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Parliament approves all articles amending the Suez Canal Authority Law



The Egyptian parliament, headed by Hanafi Jebali, approved all articles of a draft law submitted by the Government amending some provisions of Law No. 30 of 1975 that regulates the Suez Canal Authority. The final approval has been postponed for another session of Parliament.

[Link to the News Story](#)

Our Views

This issue of Views on News comments on the draft law amending certain provisions of Law No. 30 of 1975 regarding the Suez Canal Authority. These provisions include the establishment of the “Suez Canal Authority Fund,” which was discussed in Parliament and all articles approved, pending final approval.

- At the outset, we would like to point out the importance of the Suez Canal’s contribution to the State budget over many years. Average surpluses accruing to the public budget annually from the Authority’s budget is about EGP 23.5 billion over the period from FY 2011/2012 to 2022/2023. This constitutes an average of 3 percent of State budget revenues annually.
- It is important to note that the current Law of the Suez Canal Authority No. 30 of 1975 allows and encourages the establishment or participation in projects related to the canal facility. The Suez Canal Authority, according to provisions of the law, is a public body with an independent legal personality subject to the provisions of this law and is not subject to the provisions of the Public Authorities Law or those of the Public Institutions Law. It has an independent budget that follows the rules applied in commercial projects without contingency to oversight by the Central Auditing Organization over the final account.

- It is also worth noting that the State has been pursuing a reformist approach by closing all types of special funds, as well as canceling the Central Bank's low interest financing initiatives and focusing on the unity and comprehensiveness of the budget.
- These facts raise four specific questions regarding the Suez Canal Authority Fund draft law, which are as follows:
 1. Since the current legal framework of the Suez Canal Authority provides it with the same tools and flexibility stipulated in the new draft law that requires the creation of the fund, what is the rationale behind the amendment in the first place? Why create a fund, knowing that the trend is against the creation of new funds, with all their lack of transparency? In particular, the State is seeking to gradually achieve a unified budget in which spending of all kinds is monitored, to control the chronic budget deficit.
 2. The philosophy of the new law is based on the need to develop this vital facility, which is the original role of the Authority. Why does the draft law address this as if it were a new goal that needs added resources and a new institutional framework? Not only that, but it also suggests activities that are outside the original scope of the Authority, while the principle should be that the Authority develops the facility through profitable navigational services rather than investments that are outside its original domain. In this departure from specialization, the Authority may lose its *raison d'être*.
 3. Directing an unspecified percentage of the Authority's budget surpluses to the proposed fund

means, in practice, a decrease in the financial resources that are transferred to the state budget annually from the Authority's surpluses, especially that the percentage is not specified in the draft law. This comes at a time marked by economic slowdown in all production activities, in addition to a dire need to increase spending on basic amenities such as education, health and the provision of strategic commodities. Where will alternative resources come from when we are in a phase of slowdown in reforming the real economy, entrusted mainly with increasing production, exports, employment, and healthy tax income? In a sense, these resources should come from an increase in revenues and profits rather than from exercising further pressure by the Tax Authority on the same compliant taxpayers.

4. The establishment of the new fund is similar to the situation with the Urban Communities Authority, whose surpluses exceeded the budget, and were directed to new cities. Despite the importance of the new projects, the activity of the Authority suggests that its objectives are isolated from the plans of the state, while the principle should be that projects emerge from the unified state budget to achieve balance between all sectors, priorities, and development needs of the stage, as is the case in developed countries.

- In conclusion, we hope that the State will address these questions, which all fall under studying the costs and benefits of all kinds of policies before issuing them, so that they are not surprised by unexpected negative effects. We also reaffirm that what Egypt needs now is institutional and

structural reform in the real economy, as was suggested several times in previous issues of Views on News.

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