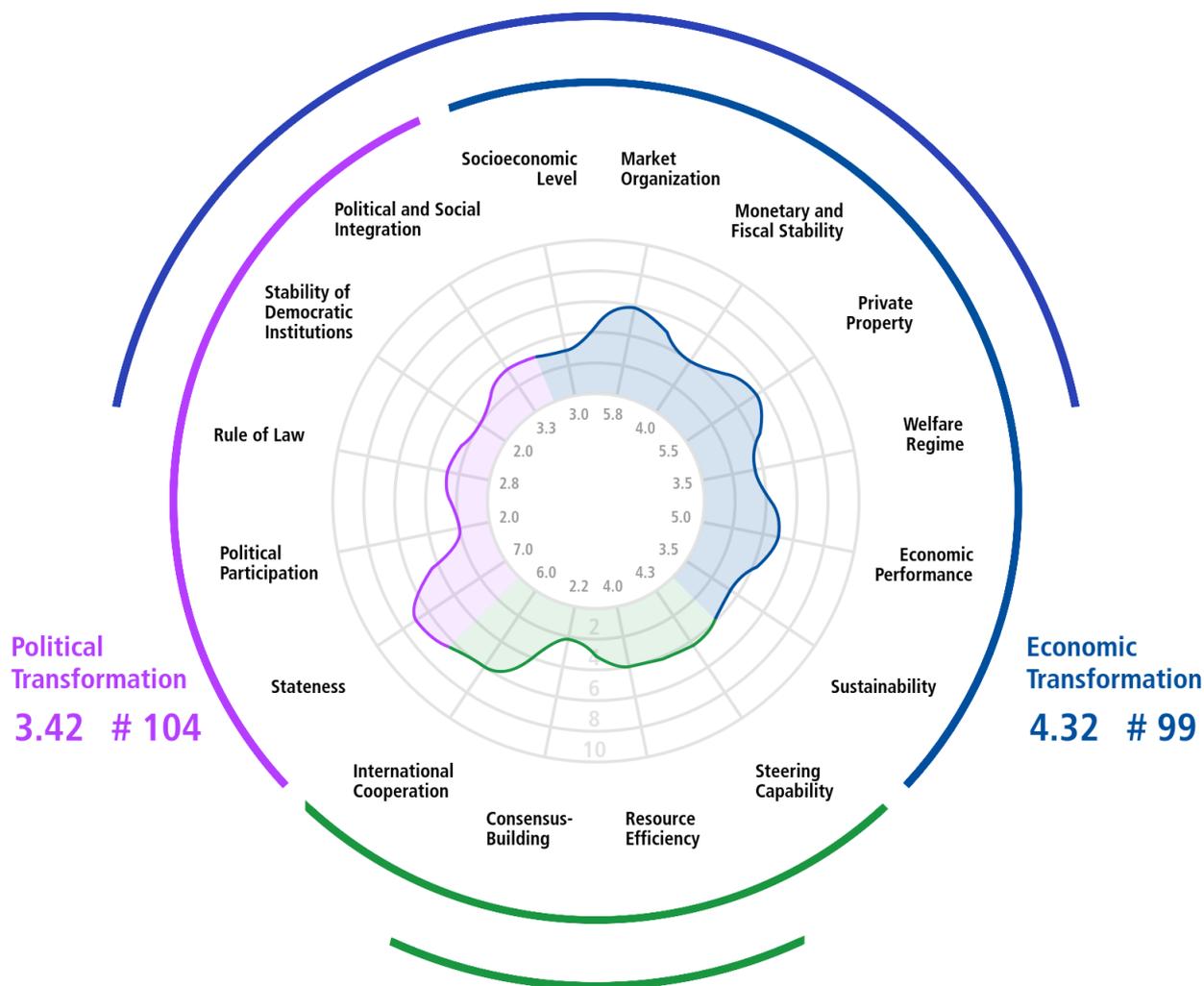


Egypt

Status Index

3.87 # 106

on 1-10 scale out of 137



Political Transformation
3.42 # 104

Economic Transformation
4.32 # 99

Governance Index

3.74 # 104

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	116.5	HDI	0.754	GDP p.c., PPP \$	19094
Pop. growth ¹	% p.a.	1.7	HDI rank of 193	100	Gini Index	28.5
Life expectancy	years	71.6	UN Education Index	0.703	Poverty ³	% 17.6
Urban population	%	43.3	Gender inequality ²	0.398	Aid per capita \$	4.2

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the period under review, the regime's policies continued to be guided by its desire to secure its own survival, and the rulers actively worked toward further expressions of authoritarianism and state control. Policymaking remained dominated by anti-democratic actors, with the military and intelligence agencies playing a particularly prominent role. Separation of powers is curtailed – the president holds extensive powers, while the independence of the judiciary is severely restricted and parliament remains a rubber-stamp institution composed almost exclusively of pro-regime figures.

On paper, President Abdel Fattah al-Sisi introduced measures to improve political participation and human rights prior to his 2023 re-election, which were neither free nor fair. He installed the Presidential Amnesty Committee, set up to facilitate the release of political prisoners, and initiated the National Dialogue to overcome political divisions. However, neither led to significant results, and observers described them as attempts by the regime to distract from grievances and drawbacks, and to appease the United States and European countries.

The regime continued to rely on authoritarian practices, which once again led to setbacks in participation and human rights. Civil society faced harsh repression, with the regime targeting not only political opponents but also individuals who failed to conform to state-imposed norms, such as atheists, transgender people and homosexuals. Egypt has tens of thousands of political prisoners, and forced disappearances and torture are widespread. In addition, the media remained under strict state control.

In the economic sphere, Egypt has been hit hard by the wars in Ukraine and Gaza. Before the recent economic downturn, the government had partially succeeded in initiating macroeconomic recovery, implementing reform packages as part of IMF loans in 2016, 2020 and 2022. During the period under review, however, economic output, as well as fiscal and monetary stability weakened

– reflected in shrinking foreign currency reserves, high inflation rates, and increasing debt levels and interest payments. Moreover, the regime remained reluctant to address critical issues such as the military’s economic empire and privileges, the monopolies enjoyed by certain businessmen, and the active role of the state in the economy.

In March 2024, the government and the IMF extended the 2022 loan from \$3 billion to \$8 billion, which, among other requirements, called for a liberalization of currency exchange rates, resulting in an all-time high devaluation of the Egyptian pound. To address foreign currency shortages, the government signed its most significant direct investment deal with the UAE, securing \$35 billion in foreign currency. Moreover, in June 2024, Egypt consolidated its EU partnership with a €7.4 billion deal in loans, grants and investments. At the same time, it strengthened relations with Russia, India and China through its accession to the BRICS group in January 2024.

The regime clearly prioritized the interests of the elite. Distributive justice, fair competition, equal economic participation rights and rigorous anti-corruption policies are all lacking. Moreover, austerity measures, such as subsidy cuts, and reduced spending on education and health care, continued and the economic downturn hit lower-income segments and vulnerable groups, such as informal day workers, especially hard. Social welfare measures to ease the burden have proven insufficient, with poverty continuing to grow and the middle classes being hollowed out.

History and Characteristics of Transformation

After the 1952 revolution, the military regime based its rule on a secular-socialist ideology, state-centered economic development and industrialization. It also implemented a one-party system and repressed all forms of opposition. Additionally, then-President Gamal Abd al-Nasser introduced a populist welfare state. This allowed the regime to legitimize its rule by enacting an implicit social contract: it promised to fulfill citizens’ basic needs in exchange for their obedience. However, these policies had internal contradictions and were burdened by several wars with Israel, resulting in a severe economic crisis. This crisis was characterized by high levels of foreign debt and stagnating economic growth.

Against this backdrop, in 1974, Nasser’s successor, Anwar al-Sadat, led Egypt on a path toward partially liberalizing its state-centered economy and sought closer ties with the West. However, rather than fostering sustainable development, this led to a system of corrupt crony capitalism. By 1977, the government had reached a point of financial instability and secured a standby arrangement with the IMF, which, among other requirements, required the government to end subsidies for essential goods. The resulting price increases sparked the 1977 bread riots, prompting the regime to postpone significant reforms until the 1990s. The limited economic opening in the 1970s did not coincide with political liberalization. Although multiparty pluralism was formally introduced, Sadat and his successor, Hosni Mubarak, ensured the dominance of the National Democratic Party (NDP). The existence of a multiparty system was merely a veneer of democracy – repression and authoritarianism persisted.

In the 1990s, Egypt experienced another severe economic crisis. As a result of negotiations with the IMF on debt, the government had to implement a comprehensive structural adjustment program for the first time in Egypt's history. However, unbalanced austerity measures and a lack of fair distribution of resources seriously worsened living conditions. While the wealthy private business class amassed wealth, protests from labor and social groups were violently suppressed. In 2004, another phase of economic liberalization and privatization began under the leadership of the Nazif government and Hosni Mubarak's son, Gamal. Although their policies led to macroeconomic growth, large portions of society did not reap the benefits. Additionally, the brief period of political openness during this time ended abruptly after the 2005 elections. As a result, dissatisfaction grew, and the regime faced an increasingly active workers' protest movement that coincided with a growing civil rights movement – ultimately culminating in the 2011 revolution.

The period following the revolution was marked by a contradictory trajectory. On the one hand, the Supreme Council of the Armed Forces (SCAF), which had seized control, continued to crack down on protesters – violent clashes resulted in hundreds of deaths. On the other hand, the political scene was revitalized, best exemplified by the parliamentary and presidential elections in 2012, in which candidates from across the entire political spectrum participated. After the victory of the Muslim Brotherhood and Mohamed Morsi, the Islamist movement suddenly controlled both the executive and the legislature after being suppressed for decades. However, the Muslim Brotherhood did not regard democracy as an end in itself but rather as a tool to replace the military regime with an equally authoritarian Islamist one. The armed forces toppled Morsi on July 3, 2013, and General Abdel Fattah al-Sisi became president one year later. Since then, his regime has imposed an unprecedentedly authoritarian and repressive style of governance, controlling not only the political but also the economic, social and religious spheres. This has been masked by presenting al-Sisi as the sole savior of national stability and unity. Constitutional amendments in 2019 further centralized power in the President's Office and paved the way for al-Sisi to remain in office until 2030.

While any discussion of democratization has de facto ended, a new round of economic reforms began with the conclusion of consecutive loan agreements with the IMF in 2016, 2020 and 2022. At the same time, the COVID-19 pandemic and the wars in Ukraine and Gaza hit the Egyptian economy hard.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Since 2013 and up until recently, Wilayat Sinai (WS), the Egyptian branch of the self-declared Islamic State (IS) group, carried out hundreds of terrorist attacks, seriously undermining government control in the northern Sinai Peninsula. Elsewhere, the Western Desert, including the border area with Libya, has also been a significant hotspot for terrorist activities.

In response, security forces have launched several large-scale counteroffensives. And on January 25, 2023, Abdel Fattah al-Sisi declared the end of terrorism in Sinai. While this was not an entirely accurate statement, the claim coincided with a sharp decline in terrorist attacks and casualties, falling to 10 attacks and five fatalities in 2023 – down from 95 attacks and 260 fatalities in 2022 and from a peak of 158 attacks and 695 fatalities in 2017.

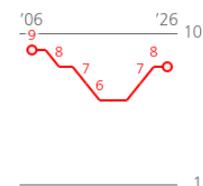
However, the long-term implications of the regime’s harsh militarized approach remain unclear, as the approach has done little to address the root causes of terrorism. Moreover, obtaining accurate information on developments in Sinai remains very difficult as the regime does not allow observers to enter the area and tightly controls the narrative on its anti-terrorism efforts.

Meanwhile, some minor clashes between Egyptian security forces and the Israeli Defense Forces (IDF) occurred during the period under review, against the backdrop of events since October 7, 2023, and especially around the Philadelphi Corridor. This demilitarized buffer zone between Gaza and Egypt, which had been under control of the Egyptian army since 2005, was reoccupied by the IDF in the summer of 2024 during Israel’s ongoing war on Gaza and has since led to major diplomatic disputes between both parties.

Question
Score

Monopoly on the
use of force

8



Overall, Egyptian society is comparatively homogeneous, with about 90% of the population identifying as Muslim (primarily Sunni) and around 10% as Christian (mainly Coptic). The vast majority of Egyptians accept the concept of a unified nation and identify as Arab Egyptians. Ethnic minorities – including Amazigh (mainly around Siwa), Bedouins (mainly in the Sinai Peninsula and deserts) and Nubians (mainly south of Aswan) – number in the hundreds of thousands, but nevertheless comprise a small fraction of the total population. No separatist movements exist.

Very few citizens reside in remote areas. About 98% of Egyptians live in the Nile Delta, the Nile Valley and Greater Cairo. Nationalism and patriotism remain deeply ingrained – partly due to decades of military rule as well as Egypt’s ancient history. While the 2014 constitution grants citizenship rights to those born to Egyptian mothers as well as fathers (Art. 6), disparities persist in the practical application and access to full citizenship rights, influenced by factors such as social class, geographical origin, political opinion, gender, sexual orientation and ethnicity.

The 2014 constitution includes religious dogmas, identifying Islam as the state religion and Shariah as a source of legislation (Art. 2). Additionally, Article 64 restricts the freedom to practice religious rituals and establish places of worship to followers of the Abrahamic religions, while emphasizing that freedom of belief is guaranteed to everyone.

The regime combats and demonizes atheism, and many atheists have been detained under a strict blasphemy law. Society is religiously conservative and the regime frequently uses religious rhetoric to justify its policies, despite consistently highlighting its secular character. Moreover, the regime has gradually increased its control over the religious sphere since 2013.

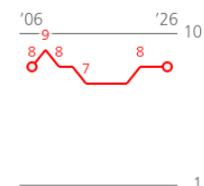
According to the constitution, Christians and Muslims are subject to different personal status laws, which are almost exclusively based on religious dogmas. A reform of personal status laws for Muslims has been heatedly debated for years. The cabinet presented a second draft in March 2023, after the February 2021 draft sparked backlash due to the inclusion of provisions subordinating women, but ultimately withdrew this second draft in October 2024 amid ongoing controversy. For example, Al-Azhar, Egypt’s most influential Sunni authority, demanded greater coherence with traditional religious values – illustrating the dominance of religious dogmas.

Egypt is divided into 27 governorates, which are partly further subdivided into regions, towns and villages. However, the administrative structure is highly centralized, with governors and executive organs appointed by the president and serving at his discretion. Elected local councils were dissolved in 2011 and new elections will only be held once a new bill regulating local councils is passed. The government’s draft law from 2016, however, has not yet been debated or voted on, and no significant progress was made during the period under review.

Most basic infrastructure is available. According to World Bank 2022 data, 97.5% of the population has access to at least basic sanitation services, while 67% has access to a safely managed sanitation system. Electricity coverage is universal and 98.8% of

State identity

8



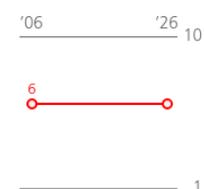
No interference of religious dogmas

6



Basic administration

6



the population has access to at least a basic water source. The state also provides the administrative infrastructure for the rule of law, although law enforcement is very selective – not least due to widespread corruption.

Moreover, the bureaucracy lacks both the efficiency and resources to provide high-quality education and health services, among other areas. Transportation is another critical issue, with Egypt registering a very high number of deaths from car and train accidents every year. During the period under review, power cuts became a regular phenomenon once again – but stopped toward the end of 2024 – and gas shortages increased.

2 | Political Participation

In December 2023, al-Sisi was re-elected for a third presidential term, with 90% of the votes, consolidating his rule until 2030. Under constitutional term limits on re-election, he will not be able to seek another term thereafter. The official voter turnout rate was 67%, more than double the rate in 2014 and 2018. Most observers, however, argue that the actual turnout rate was much lower. Reports also suggest that citizens were incentivized to go to the polls in exchange for financial benefits or under threat.

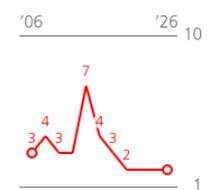
In the run-up to the elections, several candidates and their supporters were harassed, intimidated or arrested. Most prominently, opposition politician Ahmed Tantawi, widely considered the only true contender, was imprisoned on charges of alleged electoral fraud, together with 21 of his campaign members. Media reporting clearly favored al-Sisi. Overall, the presidential elections were not free, fair or competitive.

The last elections for the bicameral Egyptian parliament took place in 2020. The Nation's Future Party (NFP), which has close ties to security agencies and strongly supports al-Sisi and the regime, won an absolute majority in both the Senate and the House of Representatives in elections that were neither free nor fair. Local elections have been repeatedly postponed since the dissolution of all local councils in 2011.

Both legislative chambers are dominated by regime supporters and the parliament's rights are restricted, while the president enjoys far-reaching authority and broad powers to govern. Moreover, non-elected actors play a significant role in decision-making. Most notably, the military and security apparatus largely control the political sphere, possessing considerable power to shape policies and appoint or remove individuals from office. Mahmoud al-Sisi, the president's son, serves as deputy director (and de facto director) of Egypt's General Intelligence Service (GIS). According to constitutional amendments from 2019, the military's mandate is extensive, and includes vague tasks such as protecting democracy, the civilian nature of the state and the constitution itself. Thus, the military is effectively placed above the constitution, with the constitutional right to intervene in politics. Furthermore, religious authorities such as al-Azhar hold significant veto power in all matters related to religion.

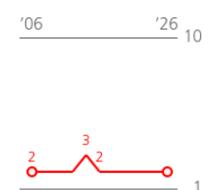
Free and fair elections

2



Effective power to govern

2



The constitution does not restrict association or assembly rights, but it allows the rulers to do so through repressive legislation. Since its enactment in 2013, the regime has rigorously enforced the highly restrictive protest law. As a result, no large-scale demonstrations occurred during the period under review, while security forces reacted harshly to even the slightest possibility of protest. Thousands remain in pretrial detention on protest-related charges.

Minor protests occurred in 2023 ahead of the presidential elections, leading to dozens of arrests. In 2024, a few small-scale protests reflected despair over the economic crisis and soaring inflation rates, and some local protests took place in Cairo's informal settlements over violent, forced evictions by military or police personnel.

Stances toward Palestine solidarity protests in the wake of Israel's war on Gaza were ambiguous. On the one hand, the regime called for and even staged some demonstrations to show popular support for its policies. On the other hand, sporadic small-scale protests by activists, students and journalists were severely repressed, often resulting in arrests. In some cases, foreign nationals who participated in the protests were deported.

The new NGO law from 2019 severely restricts the work of civil society, in part by imposing harsh limits on NGOs' permitted fields of operation and financing options. Many critical organizations have been shut down in recent years.

The 2014 constitution grants freedom of thought, opinion and expression (Art. 65), and prohibits the censorship or closure of media organizations (Art. 71). In practice, however, these freedoms are severely restricted. According to the Committee to Protect Journalists (CPJ), at least 17 journalists were imprisoned at the end of 2024 – the seventh-highest number globally. Egypt ranked 170th out of 180 countries in the Reporters Without Borders' Press Freedom Index 2024.

The media landscape includes public and private outlets, both marked by pro-regime reporting. During the period under review, several private media outlets were acquired by United Media Services, which is owned by the General Intelligence Service (GIS). The few remaining independent outlets are frequently subject to intimidation. The website of Mada Masr, for example, is one of more than 500 websites that have been blocked since 2017. Several Mada Masr journalists have been summoned for investigation or detained. In February 2024, for example, its editor-in-chief, Lina Attallah, was summoned on charges of publishing false news.

Restrictions are not limited to journalists. During the period under review, hundreds of bloggers and social media users were detained for comments criticizing the ruling elite, sharing atheist views or defending homosexuality, among other issues. In July 2023, researcher Patrick George Zaki, who had already been jailed between February 2020 and December 2021, was sentenced to three years in prison on charges of spreading false news after publishing an online article about the marginalization of Coptic Christians. Due to international pressure, he received a presidential pardon the next day and was released several hours later.

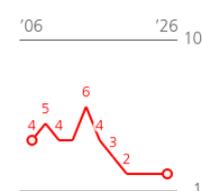
Association /
assembly rights

2



Freedom of
expression

2



3 | Rule of Law

In theory, the 2014 constitution reduced the power of the executive and strengthened the legislature. According to Article 159, the parliament has the right to impeach the president if the president breaches the constitution or commits a felony, and Article 161 allows the parliament to withdraw confidence from the president with a two-thirds majority. However, the parliament elected in 2020 consists almost exclusively of regime supporters whose fate is highly dependent on the backing of the president, the military and the security apparatus. Accordingly, the parliament only very occasionally expresses criticism of the government. Its main role is to approve and implement the executive's initiatives, not to monitor or provide a balance of power. The independence of the judiciary is severely restricted and the executive has gradually extended its control over the judicial branch. Hence, power remains largely concentrated in the President's Office, and the military is effectively placed above the constitution and is beyond legal checks.

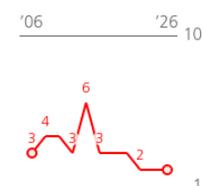
The judicial system consists of three primary components. The common court system handles fundamental civil and criminal cases, and is led by the Court of Cassation, which serves as the ultimate appellate court. The State Council has exclusive jurisdiction over administrative disputes, with the Supreme Administrative Court as the highest authority. The Supreme Constitutional Court holds sole authority to determine the constitutionality of laws and interpret legislative texts.

The judiciary has long enjoyed a degree of independence, with the 2014 constitution bringing further improvements. Since then, however, the regime has gradually brought the judiciary under tighter control through new laws and constitutional amendments. Today, the president appoints the heads of the main judicial bodies, while judges and prosecutors understand that loyalty to the regime is essential for career advancement.

Moreover, military courts have jurisdiction over all crimes committed by military personnel and over civilians who have attacked military or public facilities. The list of facilities that fall under this category has significantly expanded in recent years and this charge has increasingly been used to justify moving cases to these courts. Procedural rights are restricted under military jurisdiction.

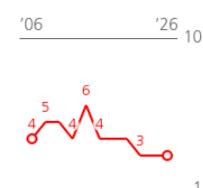
Separation of powers

2



Independent judiciary

3



For decades, extensive corruption, and a culture of nepotism and favoritism have undermined the rule of law. Al-Sisi has repeatedly emphasized his intention to end this practice. In December 2022, the third phase of the National Anti-Corruption Strategy, covering the period from 2023 to 2030, was launched. While a few individuals have since been charged, overall the prosecution of office abuse has been neither consistent nor rigorous. Moreover, it appears that those who have been prosecuted are primarily individuals who have lost the backing of the regime.

The Administrative Control Authority (ACA), which is responsible for addressing administrative and financial violations within state bodies and the public sector, operates under the authority of the president. Traditionally, former military personnel are appointed to senior positions in the ACA, while investigation units are led by army and police officers. As a result, the regime is able to use the ACA to punish individuals. Furthermore, the ACA lacks the authority to investigate possible misconduct within the military.

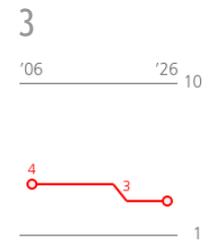
The 2014 constitution theoretically grants equal rights to all citizens without discrimination (Art. 9). In practice, however, civil liberties are systematically repressed. Women still face challenges in obtaining equal rights, as do citizens who do not fit the societal expectation of a “normal Egyptian” such as homosexuals, transgender persons, atheists, Shi’ite Muslims or Bahai.

Egypt has tens of thousands of political prisoners. Disproportionately long pretrial detentions, forced disappearances and torture are common. A report by the Transparency Center for Archiving, Data Management and Research documents more than 41,000 incidents of judicial prosecution in political cases between January 2018 and June 2023, more than 3,000 of which involved people rotated into new cases. In January 2025, the parliament approved legislative amendments to the Criminal Procedure Code, which give prosecutors greater powers to extend pretrial detention without judicial oversight.

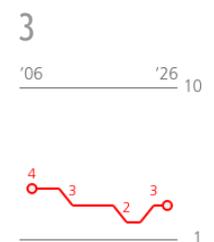
In April 2022, the Presidential Amnesty Committee was established to facilitate the release of political prisoners. After the launch of the National Dialogue initiative in May 2023, some opposition figures participated, advocating for the release of political prisoners. During the period under review, several hundred prisoners were released. However, some have since been re-arrested and, overall, the number of new political prisoners remains higher than those released.

Therefore, human rights advocates have criticized the establishment of the Presidential Amnesty Committee, the National Dialogue and the country’s first human rights strategy in 2021, arguing that they are “PR stunts” intended to improve Egypt’s image abroad.

Prosecution of office abuse



Civil rights



4 | Stability of Democratic Institutions

Since independence, all political and administrative institutions have been part of authoritarian regimes, except for the brief period that followed the 2011 revolution. Following the 2013 coup, the current regime began re-establishing the institutional framework to secure its own survival. The judiciary and public administration largely survived the post-2011 turmoil, despite significant changes in their design and staff, and were placed under stricter presidential control. The parliament continues to function as a rubber-stamp institution and no new elections for local councils have been held since their dissolution in 2011. Regional and local executive organs are appointed by the president. Overall, most institutions have a democratic façade but lack both input and output legitimacy and either belong to or are controlled by the authoritarian regime.

From the perspective of the military and security apparatus, democratic institutions do not exist to monitor and supervise but rather to wield the regime's power. As a result, the military and security apparatus have secured their exemption from the reach and control of democratic institutions, which is best exemplified by the military's special status in the constitution. Governments, parliaments and public administration are primarily expected to serve the regime, not the public. Accordingly, the rulers have shaped the design of these state bodies and control officeholders. This has led to a widespread lack of confidence in the existing institutions among both the remaining opposition forces and the general public.

5 | Political and Social Integration

Officially, Egypt has had a multiparty system since 1977. In practice, the NDP monopolized the political arena during the Mubarak era. After the 2011 revolution, a highly fragmented party system developed, with the Muslim Brotherhood's Freedom and Justice Party (FJP) clearly the most professional and socially rooted party. After the 2013 coup, the FJP was dissolved and all parties critical of the new regime were gradually silenced.

Today's party landscape includes parties with long traditions, such as the (New) Wafd Party, which was the main nationalist party in the fight against colonialism, and the Nasserist Party, which upholds the idea of Arab socialism. Other parties were founded shortly after the 2011 revolution, such as the liberal Free Egyptians Party, the Salafi al-Nour Party and the center-left Social Democratic Party. In recent years, the party landscape has been increasingly dominated by parties founded by civilians loyal to the regime, such as the Republican People's Party and the Homeland Defenders Party.

Performance of democratic institutions

2

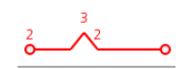
'06 '26 10



Commitment to democratic institutions

2

'06 '26 10



Party system

2

'06 '26 10



The most prominent and important of these is the socially conservative, pro-neoliberalist Nation's Future Party (NFP), which was founded in 2014 by regime-loyal civilians, reportedly with the support of military intelligence. Starting in 2019, the NFP has established itself as the main pro-regime party, holding more than 50% of the seats in both legislative chambers. Notably, unlike the NDP in the decade(s) before the 2011 revolution, the NFP is not dominated by business elites.

In the future, the NFP may face a new opponent, the "National Front," which was founded in December 2024 by a group of regime-loyal public figures, parliamentarians, and former and current state officials. A key role is played by Ibrahim al-Organi, chairman of the Union of Arab Tribes and al-Sisi's right hand in Sinai.

There is a clear hierarchy regarding whose interests are deemed important. Some groups – such as the military, the security apparatus and the business elite – hold considerable power, while the concerns of the lower social classes are mostly overlooked. This inequality is evident, for example, in infrastructure and housing projects undertaken during the period under review. The development of informal settlements in Cairo has largely been planned and implemented without involving the residents, who were often displaced to accommodate investors. Similarly, land owned by marginalized tribes along the North Coast was expropriated to make way for a major \$35 billion real estate investment deal with the UAE, announced in February 2024.

Syndicates and unions have been brought back under state control. The state-affiliated Egyptian Trade Union Federation (ETUF), the leadership of which almost exclusively consists of regime supporters, still holds a monopoly in the union landscape. Most influential professional syndicates are also headed by state supporters. As a result, they do not voice their members' demands to the elite but instead deliver the elite's messages to their members.

For many Egyptians, democracy is not an end in itself. Priorities instead lie in achieving justice and welfare, with the political system viewed as less important. However, according to the Arab Barometer Wave VII (2022), 65% of Egyptians believe a democratic system is the best available option, while acknowledging it is not flawless. According to the Democracy Perception Index 2023, 90% of Egyptians think it is important for their country to be a democracy, while only 40% believe Egypt is democratic.

The level of trust in political institutions is low, given the decades-long experience with authoritarian rule. In addition, many associate their experiences with democracy after 2011 with instability, an economic downturn and price hikes. This, along with a long tradition of patriarchy, has reinforced the belief that a strongman is necessary to lead the country.

Interest groups

3

'06 '26 10



1

Approval of democracy

n/a

'06 '26 10

n/a

1

Because of the state’s inability to provide basic goods and support, society has a great need for mutual aid. Support and trust are strongest within families and people’s closest social circles. Solidarity between social classes exists, too, but is arguably lower. During the period under review, Egyptians donated considerable amounts of money to Egyptian hospitals – such as a children’s cancer hospital in Old Cairo, which is even popularly known by its bank account number for donations as “57357 hospital” – and charitable associations such as the Egyptian Food Bank. In 2023, one Egyptian member of parliament estimated that donations during Ramadan in 2022 amounted to more than EGP 30 billion (about \$570 million).

The state’s inaction has created opportunities for religious institutions to step in, particularly through their charities, which provide education, food and health services. Activism on environmental or cultural issues, by contrast, is only beginning to emerge, with awareness slowly increasing, especially among the urban upper-middle class. Some organizations, such as Greenish or Very Nile, have gained increasing attention and support during the period under review.

II. Economic Transformation

6 | Level of Socioeconomic Development

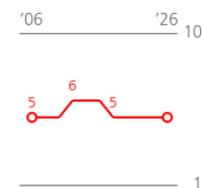
Egypt relies on unstable sources of revenue, including tourism and remittances from workers in oil-producing states. Widespread mismanagement, nepotism and corruption pose significant obstacles to overcoming key socioeconomic barriers. Consequently, with a score of 0.728, Egypt ranked 105th out of 191 countries in the Human Development Index 2022 (HDI). According to the World Bank, Egypt is categorized as a lower-middle-income country, with a GNI per capita (PPP) of \$17,710 in 2023 – notably below the global average of \$22,807.

In 2019, 1.5% of the population lived below the international poverty rate of \$2.15 per day (2017 PPP) and 17.6% lived below the lower middle-income poverty rate of \$3.65 (2017 PPP). According to Egypt’s main statistical agency, CAPMAS, the percentage of the population living under the national poverty line was 29.7% in 2020. However, CAPMAS more recently stated that this number has likely risen, because vulnerable groups have been particularly affected by the recent economic downturn. In 2019, Egypt’s Gini coefficient was 31.5.

Inequality is substantial and significant portions of society are disadvantaged due to their political opinions, gender, place of residence or class affiliation – to cite only a few relevant dimensions. Egypt’s inequality-adjusted HDI score in 2022 was 22.9% lower than its main HDI score. In the Gender Inequality Index 2022, Egypt ranked 93rd out of 166 countries.

Social capital

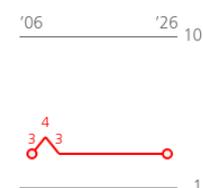
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Question Score

Socioeconomic barriers

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Economic indicators		2021	2022	2023	2024
GDP	\$ M	424671.8	476747.7	395926.1	389059.9
GDP growth	%	3.3	6.6	3.8	2.4
Inflation (CPI)	%	5.2	13.9	33.9	28.3
Unemployment	%	7.4	7.3	7.3	7.2
Foreign direct investment	% of GDP	1.2	2.4	2.5	12.0
Export growth	%	-13.8	57.3	31.4	-10.6
Import growth	%	0.5	24.3	1.1	4.7
Current account balance	\$ M	-18610.8	-10536.6	-12564.3	-22256.1
Public debt	% of GDP	89.9	88.5	95.9	90.9
External debt	\$ M	145998.3	163092.5	168062.3	-
Total debt service	\$ M	18433.7	17947.3	21388.7	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.6	7.3	6.8	6.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.7	1.8	-	-
R&D expenditure	% of GDP	0.9	1.0	1.0	-
Military expenditure	% of GDP	1.1	1.0	0.9	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

IMF-driven reforms tied to loans agreed upon in 2016, 2020 and 2022 – with the latter extended in 2024 – largely aimed to improve Egypt’s fiscal stability. Thus, these reforms mainly consisted of austerity measures, but have done little to address deeper structural issues, such as the role of the state and military in the economy. Consequently, these reforms have not led to improved market-based competition. Accordingly, Egypt ranked 146th out of 184 countries in the Index of Economic Freedom 2024, significantly worse than in 2011 (ranked 96th), and has been categorized as “repressed” since 2022.

Market organization

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Entering the market remains difficult, in part due to excessive bureaucracy, legal challenges in enforcing contracts and settling disputes, limited access to credit, and corruption. A major issue is unfair competition resulting from monopolies established by the business elite and benefits enjoyed by military companies.

Private companies are concentrated in the services, trade, tourism, communications and education sectors. Several productive sectors – including medicine, food and energy – have primarily remained in the public domain. The military-industrial complex is heavily involved in infrastructure and construction projects, and produces a wide range of consumer goods, with the military significantly expanding its portfolio in recent years. Additionally, the military controls strategic assets, such as the Suez Canal.

The informal sector generates between 40% and 50% of GDP. According to data from the International Labour Organization, as of 2023, 71.3% of all employment in Egypt is informal, with informal labor accounting for 97.8% of agricultural employment, 76.4% of industry employment and 57.5% of service employment. Some economists consider the informal sector to be the most booming, job-creating and market-oriented sphere of the Egyptian economy.

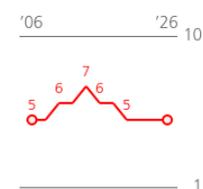
The Egyptian constitution emphasizes that a competitive climate is a key pillar of the Egyptian economy (Art. 27). A legal framework ensuring freedom of competition was established in 2005 and implemented with the Egyptian Competition Authority (ECA) serving as the main watchdog. The Competition Law was amended in December 2022, and the National Strategy for Competition Policy and Competitive Neutrality (2021 – 2025) forms the basis for the ECA's current work. In addition, the prime minister established the High Committee for Competition Policy and Competitive Neutrality in 2022, which has so far mainly taken decisions in the petrol and health care sectors.

Since its creation, however, the ECA has intervened to curb monopolistic practices in only a few cases and still lacks both influence and independence. The ECA does not have the direct authority to block mergers or impose fines, and can only file lawsuits. Implementation is highly selective and clientelist networks protect the elite from investigation. In May 2022, the government announced plans to boost the ECA's role but no concrete action has since been taken, despite initiatives such as a large-scale conference on competition in March 2023.

The economy is divided between a few large and many small companies, and key sectors such as steel and cement production, basic food imports, and telecommunications are controlled by oligopolies. The military's economic enterprise falls completely outside the ECA's jurisdiction. In addition, the military holds certain advantages, including control over vast swaths of land, tax exemptions and access to low-cost labor through conscripts. These factors create obstacles for private sector actors wishing to compete.

Competition policy

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Egypt has been a member of the WTO since 1995, and is a party to the Agadir Agreement, the Common Market for Eastern and Southern Africa (COMESA), the Pan-Arab Free Trade Area (PAFTA), and the African Continental Free Trade Area (AfCFTA). It has preferential trade agreements with the European Union, which is by far Egypt's largest trade partner, as well as Mercosur and Türkiye.

Egypt's score in the Trade Freedom Index 2024, a pillar of the Index of Economic Freedom, was 60.2%, significantly lower than the country's score of 70.2% in 2020. In 2019, Egypt's simple average most-favored-nation tariff rate was 19.0% and its trade-weighted average tariff rate in 2024 was 12.4%. Egypt's tariff system is complex, and includes numerous concessions, exemptions and reductions. Additionally, the import of a relatively large number of items is subject to complicated regulations and restrictions.

Attempting to limit the shrinking of foreign currency reserves, the government introduced a series of new restrictions on imports in the spring of 2022. Some of these, however, were lifted in early 2023 because they placed unbearable burdens on importers. In November 2024, Egypt lifted additional restrictions on the import of 13 nonessential goods, including cars.

Full private sector and foreign ownership are allowed, and several international financial institutions operate in commercial and investment banking, mutual funds, insurance, and securities trading. However, no new banking licenses have been issued since 2009. In July 2023, the Central Bank of Egypt (CBE) issued a licensing and regulatory framework for digital banks.

Despite efforts to modernize the banking sector since 2004, privatization of state-owned banks has been rare. As part of a renewed privatization initiative, the CBE launched a partial initial public offering to sell 30% of United Bank in November 2024. In December 2024, Prime Minister Madbouly announced plans to sell stakes in Alex Bank and Banque du Caire in 2025.

The CBE is the regulatory authority for Egypt's banking sector. According to the constitution, it is a fully independent body (Art. 215), but must operate within the framework of the state's general political and economic policy (Art. 220). However, it is widely believed that the CBE's decisions are often political and influenced by the government. The CBE applies international banking standards such as the Basel III/IV framework.

The banking system faces multiple challenges, including capital outflows and a shortage of foreign currency inflows. Nevertheless, it has, by and large, proven resistant to the current economic crisis and no bank has found itself in serious trouble. Several indicators demonstrate the relative stability of the banking sector. Egypt's capital base to risk-weighted assets ratio dropped from 20.9% in 2022 to 18.6% in 2024, having increased from 14.0% in 2016. Meanwhile, the share of non-performing loans reached an all-time low of 2.7% in 2024, which represents a clear improvement compared to 7.2% in 2015.

Liberalization of foreign trade

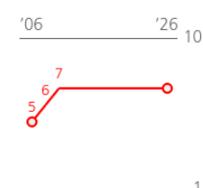
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Banking system

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Besides, the Egyptian Exchange (EGX) is one of the oldest stock markets in the MENA region and provides a well-functioning capital market outside the banking sector.

8 | Monetary and fiscal stability

As part of the policy framework associated with recent IMF loans, the government liberalized the exchange rate, cut energy subsidies and reformed the tax structure. While those measures were deemed necessary for economic recovery, they placed a heavy burden on monetary stability and currency volatility has remained high.

After the currency flotation in November 2016, the Egyptian pound (EGP) depreciated from EGP 9 per \$1 to EGP 20 within weeks. For several years thereafter, the CBE maintained a costly de facto currency peg, before readjusting its policy in mid-2022, which resulted in an exchange rate of EGP 32 per \$1 by January 2023. In March 2024, the Egyptian pound was again floated. Increasingly determined by market forces, the exchange rate reached EGP 51 per \$1 in January 2025. The real effective exchange rate was reported at 74% in 2024 compared to 104% in 2022.

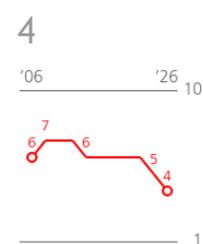
Due to the renewed devaluation of the Egyptian pound and the economic downturn, inflation (which stood at only 4.1% in April 2021) increased from an already high 21.2% in December 2022 to 38.0% in September 2023, before it began to gradually decrease, dropping to 24.1% in December 2024. To address inflationary pressures, stabilize the exchange rate and prevent capital flight, the CBE raised interest rates four times in the period under review, from 16.25% in January 2023 to 27.25% in March 2024 – the highest level since 1991.

The CBE is primarily responsible for monetary policy decisions. Formally, it is a fully independent body, but the constitution stipulates that it must operate “within the framework of the state’s general political economic policy” (Art. 220). Most observers point to de facto dependency on the government and the politicized nature of the CBE, which often appears to make decisions based on the regime’s wishes and interests.

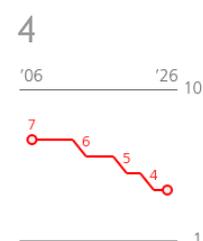
Egypt’s debt stock gradually increased from 73.7% of GDP in 2010 to 108.0% of GDP in 2017, then fell to 80.1% in 2019, before starting to rise again to 95.9% in 2023. Notably, foreign debt has risen from \$48 billion in 2015 to \$168 billion in 2023. In December 2022, the IMF granted a loan of \$3 billion under its Extended Fund Facility (EFF), which was increased to \$8 billion in March 2024.

Heavy borrowing has long been necessary to fund budget deficits, which stood at 7.1% of GDP in 2023 and 7.3% in 2024. Egypt’s account balance had a deficit of \$12.6 billion in 2023. Debt servicing costs have risen consistently from 21% of government expenditure in the fiscal year 2010/11 to 56% in 2023/24. External debt

Monetary stability



Fiscal stability



service costs reached \$21.4 billion in 2023 and are estimated at \$22.5 billion for 2025. In the draft budget for fiscal year 2024/25, borrowing accounts for 51.4% of total state revenues (around \$56 billion). Foreign currency reserves dropped from \$40.7 billion in 2019 to \$24.7 billion in 2023 (4.4 months of imports) before increasing again to \$33.9 billion in late 2024.

9 | Private Property

The 2014 constitution and Egyptian law adequately define and protect property rights. Yet, the legal code for property ownership is complex and causes delays in the judicial process. In the Heritage Foundation's Index of Economic Freedom subcomponent on property rights, Egypt's score was 40.0% in 2024, well below the global average of 55.3% as well as Egypt's score of 48.5% in 2020.

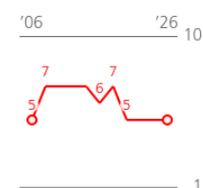
Property rights are restricted for certain segments of society. During the period under review, the government intensified its efforts to bring informally inhabited land under state control – approximately 50% of all buildings in urban areas remain unregistered. Tens of thousands of people have already been displaced from their homes because of this campaign, often without adequate compensation, and many more face forced eviction under the guise of rehabilitating informal settlements or other redevelopment projects, often involving the military as well as foreign contractors. A prominent recent case is al-Warraq, a low-income Nile island in Cairo with 120,000 residents, which is now 80% owned by the government.

Overall, private enterprises account for 70% of GDP and 80% of Egypt's labor force. In 1994, then-President Mubarak revealed plans to privatize approximately 300 state-run companies. However, only about half of these were transferred into private ownership before the program came to a standstill in 2011. In March 2018, in line with recommendations from the IMF, the government announced plans to revive privatization, although the planned offerings were repeatedly postponed due to hostile market conditions.

In February 2023, the government presented a plan to sell state-owned stakes in 32 companies to strategic investors over one year, a decision made in the context of repeated postponements of IMF reviews. However, only a few sales took place. In July 2023, the government announced that it had signed deals worth \$1.9 billion, selling stakes in Telecom Egypt, the Holding Company for Tourism and Hotels, the Egyptian Drilling Company, the Paints and Chemical Industries Company, Ezz El Dekheila Steel, the Egyptian Linear Alkyl Benzene Company (ELAB), and the Egyptian Ethylene and Derivatives Company (Ethydco). In September 2023, the Emirati-owned Global Investment Holdings bought 30% of the Eastern Company, Egypt's largest tobacco manufacturer. While difficult to quantify, some observers have criticized the lack of transparency surrounding these sales.

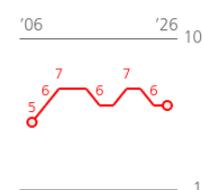
Property rights

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Private enterprise

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In December 2024, Prime Minister Madbouly announced that state-owned stakes in 10 companies will be sold in 2025, including companies affiliated with the military such as Silo Food, fuel distributor Wataniya, mineral-water bottler Safi and Chill Out (a network of gas-station convenience stores).

10 | Welfare Regime

Austerity measures introduced under the framework of recent IMF loans have put additional pressure on low-income segments of the population, and the government has reduced spending on education and health care, as well as on subsidies. In August 2024, the government, for the first time since 1989, increased the price of bread – which is highly subsidized and a core component of many Egyptians' diet – by 400%. Fuel prices were increased several times during the period under review and fuel subsidies are set to end in January 2026.

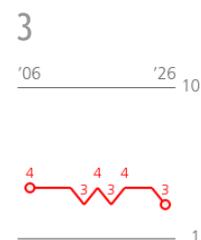
To support lower-income segments of the population, the government introduced and gradually expanded two means-tested cash transfer programs – Takaful and Karama – which today benefit about 4.7 million vulnerable households (approximately 17 million individuals). Yet, protective measures have been far from sufficient to compensate for rising living costs and support in real terms has in fact decreased in many ways. For example, food subsidies for low-income households have eroded, because they have not been adjusted to inflation.

In principle, the state provides basic universal health coverage. However, the quality of public health services is very poor and the government has for years fallen short of the constitutional target to spend at least 3% of GNP on health care. Private insurance companies also operate, but they mainly serve wealthier Egyptians. Overall, more than 60% of health services are paid for out-of-pocket. In June 2024, a new law was ratified that allows the private sector to operate public health care facilities on a for-profit basis, which may further limit access for low-income Egyptians.

The informal sector, which accounts for more than 50% of the labor force, does not fall under any significant social security framework, such as the social security fund that manages unemployment and pensions. For those formally employed, pensions are often insufficient, making private provision necessary; however, private pensions are infeasible for most Egyptians, who live hand-to-mouth. This, in turn, increases the importance of private solidarity and support, for example, within families.

Overall, the public safety net has very limited reach, and private safety nets as well as religious charitable organizations remain crucial for many Egyptians.

Social safety nets



According to the 2014 constitution, the state is the guardian of equal opportunity for all. The constitution states that “the state shall take necessary measures to eliminate all forms of discrimination, and the law shall regulate the creation of an independent commission for this purpose” (Art. 53). Despite continuous calls from civil society, such a commission has yet to be established.

In reality, individuals’ chances are largely defined by their background and social mobility is very limited. Most children have access to basic education, but the gross enrollment rate at the primary level dropped from 100% in 2021 to 90% in 2023. Moreover, the quality of public education is very low and elite access to top-tier education is exclusive.

Traditional gender roles, which are broadly accepted in society and reflected in state policies, lead to persistent inequalities between genders. The rate of labor market participation among women was only 18.6% in 2023 compared to 71.3% for men. Meanwhile, GNI per capita among men was \$20,790 (PPP, 2017), while it was only \$3,739 among women. Literacy rates, averaging 74.5%, were 68.9% for women and 80.0% for men in 2022.

11 | Economic Performance

Egypt’s economy had slowly recovered from the deep crisis that followed the 2011 revolution, but was then severely impacted by the economic repercussions of the COVID-19 pandemic and the wars in Ukraine and Gaza. Some sectors have been particularly affected during the period under review. Oil exports, for example, dropped from \$13.8 billion in the fiscal year 2022/23 to \$5.7 billion in the fiscal year 2023/24, mainly due to a plunge in natural gas exports. Due to tensions in the Red Sea, Suez Canal revenues decreased from \$10.2 billion in 2023 to \$4 billion in 2024.

The GDP growth rate was 3.8% in 2023, with GDP totaling \$396 billion. The IMF projects that GDP growth will fall to 2.7% in 2024 and then increase to 4.1% in 2025. Inflation remained at a very high level throughout the period under review, ranging between 24.1% (in December 2024) and 38.0% (in September 2023). Net foreign direct investment inflows have returned to mid-2000s levels, standing at \$9.8 billion in 2023. According to the CBE, the fiscal year 2023/24 recorded an all-time high FDI inflow of \$46.1 billion due to the massive \$35 billion Ras al-Hikma deal with the UAE, which intends to develop parts of the Egyptian North Coast. Gross capital formation dropped from 20.1% in 2019 to 12.9% in 2023.

However, economic growth does not benefit ordinary citizens. GDP per capita (PPP, constant 2021) has increased only slightly from \$13,136 in 2014 to \$16,691 in 2023. The current level of growth is also insufficient to absorb the roughly 900,000 young Egyptians who enter the labor market every year. The official unemployment rate was 7.3% in 2023, but experts believe it is much higher, and underemployment is

Equal opportunity

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Output strength

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widespread. Moreover, economic growth has depended heavily on public investment, burdening the state budget and leading to rising debt levels. The current account balance showed a deficit of \$12.6 billion in fiscal year 2022/23.

12 | Sustainability

The government portrays Egypt more as a victim than a cause of global pollution. Egypt signed the Paris Climate Agreement and environmental protection is addressed in the 2014 constitution as a national duty. In 2022, in the run-up to COP27, the Egyptian National Climate Change Strategy 2050 (NCCS) was published, outlining ambitious general goals, while offering only a few concrete measures.

Overall, implementation is weak and environmental protection is subordinated to economic growth, as demonstrated by the sidelining of environmental considerations in state-orchestrated mega-projects. Accordingly, Egypt's CO₂ emissions in 2023 were 269 million tons, up from 217 million tons in 2022.

Egypt generates 88% of its electricity from fossil fuels, primarily natural gas, and its 12% clean energy share is clearly below the global average of 39%. According to Vision 2030, launched in March 2016, the government aims to reduce the share of fossil fuels to 27% by 2030, with government reports in 2024 setting a target of 42% renewable energy by 2035. Investments in renewable energy remain insufficient, however. In fact, most FDI still flows into the oil and gas sector and the government intends to increase this further from \$6 billion in the fiscal year 2023/24 to \$7.5 billion in the fiscal year 2024/25. In addition, in 2014, the government initiated the construction of Egypt's first nuclear power plant, and incorporated coal as a source for electricity production and energy in heavy industries.

Over the past 30 years, Egypt has made enormous progress with enrollment and dropout rates. In 2021, enrollment stood at 100% at the primary level, 86% at the secondary level and 39% at the tertiary level. While more recent data for the latter two levels is not available, enrollment at the primary level dropped significantly to 90% in 2023. In addition, the literacy rate increased from 55.6% in 1996 to 74.5% in 2022. While these quantitative indicators have improved, the quality of education has deteriorated dramatically due to, among other factors, outdated equipment, crowded classrooms, a frontal style of teaching and poor teacher training.

Though the government has generally acknowledged these challenges, the situation has not improved, not least because spending on education remains low. In the fiscal year 2023/24, Egypt allocated 7.6% of the \$62.3 billion total public expenditure to education, equivalent to 1.9% of the country's GDP. Spending on R&D amounted to 1% of GDP and Egypt had 841 researchers per one million inhabitants in 2022, below the SDG global target of 1,352, according to UNESCO. Egypt ranked 96th out of 133 countries in the Human Capital and Research subindex of the Global Innovation Index 2024, and scored 0.685 in the U.N. Education Index in 2022.

Environmental policy

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Education policy / R&D

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Governance

I. Level of Difficulty

Both Egypt's social and natural conditions constrain the political leadership's governance capacity. Egypt's population has grown at an average rate of 2% annually over the last two decades and reached 117.5 million in January 2025 (up from 55 million in 1989 and 83 million in 2010). This has resulted in a large youth population, with more than 50% of the country's citizens under the age of 25, placing significant stress on the education and health care systems, as well as the labor and housing markets. Growth has slowed somewhat in recent years and stood at 1.5% in 2023.

Population growth is also straining natural resource limits. Energy consumption has increased sharply in recent years, and Egypt went from being a net exporter to a net importer of oil in 2012 and of gas in 2015. During the period under review, power cuts – due to gas shortages – were common. Water reserves are close to falling below the U.N. definition of absolute scarcity. Ninety-five percent of the Egyptian landmass is desert, which makes it challenging to produce sufficient food, and 96% of the population lives on only 5% of the landmass. The region's vast desert regions are also difficult to control – not least in the fight against terrorism.

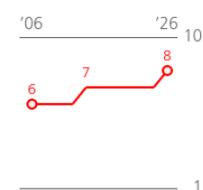
The impacts of climate change have become increasingly visible. Heat waves have led to reduced harvests for certain vegetables and fruits. Rising sea levels have begun to affect freshwater availability in the Nile Delta and certain regions now face the threat of desertification. Studies on sea encroachment show that the Nile Delta could be flooded by 2050 and become uninhabitable by 2100.

Egypt is characterized by a fairly strong tradition of civil society activity. Independent labor movements developed in the late 19th century and professional syndicates played an important role in the first half of the 20th century. Liberal women's and anti-colonial protest movements also gained strength at this time. While civic engagement was largely repressed in the 1950s and 1960s, slight tendencies toward liberalization appeared in the 1970s when civil society organizations intensified their work, especially in the fields of human, civil and women's rights, as well as social care. In the 2000s, several youth movements gained ground, which later played important roles in organizing the 2011 uprising(s).

At the same time, civic engagement has never been free and independent. The state has always closely monitored and, to varying degrees, restricted activities. In recent years, the regime has closed many NGOs, infiltrated syndicates and clamped down on independent unions. Repressive legislation has been passed since the military coup

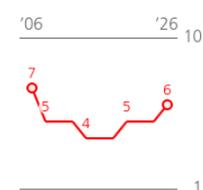
Structural
constraints

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Civil society
traditions

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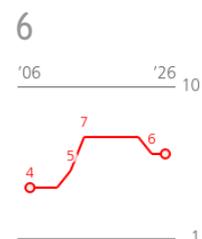
in 2013, such as the NGO law from 2017 (No. 70), which further extended state control and granted state authorities far-reaching rights to control NGOs. After massive civil society objection, a new NGO law was adopted in 2019 (No. 149), taking into consideration at least some civil society suggestions. Nevertheless, the CIVICUS Monitor still classifies civic space in Egypt as closed.

Until the fall of Mubarak, violent conflict was infrequent and public debates on controversial political and social issues were repressed by the authoritarian regime. However, numerous divisions had simmered beneath the surface for decades, encompassing civil-military, secular-religious, Muslim-Christian, labor-capital, class, gender and intra-generational boundaries. All these came to the forefront after 2011, though to different extents.

Since the military coup, the regime has largely prevented mass mobilization along these cleavages by relying on an unprecedented level of repression and by controlling the public discourse. However, instead of mitigating disputes, its thoroughgoing policies have deepened differences across essentially all dividing lines. Thus, deep cleavages still characterize society, even though they are hardly reflected in mass mobilization or violence. In May 2023, the National Dialogue began amid rising hopes among various opposition factions. Yet, the process served as little more than a justification for further human rights violations and failed to achieve genuine political reconciliation. The regime’s crackdown on the Palestine solidarity movement also led to more outrage among the masses.

Only a few cleavage-based tensions turned violent during the period under review. In April 2024, for example, a sectarian arson attack occurred when the houses of Coptic residents in Minya were set on fire.

Conflict intensity

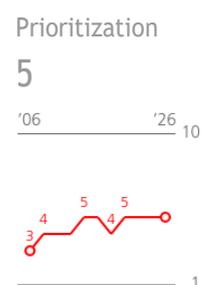


II. Governance Performance

14 | Steering Capability

The regime’s main objective has consistently been its own survival. Consequently, short-term concerns centered on strengthening its hold on power – including reclaiming authority over state institutions, combating Islamist insurgents and securing foreign financial assistance – have been the primary focus of policymaking since the 2013 coup. Throughout the period under review, no serious attempts were made to broaden political participation, and the initiated National Dialogue lacked inclusivity and real impact.

Question Score



The ruling elite has consistently prioritized the strengthening of economic output at the macro level over improving distributive justice and supporting poorer segments of society. In this context, the regime primarily relies on mega-projects, such as the New Administrative Capital. While these mega-projects provide the military with opportunities to boost its economic performance and allow the elite to accumulate wealth, their value to the population is limited.

In February 2024, the Egyptian government signed a \$35 billion deal with the UAE for investment in a real estate development project in Ras al-Hikma. This deal helped increase foreign currency reserves and secure an additional \$5 billion from the IMF (the initial \$3 billion loan was signed in December 2022 and expanded in March 2024). Like many other investment deals, its benefits will primarily be witnessed by the elite.

The balance sheet regarding the implementation of the regime's main priorities is mixed. Before the economic repercussions of COVID-19 and the wars in Ukraine and Gaza severely affected the country, the government took some successful measures to accelerate macroeconomic recovery. However, global developments and the government's policy choices have once again led to a rising budget deficit, high inflation rates, additional borrowing and interest payments, as well as decreasing foreign currency reserves.

The regime has remained reluctant to address the most critical issues that hinder economic development, such as the military's economic empire and privileges, the monopolies held by some business elites, the active role of the state in the economy, and the scale of the informal sector. Moreover, measures to protect the poor from the side effects of the structural adjustment program and the economic downturn have been insufficient. Instead, the regime has continued to push through prestigious mega-projects, such as the construction of the New Administrative Capital, the Ras al-Hikma investment deal, the redevelopment of Warraq Island and several massive infrastructure projects.

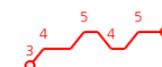
In the short run, the security threat in the Sinai has been largely contained, and military operations led to fewer terrorist attacks during the review period. State employees, as well as journalists and charitable organizations, were allowed to enter North Sinai for the first time in years. Israel's war on Gaza has been accompanied by significant activity from Egyptian civil society organizations in the cities of Arish and Rafah – a development that would have been unimaginable a few years ago.

In the long run, however, harsh actions against militant Islamists will hardly establish sustainable security conditions. Focusing solely on military solutions and repression, without effective supplementation by sustainable development strategies, may instead result in increased radicalization. As the regime's ruthless approach also targets non-Islamist dissidents, growing polarization is likely to occur along various other cleavages as well.

Implementation

5

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1

Since the beginning of his tenure, President al-Sisi has shown no interest in engaging in discussions about his decisions or considering alternative approaches. Egypt continues to be governed in an autocratic manner and there is no indication of political liberalization on the horizon. Repression and exclusion persist, and the government's policies remain unmonitored and unevaluated. Policymaking processes remain inflexible and opaque, while the bureaucracy remains rigidly hierarchical.

If projects are monitored and evaluated, it is done only internally and without the inclusion of independent reviewers – critical findings are almost never published. Similarly, international cooperation and consultancies are approved only occasionally and hesitantly. The IMF has certain ties with the Egyptian government given the loans it has facilitated, but even here the official rhetoric is often rejectionist.

In its attempts to control public discourse, the regime labels any form of critical analysis as external interference, rumor or fake news. Academic freedom is severely restricted, and the regime shows no interest in recommendations from researchers who do not fully support its policies. State-orchestrated mega-projects are announced without prior public discourse and without environmental impact assessments. Moreover, the regime continues to combat terrorism exclusively through military means in order to marginalize some segments of society and to favor some groups over others – all of which fuels existing cleavages and dissatisfaction.

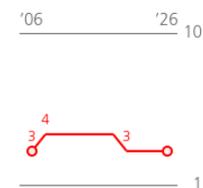
15 | Resource Efficiency

For decades, Egypt has not effectively utilized its human, financial and organizational resources due to a preference for loyalty over competence and jurisdiction, as well as patriarchal dominance over equality between genders, generations and social classes. To address unemployment and maintain loyalty, successive governments have heavily relied on public sector employment, and the state now employs approximately seven million individuals. Estimates suggest no more than three million are necessary. Consequently, redundancies and underemployment have arisen, resulting in low efficiency in delivering public services and carrying out regulatory procedures.

During the period under review, Egypt experienced a rise in its budget deficit, current account balance and public debt. According to the draft budget for the fiscal year 2024/25, an unprecedented 62.1% of government expenditures will be spent on servicing debt. Interest payments and loan installments will require EGP 3.4 trillion, which is more than double the sum for the fiscal year 2022/23 (EGP 1.66 trillion) and more than four times the sum for the fiscal year 2018/19 (EGP 775 billion). An additional 22% of the budget is spent on state employees and subsidies. This leaves very little funding for, among other things, education and health care.

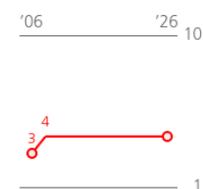
Policy learning

3



Efficient use of assets

4



Budget planning and implementation lack transparency, and the military's economic enterprise remains beyond public control. The Long Live Egypt Fund and the Sovereign Fund of Egypt, established in 2016 and 2019 respectively, largely avoid auditing and oversight. Furthermore, the administration hesitates to initiate reforms and maintains a centralized approach, without granting significant financial or organizational autonomy to local policymaking structures.

Overall, state policies are designed so that they either directly serve the primary objective of regime survival or, at the very least, do not conflict with it. This primarily involves efforts to suppress opposition voices across the political spectrum and promote macroeconomic growth. Measures aimed at promoting individual freedoms, democratic reforms, social welfare and justice are seen as secondary in importance or even harmful. The interests of certain influential actors are clearly prioritized over the demands and needs of lower-class individuals, rural residents and other marginalized groups. Consequently, the trade-offs between various policies are not equitable.

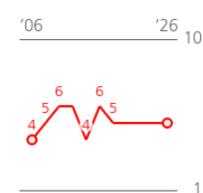
Due to its centralized, hierarchical and bureaucratic coordination style, the leadership determines the major policy guidelines, and distributes competencies and tasks. Horizontal communication between different departments of the state administration is weak, often resulting in a lack of coordination and inefficiency, redundancies and conflicting or counterproductive policies. Moreover, various branches of the government often compete for authority rather than support and complement one another. In recent years, however, the leadership has succeeded in reducing competition between parts of the regime, primarily by increasing its own control over all state and non-state bodies.

Corruption permeates all aspects of life for Egyptians. At lower levels, gifts and small amounts of money are expected for most administrative acts or to avoid trouble with the police. At higher levels of politics, a harmful and largely unchecked culture of corruption has developed since the onset of economic liberalization and privatization in the 1970s. This culture is rooted in private capital's dependence on decisions made by state officials. The public's inability to hold officials accountable is reinforced by insufficient auditing of state spending, mostly nontransparent procedures for public procurement and limited access to information for citizens.

Institutional arrangements and a legal framework to implement an anti-corruption policy exist. However, Egypt's main anti-corruption body, the Administrative Control Authority (ACA), as well as the Central Auditing Agency (CAA), which audits government revenues and expenditures, lack independence. Furthermore, the ACA lacks the authority to investigate possible misconduct within the military, and the regime primarily uses the ACA as a political tool to punish individuals who have lost its support. Consequently, the implementation of anti-corruption policies during the period under review remained selective, with both prosecution and judicial judgments appearing to be influenced by networks of economic and political elites.

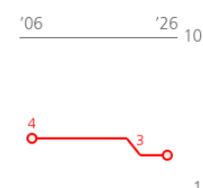
Policy
coordination

5



Anti-corruption
policy

3



16 | Consensus-Building

In the years following the 2013 coup, nearly all parties founded after 2011 and representing various political ideologies have either been silenced or brought under state control. The main political players today – parties and individuals, as well as the military and other politicized state entities – have a shared goal of consolidating the authoritarian system and ensuring the survival of the regime. Consequently, they view democratic reforms as counterproductive and consider the limited political openness of the 2000s a mistake that allowed the 2011 revolution. Therefore, they believe democratic initiatives should be avoided.

With regard to the market economy, the picture is less clear. While there is consensus that generating economic growth must be a key priority, the proper extent of liberalization and economic reforms is contested. In recent years, the government has introduced some measures to strengthen market mechanisms but remains reluctant to exit many economic sectors. The state remains a major player, both as a regulator and as a competitor with its large public enterprises. The business elite hopes for a larger role for the private sector but at the same time wants to be protected by the state and keep its monopolies. The military has expanded its role in the economy and is unwilling to give up its privileges.

Regarding democratization, no politically inclined reformers have any say in the current administration and many dissenting voices have been suppressed. Decision-making is controlled by anti-democratic entities – particularly the military and intelligence agencies – operating with little constitutional or public scrutiny. The political clout of the influential business elite, who to some degree align with economic (and to a lesser degree political) liberalism, has diminished since the later years of the Mubarak era.

In the name of stability and economic recovery, the regime suppresses any discussion of political openness, instead relying on authoritarian practices and deep state structures. It legitimizes strict policies by citing the fight against enemies of the state – a rationale that not only significantly curtails individual liberties but also limits any public discourse on reforms. Institutions meant to exercise oversight, such as the parliament or the judiciary, become politicized and largely show loyalty to the rulers.

In May 2023, the regime launched the first round of the National Dialogue initiative, led by the State Information Service. It included mainly regime loyalists, a select few liberal and secular opposition figures, and leaders of human rights organizations, while excluding anyone even remotely related to the Muslim Brotherhood. Overall, the National Dialogue had little impact and stagnated after al-Sisi secured another presidential term at the end of 2023.

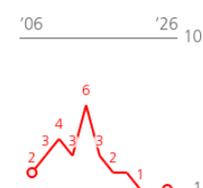
Consensus on goals

3



Anti-democratic actors

1



The Egyptian nation shares a history spanning millennia, and is relatively homogeneous in terms of ethnicity, religion, language and culture. However, society is deeply divided along several other lines. During the period under review, class divisions have become increasingly apparent. Amid the economic repercussions of the COVID-19 pandemic and the wars in Ukraine and Gaza, poverty has increased and the middle classes have shrunk, while the elite has continued to enrich itself.

In implementing its rule after the 2013 coup, the regime has aimed to restore a shared Egyptian identity. It has promoted nationalism and patriotism, and adhered to a specific vision for societal organization, with patriarchy and distinct morals and traditions as fundamental principles. The regime has presented itself as the guardian of “moderate” religious morals, appealing to the broader public, and benefiting from a widening divide between Muslim fundamentalists and secular leftists.

As a result, individuals who deviate from or oppose the promoted ideals are excluded, as evidenced by the numerous detentions based on morality, sexuality or religious beliefs during the period under review. Al-Sisi failed to fulfill his promise of inclusiveness across society and has clearly shown preferential treatment toward certain groups. This approach has further emphasized existing divisions, such as those based on civil-military relations, geographic location, age and gender.

While al-Sisi has repeatedly called on all social forces to help solve the country’s numerous challenges, civil society participation is, in reality, unwanted and broadly absent. The state’s grip on civil society has remained tight since the 2013 coup, facilitated by restrictive new laws. Restrictions are most severe regarding political activities that include some form of critical engagement with the regime’s performance or human rights. However, work on social and cultural issues is also monitored and regulated.

Labor unions, professional syndicates, media outlets and religious authorities are, by and large, under state control. Civil society’s input is very limited at all stages of the policy cycle, and organizations and individuals independent of the state play hardly any role at all. The agenda is set from above – decisions are made behind closed doors – and implementation rests with the large bureaucracy.

In February 2024, the second round of the National Dialogue was launched, this time focusing on the economic crisis and soaring inflation rates, and primarily involving regime loyalists. The Presidential Amnesty Committee, which had been the focus of opposition representatives in the first round, was sidelined as a new wave of arrests of political dissidents began in January 2025, while the National Dialogue’s board of trustees reaffirmed its “full support for the political leadership.”

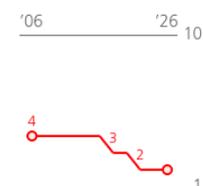
Cleavage /
conflict
management

3



Public
consultation

2



The government does not address or investigate most acts of past injustice perpetrated by the military, intelligence agencies or police forces – neither those that occurred during and after the 2011 revolution nor the massacres of Morsi supporters in summer 2013. The forced disappearance and unjust imprisonment of tens of thousands of Egyptians on political grounds since 2013, the large number of extrajudicial killings in the name of fighting terrorism, and the frequent use of torture and harsh prison conditions are also shielded from critique and remain unaddressed. The regime denies all accusations and manipulates memories by constantly accusing its opponents of being terrorists who threaten the nation, effectively turning victims into perpetrators.

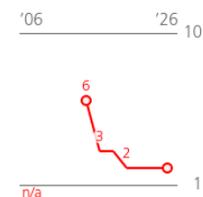
Leading figures of the former Mubarak regime have been acquitted of almost all accusations. Prosecution of members of the military and the security apparatus is especially rare, as they are legally protected from civil prosecution. Article 204 of the 2014 constitution states that only military courts have the authority to prosecute military and intelligence service personnel. Meanwhile, legislation introduced in July 2018 effectively grants senior officers immunity for crimes they may have committed in the aftermath of the 2013 coup.

During the period under review, no reconciliation attempts were made and initiatives from outside were blocked. For example, the Italian effort to investigate the murder of Italian PhD student Giulio Regeni, who was found tortured to death in Cairo in February 2016, resumed in February 2024, but Egypt prevented key witnesses from answering a summons to the trial in Rome. Moreover, Egyptian authorities refused to release prominent British-Egyptian activist Alaa Abdel Fattah, whose second five-year prison sentence was completed in September 2024. Initiatives such as the National Dialogue and the release of political prisoners in recent years have not been sufficient and can be seen rather as attempts to uphold a positive image of the regime abroad.

In the context of the war on Gaza, Egyptian security forces have reached out to local tribes to cooperate on, among other issues, the influx of refugees, the establishment of field hospitals and security questions. This insufficient reconciliation was most prominently illustrated in October 2024, when the newly established Union of Arab Tribes, led by controversial Sinai businessman Ibrahim al-Arjani – who was also a key figure in founding the new National Front Party – organized the annual October War celebrations.

Reconciliation

2



17 | International Cooperation

Egypt's foreign policies are shaped by the regime's desire to ensure its own survival. In general, the regime seeks to leverage external partnerships to acquire the resources – such as financial aid, weapons and investments – necessary to counter threats to its survival, while avoiding external demands that could undermine regime stability – such as conditions compelling the regime to ease repression or requests for economic reforms that could weaken the privileges of regime actors.

The regime has strengthened its bargaining position by portraying itself as a regional pillar of stability, a steadfast opponent of radical Islamists and a reliable partner in managing migration. Following Russia's aggression in Ukraine, European policymakers viewed Egypt as an alternative supplier of natural gas for the European Union, and Egypt emphasized its importance as a mediator between Israel and the Palestinians amid the recent dramatic escalation of violence.

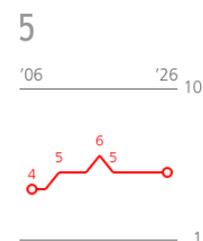
Since 2013, the regime has diversified Egypt's foreign relations. After Russia's aggression in Ukraine, the regime succeeded in maintaining close relations with both Western and non-Western states, including Russia. In January 2024, for instance, Egypt became a full member of the BRICS group, and China and Egypt declared 2024 the Year of the Chinese-Egyptian Partnership. In February 2024, Egypt and the UAE signed the massive \$35 billion Ras al-Hikma investment deal.

At the same time, in March 2024, the European Union consolidated its strategic partnership with Egypt with an unprecedented €7.4 billion deal in loans, investments and grants, under the prospect of curbing further migration. The United States continued its annual \$1.3 billion in military aid to Egypt and only decided to withhold a \$95 million portion of the amount in January 2025 on the basis of human rights concerns. Under the new Trump administration, all U.S. foreign aid was halted except for aid to Israel and Egypt.

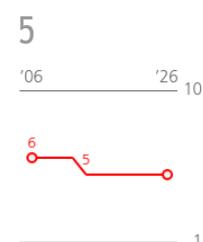
Support and cooperation are primarily sought in the areas of security, the economy, energy and infrastructure. International input is accepted for certain cooperation and investment projects, including construction of a nuclear power plant by Russia's Rosatom and purchase of weaponry with subsequent training. However, these cases are usually limited. Collaboration at the civil society level is heavily restricted.

The Egyptian regime is considered a somewhat credible and reliable partner for the international community. Regarding economic issues, the regime generally fulfills its commitments as outlined in international treaties and agreements. Confidence in the Egyptian economy has increased following the three IMF loans since 2016. Yet, during the period under review, the IMF has repeatedly postponed reviews of the most recent loan – and therefore the disbursement of some tranches – due to a lack of compliance with some agreed-upon reforms.

Effective use of support



Credibility



With respect to security, Egypt's commitment to its peace treaty with Israel has always been praised by the United States and the European Union. Since violence escalated following the Hamas attacks on October 7, 2023, the Egyptian regime once again proved its relevance by mediating in the ceasefire negotiations – along with the United States and Qatar – between the Israeli government and Hamas. A deal was concluded in January 2025 (and a smaller-scale deal in December 2023). Moreover, Egypt is considered an important player in the fight against terrorism.

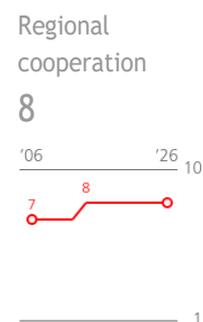
Regarding its commitment to human rights, the picture is much bleaker. Even though Egypt has signed several conventions, the country's human rights record has significantly worsened since 2013. Egypt is a signatory to CEDAW, but the government does very little to effectively implement gender equality. It is a signatory to the U.N. Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, but rights organizations have reported numerous cases of torture, inhuman prison conditions, forced disappearances and extrajudicial killings.

Egypt has relatively well-established economic relations with neighboring regions. The European Union, with which Egypt has an association agreement, is Egypt's largest trade partner. The importance of MENA states as economic partners has increased, exemplified by Egypt's \$35 billion investment deal with the UAE from February 2024, and Egypt is a member of the Agadir Agreement and the Greater Arab Free Trade Area (GAFTA). The government has also paid increasing attention to the African continent, and Egypt is a member of COMESA and the AfCFTA.

Cairo is home to the League of Arab States (LAS), with an Egyptian serving as secretary-general. However, the LAS has limited influence regionally and internationally, and any prospects for further political integration appear unattainable at present. Having deteriorated following the 2013 coup, Egyptian-Qatari relations have gradually improved since 2021, including the re-establishment of mutual ambassadors and state visits. In December 2024, Egypt announced a prospective major real estate investment deal with Qatar in the North Coast, though the amount has yet to be determined.

Relations with all three direct neighbors remain somewhat ambiguous. Relations with Israel had strengthened in the years before the outbreak of the war on Gaza, exemplified by military cooperation in the Sinai and Israeli gas exports to Egypt. Since October 2023, Egypt has played an active role in the Israel-Hamas negotiations, and has coordinated with the Israeli government on border security and humanitarian aid access.

In Libya, Egypt has increasingly sought to act as a neutral diplomatic actor since the October 2020 cease-fire, though the regime remains keen to prevent any outcome that conflicts with its own interests – specifically, the installation of an Islamist-led government.



Relations with Sudan have improved significantly since early 2020, mainly due to increased coordination regarding the Grand Ethiopian Renaissance Dam (GERD). When war erupted in Sudan in April 2023, Egypt supported the Sudanese Armed Forces (SAF) after failing to broker a peace deal between the SAF and the Rapid Support Forces. As of November 2024, about 1.2 million Sudanese have fled their country and sought refuge in Egypt.

Strategic Outlook

Overall, Egypt's economic transformation slowed during the period under review due to the repercussions of the wars in Gaza and Ukraine. These factors impeded the continuation of macroeconomic recovery and added to the socioeconomic malaise affecting large segments of society. In the political sphere, the regime showed no serious interest in fostering democratization.

To initiate Egypt's political transformation and deepen its economic openness, the Egyptian leadership should focus on the following strategic priorities:

- Reduce cleavages, injustices and inequalities: The leadership should abandon its uncompromising and repressive approach, and investigate acts of injustice, releasing all political prisoners. It should stop favoring some segments of society over others and instead promote equal opportunity. In this context, the leadership should also increase spending on education and health care, ensuring equal access.
- Introduce an inclusive political system: The leadership should allow for political participation. It should, among other things, revise restrictive legislation, allow the development of an independent party landscape, encourage independent civil society activities, and promote free speech and public discourse.
- Undertake institutional reforms: The leadership should establish better checks and balances by reducing the concentration of power in the presidency, strengthening the legislature and increasing the independence of the judiciary. Additionally, the political system should be decentralized and local elections should be held as soon as possible. The military and security apparatus should be placed under civilian oversight.
- Make the economy more sustainable: The leadership should shift its focus from capital-intensive sectors to labor-intensive ones. It should also address the main obstacles to sustainable economic development – such as the strong and opaque roles of the state and the military or the monopolistic practices of business elites – all of which undermine competition and hinder private sector growth. Additionally, efforts should be made to formalize the informal economy and improve tax collection capacities.
- Cease dismantling the welfare state: The leadership should strive to achieve a better balance between the side effects of austerity measures and efforts to alleviate the burden posed by the wars in Ukraine and Gaza on lower-income segments of society and vulnerable groups. Efforts should be intensified to combat poverty and injustice by effectively addressing the rising cost of living. The subsidy system should be more precisely targeted and effective support programs should be implemented.

The international community can support Egypt's transformation by prioritizing the following:

- Western states should avoid sidelining democratization. While their ability to influence Egypt's domestic affairs is limited and strict conditionality has proven largely ineffective, this does not imply that human rights and political liberalization should be disregarded. Instead of exporting

weapons and endorsing the regime as a guarantor of regional stability – thus inadvertently reinforcing state propaganda – Western governments should consistently highlight Egypt’s human rights situation and advocate for improvements.

– Balance economic recovery with social development. The international communication should avoid focusing solely on macroeconomic recovery and remain attentive to the social consequences of economic reforms. Instead of pressuring the government to deliver economic growth, and implement structural reforms and austerity measures at any cost, international partners should encourage measures that mitigate rising living costs and provide tangible support to the population.