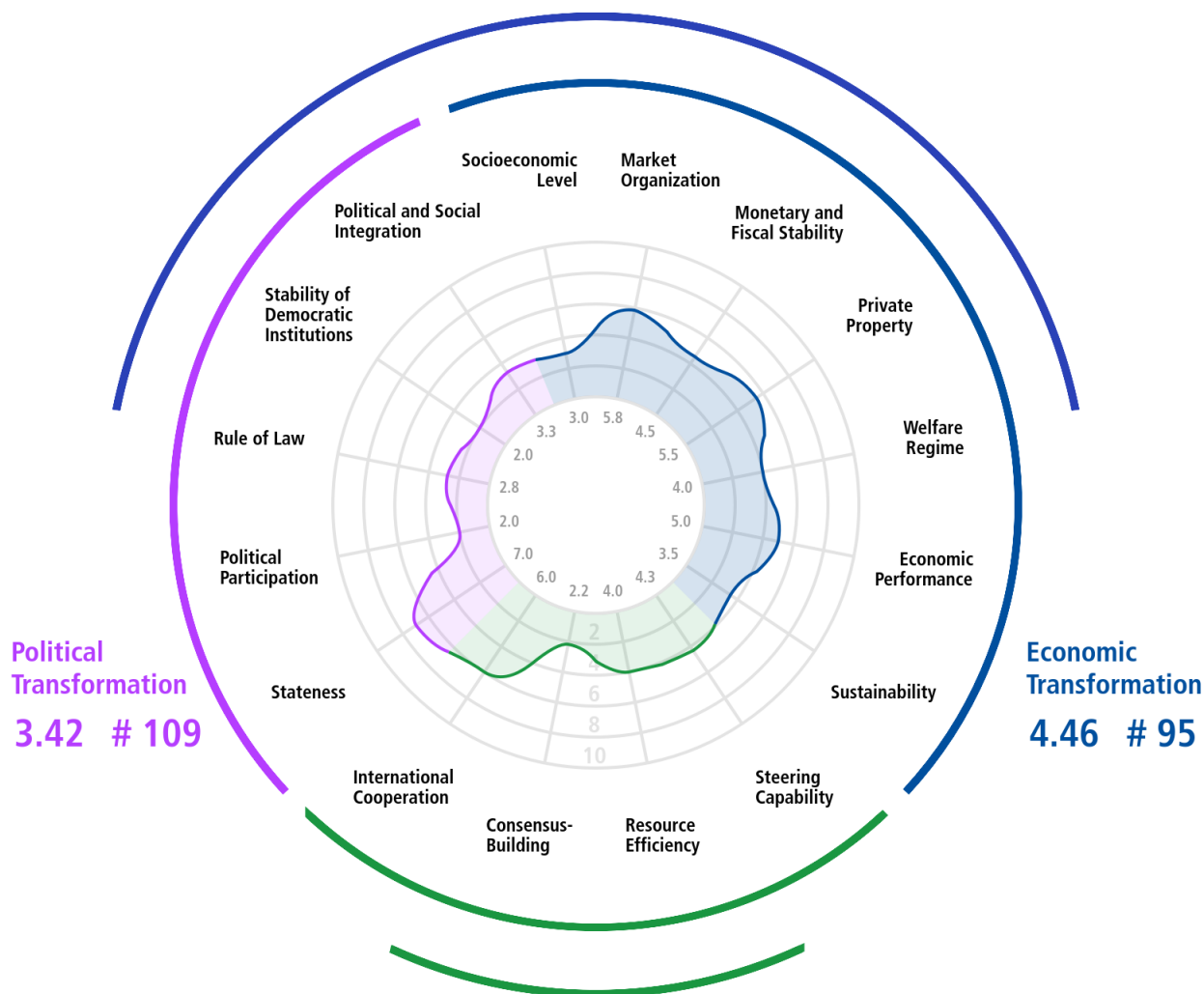


Egypt

Status Index

3.94 # 105

on 1-10 scale out of 137



Political Transformation
3.42 # 109

Economic Transformation
4.46 # 95

Governance Index

3.71 # 105

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2024 Country Report – Egypt. Gütersloh: Bertelsmann Stiftung, 2024.

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Key Indicators

Population	M	111.0	HDI	0.731	GDP p.c., PPP \$	15091
Pop. growth ¹	% p.a.	1.6	HDI rank of 189	97	Gini Index	31.9
Life expectancy	years	70.2	UN Education Index	0.702	Poverty ³	% 17.6
Urban population	%	43.0	Gender inequality ²	0.443	Aid per capita \$	75.4

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. 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 expanding authoritarianism and state control. Policymaking remained dominated by anti-democratic actors, with the military and intelligence agencies playing a particularly prominent role. The separation of powers was further limited. The president has extensive powers, while the independence of the judiciary is severely restricted, and parliament remains a rubber-stamp institution consisting almost exclusively of pro-regime figures.

On paper, President Abdel Fattah al-Sisi and the government introduced measures to improve political participation and human rights. They published Egypt's first-ever national human rights strategy, which will foster an improvement of the human rights record. They also established the presidential amnesty committee, which will facilitate the release of political prisoners, and initiated a national dialogue to help overcome political divisions. Additionally, the state of emergency expired, signifying an end to the usage of emergency laws. However, none of these measures produced significant results during the period under review. Observers labeled them as attempts by the regime to distract from grievances and drawbacks and to appease the United States and European states.

In reality, the regime continued to rely on heavy repression and a thoroughgoing approach, which once again resulted in setbacks in the spheres of participation and human rights. Civil society faced harsh repression, and the regime targeted not only political opponents but also virtually anyone who did not comply with norms defined by the rulers – such as atheists, transgender persons, homosexuals, or citizens who simply shared the “wrong” content on social media. Egypt has tens of thousands of political prisoners, and the practices of forced disappearance and torture are widespread. Furthermore, the media remained under strict state control.

In the economic sphere, Egypt was heavily affected by the repercussions of the COVID-19 pandemic and the war in Ukraine. Prior to the recent economic downturn, the government had achieved some level of success in initiating macroeconomic recovery by implementing a reform package within the framework of the 2016 IMF loan. However, during the time period being examined, both economic output and fiscal and monetary stability weakened, resulting in depleted foreign currency reserves, high inflation rates, and escalating debt levels and interest payments. To address these challenges, the government obtained an additional IMF loan in late 2022, which included a requirement to liberalize currency exchange rates. This led to a significant devaluation of the Egyptian pound. Additionally, the regime exhibited reluctance in addressing critical issues such as the military's economic control and privileges, the monopolistic practices enjoyed by some businessmen, and the active role of the state in the economy.

The regime clearly prioritized the interests of the elite. It lacked distributive justice, fair competition, equal economic participation rights and rigorous anti-corruption policies. Furthermore, it continued to implement austerity measures, such as subsidy cuts and reduced spending on education and health. As a result, lower-income segments and vulnerable groups, including informal day-workers, were particularly impacted by the repercussions of the COVID-19 pandemic and the war in Ukraine. Insufficient social welfare measures aggravated the burden, leading to a further growth in poverty and the erosion of the middle class.

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. They also implemented a one-party system and repressed all forms of opposition. Additionally, then-President Gamal Abdel 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 growth.

Against this backdrop, in 1974, Nasser's successor, Anwar al-Sadat, led Egypt on a path of 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 stand-by arrangement with the IMF, which, among other requirements, compelled them 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, as 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 characterized by a contradictory course. On the one hand, the Supreme Council of the Armed Forces (SCAF), which had taken control, continued to crack down on protesters – violent clashes resulted in hundreds of deaths. On the other hand, the political scene was reinvigorated, 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 (MB) and Mohamed Morsi, the Islamist movement suddenly controlled both the executive and the legislature, after being suppressed for decades. However, the MB did not regard democracy as a goal 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 applied an unprecedentedly authoritarian and repressive style of governance, controlling not only the political but also the economic, social and religious spheres. This has been disguised by presenting al-Sisi as the sole savior of national stability and unity. Constitutional amendments in April 2019 further centralized power in the president's office and paved the way for al-Sisi to remain the incumbent until 2030.

While any talk of de facto democratization has come to an end, a new round of economic reforms began with the conclusion of a \$12 billion loan agreement with the International Monetary Fund (IMF) in November 2016. The COVID-19 pandemic hit Egypt extremely hard from 2020 onwards, not least its highly important tourism sector.

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

Wilayat Sina (WS), the Egyptian branch of the self-declared Islamic State, and other terrorist organizations, have conducted hundreds of terrorist attacks since 2013. WS has seriously challenged the government's territorial control, especially in northern Sinai. Additionally, the Western Desert, which includes the border area with Libya, has become a second hotspot for terrorist activities.

In recent years, security forces have initiated several large-scale counteroffensives.

This weakened WS, and the number of terrorist attacks and victims decreased to 42 and 66 in 2021 (down from 158 and 695 in 2017). Most incidents during the period under review targeted military personnel, such as the killing of 11 soldiers during an attack on a checkpoint in North Sinai on May 7, 2022. Only a few civilians were harmed during the period under review. From his side, President Abdel Fattah al-Sisi declared in January 2023 that Egypt had won the battle against terrorism in Sinai.

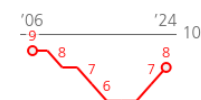
However, the long-term implications of the regime's harsh militarized approach remain unclear as it has done little to tackle the root causes of terrorism. Moreover, obtaining accurate information on developments in Sinai is impossible as the regime does not allow observers to enter the area and tightly controls the narrative of its anti-terrorism fight.

Egyptian society is relatively homogeneous. Approximately 90% of the population consists of Sunni Muslims, while the remaining 10% comprises mainly Coptic Christians. Both groups generally embrace the concept of a united nation and identify as Arab Egyptians, and there are no separatist movements. The only ethnic minorities in Egypt include the Amazigh, primarily located around Siwa near the Libyan border, Bedouins, mainly residing in the Sinai Peninsula and the Eastern and Western Desert, and Nubians, predominantly situated south of Aswan near the Sudanese border. These ethnic groups each number a few hundred thousand individuals at most.

Question
Score

Monopoly on the
use of force

8



1

State identity

8



1

Very few citizens reside in remote areas, with 98% of the country’s population living in the Nile Delta, the Nile Valley and Greater Cairo. Not least due to Egypt’s millennia-old history, nationalism and patriotism are widespread. The 2014 constitution grants access to citizenship with equal rights to anyone born to an Egyptian father or mother (Art. 6). In practice, however, many factors impact access to full citizenship rights, such as social and geographical origin, political opinion, gender, sexual orientation or ethnicity. In recent years, several political prisoners with dual citizenship had to even give up their Egyptian citizenship (and leave the country) as a prerequisite to be released.

The 2014 constitution contains religious dogmas, identifying Islam as the state religion and Shariah as the source of legislation (Art. 2), and denying non-Abrahamic religious or atheist identities the right to exist (Art. 64). The regime combats and demonizes atheism, and many atheists have been detained based on a strict blasphemy law. Society is religiously conservative, a fact that the regime considers when formulating its policies and legislation, despite constantly highlighting its secular character.

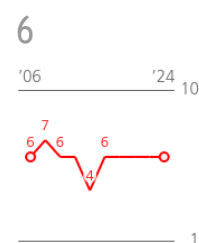
For example, according to the constitution, Christians and Muslims are subject to different personal status laws that are almost exclusively based on religious dogmas. A reform of personal status laws for Muslims has been discussed heatedly for years. The cabinet presented a draft to parliament in February 2021, which sparked backlash, primarily due to its continuing subordination of women. Women’s rights groups presented an alternative draft law in March 2022. As of the time of writing, no decision has been made.

The regime also utilizes religious rhetoric to justify its policies and has further heightened its control over the religious sphere during the period under review. For instance, in August 2021, the president issued a decree classifying Dar al-Ifta as a special-purpose entity. This classification grants the president the authority to extend the existing mufti’s tenure by one year, despite reaching retirement age, and also permits the bypassing of al-Azhar to directly appoint the successor.

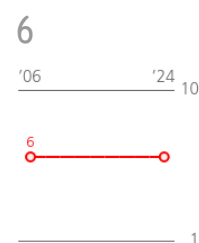
Egypt is divided into 27 governorates, which are further subdivided into regions, towns and villages. However, the administrative structure is highly centralized, with governors and executive organs appointed by the president and serving at his discretion. Elected local councils were dissolved in 2011, and new elections will only be held once a new bill regulating local councils is in place. The government presented a draft law to parliament in 2016, but the debate has been repeatedly postponed. It is unclear when elections can be expected, as no significant progress was made during the period under review.

Most basic infrastructure is available. In accordance with the latest census from 2017, 90.4% of households have access to drinking water, and 96.3% have access to electricity. According to World Bank data, 97% of the population has access to at least basic sanitation systems, and 67% has access to a safely managed sanitation

No interference of religious dogmas



Basic administration



system. The state also provides the administrative infrastructure for the rule of law; however, law enforcement is very selective, in part due to widespread corruption. Furthermore, the bureaucracy lacks both the efficiency and resources necessary to provide high-quality education and health services, among others.

Transportation has been a highly debated issue during the period under review, as Egypt has experienced a significant number of fatalities resulting from car and train accidents. For instance, in March 2021, a collision between two trains in Sohag resulted in the tragic deaths of 19 passengers, with 185 others sustaining injuries. Additionally, in April 2021, a train derailed near Toukh, claiming the lives of at least 23 passengers and causing injuries to over 100 individuals.

2 | Political Participation

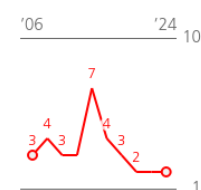
No presidential, parliamentary or local council elections were held during the period under review. The last presidential election took place in March 2018, resulting in a 97% victory for President al-Sisi. Elections for the two chambers of the Egyptian parliament occurred in August 2020 for the Senate and in November/December 2020 for the House of Representatives. The Nation's Future Party (NFP), which maintains close ties to security agencies and staunchly supports the regime, secured absolute majorities of seats in both chambers. None of the three elections were considered free and fair. Since the dissolution of all local councils in 2011, local elections have been repeatedly postponed. The next presidential elections are slated for 2024.

Both legislative chambers consist mainly of regime supporters, and parliament's rights are restricted, while the president enjoys far-reaching competences and power to govern. Moreover, non-elected actors play an important role in decision-making. Most importantly, the military and the security apparatus largely control the political sphere, having considerable power to shape policies and place individuals in office or remove them. Furthermore, religious authorities such as al-Azhar wield considerable veto power in all matters related to religion.

According to constitutional amendments from 2019, the military's mandate is very expansive and includes vague tasks such as protecting democracy, maintaining the civilian nature of the state, and safeguarding the constitution itself. Consequently, the military is effectively positioned above the constitution, as it is granted the constitutional right to intervene in politics. Legal amendments from October 2021 have further limited transparency regarding the military by making it a criminal offense to gather any information pertaining to the armed forces without prior written authorization from the defense ministry.

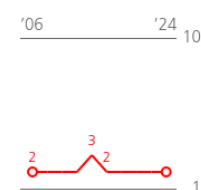
Free and fair elections

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. The regime has thoroughly implemented a restrictive protest law. Accordingly, no large-scale demonstrations took place during the period under review, and security forces have reacted harshly to the slightest possibility. For instance, when rumors emerged about demonstrations planned for November 11, 2022, security forces arbitrarily detained at least 500 citizens and strictly controlled public spaces.

A brief exception occurred during the period of COP-27 in November 2022 in Sharm El-Sheikh. Though some form of public protest was tolerated during COP-27, particularly by non-Egyptian climate activists, it was still heavily constrained in terms of time, space and content and a significant security presence was observed. Following the conference, prominent international climate activists declared that they had encountered a fully-fledged authoritarian security state.

The NGO law severely restricts the work of civil society, in part by imposing harsh restrictions on NGOs' allowed fields of operation and financing possibilities. Many critical organizations have been shut down in recent years.

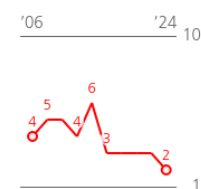
The 2014 constitution grants freedom of thought, opinion, and expression (Art. 65) and prohibits the censorship or closure of media organizations (Art. 71). However, in practice, these freedoms are severely restricted. According to the Committee to Protect Journalists (CPJ), at least 25 journalists were imprisoned at the end of 2021, making it the third-highest number globally. Egypt was ranked 166th out of 180 countries in the Reporters Without Borders' Press Freedom Index 2021.

The media landscape includes public and private outlets, both characterized by pro-regime reporting. The very few remaining independent outlets are frequently subject to intimidation. For example, the website of Mada Masr is one of over 500 websites that have been blocked in Egypt since 2017. During the period under review, several Mada Masr journalists have been summoned for investigation and/or detained. In September 2022, its editor-in-chief was summoned over charges of running a website without a license.

Restrictions are not limited to journalists. Hundreds of bloggers and social media users have been detained during the period under review for comments criticizing the ruling elite, sharing atheist views or defending homosexuality, among other issues. These detentions often occur due to violations of the very vague cybercrime law. For example, in the summer of 2021, several young female TikTok content creators were sentenced to prison on charges of human trafficking and violating family values.

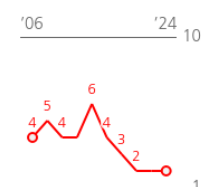
Association /
assembly rights

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 Art. 159, the parliament has the right to impeach the president in case they breach the constitution or commit a felony, and Art. 161 allows it to withdraw confidence from the president by a two-thirds majority. However, the parliament elected in 2020 is very weak and its members are almost exclusively regime supporters, whose fate is highly dependent on the backing of the president, the military and the security apparatus. Accordingly, parliament only 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. Power remains largely concentrated in the president's office.

Moreover, the independence of the judiciary is severely restricted, and the executive has gradually extended its control over the judicial branch. Lastly, the military is effectively placed above the constitution and is beyond any legal checks.

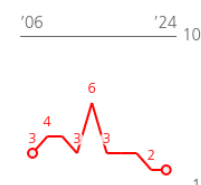
The judiciary system encompasses three primary components. The common court system handles fundamental civil and criminal cases. It is led by the Court of Cassation, which serves as the ultimate appellate court. The State Council has exclusive jurisdiction over administrative disputes, with the Supreme Administrative Court serving as the highest authority. Lastly, the Supreme Constitutional Court has 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 entailing further improvements. Since then, however, the regime has gradually brought the judiciary under tighter control through new laws and constitutional amendments. Now, the president effectively appoints the heads of the main judicial bodies. Moreover, military courts have jurisdiction over all crimes committed by military personnel and over civilians who have attacked either the military or public facilities – a charge that has been increasingly used to justify shunting cases to these courts. In July 2022, the first-ever appointment of a military judge to the Supreme Constitutional Court triggered some controversy, with critics fearing a “militarization” of Egypt's highest court.

In October 2021, the state of emergency expired, signifying the cessation of the use of what are known as special emergency state security courts. These courts severely restricted procedural rights and disallowed appeals. Presently, no new cases can be initiated, but all ongoing trials remain within their jurisdiction. It is worth noting that in the final months before the end of the state of emergency, numerous opposition politicians and human rights defenders faced trials. Additionally, a series of legal amendments were enacted shortly thereafter, including the granting of permanent jurisdiction to military courts over various additional public facilities such as gas and oil fields, electricity stations and grids, railways, road networks and bridges.

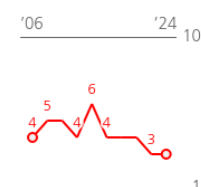
Separation of powers

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. Egypt's second national strategy to combat corruption covers the period from 2019 to 2022, but only a few individuals were charged during that time. For instance, the former director of licensing at the health ministry and the ex-husband of the health minister received prison sentences in a bribery case concluded in July 2022. However, overall, the prosecution of office abuse is neither consistent nor rigorous, and it appears that those prosecuted are primarily individuals who have lost the backing of the regime.

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

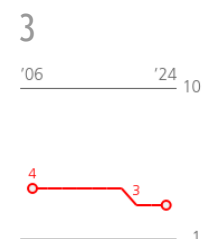
The 2014 constitution theoretically grants equal rights to all citizens without discrimination (Art. 9). However, in practice, civil liberties are systematically suppressed. Women still face challenges in obtaining equal rights, as do citizens who do not fit the societal expectation of a "normal Egyptian," such as homosexuals, transgender individuals, atheists, Shi'ite Muslims, or Bahai followers.

A report by the Transparency Center for Archiving, Data Management and Research reveals that in 2020, 10,291 individuals experienced judicial action in political cases, while in 2021, this number reached 5,733. It is noteworthy that disproportionately lengthy pretrial detentions, forced disappearances and instances of torture prevail. Notably, rights groups asserted that the death of a young man who was held in police custody in Alexandria in July 2022 was a direct consequence of torture.

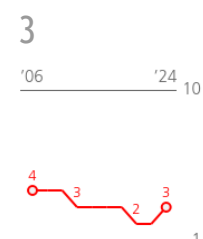
In April 2022, the Presidential Amnesty Committee was founded to facilitate the release of political prisoners. Since then, several hundred have indeed been released. However, some of them have been re-arrested, and new arrests have continued. In late 2022, oppositionists declared that they would not take part in the national dialogue initiated by al-Sisi if the promise to release prisoners of conscience was not followed more genuinely.

In September 2021, the Egyptian government released the nation's initial Human Rights Strategy. The strategy has faced criticism from human rights advocates, who view it as a public relations maneuver aimed at placating Western nations. Amnesty International, in its evaluation, asserts that the government developed the strategy without involving the public or seeking consultation, resulting in a document that paints a highly misleading picture of the human rights situation in Egypt and exonerates the authorities from any accountability.

Prosecution of office abuse



Civil rights



4 | Stability of Democratic Institutions

All political and administrative institutions since the Free Officers' coup in 1952 have been part of authoritarian regimes, except for the brief period that followed the 2011 revolution. After the 2013 coup, the current regime began reestablishing the institutional framework in order 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. 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 are seen as democratic but lack both input and output legitimacy and either belong to or are controlled by the authoritarian regime.

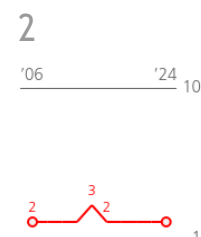
From the perspective of the military and the security apparatus, democratic institutions do not exist to monitor and supervise, but rather to wield the regime's power. Therefore, they have made sure to exempt themselves from these institutions' reach and control, best exemplified by the military's special status in the constitution. Governments, parliaments and the public administration are primarily expected to serve the regime, not the citizenry. Accordingly, the rulers have not only shaped the design of these state bodies but also control who takes office. This has led to a broad lack of confidence in the existing institutions both among the few remaining opposition forces and the general public, which has been repeatedly illustrated by low voter turnout levels in elections.

5 | Political and Social Integration

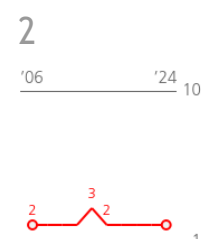
Officially, Egypt has had a multiparty system since 1977. In practice, the NDP monopolized the political arena during the Mubarak era. After the 2011 revolution, a highly fragmented party system developed, with the MB's Freedom and Justice Party (FJP) clearly being the most professional and socially-rooted party. After the 2013 coup, the FJP was dissolved, and all parties critical of the new regime were gradually silenced. In consequence, recent parliamentary elections were contested almost solely by pro-regime parties. While united in their support of the regime, they do differ in some policy areas, such as the economy or the welfare state.

Today's party landscape includes parties with long traditions, such as the (New) Wafd Party, which served as the main nationalist party in the fight against colonialism, and the Nasserist Party, which upholds the ideology of Arab socialism. Additionally, there are parties that were founded after 2011, including the liberal Free Egyptians Party, the Salafi al-Nour Party and the center-left Social Democratic Party.

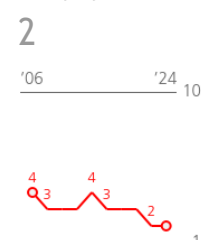
Performance of democratic institutions



Commitment to democratic institutions



Party system



In recent years, the party landscape has been increasingly dominated by parties founded by civilians loyal to the regime, often with close ties to or even receiving direct instruction from the military or the security apparatus – such as the Republican People’s Party and the Homeland Defenders Party.

The most prominent and important of these, however, is the Nation’s Future Party (NFP), founded in 2014 by regime-loyal civilians reportedly with the support of military intelligence. It is a socially conservative, pro-neoliberalist party that fully supports al-Sisi and the military. Starting in 2019, the NFP began to dominate the party landscape. It largely orchestrated the formation of party lists before the last elections, in coordination with the security apparatus, and now holds more than 50% of the seats in both legislative chambers. Even though party leaders have emphasized that the NFP has no intentions of becoming the new NDP, the NFP is on the way to establishing itself as the main pro-regime party. Unlike the NDP in the decade(s) before the 2011 revolution, however, the NFP is not dominated by the business elite.

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 in the infrastructure and housing projects undertaken during the period under review. For instance, the development of informal settlements in Cairo has mostly been planned and implemented without involving the residents, who were displaced to accommodate investors.

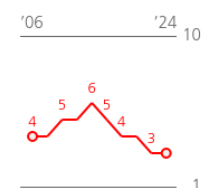
Syndicates and unions have recently been brought back under state control. The state-affiliated Egyptian Trade Union Federation (ETUF), whose leadership consists almost exclusively of regime supporters, still holds a monopoly in the union landscape. Most of the influential professional syndicates are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

For many Egyptians, democracy is not a goal in and of itself. Priorities lie in achieving justice and welfare, with the political system seen as less important. However, according to the Arab Barometer Wave VII (2021/2022), 65% of Egyptians believe that a democratic system is the best available option – acknowledging that it is not flawless. Additionally, 53% stated that democracy is always preferable to any other political system.

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

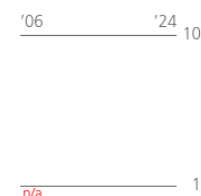
Interest groups

3



Approval of democracy

n/a



Because of the state's inability to provide basic goods and support, society has a great need for mutual aid. Yet, due to the prevailing socioeconomic malaise and the spread of poverty, support and trust are increasingly practiced only within families and people's closest social circles. Solidarity between social classes, in contrast, is low – despite some ad hoc assistance, such as charitable donations.

The state's passivity has created opportunities for religious institutions to intervene, particularly through their charities, in providing education, food and health services. Religious charitable institutions have played a vital role in supporting the population during the COVID-19 pandemic and the economic downturn. Activism focused on environmental or cultural issues, on the other hand, is just beginning to emerge, with awareness slowly growing, especially among the urban upper-middle class. Some organizations, like Greenish or Very Nile, have garnered greater attention and support during the period being examined.

Social capital

5

'06 '24 10



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II. Economic Transformation

6 | Level of Socioeconomic Development

Egypt relies on unstable sources of revenue, including tourism and remittances from workers in oil-producing nations. Widespread mismanagement, nepotism and corruption pose significant obstacles to overcoming key socioeconomic barriers. Consequently, Egypt is positioned at 97th out of 191 countries in the Human Development Index 2021 (HDI). According to the World Bank, Egypt is categorized as a lower middle-income country, with a GNI per capita (PPP) of \$12,910 in 2021, which notably falls below the global average of \$18,625. Moreover, Egypt's Gini coefficient is 31.5.

According to World Bank data, in 2021, 2.5% of the population lived below the international poverty rate of \$2.15 per day (2017 PPP), and 23.0% lived below the lower middle-income poverty rate of \$3.65 (2017 PPP). In October 2021, Egypt's main statistical agency, CAPMAS, declared that the percentage of the population living below the national poverty line had decreased for the first time in 20 years, from 32.5% in 2018 to 29.7% in 2020. However, CAPMAS expects that this number has likely risen again during the pandemic because particularly vulnerable groups have lost much of their income.

This may further increase inequality, which is already substantial. 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. Accordingly, Egypt's inequality-adjusted HDI score in 2021 is 29.0% lower than its main HDI score, which is clearly above the global mean value of 19.4%. In the Gender Inequality Index 2021, Egypt was ranked 109th out of 170 countries.

Question

Score

Socioeconomic barriers

3

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	318678.8	383817.8	424671.8	476747.7
GDP growth	%	5.6	3.6	3.3	6.6
Inflation (CPI)	%	9.2	5.0	5.2	13.9
Unemployment	%	7.9	7.9	7.4	7.0
Foreign direct investment	% of GDP	2.8	1.5	1.2	2.4
Export growth	%	-2.7	-23.7	-13.8	57.3
Import growth	%	-8.6	-18.7	0.5	24.3
Current account balance	\$ M	-10221.9	-14236.0	-18610.8	-10536.6
Public debt	% of GDP	80.1	86.2	89.9	88.5
External debt	\$ M	114484.1	129791.8	143245.8	-
Total debt service	\$ M	9007.7	13784.9	18687.5	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	7.3	7.5	7.6	7.3
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	1.4	1.4	-	-
R&D expenditure	% of GDP	0.8	1.0	1.0	-
Military expenditure	% of GDP	1.2	1.1	1.1	1.1

Sources (as of December 2023): 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-induced reforms in the context of loans in 2016, 2020 and 2022, mainly aimed at improving Egypt's fiscal stability. Thus, they primarily contained austerity measures such as subsidy cuts and a liberalization of the exchange rate. So far, reform packages have done little to address deeper structural issues, such as the role of the state and the military in the economy, and have not led to improved market-based competition.

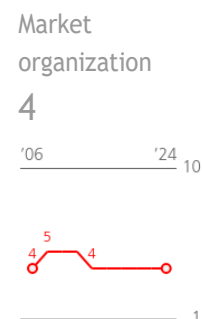
Accordingly, Egypt was ranked 152nd out of 177 countries in the Index of Economic Freedom 2022, significantly worse than in 2011 (ranked at 96th place) and 2016 (ranked at 125th place). According to the Index, during the period under review, a “five-year trend of incrementally improved economic freedom has suffered a significant reversal.”

Entering the market remains difficult, among other reasons, due to excessive bureaucracy, legal challenges when 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 the benefits military companies enjoy. For example, the military does not have to disclose its books, is granted tax exemptions, can use conscripts as cheap labor, and has control over an enormous landmass. The military-industrial complex primarily focuses on infrastructure and construction projects but also produces various consumer goods. Additionally, the military controls strategic assets, such as the Suez Canal, which generated record revenues of over \$7 billion in the fiscal year until June 30, 2022.

According to the World Bank, the lack of transparency surrounding state-owned and military-owned enterprises, as well as the privileges granted to them, is a major factor hindering private sector development.

The informal sector generates between 40% and 50% of GDP. Approximately 60% of Egypt's labor force is in the informal sector, which comprises around 95% of agricultural employment and nearly 50% of all non-agricultural employment. Some economists view the informal sector as the most thriving, job-producing, and market-oriented aspect of Egypt's economy.

While prices for most goods are primarily determined by market forces, the government plays a role in setting prices for “sensitive” goods, such as food items.



A legal framework ensuring freedom of competition was established in 2005 and implemented with the Egyptian Competition Authority (ECA) serving as the main watchdog. Since that time, the ECA has curbed monopolistic practices in only a few cases and lacks both influence and independence. It does not have the authority to stop mergers or impose fines – it can only file a lawsuit. Moreover, implementation is highly selective, and clientelist networks protect the elite from investigation. The 2020 IMF loan was bundled with demands that the competition law be amended and that the ECA be granted a stronger role. In May 2022, the government announced plans to indeed boost the ECA’s role, but no concrete action has been taken since then.

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

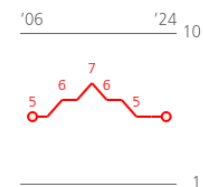
Egypt has been a member of the World Trade Organization (WTO) since 1995 and is a party to the Agadir Agreement, the Common Market for Eastern and Southern Africa (COMESA), and the Pan-Arab Free Trade Area (PAFTA). It has preferential trade agreements with the European Union (EU), which is Egypt’s largest trade partner by far, as well as Mercosur and Türkiye. On January 1, 2021, the African Continental Free Trade Area (AfCFTA) went into force – 44 countries, including Egypt, have ratified it. Since November 2018, Egypt and the Eurasian Economic Union (EAEU) have been negotiating the establishment of a free trade zone, but so far, no agreement has been reached.

Egypt’s score on the Trade Freedom Index 2022, one pillar of the Index of Economic Freedom, was 60.2%, significantly lower than the country’s score of 70.2% in 2020. In 2019 (no newer data is available), Egypt’s simple, average most-favored-nation tariff rate was 19.0%. 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. According to the World Bank, Egypt’s export potential is primarily hindered by a wide range of non-tariff barriers, such as the cumbersome customs clearance process, poor connectivity and logistics, and limited domestic competition.

In an attempt to curb the depletion of foreign currency reserves, the government implemented a range of new import restrictions in the spring of 2022. These measures included the requirement for importers to make advance payments in foreign currency. Nevertheless, a few of these restrictions were subsequently lifted in early 2023 due to the overwhelming burdens they had imposed on importers.

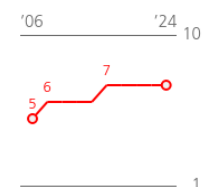
Competition policy

5



Liberalization of foreign trade

7



The Nazif government initiated the modernization of the banking sector in 2004. However, out of the four state-owned commercial banks, only the Bank of Alexandria has been privatized (in 2006). Full private sector and foreign ownership are permitted, and several international financial institutions operate in the areas of commercial and investment banking, mutual funds, insurance and securities trading. However, no new banking licenses have been issued since 2009.

The central bank of Egypt (CBE) is the regulatory authority of Egypt's banking sector, and the CBE's board of directors formulates banking (as well as monetary) policies. According to the constitution, the CBE is a fully independent body (Art. 215) but has to operate "within the framework of the state's general political economic policy" (Art. 220). In reality, 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, which has been largely implemented.

The banking system has, by and large, proven resistant to the economic crisis following the COVID-19 pandemic and the war in Ukraine, and no public or private bank has found itself in serious trouble yet. However, it faces multiple challenges, including the outflow of capital and investment, a shortage of foreign currency inflows, and customer difficulties in repaying loans. The banking sector's overall resilience can mainly be explained by Egypt's low level of integration with world financial markets, along with the CBE's conservative policies.

Several indicators demonstrate the relative stability of the banking sector. According to CBE data, Egypt's capital base to risk-weighted assets ratio increased from 14.0% in 2016 to 20.9% in June 2022, and the share of non-performing loans reached an all-time low of 3.2% in June 2022, which represents a clear improvement compared to 7.2% in 2015 and 26.5% in 2005.

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

8 | Monetary and fiscal stability

As part of the policy framework associated with the IMF loans in 2016, 2020 and 2022, the government liberalized the exchange rate, cut energy subsidies and reformed the tax structure. While those measures were deemed necessary for economic recovery, they proved to be a heavy burden for monetary stability, and currency volatility remains high.

After the flotation of the currency in November 2016, the exchange rate between the Egyptian pound (EGP) and the U.S. dollar rose from EGP 8.8 per dollar to 19.7 within weeks. In the following years, the CBE operated a costly de facto currency peg that kept the exchange rate at around 16. Against the backdrop of an increasing outflow

Banking system

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Monetary stability

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of foreign capital, the CBE readjusted its policies in March 2022 and decided to allow the value of the EGP to be determined by market forces in October 2022 – this was one of the main conditions to conclude the latest \$3 billion IMF loan. This has led to a gradual loss of value, and the exchange rate reached a new all-time high of 32.1 in mid-January 2023.

Due to the devaluation of the Egyptian pound (EGP) and the economic downturn, there was a significant increase in inflation during the period under review, rising from 4.8% in January 2021 to 21.3% in December 2022. In order to address this inflationary pressure, stabilize the exchange rate and prevent capital flight, the central bank of Egypt (CBE) implemented four interest rate hikes in 2022. The deposit rate increased from 8.25% to 9.25% and the lending rate increased from 9.25% to 10.25% in March. Subsequently, in May, the deposit rate rose to 11.25% and the lending rate to 12.25%. In October, the rates were further raised to 13.25% (deposit rate) and 14.25% (lending rate). Finally, in December, the CBE raised the rates to 16.25% (deposit rate) and 17.25% (lending rate).

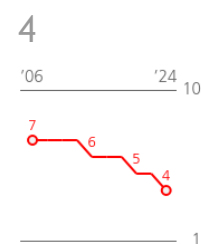
Egypt's debt stock gradually increased from 73.7% of GDP in 2010 to 108.0% of GDP in 2017, before it started to fall again to 92.0% in 2021 and 87.2% in 2022, which, however, is higher than in 2019 (84.0%). Foreign debt has continued to rise in particular – from a total of \$48 billion at the end of 2015 to \$155 billion in September 2022.

After lengthy negotiations, the IMF granted a loan of \$3 billion under its Extended Fund Facility (EFF) in December 2022 – the Egyptian side had hoped for a much larger volume of between \$7 and \$12 billion. According to the government, the IMF deal allows for the acquisition of an additional \$5 billion from international and regional institutions. Issuing short-term bonds and treasury bills remained another key strategy to plug financing gaps.

Heavy borrowing has been necessary to fund continued budget deficits of 6.8% in fiscal year 2020/21 and 6.1% in fiscal year 2021/22. Egypt's current account balance stood at a deficit of \$18.4 billion in fiscal year 2020/21, up from \$11.2 billion the year before. Debt servicing costs have increased continuously from 21% of government expenditure in fiscal year 2010/11 to a remarkable 54% in 2022/23. External debt service reached \$26.3 billion in fiscal year 2021/22. The budget for fiscal year 2022/23 foresees an increase in borrowing by 42.5% (compared to fiscal year 2021/22), and the planned \$65 billion in new borrowing represents almost 50% of total state revenues.

Foreign currency reserves have dropped significantly – from \$46.0 billion in early 2020 to \$34.0 billion in December 2022 – equaling 5.4 months of imports. Capital flight has been a serious challenge. In the first half of 2022 alone, \$22 billion drained from the Egyptian bonds market. The main instruments to stabilize foreign currency reserves were additional central bank deposits worth \$13 billion provided by Gulf Arab countries in the first half of 2022.

Fiscal stability



9 | Private Property

The 2014 constitution and Egyptian law adequately define and protect property rights. However, the legal code for property ownership is complex and creates delays in the judicial process. According to the Heritage Foundation's Index of Economic Freedom's subcomponent on property rights, Egypt's value in 2022 was 39.0%, which is clearly below the global average of 55.3% and Egypt's value of 48.5% in 2020.

Property rights are restricted for certain segments of society. The government has intensified its efforts to bring informally inhabited land under state control – approximately 50% of all buildings in urban areas remain unregistered. Thousands of people have been displaced from their homes as a result of this campaign, often without adequate compensation, including former residents of the Maspero Triangle in Cairo. In the summer of 2022, Nile houseboats in Cairo were forcibly removed despite significant resistance from their owners. Furthermore, officials began evicting residents and demolishing private homes in North Sinai in September 2022 – the area had been transferred to the armed forces in 2019 as part of a development project, leaving around 4,000 families facing eviction.

In 1994, then-President Mubarak revealed plans to privatize approximately 300 state-run companies. However, only about half of these had been transferred into private ownership before the program came to a standstill in 2011. Additionally, the process lacked transparency and was infiltrated by corruption. In March 2018, in line with recommendations from the International Monetary Fund (IMF), the government announced the restart of the program through the offering of minority shares in 23 public companies. Nevertheless, most planned offerings have been repeatedly postponed. During the period under review, only one initial public offering (IPO) occurred, as the state's ownership of the e-Finance Investment Group was reduced from 100% to 67.5% in October 2021.

Overall, according to the CBE, private enterprises contributed 73.3% to GDP in FY 2020/21, which represents a modest increase from 65% in FY 2003/04. However, the private sector accounted for only 26.3% of total investments. According to the S&P Purchasing Managers Index (PMI), the non-oil private sector contracted in every month during the period under review.

Private companies are concentrated in, among other sectors, services, trade, tourism, communications and education. Several productive sectors, including medicine, food and energy, have primarily remained in the public domain.

In the context of reforms induced by the latest IMF loan, there has been a discussion regarding the role of the military in the economy. In December 2020, the government announced plans to sell stakes in 10 military-owned companies to private investors; however, significant progress was not achieved during the review period. It was only

Property rights

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Private enterprise

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in early 2023 that reports indicated the potential sale of shares in Wataneya, the military's chain of petrol stations, and Safi, the military's bottled drinking water production company, to private investors in the coming months or years.

In May 2022, the government announced a plan to partly exit several sectors, including agriculture, livestock production, construction and hospitality, with the aim of increasing the share of private investment to 65%. This was one of the main conditions set by the International Monetary Fund (IMF) during negotiations for a loan agreement in 2022. However, the government's reluctance to fully agree to this condition resulted in a significant reduction in the loan volume.

10 | Welfare Regime

Austerity measures introduced under the framework of the IMF loans in 2016, 2020 and 2022 put additional pressure on low-income population segments, and the government has reduced spending on education and health, as well as subsidies for fuel and energy. To support the lower classes, it introduced two means-tested cash transfer programs— Takaful and Karama – benefiting approximately 3 million households.

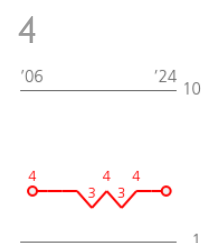
Against the backdrop of the war in Ukraine, the government announced stimulus and social security measures worth \$7 billion in March 2022. This included \$148 million in additional funding for Takaful and Karama, allowing for the addition of another 450,000 families. In September 2022, the government announced that beneficiaries of social support programs would receive an additional LE100 per household member per month. Additionally, planned measures to decrease subsidies, such as an electricity price hike scheduled for July 2022, were postponed.

Yet, these 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 during the period under review because they have not been adjusted for inflation.

In principle, the state provides basic universal health coverage through two main public insurance companies. However, the quality of public health services is very poor. Private insurance companies also operate, but they are mainly reserved for wealthier Egyptians. Overall, over 60% of health services are paid for out-of-pocket. All employees in the public and private sectors contribute to a social security fund, which manages unemployment and pensions. However, the informal sector, which accounts for more than 50% of the labor force, does not fall under any significant social security framework.

In consequence, the public safety net has a very limited reach. Hence, private safety nets remain crucial for many Egyptians, and religious charity organizations have for decades served as a substitute for the absent public social security system.

Social safety nets



According to the 2014 constitution, the state is the guardian of equal opportunity for all. In practice, individuals' chances are chiefly determined by their background, and social mobility is limited. For instance, while nearly all children have access to fundamental education (in 2019, the gross enrollment rate was 106.4% at the primary level and 89.5% at the secondary level), elite access to top-tier education is exclusive.

Traditional gender roles, which are widely accepted in society and reflected in state policies, result in persistent gender inequalities that limit women's opportunities. Consequently, the rate of women's labor market participation was 15.4% in 2021, compared to 67.1% for men. Additionally, the GNI per capita for men stood at \$19,741 (PPP, 2017), while women's GNI per capita was only \$3,536. On the other hand, the gender gap in education has been narrowing, and there are no significant differences in enrollment or dropout rates at present. As per the 2017 census, illiteracy rates were 30.8% for women and 21.2% for men.

11 | Economic Performance

Egypt's economy had slowly recovered from the deep crisis that occurred after the 2011 revolution, until it was hit hard by the economic repercussions of the COVID-19 pandemic and the war in Ukraine. The GDP growth rate increased from 1.8% in 2011 to 5.6% in 2019 but then dropped to 3.3% in 2021, with a total GDP of \$404 billion. Inflation steadily increased throughout the period under review, rising from 4.3% in January 2021 to 21.3% in November 2022.

Some key sectors have been particularly affected. Tourism revenues, for example, had recovered from \$3.8 billion in 2016 to \$12.6 billion in 2019 but then dropped to \$3.8 billion in 2020 before skyrocketing to \$13.0 billion in 2021. Net foreign direct investment (FDI) inflow had gradually increased from -\$0.5 billion in 2011 to \$9.1 billion in 2019 before dropping to \$5.9 billion in 2020 and \$5.4 billion in 2021. According to the CBE, the first quarter of 2022, however, saw the highest inflow of FDI in any quarter since 2018 (\$4.1 billion). Gross capital formation rose from 13.6% of GDP in 2014 to 17.7% in 2019 but then dropped again to 12.3% in 2021. Despite these trends exemplifying the economy's volatility to external shocks, the IMF projects that Egypt's GDP will grow by 6.6% in 2022 and by 4.4% in 2023.

However, this growth is doing little to benefit ordinary citizens. The gross domestic product (GDP) per capita (purchasing power parity, constant 2017) increased only slightly from \$10,340 in 2010 to \$12,121 in 2021. The current level of growth is also insufficient to absorb the 800,000 young Egyptians entering the labor market every year, and the official unemployment rate was 7.4% in July 2022 – many experts believe it to be much higher, and underemployment is very widespread. Moreover, growth has heavily depended on public investment, burdening the state budget. The current account balance showed a deficit of \$18.4 billion in the fiscal year 2020/21, and public debt amounted to 87.2% of GDP in 2022.

Equal opportunity

4

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Output strength

5

'06 '24 10

5 7 4 5 6 5

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12 | Sustainability

The government portrays Egypt more as a victim than as a cause of global pollution. Egypt signed the Paris Climate Agreement, and environmental protection is addressed in the 2014 constitution as a national duty. However, implementation is weak, and environmental protection is subordinated to generating economic growth – exemplified by the sidelining of environmental considerations in most state-orchestrated megaprojects. Accordingly, Egypt’s CO₂ emissions increased by 5.85% in 2021.

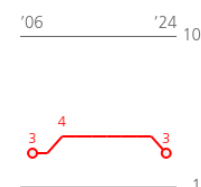
Almost 90% of energy production is still based on fossil fuels, primarily natural gas. According to Vision 2030, launched in March 2016, the government aims to reduce this share to 27%, but progress has been limited thus far. A report by GlobalData in September 2022 revealed that Egypt also fell short of its target to increase the proportion of renewable power generation to 20% by 2022 – it reached only 12.8%. Despite the introduction of the new Renewable Energy Law, which aims to attract investments and implement feed-in tariffs, investments in renewable energies remain insufficient. Furthermore, 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.

In the last 30 years, Egypt has made enormous progress with regard to enrollment and dropout rates. In 2019, the enrollment rate was 106% at the primary level, 88% at the secondary level, and 35% at the tertiary level (no newer data is available). Accordingly, the literacy rate increased from 55.6% in 1996 to 71.2% in 2017. However, while these quantitative numbers have certainly improved, the quality of education has deteriorated dramatically due to outdated equipment, crowded classrooms, a frontal style of teaching, and poor training for teachers.

The government generally acknowledges these challenges. However, the situation has not improved, not least because spending on education remains very low. The 2014 constitution mandates that at least 6% of GDP must be spent on education. In FY 2021/22, Egypt spent only 2.5% of GDP, and the draft budget for FY 2022/23 foresees spending of EGP 193 billion instead of EGP 553 billion, which would be constitutionally required. Spending on R&D amounted to 0.96% of GDP, and Egypt had 838 researchers per million inhabitants in 2020, which is clearly below the global average of 2.63% and 1,597, respectively. Egypt was ranked 54th in the R&D subindex of the Global Innovation Index 2022 and scored a 0.702 on the U.N. Education Index consecutively for 2019, 2020 and 2021.

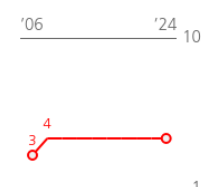
Environmental
policy

3



Education policy /
R&D

4



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 in the last decade and reached 105 million in December 2022 (up from 55 million in 1989 and 83 million in 2010). This has led to an enormous youth population, with 52% of the country's citizens being below the age of 25, placing significant stress on the education, health, labor and housing markets.

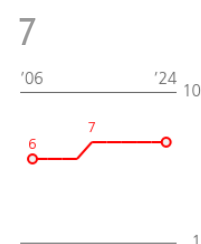
Population growth is also straining natural resources to their limits. Energy consumption has increased sharply in recent years, and Egypt went from being a net exporter to a net importer of oil in 2012 and of gas in 2015. At around 560 m³ per person, water reserves meet the U.N. definition of scarcity (below 1,000 m³) and are estimated to reach a condition of absolute scarcity (below 500 m³) by 2025. Fully 95% 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 vast desert regions are also difficult to control, not least in the fight against terrorism.

In recent years, the impacts of climate change have become increasingly visible. For instance, in 2021, farms around Ismailiyah witnessed an 80% decrease in their mango harvest due to heatwaves in spring, and the olive harvest was down by 50% due to unusual heat during the blooming season. Moreover, the rising sea level has begun to affect freshwater availability in the Nile Delta, and certain regions with limited farming opportunities are now facing the threat of desertification.

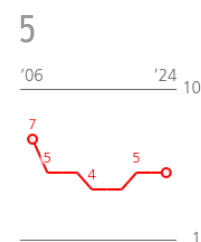
Egypt is characterized by a fairly strong tradition of civil society activity. Independent labor movements developed in the late 19th century, and professional syndicates played an important role in the first half of the 20th century. Liberal women's and anti-colonial protest movements also gained strength 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



Civil society
traditions



in 2013, such as the NGO law from 2017, which further extended state control and granted state authorities far-reaching rights to control NGOs. The CIVICUS Monitor 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 virtually absent, primarily due to the repressive instruments of the authoritarian regime. However, numerous divisions had been simmering beneath the surface for decades, encompassing civil-military, secular-religious, Muslim-Christian, labor-capital, class, gender and intra-generational boundaries. All of these divisions became prominent after 2011, although to different extents.

Since the military coup, the regime has largely prevented mass mobilization along those 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, clearly favoring specific sides in each division. Thus, deep cleavages still characterize society, even though they are hardly reflected in mass mobilization or violence.

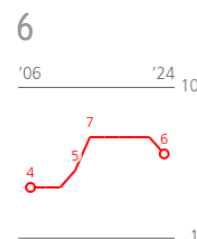
Only a few cleavage-based tensions turned violent during the period under review. In January 2022, for example, Coptic residents of Minya demonstrated against the non-granting of a license to build a church. Copts have fought against restrictions in the context of the building and renovation of churches for decades. In the following days, several protesters were arrested. During Ramadan 2022, a series of (violent) discriminatory incidents against Copts made the headlines, leading Pope Tawadros II to call upon the Egyptian government to preserve sectarian peace.

II. Governance Performance

14 | Steering Capability

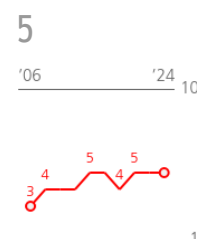
The regime's main objective has consistently been its own survival. Consequently, short-term concerns centered on strengthening its hold on power, including reclaiming authority over state institutions, combating Islamist insurgents and securing foreign financial assistance, have been the primary focus of policymaking since the 2013 coup. Only after effectively suppressing the most immediate threats to the regime's survival through extensive repression did the regime start formulating a long-term vision, which is still steered by the goal of ensuring regime longevity. Throughout the period analyzed, no attempts were made to broaden political participation.

Conflict intensity



Question Score

Prioritization



The ruling elite has remained committed to clearly prioritizing strengthening economic output on the macro level over improving distributive justice and supporting poorer segments of society. In that context, it mainly bets on megaprojects, such as the extension of the Suez Channel or the New Administrative Capital. While these megaprojects provide the military with the opportunity to strengthen its economic performance and allow the elite to accumulate wealth, their value for the population is limited.

Finally, the government aims to improve monetary and fiscal stability, and respective policies were thus among the most discussed issues during the Egyptian Economic Conference held in October 2022. Overall, the regime's prioritization primarily benefits the elite, but it does not strengthen democracy or economic participation.

The balance sheet regarding the implementation of the regime's main priorities is mixed. Before the economic repercussions of COVID-19 and the war in Ukraine hit the country hard, the government, with some success, took measures to speed up macroeconomic recovery. Yet, the pandemic and the war, along with the government's policy choices, have once again resulted in a rising budget deficit, high inflation rates, additional borrowing and interest payments, and decreasing foreign currency reserves.

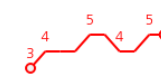
The regime has remained reluctant to address the most critical issues hindering economic development, such as the military's economic empire and privileges, the monopolies held by some businessmen, the active role of the state in the economy, and the scale of the informal sector. Additionally, measures to protect the poor from the side effects of the structural adjustment program and the repercussions of the pandemic have been insufficient.

Instead, it has continued to push through prestigious megaprojects. After the six-day blockade of the Suez Canal in March 2021, which was caused by the wedging of the Ever Given container vessel and had significant ramifications for global shipping and worldwide trade, another expansion of the canal was initiated. The expansion is scheduled for finalization in 2023. In mid-2022, a new \$8 billion deal with the German company Siemens was announced to build a new high-speed railway network. However, this project is unlikely to benefit the millions of Egyptians who depend on the existing, ailing railway system. Despite the pandemic slowing down progress in constructing the NAC (New Administrative Capital), the governmental district is nearly finished. In December 2021, President al-Sisi declared that the government would start to move to the NAC, and the first cabinet meeting in the new administrative capital was held in that month. Additionally, during the period under review, the first hotels and businesses in the NAC were opened. Work in the central business district is also progressing, but it is still ongoing.

Implementation

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Harsh actions against militant Islamists did not establish sustainable conditions of security, even though military operations led to a reduced number of terrorist attacks during the reviewed period. In the long run, 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.

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 any political liberalization on the horizon. Repression and exclusion persist, and the government's policies remain unmonitored and unevaluated. The processes of policymaking remain inflexible and opaque, while the bureaucracy remains rigidly hierarchical.

If projects are monitored and evaluated, it occurs solely internally and without the inclusion of independent reviewers – critical findings are almost never published. Similarly, international cooperation and consultancies are only sporadically and hesitantly approved. The IMF has some connections with the Egyptian government due to the loans it has facilitated, yet even in this case, the official rhetoric often rejects this notion and shows little appreciation.

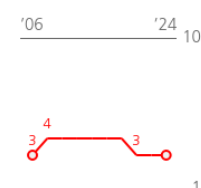
In its attempt to control the public discourse, the regime labels any form of critical analysis as external interference, rumor or fake news. Academic freedom is severely restricted, and the regime shows no interest in the recommendations of researchers who do not fully support its policies. State-orchestrated megaprojects are announced without any prior public discourse and without considering environmental impacts. Moreover, the regime continues to fight terrorism using exclusively military means, marginalizes certain segments of society, and favors specific groups, 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 among genders, generations and social classes. In an effort to address unemployment and maintain loyalty, successive governments have heavily relied on public sector employment. As a consequence, the state apparatus has grown significantly and now employs approximately seven million individuals. However, estimates suggest that no more than three million employees are necessary. Consequently, redundancies and underemployment have arisen, resulting in low efficiency in delivering public services and carrying out regulatory procedures.

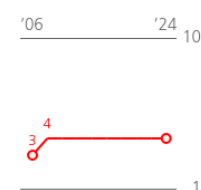
Policy learning

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Efficient use of assets

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During the period under review, amidst the pandemic and the war in Ukraine, Egypt experienced a rise in its budget deficit, current account balance and public debt. As per the draft budget 2022/23, an astonishing 54% of government expenditures will be allocated to debt services. Interest payments and loan installments are estimated to require EGP 1.66 trillion, which is over double the sum from FY 2018/19 (EGP 775 billion). Furthermore, an additional 25% to 30% of the budget is spent on state employees and subsidies. Consequently, there are limited funds available for crucial sectors such as education and health care.

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 in a way 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 of secondary 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.

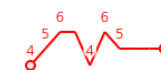
Due to its centralized, hierarchical and bureaucratic coordination style, the leadership determines the major policy guidelines and distributes competencies and tasks. Horizontal communication between different departments of the state administration is weak, leading in many cases to a lack of coordination and inefficiency, redundancies, and conflicting and counter-productive policies. Moreover, different parts of the government frequently compete for competencies instead of effectively supporting and complementing each other. In recent years, however, the leadership has succeeded in reducing the competition between different parts of the regime primarily by increasing its own control over all state and non-state bodies.

Corruption thoroughly pervades all aspects of any Egyptian's life. At a low level, presents and small amounts of money are expected in exchange for most administrative acts or for avoiding trouble with the police. At a higher political level, a harmful and largely uncontrolled culture of corruption has developed since the beginning of economic liberalization and privatization in the 1970s. This culture is rooted in private capital's dependence on state officials' decisions. 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.

Policy coordination

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Anti-corruption policy

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Institutional arrangements exist to implement an anti-corruption policy. For example, Egypt's main anti-corruption body, the ACA, was strengthened through legal amendments in 2017; however, it continues to lack independence. The regime primarily utilizes 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 economic and political elites' networks.

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 – both 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 counter-productive and consider the limited political openness of the 2000s a mistake that allowed the 2011 revolution and therefore should be avoided.

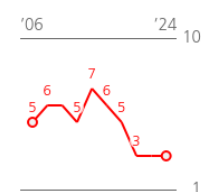
With regard to the market economy, the picture is less clear. While there is consensus that generating economic growth must be a key priority, the proper extent of liberalization and economic reforms is contested. In recent years, the government has introduced some measures to strengthen market mechanisms 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 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 security forces, operating with little constitutional or public scrutiny. The political clout of the influential business elite, who to some degree align with economic and 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 terrorism – a rationale that not only significantly curtails individual liberties but also limits any discourse on reforms. Institutions that are meant to exercise oversight, such as the parliament or the judiciary, become politicized and largely show loyalty to the rulers.

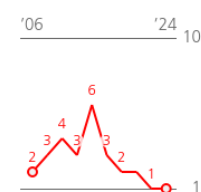
Consensus on goals

3



Anti-democratic actors

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In April 2022, President al-Sisi announced the launch of a national dialogue. In the months that followed, there was considerable debate over whom to invite, and the decision was made to exclude representatives of the MB or other Islamist movements. Instead, the dialogue will include regime figures, supporters and a selected group of liberal secular oppositionists. As of now, preparations for the national dialogue have been progressing at a sluggish pace, and no start date has been announced.

The Egyptian nation shares a millennium-old history and is relatively homogeneous in terms of ethnicities, religion, language and culture. However, society is deeply divided along several other cleavages. During the period under review, class divisions have become increasingly apparent. Against the backdrop of the economic repercussions of the COVID-19 pandemic and the war in Ukraine, poverty has spread and the middle class has been eroding. The elite, in turn, has continued to enrich itself.

In the process of implementing its rule after the 2013 coup, the regime has aimed to restore a shared Egyptian identity. It has fostered the spread of nationalism and patriotism and has adhered to a specific vision for societal organization, with patriarchy and distinct morals and traditions as fundamental principles. 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 examination. Al-Sisi failed to fulfill his promise of inclusivity 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.

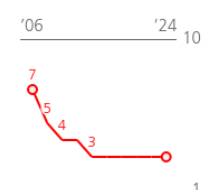
While al-Sisi has repeatedly called on all social forces to help solve the country's numerous challenges, civil society participation is in reality unwelcome and largely absent. The state's control over civil society has remained firm since the 2013 coup, facilitated by a number of restrictive new laws. The most severe restrictions are imposed on political activities that involve any form of critical engagement with the regime's performance or human rights. Nevertheless, work on social and cultural issues is also closely monitored and regulated.

Labor unions, professional syndicates, the media and religious authorities are, by and large, under state control. Civil society's input is very limited at all stages of policy formulation, 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.

Climate and environmental protection is one aspect that has gained increasing attention during the period under review, not least against the backdrop of COP-27. Al-Sisi has repeatedly stressed that civil society shall play an important role in combating climate change, and indeed, many organizations, including international NGOs and foundations, have increasingly worked on issues related to the environment – often because the scope for activities in other fields is even more

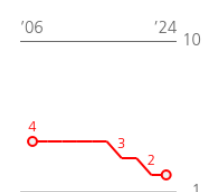
Cleavage /
conflict
management

3



Public
consultation

2



closed. Nevertheless, the state makes sure to control the narrative and hardly ever takes civil society's input seriously. A Human Rights Watch report from September 2022 concludes that independent organizations cannot freely conduct environmental advocacy and research, including in the run-up to COP27.

The government does not address or investigate most acts of past injustice perpetrated by the military, intelligence agencies or police forces – neither those that happened during and after the 2011 revolution nor the massacres of Morsi supporters in summer 2013, which took at least 1,000 lives. Also, 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 usage of torture and harsh prison conditions are all shielded from critique and remain unaddressed. The regime denies all accusations and manipulates memories by constantly accusing its opponents of being terrorists that threaten the nation, effectively turning victims into perpetrators.

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

Throughout the examined period, the Egyptian prosecution has persistently delayed and obfuscated the investigation of the murder of Italian PhD student Giulio Regeni. Regeni was discovered dead, bearing signs of torture, in Cairo in February 2016. Eventually, the case was officially closed without a clear resolution. Italian authorities, in response, have brought charges against four individuals affiliated with the Egyptian security apparatus, accusing them of kidnapping, torturing and ultimately killing Regeni. However, in October 2021, an Italian court ruled that no trial could commence due to the inability to inform the suspects of the charges. Furthermore, the prosecution expressed frustration over the lack of cooperation from their Egyptian counterparts.

17 | International Cooperation

Egypt's foreign policies are guided by the regime's desire to ensure its own survival and are therefore primarily driven by short-term considerations. In general, the regime seeks to leverage external partnerships to acquire resources necessary to thwart threats to its survival – such as financial aid, weapons and investments – while steering clear of external demands that could undermine regime stability. These demands may include conditions that would compel the regime to ease repression or requests for economic reforms that could weaken the influence of regime actors.

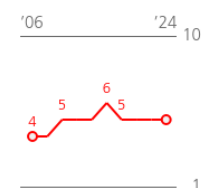
Reconciliation

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Effective use of support

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To that end, the regime has enhanced its bargaining position by presenting itself as a regional pillar of stability, a resolute opponent of radical Islamists, and a trustworthy partner in managing migration. Additionally, the obstruction of the Suez Canal by the “Ever Given” accident in March 2021 once again underscored the canal’s significance for global maritime trade.

This allowed the regime to diversify Egypt’s foreign relations and strengthen cooperation with China, Russia, Saudi Arabia and the United Arab Emirates in particular. After the Russian aggression in Ukraine, the Egyptian regime by and large succeeded in upholding close relations with both Western states and Russia. In June 2022, for example, Egypt and the European Union signed a new agreement on gas deliveries and energy cooperation. On the other hand, in 2021 and 2022, the U.S. government declared it would withhold \$130 million of its annual \$1.3 billion in military aid due to human rights concerns.

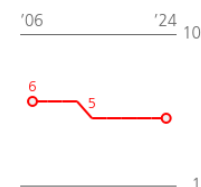
Support and cooperation are primarily sought in the areas of security, the economy, energy and infrastructure. International input is accepted for certain cooperation and investment projects, including the construction of a nuclear power plant by Russia’s ROSATOM and the purchase of weaponry with subsequent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

The Egyptian regime is considered to be an only somewhat credible and reliable partner for the international community. Concerning economic issues, the regime generally fulfills its commitments as outlined in international treaties and agreements. Confidence in the Egyptian economy has significantly increased following the government’s implementation of economic reforms tied to four consecutive IMF loans since 2016. Subsequently, other financial institutions, such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB), have significantly expanded their operations within the country.

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. In May 2021, the Egyptian regime once again proved its relevance by negotiating a cease-fire between the Israeli government and Hamas. However, concerning its commitment to human rights and individual liberties, the situation is much bleaker. Although Egypt has signed several human rights conventions, the country’s human rights record has significantly worsened since 2013. Egypt is a signatory to the Convention on the Elimination of All Forms of Discrimination against Women, but the government does very little to effectively implement gender equality. It is also 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, forceful disappearances and extrajudicial killings.

Credibility

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Whereas Egypt signed the Paris Climate Agreement, it did not declare any concrete national target for CO₂ emission reductions until July 2022. At that time, in preparation for COP-27 in Sharm El-Sheikh, the government announced a vaguely defined target for 2030. According to the Climate Action Tracker, the new 2030 target is barely an improvement and would result in emissions continuing to rise in absolute terms, potentially surpassing what is anticipated with currently implemented policies. As a result, Egypt continues to be categorized by the Climate Action Tracker as a country with “highly insufficient” climate policies.

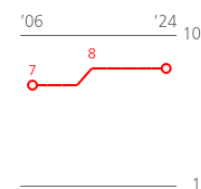
Egypt has relatively well-established economic relations with neighboring regions. The EU, with which Egypt has an association agreement, remains Egypt’s main source of foreign direct investment (FDI) and its largest trade partner by far. The importance of Middle East and North Africa (MENA) states as economic partners has increased in recent years, 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 the Common Market for Eastern and Southern Africa (COMESA) and the African Continental Free Trade Area (AfCFTA), which was launched in 2021.

Cairo serves as the location for the League of Arab States (LAS), with an Egyptian holding the position of secretary-general for the organization. Nevertheless, the LAS wields limited influence both regionally and internationally, and any prospects for additional (political) integration appear unattainable at present. In June 2017, Egypt, Kuwait, the UAE and Saudi Arabia severed diplomatic ties with Qatar and implemented a significant blockade. However, in January 2021, all five countries reached an agreement to resolve the rift. Egyptian-Qatari relations have steadily improved since then, as evidenced by the resumption of direct flights and the reinstatement of mutual ambassadors in 2021. Furthermore, both state leaders have engaged in reciprocal visits, and Qatar has announced its intention to invest a sum of up to \$20 billion in Egypt in 2022.

Relations with all three direct neighbors remain somewhat ambiguous. Relations with Israel appear closer than ever, exemplified by military cooperation on the Sinai and Israeli gas exports to Egypt, which have been further increased by an agreement in June 2022. Relations with Sudan have improved significantly since early 2020, mainly against the backdrop of increased coordination regarding the Grand Ethiopian Renaissance Dam (GERD). The two countries have started to link their electricity grids, discussed cross-border transportation networks and deepened security cooperation. In Libya, Egypt has increasingly sought to act as a neutral diplomatic actor since the cease-fire of October 2020, but the regime remains highly interested in avoiding an outcome that is against its own interests, that is, the installment of an Islamist-led government.

Regional cooperation

8



Strategic Outlook

Overall, Egypt's economic transformation was slowed down during the period under review due to the repercussions of the COVID-19 pandemic and the war in 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 exhibited 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, injustice and inequality: 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 that 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 for 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 power concentration with the president, strengthening the legislature and making the judiciary more independent. Additionally, the political system should be decentralized, and local elections should be held as soon as possible. The military and the security apparatus should be placed under civilian oversight.
- Make the economy more sustainable: The leadership should refocus its approach away from capital-intensive and toward labor-intensive sectors. It should also address the main obstacles to sustainable economic development, such as the strong (and nontransparent) role of the state and the military or the monopolistic practices of the business elite – all of which undermine competition and thus hinder private sector development. Additionally, efforts should be made to formalize the informal economy and enhance tax collection capacities.
- Cease dismantling the welfare state: The leadership should strive to strike a better balance between the side effects of austerity measures and alleviate the burden posed by the pandemic and the war in Ukraine on lower-income segments and vulnerable groups. Efforts should be intensified to combat poverty and injustice by effectively addressing the growing cost of living. The subsidy system should be more precisely directed, and effective support programs should be implemented.

The international community can support the process by focusing on the following strategic priorities:

- Western states must refrain from sidelining democratization and acknowledge that they are unable to influence domestic affairs effectively. Strict conditionality has proven to be largely ineffective. Nonetheless, this does not imply that human rights and political liberalization should be disregarded. Instead of exporting weapons and endorsing the regime as a source of stability, thus inadvertently providing a platform for propaganda, Western governments should consistently highlight Egypt's human rights situation and advocate for enhancements.

- Do not solely focus on macroeconomic recovery; the international community should be sensitive to tensions between economic reforms and their potential effects on social development. It should not push the government to generate growth and implement structural reforms and austerity measures by any means necessary, but instead should encourage the effective mitigation of rising living costs and support for the population.