of 14% in the past. This was done besides its interference in repurchase market to push more short term liquidity to support markets. Support of such measures require regaining economy growth, increase productivity and having surplus that is required for finance different needs in a more permanent way avoiding inflation risks.

The central bank will continue adopting policies that participate in providing economic activity with required liquidity and in the same time providing protection against aggravation of inflation rates pushed up by demand factors

Regarding foreign transactions, balance of payment during FY2010/2011 recorded a deficit of 9.8 Billion USD, although there was a surplus of 0.6 Billion USD during the first half . Balance of payment record a deficit for about 8.0 Billion USD during the period July – December of current FY2011/2012 where reserves of foreign currency at the Central Bank of Egypt amounted by 15.2 Billion USD by the end of April 2012. This marks start of improvement which might be small but it comes after a series of drops along previous months. It is worth mentioning here that most of the drops in international reserves during the last 18 months were the result of moving hot money outside the country.

In view of all these developments estimated budget deficits in the proposed budget of FY2012/2013 is around 135.0 Billion EGP which means that there is a financing gap evaluated at this value. The matter requires coverage, either by loans from national local savings based on bonds and permits of general treasury or through relying on some external financing sources. This could be obligatory because of insufficiency of local liquidity at the banking system. We should not neglect the idea of the need of loan from Global Monetary Fund targeted at 3.2 Billion Dollars and other external loans from World Bank and African Development Bank, either for financing our development projects or generally providing our financing needs. With the emphasize that loans of Global Monetary Fund are not under any conditional in any way but it is a proof about the ability of Egyptian economy to recover and welfare.

**Table no. (3)****Main indicators for Overall Economy Performance**

Description	2013/2012	Actual	Actual	Projected	Actual
	Budget	2008/2009	2009/2010	2011/2012	2012/2013
<b>Real sector indicators</b>					
GDP ( Billion EGP )	1042	1207	1372	1530	1778
Growth rate to GDP (%)	4.7%	5.1%	1.8%	2.0%	4-4.5%
Individual quota of GDP (EGP)	13702	15514	17233	18613	21157
Individual quota of GDP (USD)	2486	2814	2966	3030	----
FDI (USD)	8.1	6.8	2.2	0.3	1.7
Unemployment rate	9.4%	8.9%	11.8%	---	----
<b>Domestic prices</b>					
Average of inflation rate (record of consumers prices, republic's urban)	16.2%	11.7%	11.0%	9.1%	12.5%
Average of interest rate on domestic debt (%)	6.6%	8.6%	10.7%	10.5%	12.3%
Average of interest rate on T-Bills (91 days) (%)	11.3%	9.9%	10.2%	12.9%	14.3%
<b>Public Finance Indicators</b>					
Overall deficit for state's general budget	6.9%	8.1%	9.8%	9.8%	7.6%
Primary Deficit for general budget <sup>1/</sup>	1.8%	2.1%	3.6%	2.9%	0.08%
Total financing needs ( Million EGP)	355	453	549	653	812
Net financing needs ( Million EGP)	90	125	167	219	228
Total debt of general budget 's entities	81.0%	79.3%	82.3%	83.4%	80.3%
Domestic	67.1%	67.0%	70.5%	72.6%	70.7%
Foreign	13.8%	12.4%	11.8%	10.8%	9.6%
<b>Foreign Sector indicators</b>					
Current balance ( Million USD)	-4424	-4318	-2769	-8000	-6800
Current balance ( % to GDP)	2.3%	-2.0%	-1.2%	-3.2%	-2.7%
Overall balance ( Million USD)	-3378	3356	-9754	-14400	-6200
International reserve ( Million EGP)	31310	35221	26569	16000	18200
No. of months of imports coverage(Month)	7.5	8.6	4.0	4.0	4.3
<b>International Economic Indicators</b>					
GDP rate	-0.3	0.9	4.6	3.7	3.8
Rate of international trade growth (imports) <sup>2/</sup>	2.9	12.9	9.4	4.9	4.8
Petroleum prices (Brent- USD/Barrel) <sup>3/</sup>	68.9	74.7	96.3	112.5	105.0
Average of global wheat price (USD/ton) <sup>4/</sup>	229	191	294	253	265
<b>Stock</b>					
Index of EGX-30 in 30 June	5703	6033	5373	----	----
Capital Market (% to GDP)	44.5%	34.0%	29.1%	----	----

Source : MOF, CBE, MOPIC, IMF

1/ Primary deficit equal overall deficit after excluding interest payments.

2/ IMF data by using average of two calendar years

3/ Future prices for Oil from New York Stock ( Nymex )

4/ Average Of Wheat prices based on winter solid red wheat prices , winter soft red wheat ( Nymex )

**Chapter II**  
**—**  
**Total**  
**Draft Budget**  
**For Fiscal year 2012/2013**

**Mr. Marshal/ Hussien Tantawy**  
**Cheif of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

I have the honor to highlight on most important of draft budget for FY2012/2013 aspects

	Billion EGP
• Total expenditures estimated by	533.7
• Total revenues estimated by	<u>393.4</u>
• Then the cash deficit estimated by	140.3
• Excluding impact of net acquisition of capital operations estimated by	<u>-5.3</u>
• The overall deficit for draft budget	<u><u>135.0</u></u>

The pre-mentioned overall deficit represent 7.6% of projected GDP in coming fiscal year in light of targeted real growth rate ranging between 4%-4.5% .

**By analyzing main expenditures and revenues elements in draft budget, discover the following :**

## **First : Expenditure Analysis**

The expenditures in draft budget for FY2012/2013 estimated by around 533.7 Billion EGP against 490.6 Billion EGP in FY2011/2012 by an increase of 43.1 Billion EGP by growth rate 8.8% and these expenditures represent percent of 30% of GDP.

**These above-mentioned expenditures rep[resented in each of :-**

### **1- wages**

Wages in draft budget for FY2012/2013 estimated by 136.6 Billion EGP against 117.5 Billion EGP in FY2011/2012 by an increase of 19.1 Billion EGP by growth rate of 16.3%, these wages represent percent of 25.6% of total expenditures in draft budget amounted by 533.7 Billion 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.
- Development decided for incomes of some employees in government whether in education or health or improving incomes of Imams or preachers and improving cadre of police authority

## **2- Purchase of Goods and Services**

The allocated appropriations for purchase of goods and services that included in second chapter in the state's budget in draft FY 2012/2013 by about 28.8 Billion EGP against 30.2 Billion EGP in FY 2011/2012, decrease of 1.4 Billion EGP a percent of 4.6% .

This requirements represent 5.4% of total expenditures in draft state's budget that amounted by 533.7 Billion EGP.

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.

## **3- Interest :**

Estimated interests of local and foreign loans in the draft budget of FY2012/2013 are 133.6 Million EGP against 106.3 Million EGP in revised budget FY2011/2012 with and increase of 27.3 Million EGP 25.7 % rise.

These interest represent about 25% of state's budget expenditures that amounted by 533.7 Billion EGP, interest calculated upon the size of bills and bonds and due domestic and foreign loans during FY2012/2013.

#### 4- Subsidy ,Grants and Social Benefits

The total allocated appropriations for that purpose amounted by 145.8 Billion EGP represent 27.3% from total expenditures amounted by 533.7 Billion EGP, these appropriations mainly concentrated in the following items compared with the appropriation of current FY.

*Billion EGP*

<i>Description</i>	<i>Draft Budget</i>	<i>Budget</i>	<i>Change</i>
<i>Subsidy, grants and social benefits</i>	<i>2013/2012</i>	<i>2012/2011</i>	
<i>GASC</i>	<b>26.6</b>	<b>18.9</b>	<b>7.7</b>
<i>Petrol</i>	<b>70.0</b>	<b>95.5</b>	<b>(25.5)</b>
<i>Other</i>	<b>16.4</b>	<b>18.5</b>	<b>(2.1)</b>
<i>Total</i>	<b>113.0</b>	<b>132.9</b>	<b>(19.9)</b>
<i>Grants and social benefits</i>	<b>32.8</b>	<b>24.9</b>	<b>7.9</b>
<i>Total</i>	<b>145.8</b>	<b>157.8</b>	<b>(12.0)</b>

The subsidy of commodities include about 16.2 Billion EGP for subsidy of bread loaf whether imported wheat or local wheat or maize, also, included about 10.4 Billion EGP to subsidize the basic commodities sold on ration cards as sugar, oil and rice.

Concerning the subsidy of petrol materials, it has been allocated only 70.0 Billion EGP, on basis of implementing plan adopted by Ministry of Petrol to rationale usage of these materials and the guarantee of the delivery to their real beneficiaries, including the effect of decrees pre-decided regarding the rise of gas used in heavy energy industries or rationale using butane and amending the method of its distribution, using the smart cards in providing the needed amounts for the major sectors and consumers of solar and gas oil.



- Concerning other items of subsidy, the draft budget provide the necessary subsidy for farmers and Subsidy of Passengers' Transportation and medicine and health insurance for students, women-headed households, Children under school age, in addition to subsidy of water corporations, Subsidy to Low- Income. Also, allocating 3.1 Billion EGP to subsidize the production in purpose of exporting, it is producing subsidizing not subsidy for exporters.
- Regarding Grants and social benefits, the draft budget allocate 32.8 Billion EGP, of which 20.7 Billion EGP as contributions in pensions funds, 2.5 Billion EGP as pension for social insurance in addition to other social benefits.

#### **5- Other Expenditures**

It have been allocated for these expenditures 33.3 Billion EGP against 31.6 Billion EGP in FY2011/2012 by an increase 1.7 Billion EGP by growth rates only 5.4%, these other expenditures represent 6.3% of total expenditures and it belongs to evitable requirements.

#### **6- Investments**

The appropriations of investment in draft state's general budget for FY2012/2013 amounted by 55.6 Billion EGP against 47.2 Billion EGP in FY2011/2012 by an increase of 8.4 Billion EGP by growth rate 17.8%, as the investments represent 10.4% of total expenditures that amounted by 533.7 Billion EGP, percent of 3.1% of GDP against 3.0% in FY2011/2012.

The referred investment is investments allocated for government entities in state's general budget as been agreed with Ministry of planning and international corporation, and depends on financing the larger portion on state's treasury that provide about 43.0 billion EGP, the rest depend on miscellaneous capital sources and some grants and loans.

## **Second : Revenues' Analysis**

General revenues in the draft general budget for FY2012/2013 are around 393.4 Million EGP, against 349.6 Million EGP in budget for FY2011/2012 which means an increase of 43.8 Million EGP i.e. 12.5% these resources represent 22.1% of GDP. As it covers around 73.0% of estimated expenditures by 533.7 Billion EGP.

**These above-mentioned resources represented as follows:-**

### **1-Tax revenues**

These tax revenues include; tax from general tax, Sales tax and custom and fees of revenues development and other items that amounted by 266.9 Billion EGP, which represent 67.8% of total revenues amounted by 393.4 Billion EGP.

#### **A- General Tax**

This sales tax estimated by around 150.0 Billion EGP in draft state's general budget against 130.7 Billion EGP in FY2011/2012 , by an increase amounted by 19.3 Billion EGP, by growth rate 14.8%, as the sales tax represent 38.1% of total general resources in draft budget amounted by 393.4 Billion EGP and these sales tax include profits from petrol and foreign partner and Suez canal and central bank of Egypt and investment corporations and Public Enterprises corporations and salaries tax and manufacturing and trading activity and non-commercial professional and stamp tax.

#### **B- Sales Tax**

Sales tax was estimated at about 83.4 Million EGP for budget of FY2012/2013 against 72.1 Million EGP in budget of FY2011/2012. by an increase amounted by

11.3 Billion EGP by growth rate 15.7% and sales tax represent 21.2% of total general revenues amounted by 393.4 Billion EGP in presented draft budget.

### **C- Customs**

Customs was estimated at about 20.8 Million EGP for budget of FY2012/2013 against 18.0 Million EGP in budget of FY2011/2012. by an increase amounted by 2.8 Billion EGP by almost growth rate 15.6% and customs represent 5.3% of total general revenues in presented draft budget.

### **D- Other Tax revenues**

Include fees of revenues development and others of tax and duties that estimated in draft budget by around 12.7 Billion EGP against 11.4 Million EGP in budget of FY2011/2012. by an increase amounted by 1.3 Billion EGP by growth rate 11.4%

## **2- Grants :**

Customs was estimated at about 9.0 Million EGP for budget of FY2012/2013 against 10.0 Million EGP in budget of FY2011/2012. and represent 2.3% of total general revenues in presented draft budget.

## **3- Non-Tax revenues**

Include surplus from Suez Canal and petroleum and surplus from other economic organizations and CBE, also profits of Public sector companies and Public Enterprises corporations and other current revenues that amounted by 117.5 Billion EGP against 107.4 Billion EGP in FY 2011/2012 by an increase amounted by 10.1 Billion EGP by growth rate of 9.4% and these non- tax revenues represent around 29.9% of total revenues in draft budget amounted by 393.4 Billion EGP.

The following two tables show the total estimates for draft budget of FY2012/2013 compared by final accounts of FY2010/2011 and estimates of FY2011/2012 and projected results .

The two following tables shows the total estimations for draft state's general budget for FY2012/2013: compared with Actual FY2010/2011 and estimations and projections of FY2011/2012

**Table No. (4)**  
**Draft Budget for Fiscal year 2012-2013**

Billion EGP

Description	2011/2010	2011/2010	2012/2011	2012/2011			2013/2012
	Actual	July/ April	July/ April	Budget	Revised	Projected	Draft
	(1)	(2)	(3)	(4)	(5)	(2/5) %	(3/5) %
<b># Expenditures :</b>							
- Wages & compensation of employees	96.3	117.5	110.5	110.5	136.6	16.3	23.6
- Purchase of goods & Services	26.1	30.2	29.2	29.2	28.8	-4.6	-1.4
- Interest	85.1	106.3	105.3	105.3	133.6	25.7	26.9
- Subsidy, Grants and Social benefits	123.1	157.8	154.5	154.5	145.8	-7.6	-5.6
* GASC	32.7	18.9	18.9	25.2	26.6	40.7	40.7
* Petroleum.	67.7	95.5	95.5	93.4	70.0	-26.7	-26.7
* Other	10.8	18.5	17.8	14.5	16.4	-11.4	-7.9
<b>Total</b>	<b>111.2</b>	<b>132.9</b>	<b>132.2</b>	<b>133.1</b>	<b>113.0</b>	<b>-15.0</b>	<b>-14.5</b>
* Grants and social benefits	11.9	24.9	22.3	21.4	32.8	31.7	47.1
- Other Expenditures	31.4	31.6	31.1	31.1	33.3	5.4	7.1
- Purchase of non-financial assets ( Investments )	39.9	47.2	45.7	43.9	55.6	17.8	21.7
<b>Total Expenditures</b>	<b>401.9</b>	<b>490.6</b>	<b>476.3</b>	<b>474.5</b>	<b>533.7</b>	<b>8.8</b>	<b>12.1</b>
<b># Revenues :</b>							
Tax revenues <sup>5</sup>	192.1	232.2	232.2	210.5	266.9	14.9	14.9
* General Tax	105.0	130.7	130.7	114.5	150.0	14.8	14.8
* Sales Tax	64.4	72.1	72.1	72.8	83.4	15.7	15.7
* Customs	14.0	18.0	18.0	14.7	20.8	15.6	15.6
* Other	8.7	11.4	11.4	8.5	12.7	11.4	11.4
- Grants	2.3	10.0	10.0	10.0	9.0	-10.0	-10.0
- non tax revenues	70.9	107.4	107.4	102.1	117.5	9.4	9.4
* Oil surplus	21.0	37.8	37.8	25.7	26.0	-31.2	-31.2
* SCA surplus	15.3	17.0	17.0	17.2	18.6	9.4	9.4
* CBE Surplus	0.5	2.6	2.6	12.5	10.8	315.4	315.4
* Other	34.1	50.0	50.0	46.7	62.1	24.2	24.2
<b>Total revenues</b>	<b>265.3</b>	<b>349.6</b>	<b>349.6</b>	<b>322.6</b>	<b>393.4</b>	<b>12.5</b>	<b>12.5</b>
<b>Cash deficit</b>	<b>136.6</b>	<b>141.0</b>	<b>126.7</b>	<b>151.9</b>	<b>140.3</b>	<b>-0.5</b>	<b>10.7</b>
<b># Net Acquisition of Financial assets</b>	<b>-2.1</b>	<b>-6.6</b>	<b>-6.6</b>	<b>-2.1</b>	<b>-5.3</b>	<b>-19.7</b>	<b>-19.7</b>
<b>Overall Deficit</b>	<b>134.5</b>	<b>134.4</b>	<b>120.1</b>	<b>149.8</b>	<b>135.0</b>	<b>0.4</b>	<b>12.4</b>
<b>-GDP</b>	<b>1371.8</b>	<b>1570.0</b>	<b>1546.2</b>	<b>1546.2</b>	<b>1777.6</b>	<b>13.2</b>	<b>15.0</b>
<b>% Expenditures to GDP</b>	<b>29.3%</b>	<b>31.2%</b>	<b>30.8%</b>	<b>30.6%</b>	<b>30.0%</b>		
<b>% Revenues to GDP</b>	<b>19.3%</b>	<b>22.3%</b>	<b>22.6%</b>	<b>20.8%</b>	<b>22.1%</b>		
<b>% Cash deficit to GDP</b>	<b>10.0%</b>	<b>8.9%</b>	<b>8.2%</b>	<b>9.8%</b>	<b>7.9%</b>		
<b>% Overall deficit to GDP</b>	<b>9.8%</b>	<b>8.6%</b>	<b>7.8%</b>	<b>9.7%</b>	<b>7.6%</b>		

**Table no. (5)**  
**Total State's General Budget**

**Billion**

Description	2010/2011	2010/2011	2011/2012	2011/2012			2012/2013	%
	Actual	July/ April	July/ April/July/ April	Budget	Revised	Projected	Draft	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b># Expenditures</b>								
– Wages & compensation of employees	96.3	72.4	91.5	117.5	110.5	110.5	136.6	25.6
– Purchase of goods & Services	26.1	15.4	16.0	30.2	29.2	29.2	28.8	5.4
Interest	85.1	66.9	88.9	106.3	105.3	105.3	133.6	25.0
– Subsidy, Grants and Social benefits	123.1	78.1	101.4	157.8	154.5	154.5	145.8	27.3
GASC	32.7	22.0	18.4	18.9	18.9	25.2	26.6	5.0
* Petroleum	67.7	38.3	65.5	95.5	95.5	93.4	70.0	13.1
* Other	10.8	8.2	7.2	18.5	17.8	14.5	16.4	3.1
<b>Total</b>	<b>111.2</b>	<b>68.5</b>	<b>91.1</b>	<b>132.9</b>	<b>132.2</b>	<b>133.1</b>	<b>113.0</b>	<b>21.2</b>
* Grants and social benefits	11.9	9.6	10.3	24.9	22.3	21.4	32.8	6.1
– Other Expenditures	31.4	24.2	24.1	31.6	31.1	31.1	33.3	6.3
– Purchase of non-financial assets (Investments)	39.9	26.1	20.4	47.2	45.7	43.9	55.6	10.4
<b>Total Expenditures</b>	<b>401.9</b>	<b>283.1</b>	<b>342.3</b>	<b>490.6</b>	<b>476.3</b>	<b>474.5</b>	<b>533.7</b>	<b>100.1</b>
<b># Revenues :</b>								
– Tax revenues	192.1	138.8	152.7	232.2	232.2	210.5	266.9	67.8
* General tax	105.0	72.0	81.5	130.7	130.7	114.5	150.0	38.1
* Sales tax	64.4	49.2	52.4	72.1	72.1	72.8	83.4	21.2
* Customs	14.0	11.4	11.8	18.0	18.0	14.7	20.8	5.3
* Other	8.7	6.2	7.0	11.4	11.4	8.5	12.7	3.2
– Grants	2.3	1.0	8.9	10.0	10.0	10.0	9.0	2.3
– non-tax revenues	70.9	42.9	62.9	107.4	107.4	102.1	117.5	29.9
* Oil surplus	21.0	11.2	14.0	37.8	37.8	25.7	26.0	6.6
* SCA surplus	15.3	12.2	13.0	17.0	17.0	17.2	18.6	4.7
* CBE Surplus	0.5	0.5	12.0	2.6	2.6	12.5	10.8	2.7
* Other	34.1	19.0	23.9	50.0	50.0	46.7	62.1	15.9
<b>Total revenues</b>	<b>265.3</b>	<b>182.7</b>	<b>224.5</b>	<b>349.6</b>	<b>349.6</b>	<b>322.6</b>	<b>393.4</b>	<b>100.0</b>
<b>Cash deficit</b>	<b>136.6</b>	<b>100.4</b>	<b>117.8</b>	<b>141.0-</b>	<b>126.7</b>	<b>151.9-</b>	<b>140.3-</b>	<b>0.1</b>
<b># Net Acquisition of financial assets</b>	<b>2.1-</b>	<b>1.2-</b>	<b>0.1-</b>	<b>6.6-</b>	<b>6.6-</b>	<b>2.1-</b>	<b>5.3</b>	
<b>Overall Deficit</b>	<b>134.5</b>	<b>99.2</b>	<b>117.7</b>	<b>134.4-</b>	<b>120.1</b>	<b>149.8-</b>	<b>135.0-</b>	<b>0.0</b>
– GDP	1371.8	1371.8	1546.2	1570.0	1546.2	1546.2	1777.6	
% Expenditures to GDP	29.3%	20.6%	22.1%	31.2%	30.8%	30.7%	30.0%	
% Revenues to GDP	19.3%	13.3%	14.5%	22.2%	22.8%	20.9%	22.1%	
% Cash deficit to GDP	10.0%	7.3%	7.6%	9.0%	8.2%	9.8%	7.9%	
% Overall deficit to GDP	9.8%	7.2%	7.6%	8.6%	7.8%	9.7%	7.6%	

## **Chapter III**

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### **Bases of Uses and Resources** **Estimates of the Draft State's General Budget** **for Fiscal Year 2012/2013**

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We have previously presented the basics of preparing the draft general budget for the FY2012/2013 with referring to the economic and social dimensions and indicating the targeted indicators during the year.

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.

Therefore, the draft budget for FY2012/2013 targeting achieving overall deficit not exceed 7.6% of GDP compared with 8.6% in FY2011/2012, which generate in light of current totals that record a primary deficit of 0.1% of GDP against 1.8% in FY2011/2012.

### **Uses and Resources' Estimates in the draft State's General Budget of FY 2012/2013**

In the view of previously mentioned economic indications, and with the consideration of the start of development of coming out of the world crisis, from one side, and the changes in the world energy and food and other commodities prices from a second side and the effects of world trade movement from a third side, the draft general budget of FY2012/2013 came up as a reflection of all that.

#### **It is a pleasure to present the following main aspects of the draft general budget.**

**First:** Total basic estimates for draft state general budget include:

- ( a ) Uses (general expenditure)
- ( b ) General resources.

**Second:** Detailed general expenditure estimates for the state general budget include:

- ( a ) General expenditure elements according to the economic classification.
- ( b ) General expenditure elements according to Functional classification.

**Third:** Detailed estimates of general resources.



**First: Total basic estimates for draft state's general budget for fiscal year 2012/2013**

The estimates for the state general budget for FY2012/2013 amounted by about 635.4 Billion EGP compared to 594.0 Billion EGP in the budget of FY2011/2012 i.e. with an increase of 41.4 Billion EGP which means an increase of 7.0%.

Taking into account what decree no. (189) for year 2011 included concerning decreasing the appropriations of State's general budget's chapters by 14.3 Billion EGP for FY2011/2012, the revised budget for uses and resources reached 579.7 Billion EGP, and therefore the increase in the presented draft budget compared with revised budget for FY 2011/2012 reached 55.7 Billion EGP by percent of 9.6%

**The following table shows the uses and resources of the draft budget included different financing sources.**

**Table no. (6)**  
**Uses and resources of State's general budget**

Description	2012/2013	2011/2012		Change	
	Draft	Budget	Revised		
	(1)	(2)	(3)	(1-2)	(1-3)
<b>Uses</b>					
* General Expenditures	533,784.8	490,589.7	476,289.7	43,195.1	57,495.1
includes wages, purchase of goods and services, interest, subsidy, grants and social benefits, other expenditures and investments					
* Acquisition of financial assets	8,074.1	4,305.8	4,305.8	3,768.3	3,768.3
includes contributions and lending the economic authorities and corporations that support the restructure fund					
* Domestic and Foreign Loans Repayment	93,517.4	99,143.6	99,143.6	5,626.2-	5,626.2-
x Total Uses	635,376.3	594,039.1	579,739.1	41,337.2	55,637.2
<b>Resources</b>					
* General Revenues	393,475.8	349,646.7	349,646.7	43,829.2	43,829.2
-					
* Receipts of acquisition of financial assets	13,637.9	11,218.8	11,218.8	2,419.0	2,419.0
includes receipts of direct loans installments of relent and privatization proceed					
* Borrowing and issuance of securities	228,262.6	233,173.6	218,873.6	4,911.0-	9,389.0
includes domestic borrowing by bonds and bills and foreign borrowing					
Total Revenues	635,376.3	594,039.1	579,739.1	41,337.2	55,637.2

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.

**Next table shows available expenditure, income and deficit according to 2012/2013 budget compared to 2011/2012 and revised budget, also comparing with actual outcomes of 2010/2011:**

**Table no. (7 )**  
**Expenditures and Revenues**

Description	2012/2013	2011/2012		2010/2011
	Draft	Budget	Revised	Actual
<b>General Expenditures</b>	<b>533,785</b>	<b>490,590</b>	<b>476,290</b>	<b>401,866</b>
1- wages and compensation of employees	136,627	117,497	110,497	96,271
2- Purchase of Goods and Services	28,765	30,255	29,255	26,148
3- Interest	133,612	106,300	105,300	85,077
4- Subsidy, grants and social benefits	145,838	157,754	154,454	123,125
5- Other Expenditures	33,325	31,622	31,122	31,364
6- Purchase of non financial assets	55,618	47,161	45,661	39,881
<b>General revenues</b>	<b>393,476</b>	<b>349,647</b>	<b>349,647</b>	<b>265,286</b>
1- Tax revenues	266,905	232,232	232,232	192,072
2-Grants	9,021	9,974	9,974	2,287
3- Other revenues	117,549	107,441	107,441	70,928
Cash deficit (Expenditures- Revenues)	140,309	140,943	126,643	136,580
Net Acquisition of financial assets	5,314-	6,663-	6,663-	2,120-
Overall Deficit	134,995	134,280	119,980	134,460
Preliminary Deficit	1,383	27,980	14,680	49,383
<b>GDP</b>	<b>1,777,600</b>	<b>1,570,000</b>	<b>1,529,900</b>	<b>1,371,800</b>
% revenues to GDP	%22.1	%22.3	%22.6	%19.3
% expenditures to GDP	%30.0	%31.2	%30.8	%29.3
% cash deficit to GDP	%7.9	%8.9	%8.2	%10.0
% overall deficit to GDP	%7.6	%8.6	%7.8	%9.8
% Preliminary Deficit to GDP	%0.1	%1.8	%0.9	%3.6

## **A- Uses (General Expenditure)**

The general figures of uses or what is known as the State's General Expenditure shows a total of such expenditures amounts to around 635.4 Billion EGP in draft general budget of FY2012/2013 distributed over three components:

- Expenditures
- Acquisition of financial assets
- Repayment of loan installments.

### **1- Expenditures:**

Expenditure estimates of the draft general budget for FY2012/2013 are around 533.784 Million EGP against about 490.590 Million EGP in the FY2011/2012 budget. This represents an increase of 43.195 Million EGP, i.e. an increase of 8.8%. The increase is around 57.495 Million EGP over the revised budget of 476.290 Million EGP by percent of 12.1%

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 following table shows the expenditure in draft FY 2012/2013 compared with revised budget for FY2011/2012.**

**Table no. (8)**  
**Expenditures**

Description	2012/2013		2011/2012		change	Growth rate
	Draft	ratio	Revised	ratio		
	Million EGP	%	Million EGP	%	Million EGP	%
* wages and compensation of employees	136,627	25.6	110,497	23.2	26,130	23.6
* Purchase of goods and services	28,765	5.4	29,255	6.1	490-	-1.7
* Interest	133,612	25.0	105,300	22.1	28,312	26.9
* Subsidy, grants and social benefits	145,838	27.3	154,454	32.4	8,617-	-5.6
* Other Expenditures	33,325	6.2	31,122	6.5	2,203	7.1
* Purchase of non-financial assets (Investments)	55,618	10.4	45,661	9.6	9,957	21.8
<b>Total</b>	<b>533.758</b>	<b>100.0</b>	<b>476.290</b>	<b>100.0</b>	<b>57.495</b>	<b>12.1</b>

## **2- 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 FY/2013 are estimated at about 8.074 Million EGP against 4.306 Million EGP for FY2011/2012. This is clear from the following table:

**Table no. ( 9 )**  
**Acquisition of Financial assets**

Description	2012/2013		2011/2012		change	Growth rate
	Draft	ratio	Revised	ratio		
	Million pounds	%	Million pounds	%		
* contributions to economic authorities	1,988	24.6	1,440	33.4	548	38.1
*contributions in companies	1,334	16.5	980	22.8	354	36.1
*miscellaneous loans	135	1.7	117	2.7	18	15.0
*contributions in international institutions	3,006	37.2	97	2.3	2,909	2,993.0
*contributions in restructure fund	250	3.1	250	5.8	0	0.0
*Other	1,362	16.9	1,422	33.0	60-	4.2-
<b>Total</b>	<b>8,074</b>	<b>100.0</b>	<b>4,306</b>	<b>100.0</b>	<b>3,768</b>	<b>87.5</b>



### 3- Repayment of Loans Installments:

The estimated amount for the payment of domestic and foreign loans installments for FY2012/2013 is about 93.517 Million EGP against 99,144 Million EGP in revised budget of FY 2011/2012, the same ratified amount in FY2011/2012.

Installments for loans in draft budget are presented as follows:

**Table no. (10)**

#### **Repayment of Domestic and Foreign of loans' installment**

Description	(Million EGP )	
	2012/2013	2011/2012
	Draft	Revised
*Domestic	81.060	82.356
*Foreign	11.490	16.625
*Total	166.5	162.0
<b>Total</b>	<b>93.517</b>	<b>99.144</b>

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.

## **(B) 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 635.376 Billion EGP distributed into three main components:

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

### **1- General revenues:**

These are the incomes that are collected from operational processes and the direct and indirect activities of units and entities involved in the state's general budget, mainly income from different sorts of taxes, income tax, sales tax and custom duties.

Resources also include internal and external Grants, together with other incomes such as surpluses and profits produced by economic entities and companies of public sector plus incomes from governmental service in general.

As it is shown in table (6), general incomes are estimated at about 393.4 Billion EGP in the draft general budget for FY2012/2013 against 349.6 Billion EGP in the budget of FY2011/2012.

**Next table shows the mentioned general resources.-**

**Table no. (11)**  
**General Revenues**

Description	2012/2013		2011/2012		change	Growth rate
	Draft	ratio	Revised	ratio		
	Million pounds	%	Million pounds	%	Million pounds	%
<b>Tax revenues</b>						
- General Tax	150,039	38.1	130,726	37.4	19,314	14.8
- Sales Tax	83,485	21.2	72,118	20.6	11,367	15.8
- Custom Tax	20,759	5.3	18,002	5.1	2,757	15.3
- Other	12,622	3.2	11,387	3.3	1,235	10.8
<b>Total</b>	<b>266,905</b>	<b>67.8</b>	<b>232,233</b>	<b>66.4</b>	<b>34,673</b>	<b>56.7</b>
<b>Grants</b>	<b>9,021</b>	<b>2.3</b>	<b>9,974</b>	<b>2.9</b>	<b>952-</b>	<b>9.5-</b>
* Non-tax revenues from surplus, profits and services' revenues and others	117,549	29.9	107,441	30.7	10,109	9.4
<b>Total</b>	<b>393,476</b>	<b>100.0</b>	<b>349,647</b>	<b>100.0</b>	<b>43,829</b>	<b>12.5</b>

## **2- Receipts from acquisition of financial assets:**

In the general budget of FY2012/2013 it is estimated at about 13.6 Billion EGP against 11.2 Billion EGP in FY2011/2012, with a increase of 2.4 Billion EGP. The presented budget has the appropriation of 7.2 Billion EGP as installments that will be collected by electricity companies (against which there are expenditures of 1.5 Billion EGP in items of electricity, water, lighting and telephone in chapter two "purchase of goods and services", and the appropriations of 5.0 Billion EGP as a subsidy to electricity in chapter four "subsidy, grants and social benefits". This is for paying a part of the debts of the petroleum sector with the electricity sector).

## **3- Borrowing and Issuance of Bonds:**

Borrowing and bonds in the draft general budget of FY2012/2013 are estimated at 228.3 Billion EGP against about 218.9 Billion EGP in the revised budget of FY2011/2012 with an increase of 9.4 Billion EGP, i.e. 4.3% 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 93.5 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.

## **Second: Expenditures Detailed Estimations of the draft General Budget of 2012/2013**

It have presented the main estimates of the state's general budget for fiscal year 2011/2012 where the total of this budget was 635.4 Billion EGP, and the main targets were defined for both expenditures and general resources.

But the general budget must present the expenditures according to its economic classification and functional classification. Those presented classifications must be distributed over the items of general expenditure and their details with transparency and clarity.

As the expenditures represent the major part of uses in the general budget, where expenditures in the presented budget amounts to 533.7 Billion EGP from the total uses of 635.4 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"

## Wages and Compensations of Employees

The first chapter "wages and compensations of employees" in the state's general budget of FY2012/2013 is estimated at around 136.627 Million EGP against 110.497 Million EGP in revised budget in FY2011/2012 with an increase of 26.130 Million EGP, a rise of 23.6 %.

It is noted that wages and compensations represent 25.6 % from the total operation expenditure in the draft general budget, which amounts to 533.785 Million EGP, and represents 21.5 % from the total general expenditure in the draft general budget estimated at 635.376 Million EGP.

**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 136.627 Million EGP in the draft budget for fiscal year 2012/2013.

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. (12)**  
**Wages and compensation of employees**

(Million EGP)

Description	2012/2013		2011/2012		change	Growth rate
	Draft	ratio	Revised budget	ratio		
	Million pounds	%	Million pounds	%	Million pounds	%
* Permanent Jobs	23,123	16.9	20,673	18.7	2,451	11.9
*Temporary Jobs	2,075	1.5	1,832	1.7	244	13.3
* Rewards	59,249	43.4	36,214	32.8	23,034	63.6
*In- Kind allowances	10,505	7.7	9,706	8.8	800	8.2
* Cash Benefits	10,808	7.9	10,470	9.5	338	3.2
* In-Kind benefits	2,667	2.0	2,474	2.2	193	7.8
*Insurance benefits	12,508	9.2	10,095	9.1	2,413	23.9
*Other kinds of wages'						
chapter and contingencies	15,691	11.5	19,034	17.2	3,342-	17.6-
<b>Total</b>	<b>136,627</b>	<b>100.0</b>	<b>110,497</b>	<b>100.0</b>	<b>26,130</b>	<b>23.6</b>

### Purchase of goods and services

The draft budget for fiscal year 2012/2013 has about 28.765 Million EGP for the purchase of goods and services necessary for the governmental operational work against revised budget 29.255 Million EGP in FY 2011/2012 with an decrease of 490.0 Million EGP, a decrease of 1.7 %.

The appropriations of Purchase of goods and services represents about 5.4 % of the total expenditure for operations in the draft state's general budget that amounts 533.785 Million EGP which is 4.5% of the total expenditure of the draft budget of estimated at 635.376 Million EGP. In all, they are basic expenditures on demands of schools, hospitals and other state organizations, also the periodical maintenance, lighting, water and other inevitable work demands.

**Next table shows the distribution of expenditures over their main components of the draft general budget compared to the revised budget for FY2011/2012**

**Table no. (13)**  
**Purchase of goods and services**

Description	2012/2013		2011/2012		change	Growth rate
	Draft	ratio	Revised	ratio		
	Million pounds	%	Million pounds	%		
* Materials ( medicine, food and others)	6,361	22.1	5,517	18.9	845	15.3
* Operating fuels, oil, and moving parts	979	3.4	944	3.2	34	3.7
* Fuels and oil for cars	105	0.4	98	0.3	7	7.3
* Spare parts and Supplies	935	3.2	900	3.1	34	3.8
* Lighting	3,692	12.8	3,836	13.1	144-	3.8-
* Water	598	2.1	568	1.9	29	5.2
* Maintenance	4,384	15.2	4,117	14.1	267	6.5
* Copy , periodicals and writing rights expenses	1,220	4.2	1,166	4.0	54	4.6
* Public transportation and Conveyance	2,431	8.5	2,263	7.7	168	7.4
*Mail and communication	349	1.2	358	1.2	10-	2.7-
x Judicial judgment execution expenses	287	1.0	1,986	6.8	1,699-	85.5-
x Lump Sum Goods and Services for special accounts and funds	1,964	6.8	1,943	6.6	21	1.1
* other chapter two's items	3,962	13.8	4,699	16.1	737-	15.7-
*General contingencies for goods and services	1,500	5.2	859	2.9	641	0.0
<b>Total</b>	<b>28,765</b>	<b>100.0</b>	<b>29,255</b>	<b>100.0</b>	<b>491-</b>	<b>1.7-</b>

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 6.361 Million EGP in 2012/2013 budget against 5.517 Million EGP for fiscal year 2011/2012 i.e. there is an increase of 844.0 Million EGP, rise percentage of 15.3%

Raw materials are represented by:

	Draft budget 2012/2013	Revised 2011/2012
	Million EGP	Million EGP
- Medicines & vaccinations	3.106	2.820
- Food for schools	2.003	1.603
- Other raw materials for operations	1.252	1.094
Total	6.361	5.517

**\* Lighting:**

Lighting expenses in draft general budget for FY2012/2013 estimated by 3.692 Million EGP against revised budget by 3.836 Million EGP in FY2011/2012, a drop of 144.0 Million EGP i.e. a percentage of 3.8 %. Noted that lighting appropriations include 0.95 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 2012/2013 water expenses amounted by 598.0 Million EGP against revised budget by 568.0 Million EGP in the current fiscal year with an increase of 30.0 Million EGP representing 5.3% to pay for the cost of water supply and observing necessary controls.

**\* Maintenance Cost:**

The presented draft budget includes around 384.4 Million EGP as Maintenance expenses against 4.117 Million EGP revised budget of FY2011/2012 with an increase of 267.0 Million EGP i.e. 6.5%.

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 1.220 Million EGP against 1.166 Million as revised budget in FY2011/2012, i.e. there is an increase of 54.0 Million EGP which is 4.6 % rise. Worth noting that these printing expenses represented mostly in printing schoolbooks.

**\* Transport:**

The allocated appropriations for transportation in draft FY2012/2013 is around 2.431 Million EGP against revised budget for FY 2011/2012 of around 2.263 Million EGP, this means an increase of 168.0 Million EGP i.e. 7.4 % rise to face the normal growing rates.

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

	Draft Budget/ 2012/2013 Million EGP	Revised Budget/ 2011/2012 Million EGP
* Cash offset for employees at remote areas	1.698	1.555
* Public transportations by other means for internal Travel	487	461
* Public transportations by other means for external Travel	157	156
* Other	89	91
Total	2.431	2.263

## 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 FY2012/2013 are 133.612 Million EGP against 105.300 Million EGP in revised budget FY2011/2012 with and increase of 28.312 Million EGP, 26.9 % rise.

Loan interests represent 25.0 % of the total allocated appropriations for operation' expenses in the state's general budget, which amounted by 533.785 Million EGP and represents a percentage of 21.0 % of total general expenditure of 635.376 Million EGP in the draft general budget.

**Next table shows distribution of the domestic and foreign interests distributed on major types compared with projected in current Fiscal year:**

**Table no. (14)**  
**Interest**

Description	2012/2013		2010/2011		change	Growth rate
	Draft	ratio	projected	ratio		
	Million pounds	%	Million pounds	%	Million pounds	%
<b>(A) Foreign Interest</b>						
x Foreign Public Debt interest	6,003	4.5	4,539	4.3	1,463	32.2
x Foreign interest paid by entities	88	0.1	125	0.1	37-	29.5-
<b>Total (A)</b>	<b>6,091</b>	<b>4.6</b>	<b>4,664</b>	<b>4.4</b>	<b>1,427</b>	<b>30.6</b>
<b>(B) Domestic Interest</b>						
-C.B.E. bonds	14,032	10.5	11,150	10.6	2,882	25.8
-Treasury Bills	52,672	39.4	35,465	33.7	17,207	48.5
-Egypt Treasury Bonds	33,189	24.8	29,887	28.4	3,302	11.0
-Bonds of Banks Capital increase	320	0.2	320	0.3	0	0.0
-Debit Balances	7,838	5.9	3,000	2.8	4,838	161.3
-Government Notes to Compensate for the Actuarial deficit in social Insurance Funds	17,600	13.2	16,179	15.4	1,421	8.8
x Local Bonds	0	0.0	263	0.2	263-	100.0-
x Other	1,871	1.4	4,372	4.2	2,501-	57.2-
<b>Total (B)</b>	<b>127,521</b>	<b>95.4</b>	<b>100,636</b>	<b>95.6</b>	<b>26,886</b>	<b>26.7</b>
<b>Total</b>	<b>133,612</b>	<b>100.0</b>	<b>105,300</b>	<b>100.0</b>	<b>28,312</b>	<b>26.9</b>



Such interests are, in all, inevitable and it is important to point out that those interests reach the amount of 133.612 Million EGP representing 7.5 % 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 7.6% while the Preliminary Deficit (by excluding the payment of interests) is just 0.1 % 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 2012/2013, 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 17.600 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 204.0Billion 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 30.06.2011 around 142.0 Billion EGP, agreed on their repayment to insurance funds by notes on public treasury across 10 years in favor interest price.

Thus, the Ministry of finance recorded to the pensions funds its obligations within the state by around 445.0 Billion EGP according to the following:

	Billion EGP	Billion EGP
<b><u>a- within the ministry of finance</u></b>		
Notes on Public treasury	204	
Notes on Actuarial deficit	2	
Treasury Bills and bonds	33	
Merits of funds for previous years	142	
<b>Total</b>		<b>381</b>
<b><u>B- Within National Investment Bank</u></b>		<b>64</b>
<b>Total</b>		<b>445</b>

### Subsidy, grants and Social Benefits

Estimations of the fourth chapter "subsidy, grants and social benefits" in the draft general budget of FY2012/2013 amounted by around 145.838 Million EGP against about 154.454 Million EGP as revised budget in the FY 2011/2012 i.e. an decrease of 8.616 Million EGP which is nearly 5.6 %.

This decrease is an resultant of decrease in allocated appropriations to subsidize the petrol material in light of suggested measures to rationale this subsidy and also, the increase in major items and especially subsidy of commodities , which obviously shown when discussing the details of subsidy' appropriations.

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

	Million EGP
* Subsidy provided for goods and services	112.987
* Grants offered to different entities	6.013
* Benefits, social help to pension and Social security funds	23.90
* Assigned sums and contingencies for Subsidies and different assistances	2.930
	<hr/>
Total	145.838
	<hr/>

The following table shows the distribution of these appropriations on its major items compared with revised budget for FY 2011/2012.

**Table no. (15)**  
**Subsidy, Grants and social benefits**

Description	2012/2013		2011/2012		change	Growth rate
	Draft / Million pounds	Ratio %	revised Million pounds	Ratio %		
<b>*Subsidy:</b>						
x To G.A.S.C	26,600	14.2	18,884	10.1	7,716	40.9
x To Oil materials	70,000	37.5	95,535	51.2	25,535-	26.7-
x To Electricity	5,000	2.7	5,000	2.7	0	0.0
x To exports promotion	3,100	1.7	2,500	1.3	600	24.0
x To Farmers	573	0.3	2,333	1.2	1,760-	75.5-
x To Agriculture crops	0	0.0	2,000	1.1	2,000-	
xTo Upper-Egypt development	200	0.1	0	0.0	200	0.0
xTo Manufacturing Production	300	0.2	100	0.1	200	200.0
-Medicine and follow-on formula	192	0.1	192	0.1	0	0.0
-To Health Care on students	230	0.1	230	0.1	0	0.0
xTo Passengers Transport	1,224	0.7	851	0.5	373	43.8
x Soft Loans interest subsidy	790	0.4	790	0.4	0	0.0
x Low- income housing Subsidy	700	0.4	1,500	0.8	800-	53.3-
-water corporations	750	0.4	750	0.4	0	0.0
-Film	0	0.0	20	0.0	20-	0.0
' -Military Production	860	0.5	460	0.2	400	87.0
-Training	300	0.2	50	0.0	250	500.0
-Students subscription	400	0.2	200	0.1	200	100.0
-non-economic lines	500	0.3	400	0.2	100	25.0
-fund of rapid vehicle transport	245	0.1	244	0.1	1	0.6
-Other	539	0.3	435	0.2	104	23.8
<b>Total subsidy</b>	<b>112,502</b>	<b>60.3</b>	<b>132,473</b>	<b>74.2</b>	<b>19,971-</b>	<b>15.1-</b>
<b>*Grants</b>	<b>6,013</b>	<b>3.2</b>	<b>6,375</b>	<b>3.6</b>	<b>362-</b>	<b>5.7-</b>
<b>*Social benefits</b>						
x Social insurance pension	2,534	1.4	2,434	1.4	100	4.1
x Infant pension	47	0.0	44	0.0	3	6.8
x Contributions in Pensions funds	20,700	11.1	10,700	6.0	10,000	93.5
x Other	627	0.4	588	0.4	39	6.6
<b>total social benefits</b>	<b>23,908</b>	<b>16.4</b>	<b>13,766</b>	<b>8.9</b>	<b>10,142</b>	<b>73.7</b>
x Lump Sum subsidy , grants and social benefits recorded in budgets of different agencies	430	0.3	407	0.3	23	5.7
* Additional requirements and contingencies	2,500	1.7	3,434	2.2	-934	-27.2
<b>Total</b>	<b>145,837</b>	<b>100.0</b>	<b>154,455</b>	<b>100.0</b>	<b>-8,618</b>	<b>33.1</b>

**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 food commodities in the draft FY2012/2013 amounted by around 26.600 Million EGP against about 18.884 Million EGP as revised budget in the FY 2011/2012 i.e. an increase of 7.716 Million EGP which is nearly 40.8 %.

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

**Table no. (16)**  
**Subsidy of commodities**  
**In draft FY 2012/2013**

Description	2012/2013		2011/2012		Change/ Million EGP	Growth rate/ %
	Draft / Million EGP	Ratio/ thousand ton	Projected / Million EGP	Ratio / Million EGP		
<b>First : Basic Commodities</b>						
1- Bread						
- Exported wheat	8,498	6,000	6,498	4,300	2,000	30.8
- Local Wheat	7,464	3,000	4,146	3,000	3,318	80.0
- maize	212	100	176	100	36	20.5
Total bread subsidy	16,174		10,820		5,354	49.5
x vegetable oil	5,512	855	5,077	900	435	8.6
2- Sugar	3,488	1,250	2,998	1,272	490	16.3
3- Rise/macaroni	1,400	606	1,216	1,000	184	15.1
- Tea	1	4	4	4	3-	75.0-
Total subsidy of basic commodities	26,575		20,115		6,460	14.5
deduct						
change in inventory	0		1,083-			
total revenues from expenditures	25				173	117-
Total subsidy of basic commodities	26,600		18,884		7,716	40.9

## **(B) Petroleum materials subsidy**

The estimation of Petroleum materials subsidy in draft presented budget amounted by 70.000 Million EGP against 95.535 Million EGP in FY2011/2012, 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 25.535 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 according to standards criteria for butane, benzene and solar and hurrying in providing gas in some industries that using gas-oil or other fuels, after completing matrix of eliminating subsidy of heavy gas industries.

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

**Table no.(17)**  
**Subsidy of Petroleum Materials**  
**For Fiscal year 2012/2013**

<b>Commodity</b>	<b>QT</b>	<b>Costs</b>	<b>Revenues of sale</b>	<b>Subsidy</b>
<b>Natural Gas</b>	<b>50.200 Million m<sup>3</sup></b>	<b>27.108</b>	<b>21.373</b>	<b>5.735</b>
<b>Butane</b>	<b>335 Million Cylinder</b>	<b>24.120</b>	<b>3.540</b>	<b>20.580</b>
<b>Benzene</b>	<b>7.771 Million Liter</b>	<b>28.660</b>	<b>19.279</b>	<b>9.381</b>
<b>Solar</b>	<b>16.022 Million Liter</b>	<b>62.165</b>	<b>37.432</b>	<b>24.733</b>
<b>Kerosene</b>	<b>190 Million Liter</b>	<b>462</b>	<b>760</b>	<b>298-</b>
<b>Gas oil</b>	<b>9 Million Ton</b>	<b>21.620</b>	<b>11.750</b>	<b>9.870</b>
<b>Total</b>		<b>164.134</b>	<b>94.134</b>	<b>70.000</b>

The subsidy has been calculated according to:-

- 1- Price of Barrel is 100 USD
- 2- Dollar equal 6.15 EGP



### **(c) Subsidy of electricity**

The budget's appropriations include 5.0 billion EGP represents the coverage of rate differentials of petroleum products used to produce electricity for previous years offset by a similar amount included on the side of resources of within the due installments on the electricity sector of the public treasury for re-lent loans to the mentioned sector .

### **(d) Subsidy for Export Encouragement:**

The draft FY 2012/2013 include 3.100 Million EGP to subsidy the imports against about 2.500 Million EGP as revised budget in the FY 2011/2012 i.e. an increase of 600.0 Million EGP which is nearly 24 %.

It should be pointed out that this subsidy not directed to importers, but to subsidize the products that would be exported in order to encourage the foreign markets invading.

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 572.0 million EGP in FY2012/2013.

**(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 1.223.8 million EGP in FY 2012/2013, against 850.8 million EGP for FY2011/2012 with an increase amounted by 373.0 Million EGP by a percent of 44%.

**(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. (99/1992) 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 698.0 million EGP in FY 2012/2013, against 422.0 Million EGP in FY 2011/2012 with an increase amounted by 276.0Million EGP by a percent of 65%.

**(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 300.0 Million EGP in draft budget for FY 2012/2013 against 100.0 Million EGP in FY 2011/2012.

### **(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 FY 2012/2013. Which is the same amount appropriated in FY 2011/2012.

### **(j) Subsidy of Soft Loans Interest**

The subsidy of soft loans interest estimations amounted by around 790.0 Million EGP in draft FY 2012/2013, 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 700.0 Million EGP for that purpose in draft FY2012/2013 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 200.0 Million EGP for this purpose. Which is the same amount appropriated in FY2011/2012.

**(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 routs 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 400 Million EGP. In addition to considering an amount of 500 Million EGP was included in draft coming FY budget to face the organization's losses for running non economic routs in governorates.

So the presented budget includes 900.0 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. (470/2009) was issued to establish a fund for 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 245.0 Million EGP in the presented budget.

## Second: Grants, Aids and Social Benefits

The appropriations of grants, aids and social benefits in draft budget for FY 2012/2013 around 32.851.2 Million EGP represented mainly in the following:-

1- grants and aids offered from the state to human and social purposes and amounted by 6.013 million distributed as follows:-

	Million EGP
* Citizens' treatment and renal failure patients and ambulance aids and others.	3.057
* Aids from Endowment revenues	619
* Youth and sports aids	407
* Aids for uprooted and soldiers families and monthly aids for poor families and others.	261
* Aids for Azhar institutions and primary students in El-Azhar and offices of keeping Quran and immigrant to El-Azhar.	78
* 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.	104
* Aids for social care funds for employees and commercial syndicate and others.	417
* Aids for foreign cultural relations and supreme institutions and teachers syndicate.	18
* Culture development fund	13
* Foreign buildings fund	16
* Aids fund for African countries.	80
* Aids fund for commonwealth fund.	30
* Aviation support fund	496
* Other entities	417
<b>Total Grants and Aids</b>	<b>6.013</b>

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 20.700 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 2658 Million EGP.
- 4- Other miscellenous insurance benefits estimated by 550.0 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 2012/2013 around 2.930 Million EGP to face new needs through the fiscal year for subsidy, grants and social benefits distributed as follows:-

<u>Million EGP</u>	
• General contingencies	2.500
• Total appropriations	430
Total	<u>2.930</u>

### Other Expenditures

These expenditure estimated in drfat state's general budget for FY2012/2013 by 33324.9 million EGP against 3122.3 million EGP as revised budget for FY 2011/2012 with an increse of 2202.6 million EGP by percent of 7.0%.

These evitable appropriations related to national requiremnts and current and specialized transfers and subscription in authorities and instiutions and compenstions and penalties ....



## Purchase of non financial assets

### "Investments"

The draft budget for fiscal year 2012/2013 includes 55.618 Million EGP for purchase of non financial assets " investments" against 45.661 Million EGP in 2011/2012 i.e. the increase of 9.957 as percent of 21.8 %.

In general, Purchase of non financial Assets "investments" for FY 2012/2013 was distributed as follows

**Table no. (18)**  
**Purchase of non-financial assets "Investment"**

Description	Draft Budget 2012/2013	
	Million EGP	%
- Central administration	26.738	48.1
- Local Administration	3.461	6.2
- Services authorities	24.619	44.3
- Price differential Compensation for contractors	150.0	0.3
- Contingencies	650.0	1.1
<b>Total</b>	<b>55.618</b>	<b>100</b>

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

**Table no. (19)**  
**Investments and main components**

Description	2012/2013	2011/2012		Change	
	Draft	Budget	revised	(1-2)	(1-3)
	(1)	(2)	(3)		
<b>* Buildings and constructions</b>					
x Dwellings	7,103	5,150	5,150	1,954	1,954
x Non-residential Buildings	12,450	10,514	10,514	1,936	1,936
x Constructions	17,647	18,513	17,694	866-	48-
<b>Total</b>	<b>37,200</b>	<b>34,176</b>	<b>33,358</b>	<b>3,024</b>	<b>3,842</b>
<b>x Machines and equipments and Conveyance means</b>					
x	1,058	452	452	605	605
x Transport means	155	46	46	110	110
x Machines and equipments	9,284	6,783	6,783	2,500	2,500
- Medicin & follow-on Milk	163	138	138	25	25
x Other Equipment	1,381	1,171	1,171	210	210
<b>Total</b>	<b>12,041</b>	<b>8,590</b>	<b>8,590</b>	<b>3,450</b>	<b>3,450</b>
<b>* Other fixed assets :</b>					
x Cultivated assets	57	35	35	21	21
<b>total</b>	<b>57</b>	<b>35</b>	<b>35</b>	<b>21</b>	<b>21</b>
<b>Total fixed assets</b>	<b>49,297</b>	<b>42,802</b>	<b>41,984</b>	<b>6,495</b>	<b>7,313</b>
<b>* Natural assets</b>					
x Purchase of lands	922	350	350	572	572
x Land reclamation	23	315	315	292-	292-
<b>Total</b>	<b>945</b>	<b>665</b>	<b>665</b>	<b>280</b>	<b>280</b>
x Pre-operation Interest	60	11	11	49	49
x Scholarships	792	716	716	77	77
x Research and Feasibility studies for investment projects	2,185	1,737	1,085	449	1,100
x Advanced payments	1,538	481	481	1,058	1,058
x Price differential Compensation for contractors	150	150	150	0	0
x General contingencies	650	600	570	50	80
<b>Total Investments</b>	<b>55,618</b>	<b>47,161</b>	<b>45,661</b>	<b>8,457</b>	<b>9,957</b>

## **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 FY 2012/2013 with a total of 533.785 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 533.785 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 2012/2013 in comparison with figures in the budget of fiscal year 2011/2012.

**Table no. (20)****Functional classification for state's  
Expenditures according to state's activities**

Functional activity	2012/2013	2011/2012		Change	
	Draft	Budget	Revised	(1-2)	(1-3)
	(1)	(2)	(3)		
= General Public Services	183,041	163,295	156,209	19,746	26,832
=Public Order And Safety	26,331	22,722	22,023	3,609	4,308
= Economic Affairs	31,562	24,614	23,887	6,948	7,675
= Environmental Protection	1,257	1,284	1,251	27-	6
= Housing and Community Amenities	17,185	16,773	16,446	411	739
=Health	27,413	23,783	23,141	3,630	4,272
=youth, culture, religious affairs	20,366	15,865	15,453	4,501	4,913
= Education	64,034	51,771	49,899	12,263	14,135
= Social Protection	135,068	145,003	142,509	9,935-	7,441-
- Miscellaneous	27,529	25,480	25,472	2,049	2,057
<b>Total</b>	<b>533,785</b>	<b>490,590</b>	<b>476,290</b>	<b>43,196</b>	<b>57,495</b>

**Table no. (21)**  
**Expenditure according to functional classification across**  
**budget's chapters**

Functional Activity	Wages & Compensation of employees	Purchase of goods & services	Interest	Subsidy, grants & social benefits	Other Expenditures	Purchase of non-financial assets (investments)	2012/2011		2011/2010 Actual	
							2012/2011			
							Budget	Revised		
* General Public Services	25,795	9,527	133,320	3,425	3,274	7,700	183,041	163,295	156,209	117,881
* Public Order & Safety	21,048	2,098	0	389	870	1,926	26,331	22,722	22,023	20,723
* Economic Affairs	10,425	3,372	143	3,714	666	13,242	31,562	24,614	23,887	25,253
* Environmental Protection	456	518	0	4	1	278	1,257	1,284	1,251	1,158
* Housing & Community Amenities	692	245	94	209	33	15,912	17,185	16,773	16,446	12,802
* Health	13,342	6,151	19	3,146	233	4,522	27,413	23,783	23,141	20,278
* Recreation, Culture & Religious Affairs	12,589	1,541	1	1,567	666	4,002	20,366	15,865	15,453	14,978
* Education	50,585	5,213	35	160	273	7,767	64,034	51,771	49,899	48,214
* Social Protection	1,613	66	1	133,224	1	164	135,068	145,003	142,509	113,856
* Other Functional Activities	83	33	0	0	27,308	105	27,529	25,480	25,472	26,724
<b>Total</b>	<b>136,628</b>	<b>28,764</b>	<b>133,612</b>	<b>145,838</b>	<b>33,325</b>	<b>55,618</b>	<b>533,785</b>	<b>490,590</b>	<b>476,290</b>	<b>401,867</b>

Million EGP

### **Third: Revenues Detailed Estimates in State Budget of Fiscal Year 2012/2013**

General revenues in the draft general budget for FY2012/2013 are around 393.476 Million EGP, against 349.647 Million EGP in budget for FY2011/2012 which means an increase of 43.829 Million EGP i.e. 12.5% rise in light of the gradual improvement of economic activity especially after the stability of political conditions.

**Generally, revenues are represented mainly as follows:**

**Table no. (22)**  
**Public resources**

Description	2012/2013		2011/2012		change	growth rate
	Draft	ratio	projected	ratio		
	Million EGP	%	Million EGP	%	Million EGP	%
* Tax revenues	266,905	67.8	232,232	66.4	34,673	14.9
*Grants	9,021	2.3	9,974	2.9	952-	9.5-
* Other revenues	117,549	29.9	107,441	30.7	10,109	9.4
<b>Total</b>	<b>393,476</b>	<b>100.0</b>	<b>349,647</b>	<b>100.0</b>	<b>43,829</b>	<b>12.5</b>

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

- Taxes
- Grants
- Other revenues.

The general revenues mentioned amounts to 393.476 Million EGP covers a percentage of 73.7% from the general expenditure of the budget which amounts 533.785 Million EGP.

### **(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, sales tax, custom duties or other tax revenues.

Estimates for tax in general budget of fiscal year 2012/2013 are around 266.905 Million EGP against 232.232 Million EGP in the fiscal year 2011/2012 budget.

So, estimates of tax in the draft budget exceed the projected in current fiscal year by about 34.673 Million EGP, a rise of 14.9%.

**Next table shows development tax revenue during past years compared to estimates of the draft FY 2012/2013.**



**Table no. (23)**  
**Development of tax revenues proceed**

Fiscal Year	Budget	Actual	Growth rate
			%
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-
2010/2011	200,424	192,072	37.7
2011/2012	232,232		15.9
Draft 2012/2013	266,905		14.9

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. (24)**  
**Components of tax revenues**

Description	2012/2013	2011/2012		2010/2011
	Draft Budget	Budget	revised budget	Actual
- General Tax	150,039	130,726	130,726	104,914
- Sales Tax	83,485	72,118	72,118	64,440
- Custom Tax	20,759	18,002	18,002	13,858
- Other tax revenues	12,622	11,387	11,387	8,860
<b>Total</b>	<b>266,905</b>	<b>232,232</b>	<b>232,232</b>	<b>192,072</b>

**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 150.039 Million Pound. This represents 56.2% of the total tax revenue of 266.905 Million EGP.

On the other hand, general tax on income, profit and stamp duties represent 38.1% of total general revenues that amount to 393.476 Million EGP. It is more important to note that such taxes of 150.039 Million EGP covers about 28.1 % of the total general expenditure of 533.785 Million EGP.

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

**Table no. (25)**  
**General Tax**

Description	2012/2013	2011/2012	2010/2011	
	Draft Budget	Budget	revised budget	Actual
<b><u>First : Tax on individual income</u></b>				
x Development fees on salaries and the equivalent	18,321	15,000	15,000	11,247
x Taxes on industrial & commercial profits payable by Individuals	8,500	7,651	7,651	5,163
x Tax on professionals income	581	429	429	314
x Real estate tax	98	93	93	177
<b><u>Second: Tax on institutions ' profits</u></b>	27,500	23,173	23,173	16,901
x From EGPC	45,816	50,569	50,569	34,308
- Suez Canal	14,095	12,805	12,805	10,900
x Other	29,829	20,554	20,554	25,330
<b>Total</b>	89,740	83,929	83,929	70,538
<b><u>Third : Tax on movable capital revenues</u></b>				
- from CBE	4,323	3,568	3,568	3,093
- from commercial banks	66	66	66	9
<b>Total</b>	4,388	3,633	3,633	3,102
<b><u>Fourth : stamp Tax</u></b>				
- Stamp on salaries	2,514	2,470	2,470	2,146
- In-kind stamp	8,568	5,810	5,810	5,065
<b>Total</b>	11,082	8,280	8,280	7,211
<b><u>Fifth : Other tax</u></b>				
- On social solidarity	319	310	310	195
- on bonds and bills	14,854	10,497	10,497	6,711
- capital profits	0	750	750	0
- Other	2,156	153	153	257
<b>Total</b>	17,329	11,710	11,710	7,163
<b>Total General Tax</b>	150.039	130.726	130.726	104.914

**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 27.500 Million EGP, this is 18.3% from the total estimated general tax of 150.039 Million EGP.
- Taxes on company profits amounting to 89.740 Million EGP represent a percentage of 59.8 % from the total estimated collected general tax of 150.039 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 11.082 Million EGP which forms 7.4% of the total estimated collected general taxes of 150.039 Million EGP.
- Tax revenues include 14.854 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 83.485 Million EGP for FY2012/2013 against 72.118 Million EGP in FY2011/2012.

Sales tax targeted in the draft budget is about 83.485 Million EGP represent 31.3% from total tax revenue of 266.905 Million EGP.

The tax is 21.2% of the total revenues of 393.476 Million EGP. It is more important to note the it covers about 15.6% from total general expenditure of 533.785 Million EGP.

**The following table show major types of sales tax**

**Table no. (26)**  
**Sales Tax**

Description	2012/2013	2011/2012	2010/2011	
	Draft Budget	Budget	revised budget	Actual
<b>* Sales tax __ goods</b>				
x Local commodities	19,638	15,297	15,297	12,923
x Imported goods	23,923	21,838	21,838	18,950
<b>total</b>	<b>43,561</b>	<b>37,135</b>	<b>37,135</b>	<b>31,873</b>
<b>Excises on items (Table 1 Goods)</b>				
<b>Local and imported</b>				
x Tobacco & cigarettes	18,905	16,015	16,015	14,105
x Petroleum products	7,270	6,689	6,689	8,093
x other	1,236	864	864	979
<b>total</b>	<b>27,411</b>	<b>23,568</b>	<b>23,568</b>	<b>23,177</b>
<b>- Sales tax __ Services</b>				
international& local communication services	5,245	4,602	4,602	3,882
x Operating services for others	4,607	3,595	3,595	3,020
x Hotel and restaurant services for tourists	2,143	2,722	2,722	2,082
other	518	497	497	408
<b>Total</b>	<b>12,513</b>	<b>11,416</b>	<b>11,416</b>	<b>9,391</b>
<b>Gross total</b>	<b>83,485</b>	<b>72,118</b>	<b>72,118</b>	<b>64,440</b>



### **3- Tax and Custom Duties:**

Tax and custom duties in the projected general budget for fiscal year 2012/2013 is around 20.759 Million EGP against 18.002 Million EGP in the budget of fiscal year 2011/2012.

This means that the estimates of draft budget will exceed the projected figures in current fiscal year by about 2.757 Million EGP i.e. a rise of nearly 15.3%

In general taxes and custom duties in draft budget of 20.759 Million Pound represent 7.8% of the total tax revenues of 266.905 Million EGP.

Taxes and custom duties form 5.3% of the total general revenues of 393.476 Million EGP, more important, it covers about 3.9% from total general expenditure of 533.785 Million EGP.

**The following table shows the estimation of tax and custom duties**

**Table no. (27)**  
**Tax and custom duties**

Description	2012/2013	2011/2012	2010/2011	
	Draft Budget	Budget	revised budget	Actual
<b>Customs and other import duties</b>				
Valued customs taxes	16,911	15,138	15,138	11,397
customs on petrol production	2,799	1,717	1,717	1,600
<b>Total</b>	<b>19,710</b>	<b>16,855</b>	<b>16,855</b>	<b>12,997</b>
x Customs taxes on imported cigarettes and tobacco	590	549	549	458
<b>total Customs and other import duties</b>	<b>20,300</b>	<b>17,404</b>	<b>17,404</b>	<b>13,455</b>
<b>*Other Taxes on international trade and transactions</b>				
- on exports	300	400	400	289
- customs taxes for subsidizing the navigation Transportation	28	28	28	0
- Penalties Revenues	100	110	110	90
-Forfeits Revenues	31	60	60	24
<b>Total Other Taxes on international trade and transactions</b>	<b>459</b>	<b>598</b>	<b>598</b>	<b>403</b>
<b>Total customs taxes</b>	<b>20,759</b>	<b>18,002</b>	<b>18,002</b>	<b>13,858</b>

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 FY2012/2013 are around 12.262 Million EGP against 11.386 Million EGP in FY 2011/2012.

So estimation of other taxes in draft budget of fiscal year 2012/2013 that amounted by 12.622 Million EGP higher than revised budget for FY 2011/2012 by 10.9%.

Other tax revenues represent 4.7% from the total tax revenues of 266.905 Million EGP, representing 3.2% from the total general revenues of 393.476 Million EGP in the draft budget.

The other tax revenues cover only 2.4% of the general expenditure of 533.785 Million EGP.

**Next table shows the distribution of other tax revenues.**

**Table no. (28)**  
**Other tax revenues**

Description	2012/2013	2011/2012	2010/2011	
	Draft Budget	Budget	revised budget	Actual
*Development Fees	5,311	3,823	3,823	3,434
*Royalties on Suez-canal	1,876	1,691	1,691	1,402
*Fees on consular procedures	1,250	1,100	1,100	732
*Fees on ports	951	945	945	816
*Land tax	252	474	474	178
*Buildings tax	752	1,180	1,180	139
*Property transferring fees	700	649	649	612
*Crossing fees	300	236	236	400
*Yield of the administrative expenses for the importation transactions	418	418	418	456
*Fees on work permits	150	150	150	124
-Other	663	721	721	566
<b>Total</b>	<b>12,622</b>	<b>11,387</b>	<b>11,387</b>	<b>8,860</b>

**(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 2012/2013 by about 117.549 Million EGP compared to 107.441 Million EGP in the revised budget of fiscal year 2011/2012 with an increase of 10.108 Million EGP as of 9.4%.

Other revenues of 117.549 Million EGP representing 29.9% of total general revenues of 393.476 Million EGP cover 22.0% of total general expenditure of 533.785 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. (29)**  
**Other revenues**

Description	2012/2013	2011/2012	2010/2011	
	budget	Budget	revised	Actual
* EGPC surplus	25,986	37,770	37,770	21,010
*SCA surplus	18,636	16,951	16,951	15,252
* Economic authorities surplus	2,908	1,919	1,919	1,287
*Companies profits	6,046	5,514	5,514	3,266
*C.B.E surplus	10,800	2,570	2,570	498
*Revenues to finance investments	9,856	14,002	14,002	8,355
*Current revenues from special accounts and funds	11,924	10,376	10,376	13,741
*Legal Fees and Penalties ✧	1,680	1,663	1,663	1,050
*offset government services	3,478	3,137	3,137	2,489
*Interests collected	1,784	1,653	1,653	1,130
* Petrol loyalty	2,933	3,155	3,155	1,465
*Receipts from Gas Price differences	0	1,200	1,200	100
*The Mobile License	0	0	0	2,912-
*Cement & steal License	400	264	264	0
*Proceeds of sale of produced Lands	8,220	96	96	167
* gold loyalty	120	38	38	0
*Compensations and penalties	8,002	630	630	640
*other	4.777	6.503	6.503	3.390
<b>Total</b>	<b>117.549</b>	<b>107.441</b>	<b>107.441</b>	<b>70.928</b>

✧ Have offset in different expenditures' chapters



**Chapter IV**  
—  
**Social Dimension**  
**In Draft State's General Budget**  
**For Fiscal year 2012/2013**  
—

The estimations of the draft state's general budget for FY 2012/2013 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 284.7 Billion EGP for social dimension requirements against 268.9 Billion EGP in current Fiscal year , with an increase amounted by 15.8 Billion EGP, by 5.9%.

The appropriations that allocated for social aspects that amounted by 284.7 Billion EGP by around 53.3% of expenditures of State's general budget that amounted by 533.7 Billion EGP.

**Education**

The draft State's general budget include 64.5 Billion EGP for Education compared with 51.3 Billion EGP in current FY 2011/2012, by an increase of 13.2 Billion EGP by growth rate of 25.7%, therefore this sector capture 12% of expenditure in state's general budget that amounted by 533.7 Billion EGP, also represent 3.6% of GDP, which shows the state's concern for this vital sector, as worth-telling that what helps to provide an increase for this sector mainly is the rationale that targeted by the state's general budget for subsidy of petroleum materials.

## **Health**

The draft State's general budget include 28.6 Billion EGP for Health compared with 24.2 Billion EGP in current FY 2011/2012, by an increase of 4.4 Billion EGP by growth rate of 18.2%.

Thus, this sector absorb 5.4% of total expenditures on draft budget that amounted by 533.7 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 FY2012/2013 around 113.0 Billion EGP for that purpose. Represent 21.2% of total expenditures amounted by 533.7 Billion EGP, as subsidy represents 6.4% of GDP.

## **Support the pensions and social insurance system**

The draft state's general budget includes around 50.4 Billion to support pensions, social insurance system, and other aids against 40.1 Billion EGP with an increase of 10.3 Billion EGP by growth rate 25.7%.

These appropriations represent 9.4% of expenditures amounted by 533.7 Billion EGP, as represent 2.8% of GDP.

## Other Social Services

The draft state's general budget allocated 28.2 Billion EGP against 22.9 Billion EGP in current FY2011/2012 with an increase of 5.3 Billion EGP of growth rate 23.1%

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 5.3% of expenditures amounted by 533.7 Billion EGP, as represent 1.6% of GDP.

**Table no. (30) shows the appropriations allocated for pre-mentioned social dimension.**

**And table no. (31) 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. (30)

The following table show the appropriations that allocated in the state's general budget for FY2012/2013 to achieve social dimension in framework of social and financial policy in state.

(Million EGP)

Description	Draft Budget 2012/2013		Revised Budget 2011/2012	
	Partial	Overall	Partial	Overall
<b>Education</b> 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.		64484.0		51264.0
<b>Health</b> Provide the health services for citizens and requirements of their treatment in hospitals and health units, taking into account promoting living of doctor and nursing 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.		28611.0		24171.0
<b>Subsidy</b> 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		112986.5		130473.4
<b>Supporting the pensions and social insurance systems and others.</b> Providing requirements of supporting pensions and social insurance systems and re-structuring and include :- <ul style="list-style-type: none"> <li>• Imposing interest on pensions' funds used in financing government investments.</li> <li>• Treasury contributions to subsidy pensions funds.</li> <li>• Social insurance fund to subsidy pensions fund.</li> <li>• Infant pension</li> <li>• Miscellaneous social aids.</li> </ul>	17600.2 20700.0 3333.5 47.0 8770.7	50451.4	16178.9 10700.0 2433.5 44.0 10803.5	40115.9
Other social services Social housing program Youth , culture and religious affairs,	7800.0 20366.0	28166.0	7000.0 15865.0	22865.0
<b>Gross Total</b>		284698.9		268889.3

**Table no. (31)**  
**Percent of social dimension's items**  
**To public spending after excluding repayment of public**  
**debt and debt services**

Million EGP

Description	Draft 2012/2013	Budget 2011/2012
Education Sector	64.484.0	51.264.0
Percent to net public spending	15.8%	13.7%
Health Sector	28.611.0	171.0:24
Percent to net public spending	7.0%	6.4%
Subsidy	112986.5	130473.4
Percent to net public spending	27.7%	34.8%
Support pensions system and social insurance and others.	50.451.4	40.115.9
Percent to net public spending	12.3%	10.7%
Other Social services	28.166.0	22.865.0
Percent to net public spending	6.9%	6.1%
<b>Total</b>	<b>284.698.9</b>	<b>268.889.3</b>
Percent to net public spending	69.7%	71.7%



## Chapter V

### The Basic Financial Equilibrating For the Draft Budget Fiscal Year 2012/2013

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Messrs./ Members of Supreme Council Of Armed Forces

According to the previous presentation of analyzing the revenues and expenditures elements of the draft state's general budget for the fiscal year 2012/2013, the following picture shows clearly on how to accomplish financial equilibration of the state's general budget:

	Million EGP
<b>Expenditures</b> .....	
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"	533.785
<b>Revenues</b> .....	
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.	393.476
<b>Cash deficit of the budget</b> .....	
Resulted from the inability of the available revenues to cover the expenditures, gap between the cash deficit in state's general budget.	140.309
<b>Acquisition of financial assets</b> .....	
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 .	(-) 5.314
<b>Overall Deficit of budget</b> .....	
Represent the cash deficit plus or minus net acquisition of financial assets. It is the deficit required searching for financing sources.	134,995

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 state's public budget deficit
- The Public debt status

### **First : The Budget cash deficit :**

The explicit cash deficit in the budget in the fiscal year 2012/2013 represents the gap between the budget expenditures volume from one side and the available outcomes on the other side.

This gap which is about 140.309 million EGP represents a rate of 7.9 % 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 (5.314) million EGP in the draft state's general budget for FY 2012/2013 against (6.663) million EGP in FY 2011/2012.

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. (32)**  
**Net Acquisition of financial assets**

Description	2012/2013	2011/2012		Change	
	Draft	Budget	Revised	(2-1)	(3-1)
	(1)	(2)	(3)		
<b><u>Acquisition of financial assets</u></b>	<b>8,074</b>	<b>4,306</b>	<b>4,306</b>	<b>3,768</b>	<b>3,768</b>
represent mainly in contributions in authorities and corporations available to some entities					
excluded:	250	250	250	0	0
* contribution in restructure fund	7,824	4,056	4,056	3,768	3,768
Net					
<b><u>Proceeds of Acquisition of financial assets</u></b>					
* represent mainly in collected installments from loans and proceed of financial assets sale and financial rights.	13,638	11,219	11,219	2,419	2,419
excluded:					
Privatization Proceed	500	500	500	0	0
Net	13,138	10,719	10,719	2,419	2,419
- Net Acquisition	5,314-	6,663-	6,663-	1,349	1,349

### **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 134.995 million EGP for the FY2012/2013 against 119.980 million EGP in the FY 2011/2012 with an increase of 15.015 million EGP a rate of increase of 12.5 % and Overall deficit in the presented deficit is equivalent to 7.6 % of the GDP less than ad hoc in FY 2011/2012 that amounted by 7.8% according to what's shown in the following table:

**Table no. (33)**  
**Overall Deficit**

Description	2012/2013	2011/2012	2010/2011	
	Draft Budget	Budget	Revised	Actual
<b>*Expenditures</b>	<b>533,785</b>	<b>490,590</b>	<b>476,290</b>	<b>401,866</b>
<b>*Revenues</b>	<b>393,476</b>	<b>349,647</b>	<b>349,647</b>	<b>265,286</b>
<b>Cash Deficit/ Surplus</b>	<b>140,309</b>	<b>140,943</b>	<b>126,643</b>	<b>136,580</b>
<b>Net Acquisition of Financial Assets</b>	<b>5,314-</b>	<b>6,663-</b>	<b>6,663-</b>	<b>2,120-</b>
<b>Overall fiscal balance</b>	<b>134,995</b>	<b>134,280</b>	<b>119,980</b>	<b>134,460</b>
<b>G.D.P.</b>	<b>1,778,000</b>	<b>1,570,000</b>	<b>1,529,900</b>	<b>1,371,800</b>
<b>Revenues as a percentage of G.D.P.</b>	<b>%22.1</b>	<b>%22.3</b>	<b>%22.9</b>	<b>%19.3</b>
<b>Expenditures as a percentage of G.D.P.</b>	<b>%30.0</b>	<b>%31.2</b>	<b>%31.1</b>	<b>%29.3</b>
<b>Cash Deficit) / Surplus (as a percentage of G.D.P.</b>	<b>%7.9</b>	<b>%8.9</b>	<b>%8.2</b>	<b>%10.0</b>
<b>Overall fiscal balance as a percentage of G.D.P.</b>	<b>%7.6</b>	<b>%8.6</b>	<b>%7.8</b>	<b>%9.8</b>

#### **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 134.995 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 93.517 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 FY2012/2013 had an amount of 134.745 million EGP against 119.730 million EGP for the FY 2011/2012 with an increase of 15.015 million EGP as shown in the following table:

**Table no. (34)**  
**Net borrowing and financing sources**

Description	2012/2013	2011/2012		2010/2011
	Draft	Budget	Revised	Actual
Overall Deficit	134,995	134,280	119,980	134,460
Plus				
Domestic and foreign loans' installment repayment	93,517	99,144	99,144	32,174
<b>Total financing</b>	<b>228,512</b>	<b>233,424</b>	<b>219,124</b>	<b>166,634</b>
Excl.				
Decline in Public Debt by value of repaid	93,517	99,144	99,144	32,174
Net privatization proceed	250	250	250	22
<b>Net Borrowing</b>	<b>134,745</b>	<b>134,030</b>	<b>119,730</b>	<b>134,438</b>

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	2012/2013	2011/2012		
	Draft	Budget	Revised	Actual
Issuance of bills and bonds	226,512	218,800	204,500	146,982
borrowing from foreign sources	1,750	94	94	1,374
borrowing from other sources	0	14,280	14,280	18,257
Net privatization proceed	250	250	250	22
<b>Total financing sources</b>	<b>228,512</b>	<b>233,424</b>	<b>219,124</b>	<b>166,634</b>

## **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 2011/2012 including a total deficit of 1343 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. (35)**  
**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</u> <u>EGP</u>	<u>Million</u> <u>EGP</u>	<u>Million</u> <u>EGP</u>	<u>Million</u> <u>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 Till December 2011	894573	154871	1049444	1529947	٪58.4	٪10.1	٪68.5



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 68.5% of GDP in end of December 2011.

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 26.2 billion dollars at the end of June 2011 (an equivalent of 158.734 billion EGP) adding it to the net public local debt at the end of June 2011 , the net public domestic and foreign debt at the end of June 2011 was about 1.219.175 million EGP of 88.9% of the GDP, as this debt reach 1.302.625 million EGP in end of December 2011, of 85.1% as shown in the following table:

**Table no. (36)**  
**Development of Domestic and foreign Debt**

(Million EGP)

Description	till 30.06.2011	till 31.12.2011
<u>Domestic Debt</u>		
State's entities' debt	808,113	894,573
Economic authorities debt	66,818	66,529
NIB Debt	185,510	186,652
<b>Total</b>	<b>1,060,441</b>	<b>1,147,754</b>
<u>Government foreign Debt</u>	158,734	154,871
<b>Total</b>	<b>1,219,175</b>	<b>1,302,625</b>
GDP	1,371,800	1,546,200
Percent of Domestic Public Debt to GDP	%77.3	%75.0
Percent of Government Foreign debt	%11.6	%10.0
Percent of Total Public Debt to GDP	%88.9	%84.2

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 VI**

### **Draft Public Treasury Budget FY 2012/2013**

**Mr. Marshal/ Hussein Tantawy**

**Chief of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

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. (37 )  
Public Treasury Budget  
Total State's General Budget**

Description	Draft FY2012/2013				Revised FY2011/2012
	Central Administrati on	Local Administra tion	Services Authoritie s	Total	
<b># Revenues</b>					
- Tax	265,213	860	832	266,905	232,232
- Grants	8,602	0	419	9,021	9,974
- Other revenues	96,074	5,023	16,453	117,549	107,441
<b>Total Revenues</b>	<b>369,889</b>	<b>5,883</b>	<b>17,704</b>	<b>393,476</b>	<b>349,647</b>
<b># Expenditures</b>					
- Wages and compensation of employees	55,402	65,753	15,472	136,627	110,497
- Purchase of Goods and Services	13,481	8,528	6,755	28,765	29,255
- Interest	133,259	214	138	133,612	100,800
- Subsidy , Grants and social benefits	140,447	356	5,034	145,838	154,454
- Other Expenditures	31,611	126	1,588	33,325	35,622
- Purchase of non-financial assets (investments)	27,538	3,461	24,620	55,618	45,661
<b>Total expenditures</b>	<b>401,738</b>	<b>78,440</b>	<b>53,607</b>	<b>533,785</b>	<b>476,290</b>
<b>Cash Deficit (surplus )</b>	<b>31,849</b>	<b>72,557</b>	<b>35,902</b>	<b>140,309</b>	<b>126,643</b>
<b># Net Acquisition of financial assets</b>					
_ receipts of borrowing and sales of assets (without privatization)	13,138	0	0	13,138	10,719
Acquisition of domestic and foreign assets (without Treasury contribution in the fund of restructuring finance)	7,742	0	82	7,824	4,056
Net acquisition of financial assets	5,395-	0	82	5,314-	6,663-
<b>Overall (surplus ) deficit</b>	<b>26,454</b>	<b>72,557</b>	<b>35,984</b>	<b>134,995</b>	<b>119,980</b>
<b># financing sources for overall deficit</b>					
<b>= Borrowing and domestic securities issuance</b>					
*Borrowing & issuance of securities other than shares	118,513	72,743	35,255	226,512	204,500
Borrowing from other sources	0	0	0	0	14,280
Domestic borrowing & issuance of securities other than shares	118,513	72,743	35,255	226,512	218,780
=Foreign borrowing & issuance of securities other than shares					
X From other sources For financing investments	574	0	1,177	1,751	94
X From other sources For deficit financing	0	0	0	0	0
= Foreign borrowing & issuance of securities other than shares	574	0	1,177	1,751	94
* Issuance of securities other than shares	119,088	72,743	36,432	228,263	218,874
- excluding domestic and foreign loans repayment	92,884	186	448	93,517	99,144
Net borrowing & Issuance of securities other than shares	26,204	72,557	35,984	134,745	119,730
- adding net privatization proceed	250	0	0	250	250
<b>Net financing sources for overall deficit</b>	<b>26,454</b>	<b>72,557</b>	<b>35,984</b>	<b>134,995</b>	<b>119,980</b>

**Table no. (38)**  
**Public Treasury Budget**  
**General Outcomes**

Uses			Resources			Outcomes		
Description	Budget	revised budget /2011/2010	Description	Budget	revised budget 2011/2010	Description	Budget	revised budget 2011/2010
	2011/2012			2011/2012			2011/2012	
<b>Total Expenditures</b>	<b>490,590</b>	<b>413,168</b>	<b>Total Revenues</b>	<b>349,647</b>	<b>285,810</b>	<b>Cash Deficit / (Surplus)</b>	<b>140,943</b>	<b>127,358</b>
-Acquisition of Financial Assets	4,056	3,990	Repayment to Government of loans and Sales of Financial Assets Excluding Privatization Proceeds	10,719	12,272	Net Acquisition of Financial Assets	6,663-	8,283-
total Expenditures & Acquisition of Financial Assets	494,646	417,157	total Revenues&Repayment to Government of loans and Sales of Financial Assets	360,366	298,082	Overall fiscal balance	134,280	119,075
Domestic and foreign loans repayment	99,144	82,250	Borrowing	233,174	201,076	net Borrowing	134,030	118,826
x Net privatization proceed	250	250	Privatization Proceeds	500	500	net Privatization Proceeds	250	250-
<b>Total</b>	<b>594,039</b>	<b>499,658</b>	<b>Total</b>	<b>594,039</b>	<b>499,658</b>		<b>0</b>	<b>0</b>

## **Chapter VII**

### **Medium Term Trends In Financial Policies**

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**Mr. Marshal/ Hussein Tantawy**

**Chief of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

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. Finalizing reform of sales tax to roundup of first stage which is proposed to be applied during the next fiscal year leading to the application of Value Added Tax. Reforms include unification of tax rates, reviewing recording limit and organize exemptions and limit them to commodities that have a social background, also reducing number of listed goods (production tax) and simplifying procedures and mechanisms of tax deductions and refund. Besides reducing fines and unify them with tax procedures in income tax law whenever possible.
2. Activating tax administration in a way that guarantees tax evasion through implementing clauses regarding criminalizing the non issuance of receipts and rising organizational abilities to minimize dangers of transfer pricing, together with follow up and pursuing the payment tax arrears.
3. Introducing some alterations to the law of income tax No. 91 for the year 2005. Such alterations were found essential through practical applications, like changing the wording of some clauses to adjust their legal stand and to prevent loop holes which allow tax evasions in some cases, together with widening tax application base to include most economic activities and incomes that they generate. It is important to point out that tax exemptions applied in Egyptian tax system do not represent an effective element to attract investments, knowing that foreign investors, although exempted from taxes in Egypt, still pays tax in his homeland, which means that exemptions in Egypt support some foreign treasury and the investor himself does not benefit.

4. 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.
5. Activating the law of property tax in a way that fulfills more fairness in tax system 25 % of gains of this tax goes to local services and 25 % to develop haphazard areas.
6. Developing the framework of unified treasury account according to outcomes of actual applications with review of uses of special accounts and funds to serve the national economy more effectively.
7. 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.
8. 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.
9. 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.

10. 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.
11. Reforming medical insurance system, increasing the number of beneficiaries.
12. Giving more care to conversion training programs within a new framework for encouraging medium and small industries and developing employment rates.
13. Gradually going ahead reforming energy subsidy system through more efficient mechanisms in control, pricing and assets management of petroleum sector. No doubt that the subject of energy subsidy and leaking of a major part of these revenues to non eligible people represents an important side of reorganizing priorities of government expenditure in favor of fields with high social component, e.g. health, education and extending basic facilities. There is a common social belief that this subject must be discussed in the presence of effective social security system for the protection of factions that need more care.
14. this goes hand in hand with the utilization of a part of surpluses of these programs for its recycling in the form of increasing earmarked money for health, education and other programs with social element like widening the base of beneficiaries of social security pension and increasing allocations for low cost housing etc.

### **General budget estimations and debts during the coming three years:**

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 4 % and 4.5 % during fiscal year 2012/2013 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 deficits 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.

**Table no. ( 39 )**  
**Estimation of State's General Budget for**  
**coming Three fiscal years**  
**2012/2013 till 2014/2015**

(Million EGP)

Description	Draft	Projected	
	2012/2013	2013/2014	2014/2015
<b>General revenues</b>	<b>393,475</b>	<b>451,158</b>	<b>493,205</b>
<b>Growth Rate</b>	<b>%12.5</b>	<b>%14.7</b>	<b>%9.3</b>
Tax revenues	266,905	327,597	370,058
Grants	9,021	3,219	3,018
Other revenues	117,549	120,342	120,129
<b>General Expenditures</b>	<b>533,784</b>	<b>600,216</b>	<b>636,514</b>
<b>Growth Rate</b>	<b>%12.1</b>	<b>%12.4</b>	<b>%6.0</b>
Wages & Compensation of employees	136,627	148,801	161,205
Purchase of goods and services	28,765	33,564	38,596
Interest	133,612	150,853	155,085
Subsidy , grants and social benefits	145,838	171,709	178,311
Other Expenditures	33,325	37,651	41,064
Purchase of non-financial assets (investments)	55,618	57,638	62,253
Net Acquisition of financial assets	5,314-	860	24
<b>Overall deficit</b>	<b>134,995</b>	<b>149,919</b>	<b>143,334</b>
<b>Remarks : percent to GDP</b>			
Overall deficit	%7.6	%7.3	%6.0
Cash deficit	%7.9	%7.2	%6.0
Primary deficit	%0.1	%0.0	-%0.5
Total Public Debt	%80.3	%77.4	%73.3
Domestic Debt	%70.7	%68.9	%65.8
Foreign Debt	%9.6	%8.5	%7.5
Rates of Economic growth	%4.5-%4	%5.4	%5.8
Growth rates of individuals quota in GDP ( EGP)	%14.0	%13.3	%13.2

## **Chapter VIII**

### **Relation with Economic Authorities**

**Mr. Marshal/ Hussein Tantawy**

**Chief of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

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 FY 2012/2013

Description	Draft 2012/2013	Original 2011/2012	change
	<b>Billion EGP</b>	<b>Billion EGP</b>	
Forwarded to public treasury from economic authorities	119.8	131.2	(11.4)
Public Treasury paid for economic authorities	121.6	129.5	(7.9)
Net	(1.8)	1.7	(3.5)

i.e. it is estimated to be forwarded from economic authorities in FY2012/2013 to Public Treasury (119.8 Billion EGP) less than amounted borne by the public treasury to these authorities (121.6 Billion EGP) by around 1.8 Billion EGP.

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





**Table no. (41)**  
**Amounts Forwarded from Economic**  
**authorities compared with Budget of**  
**FY 2011/2012**

Thousand EGP )

Description	Draft 2013/2012	Original budget 2012/2011	Change
<b>1-Government surplus from</b>			0
EGPC	25,986,000	37,770,000	-11,784,000
SCA	18,636,235	16,950,770	1,685,465
Other	2,907,636	1,919,000	988,636
<b>total government surplus</b>	<b>47,529,871</b>	<b>56,639,770</b>	<b>-9,109,899</b>
<b>2- income tax on</b>			0
EGPC	23,060,000	28,815,000	-5,755,000
EGPC (foreigner partner)	22,756,000	21,771,000	985,000
SCA	14,095,323	12,805,480	1,289,843
Other	845,859	582,250	263,609
<b>Total internal Tax</b>	<b>60,757,182</b>	<b>63,973,730</b>	<b>-3,216,548</b>
<b>3- Royalty from</b>			0
EGPC	2,933,157	3,155,000	-221,843
SCA	1,875,750	1,691,250	184,500
<b>Total Royalty</b>	<b>4,808,907</b>	<b>4,846,250</b>	<b>-37,343</b>
<b>4-Income tax of previous years</b>	500	400	100
<b>5- charges</b>			0
tax and goods charges	4,757,181	3,900,015	857,166
Ports leave	3,310	8,305	-4,995
fees of leaving according to law no. 53 for year 1980	80,000	80,000	0
Crossing fees-sumid (EGPC)	300,000	236,000	64,000
in-kind stamp charges (EGPC)	385,000	386,000	-1,000
<b>Total Charges</b>	<b>5,525,491</b>	<b>4,610,320</b>	<b>915,171</b>
<b>6- Other</b>			0
transferred from endowment authority to endowment ministry	619,000	563,000	56,000
transferred from construction enterprises to ministry of agriculture(Controls)	13,000	6,000	7,000
interests of loans re-lent by the treasury	78,023	90,950	-12,927
installments of Foreign loans re-lent by the treasury	239,739	280,199	-40,460
allocated from EGPC for roads and bridges	62,000	55,000	7,000
Allocated for presenditil services sector	62,000	55,000	7,000
Aids for Others (touristic governments)	22,000	21,000	1,000
costs of authorities services	118,322	118,681	-360
<b>Other Total</b>	<b>1,214,084</b>	<b>1,189,830</b>	<b>24,253</b>
<b>Total forwarded to central administration</b>	<b>119,836,034</b>	<b>131,260,300</b>	<b>-11,424,266</b>

**Table no. (42)**  
**Amounts Forwarded from State's**  
**general budget compared with Budget of**  
**FY 2011/2012**

( Thousand EGP )

Description	Draft Budget 2012/2013	Original budget 2011/2012	Change
<b><u>1- Subsidy (aids) to :-</u></b>			
EGPC	70,000,000	95,535,000	-25,535,000
GASC	26,600,000	18,884,000	7,716,000
National authority for social insurance- fund of social insurance for employees in government sector	11,900,000	6,204,000	5,696,000
National authority for social insurance- fund of social insurance for employees in government and private sectors	7,530,000	3,500,000	4,030,000
other economic authorities	2,603,371	3,125,350	-521,979
<b>Total subsidy (aids)</b>	<b>118,633,371</b>	<b>127,248,350</b>	<b>-8,614,979</b>
<b><u>2- Contributions</u></b>	<b>1,988,000</b>	<b>1,440,000</b>	<b>548,000</b>
<b><u>3- R&amp;T union (services performed to the state)</u></b>	<b>985,000</b>	<b>784,962</b>	<b>200,038</b>
<b><u>4- National Authority for Mail</u></b>			
commision on collected and released to government authorities account	40,000	55,500	-15,500
fees for finalize Armed forces correspondnce	1,000	1,000	0
commision of check balance	1,000	3,500	-2,500
commision on sales and stamps	8,000	10,000	-2,000
<b>Total National Authority for Mail</b>	<b>50,000</b>	<b>70,000</b>	<b>-20,000</b>
<b>Total amounts forwarded from state's general budget for economic authorities</b>	<b>121,656,371</b>	<b>129,543,312</b>	<b>-7,886,941</b>

## Conclusion

**Mr. Marshal/ Hussien Tantawy**

**Cheif of Supreme Council of Armed Forces**

**Messrs./ Members of Supreme Council Of Armed Forces**

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.

In addition, 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 the following:

- 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 will not 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**