

Country Name	<b>The Project for Enhancement of Competitive Strategy for Suez Canal</b>
Arab Republic of Egypt	

**I. Project Outline**

Background	<p>The Suez Canal is an artificial canal that has provided a gateway to vessels navigating between the Mediterranean Sea and the Red Sea. As such, it has realized the shortest and important route to connect Europe and Asia. In 2010, having 17,993 vessels used, and 846,389 thousand tons of used vessels in the record, it made it the most used route in the world. The annual income from the passing fees amounted to around 5 billion USD in 2009 that was evidently the main source of foreign currency revenue for Egypt (equivalent to 10% of the total). Thus, it was positioned as a national priority to secure appropriate management and operation of the Suez Canal. The Suez Canal Authority (SCA), a large-scale organization, directly under the Prime Minister's Office, had been in charge of management, development, maintenance of the Suez Canal. In 2000, JICA implemented "the Study of Management and Development and Operate Plan of the Suez Canal" aiming at improvement in the management of the Canal adjusted to the ever-changing world trade that notably required the progress of containerization, establishment of demand forecasting system, and the toll collection and service system based on demand projection. In addition, the SCA had independently established a finance department based on the proposal, and that department had played an important role in the decision-making process of the SCA. However, in recent years, issues emerged as the size of ships has increased, such as the development of new routes and piracy problems occurred off the coast of Aden and Somalia, As the situation was expected to be volatile, it would greatly influence the number of ships using the Canal.</p>										
Objectives of the Project	<p>Through the research activities that analyze trends of maritime market, optimize tariff options and provide value-added services in the world maritime market, the project aimed at enhancing the research capacity to develop a competitive strategy of SCA, thereby improving the competitiveness of the Suez Canal.</p> <ol style="list-style-type: none"> <li>Overall Goal: SCA will improve the competitiveness of the Suez Canal.</li> <li>Project Purpose: Capacity of developing a competitive strategy of SCA is enhanced so as to adapt to drastically fluctuating world maritime market.</li> </ol>										
Activities of the Project	<ol style="list-style-type: none"> <li>Project Site: Ismailia (SCA)</li> <li>Main activities: Conduct the joint study on the following issues; 1) World Trend Analysis, 2) Demand Forecast Model, 3) Tariff Setting Options, 4) Future Development Plan, 5) Value-added Service, 6) Upgrading the Research Center.</li> <li>Inputs (to carry out the above activities) <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Japanese Side</td> <td style="width: 50%;">Egyptian Side</td> </tr> <tr> <td>1) Experts: 12 persons</td> <td>1) Staff allocated: 19 persons</td> </tr> <tr> <td>2) Trainees received in Japan: 11 persons</td> <td>2) Provision of the office space and necessary facilities</td> </tr> <tr> <td>Third Country Training: 5 persons (in UK and Norway)</td> <td>3) Local cost: running cost for the office</td> </tr> </table> </li> </ol>			Japanese Side	Egyptian Side	1) Experts: 12 persons	1) Staff allocated: 19 persons	2) Trainees received in Japan: 11 persons	2) Provision of the office space and necessary facilities	Third Country Training: 5 persons (in UK and Norway)	3) Local cost: running cost for the office
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Project Period	March 2012 – March 2015	Project Cost	(ex-ante) 188 million yen, (actual) 241 million yen								
Implementing Agency	The Suez Canal Authority (SCA)										
Cooperation Agency in Japan	The Overseas Coastal Area Development Institute of Japan (OCDI)										

**II. Result of the Evaluation**

< Special Perspectives Considered in the Ex-Post Evaluation >

[Limited causal relation between the Project Purpose and the Overall Goal as well as the indicators]

➤ Logical inconsistency between the Project Purpose and its indicator

While the Project Purpose was set as "capacity of developing a competitive strategy of the SCA is enhanced so as to adapt to drastically fluctuating world maritime market," the indicator assigned to measure the achievement was "the new strategy of the SCA is developed." However, this is the other way around by the consequences of the project implementation. In addition, as a nature of "the new strategy of the SCA" in the indicator was not defined in the project design at the time of planning, it is impossible to verify whether the capacity development by the project has had contributed to formulating, if present, the strategy of the SCA that must be also contained a range of management issues. Furthermore, what the project activities were largely revolved around rather selected technical issues, that was to effectively establish and operate a pricing model to better adapt to changes in the global maritime market than "the new strategy." Consequently, there are gaps in perceptions among concerned personnel in the SCA with respect to what should have been the outcome of the project. Therefore, this ex-post evaluation thus examined how the SCA has utilized the output to have it reflected in the operation, instead of the status of the indicator.

➤ Misplaced indicator and the alternative for the Overall Goal

Since Aug 2015, the New Suez Canal has officially expanded the capacity to allow more vessels and to enable a bigger container vessel to pass through, the analysis and simulation exercises trained by the project must have been allegedly reflected the performance of the enlarged Canal. In this context, the indicator: the number of vessels, may not accurately and sufficiently reflect the intent as each toll is

determined by Suez Canal Net Tonnage (SCNT), almost equivalent to the vessel's international gross tonnage. Annual data on net tonnage and net revenue<sup>1</sup> are thus more important to measure the consequences of the project activities intended to improve the competitiveness of the Suez Canal.

## 1 Relevance

<Consistency with the Development Policy of Egypt at the Time of Ex-Ante Evaluation and Project Completion>

The project was consistent with Egyptian development policies of “the 6th Five-Year Government Program” (2007-2011) which continued to address strengthening the economic capacity since the open-door economic policy “Infitah,” had transformed to be more free-market oriented policies along with privatization reforms that were deemed to be a strong driver for economic growth.

<Consistency with the Development Needs of Egypt at the Time of Ex-Ante Evaluation and Project Completion >

The project was consistent with Egyptian development needs as the Suez Canal had been a waterway to provide the most used route in the world maritime trade. By capitalizing on the location, the annual income from the passing fees had been the main source of foreign revenue for Egypt. Thus, it was positioned as a national priority to secure appropriate management and operation of the SCA to enhance the competitiveness. There was no change in the needs by the time of project completion.

<Consistency with Japan's ODA Policy at the Time of Ex-Ante Evaluation>

The project was consistent with the Country Assistance Program to Egypt in 2008, prioritizing to assist “realization of the competitive and stable economy.” In particular, based on Japan's priority areas for the reforms and transition processes in the Middle East and North African countries that announced in G8 Summit held in May 2011, through strengthening the infrastructure for investment environment, it was to promote local industry by employment creation, disparity adjustment, and capacity development.

<Evaluation Result>

In light of the above, the relevance of the project is high.

## 2 Effectiveness/Impact

<Status of Achievement of the Project Purpose at the time of Project Completion>

The Project Purpose was partially achieved by the project completion. It was confirmed that the SCA perceived that relevant capacity had been largely strengthened by project activities, shown in a comparison of average performance scores<sup>2</sup> between the survey result in March 2013 and the final survey result in the Final Report as it rose from 2.8 to 3.9. According to each subject, (1) analyzing the trends of maritime economics and transportation (from 4.0 to 4.2); (2) developing and handling maritime traffic demand model taking into account drastically fluctuating world maritime market (from 4.0 to 3.7); (3) setting canal tariff options (from 2.0 to 3.7); (4) future developmental planning (from 2.0 to 4.0) and; (5) providing value-added service options (from 2.0 to 3.8).

<Continuation Status of Project Effects at the time of Ex-post Evaluation>

The project effects have been continued since the project completion. According to the survey results, the SCA has had a formal and flexible appraisal process for setting a basic unit price and rebate to offer the global maritime market. With the pricing model developed by the project, the basic price has been adjusted in detail to each vessel type on a yearly basis under the given market conditions. The market factors have been assessed also by public consultation with stakeholders in the shipping industry. Furthermore, by using the analytical technique and tools provided by the project, the SCA has constantly conducted a wide range of studies and analysis to keep pricing competitive against the other routes so that it has ensured to provide critical information for a management decision on a timely manner.

<Status of Achievement for Overall Goal at the time of Ex-post Evaluation>

The Overall Goal has partially achieved at the time of ex-post evaluation. According to the survey results, although the number of vessels has fluctuated within a range of 16,500 and 17,500, the number of SCNT has shown an upward trend. Also, comparative analysis of the number of vessels and SCNT in 2015 and 2017 suggests a positive effect and on-target contribution of the new Suez Canal in gross tonnage in 2017. Compared to the situation in 2015, the pricing model enabled to link vessel tonnage and tolls were updated, the revenue must have proportionally increased, as the total tonnage increased in 2017.

<Other Impacts at the time of Ex-post Evaluation>

No negative impact was confirmed.

<Evaluation Result>

In light of the above, the effectiveness/impact of the project is fair.

Achievement of Project Purpose and Overall Goal		
Aim	Indicators	Results
(Project Purpose) The capacity of developing a competitive strategy of the SCA is enhanced so as to adapt to drastically fluctuating world maritime market	(Indicator 1) The new strategy of the SCA is developed	Status of the Achievement: Partially achieved (continued) <ul style="list-style-type: none"> <li>The SCA has never documented the strategy for public review. Note, however, the SCA has internally established a flexible pricing to ensure competitiveness as a part of the management strategy. Thus, it was verified by such supplemental information regarding the status of utilization of the outputs of the project.</li> <li>After the introduction of the pricing model developed by the project, the SCA has constantly conducted studies and analysis to keep pricing competitive so that it has ensured to provide critical information for a management decision on a timely manner.</li> </ul>

<sup>1</sup> At the time of ex-post evaluation, the toll revenue data are strictly confidential and not to be disclosed as a policy of the SCA.

<sup>2</sup> Performance was monitored and evaluated on a one-to-five scale on a predetermined project output basis.

<p>(Overall Goal) The SCA will improve the competitiveness of the Suez Canal</p>	<p>(Indicator 1) The number of vessel traffic of the Suez Canal is increased</p>	<p>(Ex-post Evaluation) Partially achieved</p> <ul style="list-style-type: none"> <li>Although the number of vessels has fluctuated, the number of SCNT has shown an upward trend over the period (2012-2017). In addition, a positive effect of the New Suez Canal suggested by SCNT in 2017 must have contributed to the revenue increase through its new pricing model.</li> </ul> <p>Table 1: The Annual Number of Vessels (2012-2017)</p> <table border="1" data-bbox="708 237 1533 297"> <thead> <tr> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>17,225</td> <td>16,596</td> <td>17,148</td> <td>17,483</td> <td>16,833</td> <td>17,550</td> </tr> </tbody> </table> <p>Table 2: The Annual Suez Canal Net Tonnage (2012-2017) (Unit: 1000 t.)</p> <table border="1" data-bbox="708 376 1533 434"> <thead> <tr> <th>2012</th> <th>2013</th> <th>2014</th> <th>2015</th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>928,456</td> <td>915,448</td> <td>962,748</td> <td>998,652</td> <td>974,185</td> <td>1,041,576</td> </tr> </tbody> </table>	2012	2013	2014	2015	2016	2017	17,225	16,596	17,148	17,483	16,833	17,550	2012	2013	2014	2015	2016	2017	928,456	915,448	962,748	998,652	974,185	1,041,576
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<p>Source: Information Department, SCA</p>																										

### 3 Efficiency

Although the project period was as planned (ratio against the plan: 100%), the project cost exceeded the plan (ratio against the plan: 128%). The outputs were produced as planned. Therefore, the efficiency of the project is fair.

### 4 Sustainability

#### <Policy Aspect>

Egypt Economic Development Conference (EEDC) in March 2015, the Development plan for the Suez Canal Economic Zone (SCZone) was presented and the plan mentioned “the Project is of the highest priority to the Government of Egypt which has for several years sought to obtain increased benefit and growth from the traffic flows through the Suez Canal” and also “To transform the SCZone into a world-class, global logistics hub and industrial processing center that provides gateways to both European and Asian markets” as Vision of SCZone to 2050. The competitiveness of the Suez Canal in the world maritime market has remained one of the key components of the development policy of Egypt.

#### <Institutional Aspect>

The SCA has only and exclusively engaged in the management of the Suez Canal as a public and independent authority of a juristic personality. The capacity development of the Economic Unit of the Planning Department was the main target of the project. It currently has 16 staff members and the major responsibilities has been unchanged and to be enhanced through the first-hand experience on the job; 1) to collect information about the field of transport & related industries, 2) to analyze and evaluate the obtained information for estimation of its impact on the Suez Canal, 3) to follow up the movements and changes in the global maritime transport and trade, 4) to prepare reports about economic events and its effect on the SCA, 5) to study and follow up on the competitive and alternative routes of the Suez Canal, 6) to take part in the feasibility studies for the SCA investment project, 7) to take part in strategic studies of the plans for the Suez Canal. The SCA perceives that it has had the manpower to conduct those studies and research as assigned above.

#### <Technical Aspect>

According to the survey results, the SCA generally perceives that the Economic Unit has sustained that the technical level. The staff have used the programmed model in order to forecast the world maritime trade, simulate the potential and actual share of the Suez Canal, and to compare between the voyage costs through the Suez Canal and its alternative routes. The reason for the retention of the capacity, most counterpart staff trained in the project has remained in place and actively engaged in the tasks. If need to transfer the skills to newcomers, it would be basically done through on-the-job coaching. The economic unit carries out on-the-job training at shipping companies and institutions to be able to understand their perspectives and incorporate it to the analysis as necessary. They also visit several strategic ports such as Rotterdam and Singapore to collect benchmark data/information, in order to effectively compare with the Panama Canal.

#### <Financial Aspect>

Daily research activity has conducted as their duty based on their salary, however, if they wish to conduct additional research activities they need an additional budget. Although the SCA has autonomy to fund their programs or projects, all the revenue of the SCA should be first transferred to the national treasury and the central government then allocates it to the SCA based on own budgetary application. As the budgetary items are not easily expanded, there has not been any new funding earmarked training on the research activities.

#### <Evaluation Result>

Therefore, the sustainability of the effects through the project is fair.

### 5 Summary of the Evaluation

The project partially achieved the Project Purpose and the Overall Goal. As for sustainability, the necessary budget has not been secured to further promote the training program on a regular basis. As for the efficiency, the project cost exceeded the plan.

Considering all of the above points, this project is evaluated to be partially satisfactory.

## III. Recommendations & Lessons Learned

### Recommendations for Implementing Agency:

To institutionalize to further promote the analytical capacity through training program as a follow-up of the project, it is recommended that all the training should be systemically programmed to build a career path for all the staff to be incentivized and conducted on a regular basis. There was a concern in the Economic Unit, that any training mechanism, such as periodic refresher training and intensive training for newcomers as a formal training program, has not been established to efficiently retain the necessary skills and analytical capability in a long run, especially after the retirement of ex-counterpart personnel.

**Lessons Learned for JICA:**

Although the introduced approach was much needed in the project, the selection of indicators was not at all appropriate particularly on the expected output of the project was to be measured by the non-existing strategy of the SCA. This misperception may even have superficially devalued the actual contribution of the project. To select pertinent indicators based on the basic facts and their primary linkage with Project Purpose is a key. If needed to ensure any improvement by the written strategy of the SCA, as may have been initially considered as a consequence of the main project effect, at least it should have fully taken into consideration of the SCA management policy as well as the terms and conditions. In light of the above, it should have been verified and corrected at the time of planning, if not earlier before the mid-term review.

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SS5	FEU					
SS6	FEU					
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<Demand Forecast Model by the Project>



<The Entrance of the Suez Canal>