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Where does the State get the funds for the national mega projects? .. Finance Minister answers



In context of the Minister of Finance's explanation of the sources of funding for Egypt's mega projects, he indicated two separate budgets, namely: The state budget, which is managed by the Ministry of Finance, and the budget of the 55 Economic Authorities, which is separate from that of the Ministry of Finance. It is surprising that the latter is twice the size of the State budget. The budget of economic authorities is estimated at EGP 4.2 trillion, while the State budget is estimated at EGP 2.1 trillion.

In fact, each authority has its own budget that it disposes of as it sees fit according to its resources and the projects it wishes to implement—a situation that is worrying for several reasons:

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Our Views

- First, the independence of the budgets of Economic Authorities does not mean that they are fully accountable for their debts, which may result from exaggerated projects or misuse of resources for any reason. All debts are eventually borne by the State. Also, the absence of an integrated budget vision means that budget deficit accounts do not reflect the real deficit, which is supposed to include the deficit of the authorities, being Egyptian entities.
- The independence of decision-making in Economic Authorities eliminates the idea of spending priorities, as each authority acts separately. How can the State's priorities be honored within this spending model? For example, if Egypt needs more spending on education, can the New Urban Communities Authority (NUCA) be forced to direct its resources to spending on education as a top priority? According to the Minister of Finance, this cannot be done, and therefore the principle of opportunity cost for spending cannot be applied in practice.
- More dangerous is the absence of a single consolidated national budget, which means not recognizing the limited resources, and hence the need to conserve consumption, which is badly needed.

- In context of the difficult conditions the country is going through, and the decisions of the Council of Ministers to cut spending and postpone projects that have not yet been started, it is useful to complete the reform of public financial management by consolidating budgets in one single budget instead of the reverse trend that removes authorities from the State budget and turns them into economic authorities. This happened in the case of the Tunnels Authority that was excluded from the budget according to Law No. 82 of 2020, resulting in an amount of EGP 200 billion being addressed below the line (i.e., not recorded in the announced total deficit) for the year 2021/2022 due to turning the Authority into an economic entity.
- Although there may be some accounting difficulties in integrating the budgets of the authorities into the State budget, this is far from being impossible. The importance of controlling spending and debts through having a single budget represents a national strategic goal that transcends any accounting difficulties, and its implementation requires real institutional reform.
- The issuance of the Unified Public Finance Law No. 6 of 2022 is an important step toward achieving more governance in the management of the State's public finances, which is long overdue, and therefore it is important to quickly finalize its executive regulations.

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