



IUPUI

INDIANA UNIVERSITY
Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Egypt

Expert: Anonymous

Institutional Affiliation:

Edited by the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Endowment, Foundation¹, Society

Five main social issues addressed by these organizations: Basic Needs, Food, Health and Medical Research, Religion, Youth and Family

Average time established by law to register a philanthropic organization: Varies

The implementing regulations were introduced in early 2021. Thus, it is too soon to know the average time to register a philanthropic organization (PO).

Average cost for registering a philanthropic organization: USD 300

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	1.83	2.75	1.25	1.75	3.50	3.00	2.35
2018 GPEI	2.50	3.25	2.25	1.75	N.A.	4.00	2.75

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

¹ Philanthropic organization refers to foundations in the Egypt Country Report.

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 2.0

As of February 2021, all POs in Egypt must reregister even if they already enjoy registered status or a license. No unregistered entities may operate without facing criminal prosecution. An organization may not register if its purpose is already covered by another entity or does not harmonize with the needs of the country. Egyptian POs must submit their application, including an official address. Officials will visit the address to be sure that it has an adequate entrance and is not being used for any other purpose. At least USD 20,000 must be deposited in a bank account (but in a contradiction, a bank account cannot be opened without first obtaining a permit from a supervising Ministry and the Central Unit for Civic Association Work, a new national administrative oversight body for civic organizations.) Issues relating to the substantive areas allowed for POs are dealt with in Question Two. It is too soon to estimate the average wait time for a new entity to receive a registration or a denial.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 1.5

Internal governance is fairly unrestrained except that all board members are vetted by security services; in the past, registrations have been denied because of 'undesirable' individuals. In the past, staff of the administrative body would in some cases make quarterly unannounced visits to POs to go over their books in detail. Activities of the PO are severely constrained. They must fit narrowly within the government's development plan and may not deviate from the program description stated in the PO registration. Implementing regulations limit the work of POs to fields associated with "social development," providing they adhere to state development plans and "society's needs" (Article 14). The implementing regulations do not define "social development," and this vagueness can be used to deny legal status or suspend activities because they do not fit within state development plans, or they can claim that society has no need for a particular association's activities. At the same time, the law enumerates a long list of vague activities prohibited to all associations, including: Activities not mentioned in the notification of establishment (even though the 2014 constitution allows all citizens to form civic associations that do not violate existing law); Political, partisan, or union-related activities, or the use of association offices for these purposes; Activities likely to infringe on public order, public morals, national unity, or national security; The conducting or publication of opinion polls or their findings, or conducting field research or making its findings known prior to approval from the Central Agency for Public Mobilization and Statistics; Agreements with a foreign body located within or outside the country without prior approval from the Central Unit (excepting donations, which follow special regulations, described below.)

[Information in this section cited from a Cairo Center for Human Rights 2021 report on the Implementation Regulations.]

Question Three: To what extent is there government discretion in shutting down POs?

Score: 2.0

POs have the ability to voluntarily dissolve and close accounts as long as there are no pending issues in court or with any government agency such as the Central Unit or tax authority. Involuntary dissolution may be implemented without giving cause. However, the newly published implementation guidelines (to further clarify the law) require the Central Unit or relevant Ministry to inform the PO of a violation before moving to dissolve, a welcome addition. Involuntary dissolution allows the government to suspend all activities and financial transactions, seize assets and accounts and place them into a governmental fund. Furthermore, a new provision of the law allows investigating bodies to demand detailed bank statements without showing probable cause of a recognized crime. This violates an existing banking privacy law and will have to be resolved through a court process. In fact, in several additional instances, the staff of the Central Unit overseeing PO work have assumed judicial police powers without specified limits. A provision of the law allows a PO to appeal dissolution in an administrative court but this has not yet been tested.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 2.0

Under the previous law, 10 percent of earnings or income could be deducted for charitable contributions to registered POs and membership associations if receipts were presented. It was not easy to claim this deduction (in fact, its existence was not widely understood) and was usually "bargained" with the tax authorities to less than 10 percent. This provision remains unchanged in the new law.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.5

There has been no change since 2018. For more information, please see the 2018 Egypt Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16809>

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 1.0

The implementing regulations for the current Law of Association prohibit any contact, cooperation or joint activities with a foreign entity without an advance permit from the Central Unit for Civic Associations Work (CUCAW) after consultation with the relevant Ministry. Fines range between USD 6,300 and USD 63,000, with prison terms up to a life sentence imposed if the foreign entity is determined to be on a terror organization list. These are major new restrictions introduced in the current law. The implementing regulations are unclear and sometimes contradictory, and it is too soon to know how they will be carried out in practice.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 1.5

POs are allowed to receive external donations from approved international organizations or their local branches. Notification of the receipt of funds must be made within 30 days and permission or denial from the Central Unit should be received within 60 days. If the donation is refused by the Central Unit or its coordinating Ministry, the funds must be returned in full within five days. No grounds for the denial are necessary. This, of course, precludes any time to appeal a decision in the courts. The onus is placed on the bank handling a PO account to return the funds within five days. This makes banks extremely reluctant to open accounts for POs. Further, POs would be reluctant to accept funds or begin any joint cooperation until the full 90-day period is ended or permission is granted. In effect, the cross-border flow of funds for philanthropic activity in Egypt is precluded under the current implementing regulations.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 1.5

During the social upheavals that followed a mass uprising and the removal of Hosni Mubarak's 30-year regime in 2011, Egypt experienced a brief flourishing of citizen participation in politics, wide consultation over policy, and complete freedom of expression and association. It was accompanied by economic and security instability that made the middle class in particular long for a 'strongman in charge.' Since the election of the current regime under Abdel Fatah El-Sisi, those freedoms have been systematically closing. Currently, policymaking and draft legislation is produced with no consultation with civil society. In fact, attempts to participate can be penalized. Two lawyers were recently arrested on the charge of illegally circulating a draft law their legal colleagues had proposed. Ministries do selectively consult with a handful of large, trusted POs believed to fully support the

official development strategy. These entities tend to be operating foundations such as hospitals, orphanages, or those active in an array of charitable activities such as food distribution. A few private family foundations fall into this category, as well. These groups are to be commended for pivoting during the early days of the pandemic to support poor families whose livelihoods had disappeared. The Egyptian Food Bank, for example, implemented a massive distribution of meals for day laborers that continues today. Government stipends to this group of highly vulnerable workers soon followed, suggesting that PO lobbying had been effective in this case.

Additionally, the PO sector is growing slowly (whether family foundations, community foundations, or operating foundations seeking public support) due to onerous obstacles to funding and registration. Public discourse is strongly suspicious of POs and membership associations' sources of funding and the possibility of hidden or foreign agendas. Rights-based non-profits that used to receive international funding are struggling as those sources have run dry, while local POs know that it would be dangerous to openly support rights-based groups. Some groups choose to operate as registered companies if their program objectives can support that. But the latest Law of Association tries to close this loophole by forcing a new registration if the purpose has any relation to social development. Some of these socio-cultural narratives arose in Egypt as early as the 1960s. However, they have been reinforced in post-2011 Egypt by a number of high-profile court cases against both citizens and foreign nationals.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 2.0

Officially, the government is neutral toward philanthropy while supporting religious values such as charitable support to the less fortunate. This plays out in the allowable public discourse through a flood of expensive TV advertising for charitable causes once a year during Ramadan. However, any civic action outside this framework, such as support for youth programs to teach civic values, once widespread in the country, has now been curtailed. Fundraising locally has become tightly controlled, and as previously noted, international funding has been made nearly impossible. A more insidious indicator of this 'securitized' stance toward philanthropy is that activists who attempt to organize community efforts or criticize regime policies online are arrested under the pretext of belonging to terrorist organizations. Currently those in this category are held in detention for months or years without formal charges, so there is no avenue toward a fair hearing in court. Egyptians know that the country faces a problem with extremist groups, mostly active in the Sinai. But using that pretext against lawful civic activity has reached unprecedented levels recently.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.5

Despite the economic blow dealt by the COVID-19 pandemic to an economy dependent on tourism and foreign remittances for hard currency, Egypt's economy is proving resilient, with 3.5 percent growth of GDP in 2020. Major bilateral support from UAE and Saudi Arabia, IMF loans, and huge construction projects like the New Administrative Capital, help. The government has taken some

steps to curb corruption among mid-level public officials, and for more universal collection of tax revenue. Introducing conditional cash payments to low income families is gradually replacing subsidies and should stimulate the economy over time. Application of the 10 percent tax deduction for charitable donations of individuals or companies appears to be becoming more straightforward. The main negatives remaining in the economic environment are high unemployment rates, especially for young labor force entrants, and underemployment/low wages for those working in the public as opposed to private sector. As opposed to the unstable economic conditions (severe devaluation of the currency, poor international balance of payments) present in 2014-2017, Egypt appears to be on a more positive trajectory in 2021. Charitable giving during the first year of COVID-19 appears to have remained steady, as those who were well-off gave more to offset the giving of those who were unable, due to greatly reduced incomes. With national data not forthcoming, this is mainly speculation based on the experience of a few large charities.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.0

Traditions of giving are deep-rooted in faith and culture. Personal charitable giving levels are high and some POs are trusted recipients of sizable donations. However, local news coverage and media entertainment such as the Ramadan dramatic serials (which run for 30 evenings and are widely watched), routinely portray civil society figures as devious, non-transparent, and working against the interests of the country. In April of 2021, a popular program portrayed an international PO director based in Cairo as really an Egyptian undercover agent whose job was to expose corruption in local and foreign think tanks and human rights organizations. That PO director and others were portrayed as operating as fronts for foreign funding agencies or as having ties to militant Islamists. The theme was that civil society is dangerous and often works against the best interests of the country. This program was framed each day as based on real files of the State Security apparatus. As a result, the cultural impulses toward giving are undermined by an official discourse that promotes suspicion of civil society and philanthropy.

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Informal philanthropy is practiced by both rich and poor in Egypt, a legacy of both Christian and Muslim injunctions to support those in need. Institutional philanthropy has developed slowly over the last hundred years, mainly based in religious institutions or faith-based in nature. A major setback in the 1950s was the nationalization of all private endowments, an Ottoman practice that placed large amounts of land and urban property into perpetual trusts for public purposes. These were subsequently administered in a non-transparent fashion by a state ministry. New 'awqaf' endowments were prohibited until the 2014 constitution, which contains an article requiring the government to reinstate private endowments. That article faced strong resistance from the Ministry

of Awqaf and has never been implemented. Nonetheless, many prominent business leaders and public figures are active in establishing secular foundations or charitable organizations to address unmet needs of the poor, improve education, provide health care in remote locations, etc. In times when such private sector leaders are close to the political leadership, philanthropy flourishes. But in the absence of regime support, it tends to languish. As elsewhere in the world, military leaders have little experience in the volunteer sector and tend to mistrust it. That general ethos pervades the current climate for philanthropy. The one academic center devoted to the sector no longer publishes new research, which is forbidden without prior government approval. A regional network, the Arab Foundations Forum struggles to find one Arab country where it can maintain registration and a bank account. So the slim infrastructure of the sector faces the same fate as its individual members.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) A highly criticized Law of Association was set aside in 2017 but for two years nothing took its place. Basically, the sector is without an operating law and all registrations were frozen until 2019.
- 2) A new Law of Association was formulated in 2019 with minimal consultation and passed without discussion in parliament. It is somewhat improved (following heavy international and local lobbying) but sat on the president's desk many months before getting a signature.
- 3) Implementing regulations are required for a new law to go into effect. However, these are delayed until promulgated in February 2021. The sector remained frozen during the entire period from 2017 until early 2021. A new entity, the Central Unit for Civic Association Work, is established and is composed of ministerial and security apparatus members.

Future development trends in the philanthropic landscape

Online crowdfunding has definitely grown more rapidly than institutional forms, and as a result, the government is seeking ways to exert authority over it. A positive trend, especially among younger social entrepreneurs, is to form companies that can operate with far fewer constraints in pursuit of a public goal. Solar energy, independent media, and arts and culture initiatives have all been set up in this manner. Cross-subsidy in the private sector is another method by which, for example, a hospital for eye surgery charges fees to paying patients and uses that revenue to provide free surgery to those who cannot afford it.

Three key recommendations to improve the environment for philanthropy

- Simplify registration to require only name, address, purpose, and names/contacts of founders. Then require a simple annual report of activities and expenditures, which should be made public.
- Ease restrictions on opening PO bank accounts once simplified registration is in place.
- Publish data in government hands on the PO sector. This will facilitate networking among philanthropic organizations so that stronger ones can support the development of newer, less well-organized groups.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

Programs that used to require face-to-face presence, like training, are either moving online or being reprogrammed into more immediate humanitarian assistance. The example mentioned before of a large PO that began providing meals for day laborers, is interesting, because the government had placed a pause on all new urban construction, leaving hundreds of thousands of workers unemployed overnight. The food bank action resulted ultimately in a government stipend being offered a few months later. This was the result of prominent private sector individuals on the board who were able to contact Ministerial-level officials to take action.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

In general, the best change that has been seen is the response time. Organizations that used to work with biannual budgets, or even five-year plans, have learned to pivot faster. They now have governing boards more agile and ready to approve emergency programming. Moving everything online has the advantage of saving travel budgets that can be put instead to programmatic use. But the loss of personal contact and field presence has also had a negative effect on donor-beneficiary relations in some cases. This needs a lot of closer evaluation and rethinking.

Impact of COVID-19 on the philanthropic environment

While it is too soon to evaluate all of the potential impacts of the COVID-19 pandemic, philanthropy in Egypt will most certainly be impacted by legislative changes that further restrict freedom of expression and research in the country. In November of 2021, Egypt's parliament recommended passage of a new law giving the government sweeping powers to imprison and fine organizations or "anyone who intentionally broadcasts, publishes, or promotes false or tendentious news, statements, or rumors related to the situation of epidemics if it would disturb public peace, stir panic among citizens, or harm the public interest..." The vague wording of such laws makes them widely susceptible to use as a tool for punishing dissidents—or researchers whose findings diverge from government pronouncements.

In addition, the economic declines due to slowdowns in aviation, tourism, and Suez Canal revenues may have an impact on both corporate and private resources to allocate to philanthropy during 2021. Nonetheless, private foundations have stepped up their programming in poor communities to respond to these setbacks.

One interesting effect during the pandemic has been an increase in the flow of remittances to Egypt from nationals living abroad. Funds that would previously have been carried by travelers are no longer thus restricted. Wire transfers between banks and easy-to-use apps make sending money across borders simplified. Increased remittances are partly attributed to providing increased support for family members. Some believe that the rapid increase of new housing stock in the new administrative capitol and elsewhere has made investing funds from abroad in Egypt more attractive.

Research is lacking that would indicate how much of current remittance flows is attributed to personal philanthropy.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

While it is too soon to evaluate all of the potential impacts of the COVID-19 pandemic, philanthropy in Egypt will most certainly be impacted by legislative changes that further restrict freedom of expression and research in the country. In November of 2021, Egypt's parliament recommended passage of a new law giving the government sweeping powers to imprison and fine organizations or "anyone who intentionally broadcasts, publishes, or promotes false or tendentious news, statements, or rumors related to the situation of epidemics if it would disturb public peace, stir panic among citizens, or harm the public interest..." The vague wording of such laws makes them widely susceptible to use as a tool for punishing dissidents—or researchers whose findings diverge from government pronouncements.

In addition, the economic declines due to slowdowns in aviation, tourism, and Suez Canal revenues may have an impact on both corporate and private resources to allocate to philanthropy during 2021. Nonetheless, private foundations have stepped up their programming in poor communities to respond to these setbacks.

One interesting effect during the pandemic has been an increase in the flow of remittances to Egypt from nationals living abroad. Funds that would previously have been carried by travelers are no longer thus restricted. Wire transfers between banks and easy-to-use apps make sending money across borders simplified. Increased remittances are partly attributed to providing increased support for family members. Some believe that the rapid increase of new housing stock in the new administrative capitol and elsewhere has made investing funds from abroad in Egypt more attractive. Research is lacking that would indicate how much of current remittance flows is attributed to personal philanthropy.

References

- Cairo Institute for Human Rights Studies. (2021). Legal Commentary on Regulations of NGO Law N. 149 for 2019 on Civic Associations. Available at: <https://cihrs.org/wp-content/uploads/2021/02/Legal-Commentary-on-Regulations-of-NGO-Law.pdf>
- International Center for Not-for-Profit Law (ICNL). (2021). Civic Freedom Monitor: Egypt. Available at: <https://www.icnl.org/resources/civic-freedom-monitor/egypt>