

CPIA Detailed Report

Country: Egypt

Exercise Year: CPIA Exercise 2023

Currency: Egyptian Pound (EGP)

City: Cairo

Income Group: Lower middle income

Lending Category: IBRD

Final CPIA Score: 3.462

(A) Economic Management

Cluster Score: 3.833

01. Fiscal Policy

Criteria Score: 4.5

1. Fiscal Policy

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Fiscal deficit slightly increased to 6.4% of GDP in FY2022/23 from 6.1% of GDP in FY2021/22, driven by higher interest payments while the primary surplus is estimated to have increased to 1.6% of GDP from

1.3% of GDP. On the revenue side, tax revenues increased by 23.1%, thanks to the implemented measures to expand the taxation framework. Government debt is estimated to have increased to 92% of GDP in FY2022/23 from 87.2% in 2021/2022 but expected to return to a downward trend in FY2023/24 and reach 87.7% of GDP. Egypt's public debt is sustainable but not with high probability, and overall risks of sovereign stress are high, with the interest burden taking up sizable budget space. Central. A third of Egypt's debt is denominated in foreign currencies, and the devaluation of the Egyptian pound against the US dollar contributed to raise the debt-to-GDP ratio. The main risk of debt distress is the large external financing needs, that remain dependent on strong firm commitment to extend the maturity of Gulf Cooperation Council (GCC) deposits. Gross financing needs are projected to average around 36% of GDP in the medium term, largely attributable to rollover needs on a large stock of Treasury bills and elevated interest payments. Major international credit agencies such as Moody's, S&P and Fitch have downgraded Egypt's credit rating respectively in February and in May 2023 due to the pression on the country's foreign reserves and current account driven by important portfolio outflows and the country's heavy debt burden. Moody's downgraded again Egypt in October 2023 for the same reasons. However, Egypt's track record of stable financing by domestic banks are important risk mitigating factors. Major international credit agencies such as S&P and Fitch have downgraded Egypt's credit rating in May 2023 due to the pression on the country's foreign reserves and current account driven by important portfolio outflows and the country's heavy debt burden. However, Egypt's track record of stable financing by domestic banks are important risk mitigating factors.

The Ministry of Finance (MoF) projects the budget deficit for the FY2023/24 to increase to 7% of GDP, driven by higher interest payments while the primary surplus is projected at 2.5%. The financing gap is projected at EGP 850 billion (USD 28 billion) in the 2022/23 budget, with nearly EGP 653 billion (USD 21.5 billion) plugged through local treasury sales. The remainder will come from EGP 197 billion (USD 6.5 billion) Eurobonds and loans from foreign institutions.

02. Monetary Policy

Criteria Score: 4

2. Monetary Policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Inflation jumped far above the Central Bank's (CBE) target of 7%, estimated at 20% in FY2022/23, and reaching new records in July and August 2023 estimated at 36.7% and 39.7% respectively. These

Inflationary pressures are mostly driven by: (i) rising international food and energy prices and (ii) the shift to a more flexible exchange rate regime as part of the IMF Extended Fund Facility (EEF) Arrangement of USD 3 billion approved in December 2022. The Egyptian pound lost 70% of its value against the USD from May 2022 to January 2023. After the CBE let the pound floating from October 2022 to January 2023, the official exchange rate stabilized. To combat inflationary pressures, the CBE increased interest rates by 100 basis points (bp) in March and May 2022, and by 200bp and 300bp in October and December 2022, respectively. In 2023, the CBE increased twice by 200bp and 100 bp respectively in March and August. As of September 2023, the CBE set the lending rate at 20.25% and the deposit rate at 19.25%.

Foreign exchange reserves fell sharply in February-March 2022, with nonresident outflows of USD 20 billion putting pressure on the Egyptian Pound (EGP) and the local currency debt market. The shock of the Russia-Ukraine conflict on the Egyptian economy, combined with the global monetary tightening, contributed to the large portfolio outflows. Consequently, the Central Bank of Egypt (CBE) heavily intervened in the Foreign Exchange (FX) market to stabilize the exchange rate while bolstering reserves with USD 13 billion in short-term FX deposits from GCC partners. In October 2022 and following negotiations with IMF, the CBE announced a shift to a durably flexible exchange rate regime where FX supply and demand forces would determine the value of the EGP against other currencies. Gross official reserves have started to recover to USD 34.9 billion at end-August 2023 from a low of USD33.1 billion in August 2022, and USD 41 billion in February 2022.

source of data: Central Bank of Egypt and AfDB statistics Department.

03. Debt Policy

Criteria Score: 3

3. Debt Policy

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Central Government debt is estimated to have increased to 92% of GDP in FY2022/23 from 87.2% in 2021/2022. A third of Egypt's debt is denominated in foreign currencies, and the devaluation of the Egyptian pound against the US dollar contributed to raise the debt-to-GDP ratio. As of June 2023, 75.9% of total central Government debt is domestic with an average term maturity (ATM) at 3.5 years. The Egyptian authorities are committed to make the general debt more resilience, better diversified with longer maturities. The government is targeting to have ATM reach on average 4.5-5 years by June 2027, by

diversifying debt tools in the government's portfolio.

As per the IMF debt sustainability analysis published in January 2023, Egypt's debt remains sustainable but not with high probability, and overall risks of sovereign stress are assessed as high. The main source of vulnerability to the Egyptian debt is the high share of short-term debt in local currency and its cost which cause significant refinancing and interest rate risks. The country's large financing needs remain dependent on strong and firm commitment to extend the maturity of Gulf Cooperation Council (GCC) deposits. Debt service projected during the period 2022-2026 is substantial. Gross financing needs are projected to average around 36% of GDP in the medium term, largely attributable to rollover needs on a large stock of Treasury bills and elevated interest payments. External debt services in % of exports are projected to increase to 40.1% in FY 2023/24 from 32.6% in FY 2022/23.

Egypt's track record of sustaining high gross financing needs, supported by stable financing by domestic banks are important risk mitigating factors. It is important for Egypt to further lengthen the maturity of its debt and diversify its investor base to manage its refinancing risk and mitigate its roll over risk. The Egyptian government is committed to keep fiscal policies resolutely focused on bringing down public debt through continued fiscal consolidation and active debt management. The primary balance remains positive, estimated at 0.6% of GDP in FY2022/23 and projected at 2.5% of GDP the next FY.

The Debt Management Unit (DMU) under the Ministry of Finance (MoF) have published in Q2 2019 a Medium-Term Debt Management Strategy (MTDS) for a three years' timeframe: 2021-2023). The MTDS is designed to support Government's ongoing efforts to strengthen debt sustainability. This strategy is updated on an annual basis by the DMU-supported by the World Bank et the IMF- and in coordination with different relevant units of the Ministry of Finance. An updated version of the MTDS has been published in January 2021, suggesting objectives that are consistent with MoF's fiscal targets and the Government latest projected medium-term macroeconomic framework in the aftermath of the COVID-19 crisis.

Over the medium-term, a strong growth rate and a broader tax base will allow for a reduction of the debt over GDP ratio. Egypt's growth is currently led by consumption, implying a saving-investment imbalances and high gross financing needs. Over time, embarking on a structural reforms program that continues improving Egypt's business environment is essential to increase private investment and exports that will support a stronger and more resilient economic growth.

(B) Structural Policy

Cluster Score: 3.722

04. Policies and Institutions for Economic Cooperation, RI and Trade

Criteria Score: 3.5

4.a. Regional Integration and Economic Cooperation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Egypt has demonstrated an unwavering commitment to continental integration and is actively seeking to exploit the opportunities offered by the Continent. The Government has reaffirmed its commitment to several regional integration treaties such as Agadir, Tripartite Free Trade Area (TFTA) – covering Southern African Development Community (SADC), the COMESA and East African Community (EAC) and the AfCFTA. Membership to COMESA and the Tripartite FTA provides the country with market access to more than twenty countries in Sub-Saharan Africa. In 2019, Egypt assumed the chairmanship of the African Union, which was crowned with the coming into force of the historic African Continental Free Trade Area (AfCFTA). The AfCFTA provides Egypt with a great opportunity to leverage its strengths and become the catalyst for integration in the Continent.

Egypt is among the first countries to sign and ratify the TFTA and AfCFTA Agreements and is relatively well integrated at the regional and continental levels. According to the 2019 Africa Regional Integration Index (ARII)[1][1], Egypt ranks 6th (with a score of 0.422) and is among the high performers of the Continent. The country ranked 3rd with respect to macroeconomic integration. Egypt's high number of bilateral investment treaties presently in force, boosted the country's position on this dimension. With respect to infrastructure integration, Egypt is the second most integrated country on the continent, with a score of 0.585. Despite the relatively low score on productive integration (0.263), Egypt ranked 10th in the continent. With respect to trade integration, Egypt had an average performance ranking 21st on the continent, with a score of 0.414,. Nonetheless, at the global level, Egypt's integration remains limited with relatively low trade ratio to GDP of 37% in 2022. This is largely due to high tariff and proliferation of non-tariff barriers.

Egypt has the potential to become a driving force behind deeper integration in the continent as well as a regional industrial hub that links the North to the south. The country boasts a great strategic position linking Africa, Europe, and the Middle East. Egypt's geostrategic position on the Africa-Mediterranean-Europe Axis, positions it as a potential strategic regional hub connecting Europe to East Africa.

Egypt has a relatively good infrastructure connectivity (particularly maritime transport), human capital, Egypt is the second-most-connected country in Africa (after Morocco) and the 22nd-most-connected in the world in terms of Maritime transport, accounting for 7.5% of world maritime traffic[1][2]. Egypt has the most developed inland water transport system on the Nile River. However, the country faces big infrastructure challenges, including a fragmented port system, a lack of co-ordination among modes of transport and a rail network that needs to be modernized and upgraded.

The Grand Ethiopian Renaissance Dam (GERD), a monumental hydroelectric project undertaken by Ethiopia, has heightened regional tensions with downstream Nile Basin countries Egypt and Sudan due to concerns over water rights and regional stability. The dam, pivotal for Ethiopia's energy needs, raises apprehensions in Egypt and Sudan about reduced Nile water flows, impacting agriculture and domestic water supply. Years of negotiations, often mediated by international parties, have yet to produce a resolution, fueling geopolitical strains in the strategically significant Horn of Africa. The dispute underscores the necessity for a collaborative and equitable solution that balances Ethiopia's development goals with the downstream countries' water security needs, all against a backdrop of historical treaties and the potential for significant regional destabilization.

[1][1] Africa Regional Integration Index Report

2019(<https://repository.uneca.org/bitstream/handle/10855/48450/b12007602.pdf?sequence=1&isAllowed=y>)

[1][2] OECD – Production Transformation Policy Review of Egypt: Embracing Change, achieving

Prosperity (<https://www.oecd-ilibrary.org/sites/9bd50ecd-en/index.html?itemId=/content/component/9bd50ecd-en>)

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4.b. Trade restrictiveness

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Tariff and non-tariff barriers still impair trade integration with Africa and the world (Annex 4). Indeed, in the 2019 Global Competitiveness Report of the World Economic Forum, on trade tariffs, Egypt ranks a staggering 136 out of 141 countries. On the complexity of tariff, the country ranks 86 out of 141. Customs duty rates on imported goods range from 5 % to 40 %, except for vehicles, non-essential and luxury consumer goods, and alcoholic beverages, which may carry a rate as high as 135 %. If entities import equipment as capital assets, reduced customs duty could be limited to 2 %. Machines, equipment and similar capital assets (excluding private motor cars) imported on a temporary basis are subject to fees at 20 % of the original customs duty for each year/fraction of a year during which they remain in Egypt until they are exported. There are rules allowing reduced customs duties on component parts which are assembled in Egypt into a complete product.

However, reductions of certain tariffs were enacted by the decree no.59 of September 2020 which modifies tariffs on specific goods with the aim of encouraging local production. Tariffs on inputs for the manufacturing of furniture, petrochemicals, home appliances and public transportation vehicles have been reduced by over 50 %. The discounts also apply to the parts needed to establish natural gas stations and electric vehicle charging stations. The condition for getting such discounted tariffs is to use in the production process at least 10 % of local components (it was previously least 30 %). Moreover, the higher the local components used, the bigger the tariff reduction.

The Global Competitiveness Report also provides indication on the existence of non-tariff barriers, Egypt ranks 67 out of 141 countries and 76 for border clearance efficiencies. Indeed, non-tariff barriers remain prevalent in the country. In January 2016, the Ministry of Industry and Trade issued decree 43 requiring foreign manufacturers of specific products to register for export with the Egyptian General Organization for Export and Import Control (GOEIC). Decree 44 issued in January 2019 expended the list of products which can enter the Egyptian market if they are registered (Annex 4). Such non-tariff barriers are by nature distorting. Moreover, in the context of Egypt, the list includes more than 30 products from fruit peels to carpet and ceramics.

4.c. Customs/trade facilitation

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Egypt is a member of the WTO, participates actively in various committees, and notifies technical regulations to the WTO Committee on Technical Barriers to Trade. Egypt ratified the Trade Facilitation Agreement (TFA) in June 2017 (Presidential decree No. 149/2017) and deposited its formal notification to the WTO on June 24, 2019. Egypt notified indicative and definitive dates for implementing Category B and C commitments on June 20, 2019, but to date has not notified dates for implementing Category A commitments. In August 2020, the Egyptian Parliament passed a new Customs Law, Law 207 of 2020, that includes provisions for key TFA reforms, including advance rulings, separation of release, a single-window system, expedited customs procedures for authorized economic operators, post-clearance audits, and e-payments. The 2020 Customs Law aims to improve the ease of doing business and to streamline aspects of import and export procedures, including through a single-window system, electronic payments, and expedited clearances for authorized companies, reduce. Egypt's government has announced plans to improve its business climate further through investment promotion, facilitation, more efficient business services, and the implementation of investor-friendly policies.

In April 2021, Egypt launched the National Single Window for Foreign Trade Facilitation ("Nafeza") system. The initiative is implemented by the Egyptian Customs Authority to modernize and automate customs administration, simplify procedures, and reduce clearance times. It is expected to facilitate and expedite the review and release of foreign shipments upon their arrival at a port of entry within Egypt.

Egypt improved its score and ranking in the Logistic Performance Index (LPI) in 2023 respectively from 2.8/5 in 2018 to 3.1/5 and from 67th out of 160 countries in 2018 to 57th. More specifically, Egypt shows good scores and significant improvement in "Timeliness" (3.6/5); "International Shipments" (3.2/5) and "Infrastructure" (3.0/5). While further efforts are still needed in the following sub-indicators: "Customs" (2.5/5); "Logistics Competence and Quality" (2.9/5) and "Tracking and Tracing" (2.9/5).

05. Financial Sector Development**Criteria Score: 4.167**

5.a. Financial stability

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Overall financial strength indicators for June 2022 showed a highly liquid banking sector (liquidity coverage ratios of 990% in local currency and 197.1% in foreign currency), adequate capital levels (Tier 1 capital to risk-weighted assets ratio of 17.1%) and a low share of non-performing loans (3.2% of total loans)[1]. Overall indicators for the five largest banks were broadly similar. While banks' net foreign exchange reserves have declined in recent months, all banks are within the regulatory limits for net open foreign exchange positions. Local currency deposit growth has been broadly stable, with monthly growth of 21-25% since the start of 2020. Foreign currency deposit growth has accelerated in 2022, but the share of total deposits remains low, at around 15% in July 2022. High exposure to the public sector (around 50% of total banking system assets) remains a prominent feature of the Egyptian banking sector. From the September 2020 IMF Standby Arrangement Report Financial sector remains stable, but the crisis (Covid 19) poses risks. As in other countries, the economic slowdown could adversely impact banks' loan portfolios, possibly resulting in higher provisioning charges, lower earnings, and tighter liquidity conditions. However, the banking system is relatively well positioned to handle stress, with most recent data showing that, at an aggregate level, the banking system is liquid and well capitalized, with strong profitability and asset quality. The CBE agreed that banks should engage with heavily affected borrowers to alleviate near-term stresses via targeted loan modifications. While the temporary moratorium on loan repayments can dampen the immediate impact of the outbreak, more targeted restructuring modalities, directed towards those borrowers that have been disproportionately affected, could help reduce moral hazard and contain costs to the banking system. To support restructurings and boost the provision of credit to the real economy, consideration could be given to allow banks to temporarily draw down their financial buffers (e.g., capital conservation buffer), subject to the preparation of credible restoration plans. Banks should continue to strictly apply loan classification rules and provisioning requirements, and closely assess the creditworthiness of their borrowers— especially those that benefit from temporary concessions. Enhancing reporting of asset quality trends and performance of restructured loans could help ensure accurate monitoring of underlying vulnerabilities. Staff also encouraged accelerating the enactment of the draft Central Bank and Banking Sector Act. As per the latest data from the central bank as of Sep 2019: Capital adequacy: regulatory capital RWA: 18.1% NPLS to total loans 4.5% Loans Provisions to non-performing loans 97.4%

[1] IMF Country Report No. 23/2, January 2023

5.b. Sector's efficiency, depth, and resource mobilization strength

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Financial intermediation by the banking system, which accounts for more than 60 percent of the financial system's assets, is low by the standards of the international community. More than 60 percent of the financial system's assets is low by international standards international standards. While savings are high and banks collect large deposits, amounting to about 100 percent of GDP, they actually lend only a small portion of these deposits.

Only a small portion of the funds mobilized is lent to the productive sector. In addition, a large share of private sector lending goes to a few large firms, with most firms, especially SMEs, receiving little financing.

Most of the funds mobilized are used to finance the public sector budget deficit. Banks, especially state-owned banks, are increasingly investing in Treasury bills and government securities.

Although noteworthy strides have been made, the development of capital markets in Egypt remains below potential, especially in terms of primary markets. Egyptian firms' access to long-term capital has been hampered mainly by an inadequate legal framework, especially regarding new securities issuance; lack of active domestic financial investors; and a weak regulatory and supervisory framework.

While the secondary capital markets are active, new capital market issuance—both bond and equity—have been very limited. The primary markets are much smaller than those of high-performing emerging markets. Little external financing has been made available for firms from both equity or bond markets, and what is provided mostly goes to the largest firms. As elsewhere, stock exchanges mainly target large, blue-chip companies; because of their size, low creditworthiness, and limited transparency, SMEs have more difficulties in accessing capital markets.

5.c. Access to financial services

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0

Final Score	4.0
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Country Notes:

The level of financial inclusion is low with only 32.8% of the population holding a bank account. [i] Consequently, financial inclusion is high on the agenda of the Government and CBE. Following a series of reforms, the financial sector in Egypt has become robust, profitable, and resilient to shocks. The local banks are well-regulated and supervised by the CBE, while the non-Banks financial institutions are regulated and supervised by the Financial Regulatory Authority (FRA). Egypt strengthened access to credit by simplifying rules on collateral and by strengthening the claims of secured creditors.

[i] 2017 Global Financial Data inclusion, World Bank Database

The Central Bank of Egypt issued its financial inclusion strategy in December 2022 and has been promoting financial inclusion widely. The use of mobile wallets has drastically increased with 34 million account, 85 million transactions/month, and 30 service providers through 23 banks.[1] Taking digitization one step further, the CBE issued circular on July 12, 2023 regulation and licensing digital banks. Meanwhile, the Financial regulatory Authority issued circular 164 for 2020, regulation and licensing microfinance institutions, and as a result there are now 22 MFIs currently operating in this space. All of these efforts are increasing access to financial services and increasing the bankability of Egyptians.

[1]As of June 2023, as per the CBE.

06. Business Regulatory Environment

Criteria Score: 3.5

6.a. Regulations affecting entry, exit, and competition

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Egypt approved a New Investment Law No. 72 on the 1st of June 2017. The new law simplifies the procedures for investors by establishing an investment window through all authority's branches; in order to

handle, solve the problems of investors, facilitate the granting of licenses, and deal with all the challenges facing the establishment of companies and new investment projects.

Established in 2022, the “Golden license” aims at solving many business license problems, and quickly addressing all obstacles to setting up newly invested firms and projects. It also provides a set of incentives for projects considered as strategic for the country, including green projects. At end 2022, 18 golden licenses were delivered by the Council of Ministers (CM). The General Authority for Freezones and Investment (GAFI) is currently studying the issuance of 40 new golden licenses. Moreover, in September 2023, the authority announced that it has cut the number of documents required to set up a new company by two-thirds. The move to make it easier to set up businesses was one of 22 recommendations by the country’s Supreme Investment Council (established by Decree No.114 in April 2023) to reduce bureaucracy and encourage more FDI to the country.

Advantages of the Golden License for the investor:

- A single license issued by the Cabinet of Ministers;
- Comprehensive and enforceable - no party or body of any kind may object to it;
- The approval may potentially include the application of one or more of the incentives stipulated in the Investment Law to the project.
- The Higher Committee concerned with the golden license (affiliated with the Cabinet of Ministers) undertakes the coordination, in full compliance with all the procedures related to the coordination with all authorities.

6.b. Regulations of ongoing business operations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The government of Egypt is committed to give more room to private sector to grow and have announced several initiatives, new law and programs to improve the business environment in Egypt. The Major legal changes such as the New Investment Law (2017) and the New Bankruptcy Law (2018) have already been recorded in the CPIA in 2018. However, and in a post-covid period and in the context of the global economic crisis that affects many African countries, including Egypt, building for more resilient economy became now a top priority for many governments in the continent.

Egypt's growth is currently led by consumption, implying a saving-investment imbalances and high gross financing needs. Embarking on a structural reforms program that continues improving Egypt's business environment is essential to increase private investment and exports that will support a stronger and more resilient economic growth.

Important law concerning business operations have been passed in 2023. On April 11th, 2023 the government issued a decree (No.141) to establish A Supreme Council for Investments (SCI). In July 2023, Egypt issued two important laws to improve business regulations: Law No. 159 on Cancellation of exemptions from taxes and fees for SOEs with investment activities and an amendment of the of the Investment law (Lax No.160) to add new incentives and more flexible criteria investment projects.

Because of the shortage of foreign recurrent, the private sector in Egypt is facing difficulties in sourcing foreign exchange. Moreover, the import restrictions have made it difficult for the private sector to obtain the raw materials needed for production.

6.c. Regulations of factor markets (labor and land)

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

Labor market efficiency is a concern. Egypt's score in Labor Freedom is 33.4/100 according to the 2023 index of Economic Freedom. In the absence of a well-functioning labor market, informal labor activity persists in many sectors. Egypt performs badly on redundancy costs, active labour market policy and women's right. The unemployment rate dropped to 7% in June 2023 from a 7.4% in 2022. This decline partially reflects a decline in labor force participation explained by demographic factors (lower growth of the working age population) and discouraged job seekers. Nevertheless, there is a need to create more regular and formal jobs and, thus reversing the declining share of workers with social insurance and an employment contract.

Land allocation has been determined by the New Investment Law of 2017. On October 27, 2020, the government announced that it will review its land allocation mechanism. The review comes as the mechanism currently in place has run into practical “complications,” including some taking advantage of the system by acquiring land and setting it aside for its value to appreciate without committing to projects. The New Urban Communities Authority (NUCA) has approved a new regulatory framework for how land is allocated to investors for service and mixed-use projects. NUCA will be required to allocate land based on investor preference and each city or town’s development priorities. A specialized committee is mandated with determining the price of the land. Investors are required to submit feasibility and solvency studies with their land allocation requests and will be required to pay a 10% down payment for the land as proof of commitment. Investors who back out later will only get back half of the down payment. In 2023, the NUCA has decided to extend the mechanism for allocating lands in new cities to foreign investors for six more months.

(C) Policies for Social Inclusion/Equity

Cluster Score: 3.487

07. Gender Equality

Criteria Score: 3.667

7.a. Promotion of equal access for men and women to human capital development opportunities

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

According to Egypt’s statistical agency CAPMAS, Egypt’s population recorded 104,395 million people in-country as of January 2023. Approximately 60% of the population is under the age of 30, and 40% is between the ages of 10-29 with 49,6% of women representation. In 2023, Egypt ranked 134 over 146 countries globally and 10 out of 13 in Mena region scoring 0,626 for gender equality according to the Global Gender Gap compared to previous reports, there has been a slight decline over the last three years on the score index which was 0,629 (2020)/ 0,639(2021)/ 0,635 (2022) with parity in education attainment remaining steady during the three years with a slight decline on enrollment to secondary education. The report shows that gender gaps with regards to education attainment and health and survival have been

significantly reduced but with a low scoring for Economic participation and opportunity as well as for political empowerment. It should be noted that a progress has been underscored on the increase in the share of women senior officers' positions and women technical positions[1]. Women are still underrepresented in the labour force with a rate of 15,34 % with a higher gap in the areas of industry and entrepreneurship a large representation in informal sector where they occupy 67%. This can be partially explained by the fact women have not the required skills in those areas as well as means that can help them be eligible to available jobs. The social norms and cultural practices, burden of marital responsibilities, lack of childcare facilities and sexual harassment are also part of the factors that prevent large women participation and make them prefer to do part time work. They represent 32.26% against 17,18% of men in that area. With regards, to access to health services for women, data show that access to antenatal and delivery care has significantly increased from 67% in 2008 to 83% in 2014 and medical assisted deliveries from 79% to 92% between 2008 and 2014 therefore reducing the risks of maternal and neonatal mortalities.[1] . In addition, two programs, the “Strengthening Egypt’s Family Planning Program” was launched in 2018 for five years by the government to address the issue of Egypt’s rapid growth population by reducing unmet needs of both women and men for family planning counselling services and methods [2]and the “100 Millions Healthy Lives Initiative” launched in July 2019 to provide free medical examination for women have been of great impact to for access for women to health care [3]

[1] <https://egypt.unfpa.org/en/topics/maternal-health-1> by UNFPA.

[1] https://www3.weforum.org/docs/WEF_GGGR_2023.pdf

[2]<https://www.egypttoday.com/Article/1/49886/Ministry-of-Health-launches-family-planning-program>

[3]<https://egyptindependent.com/over-4-1-mn-women-undergo-medical-exams-under-100-million-healthy-lives-initiative-minister/>

7.b. Promotion of equal access for men and women to productive and economic resources

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The Egyptian Labor Code explicitly prohibits wage discrimination, and the Labor Law promotes equal pay for equal work.

In the private sector, females are allowed a maximum of two years of leave without pay, but this applies only to employees of companies employing more than 50 people. The Labor Code requires private sector employers to provide childcare facilities on site when they have 100 or more women employees. In practice, the enforcement of private sector support to female life balance results in a negative influence on women's recruitment as employers might avoid reaching the 100-female employee threshold, discriminate against married women, or invest less in female employees. "The World Bank's 2019 Women Economic Empowerment study showed that while women are better represented in the Government and public sectors, as only 18% of the female workforce is employed in the private sector (compared to 36% in the government and public sectors combined). Furthermore, women, on average, get paid 34% less per hour than their male counterparts and are under-represented in boards of companies (9.7%) as well as in managerial positions (7.1%)."[1]

The ratio between women to men in terms of wages and paid work is relatively balanced with a score of 64.9% versus 69.7%[3]. However, women are highly represented among the unemployed and part time employment workforce. The low literacy, cultural barriers, low pay and unfavorable working conditions, especially in rural areas are underlining reasons for this high percentage. Women are traditionally perceived to remain in the private sphere of householding and reproductive role. The society is strongly marked by cultural norms of patriarchy which gives an important place to the boy since early childhood thus giving him preferential treatment in terms of inheritance over girls. This has made women believe that when there is scarcity of jobs men should be more entitled as they are perceived as breadwinners. In rural areas women will be mostly found in agricultural sector and it is difficult for them to combine the heavy workload of coupled responsibilities made of farming activities and household chores which both constitute unpaid work. Few women are holding small businesses as it is easier to be self-employed than to access job, but the stringent collateral imposed by banks do not allow a bigger size of enterprises and let alone to have more women owned businesses. The absence of required skills, financial capability (lack of collateral), the social barriers (banks perceive that lending to women has a potential risk and prefer to lend to men) make it very difficult for women to access financial products that could allow them to perform in private sector. Meanwhile, women are majority beneficiaries of micro-finance loans that do not require collateral, can accommodate part-time employment to allow for other duties to be catered to, and accommodate cottage industries type of employment.

Women are underrepresented in the private sector and highly affected by unemployment or part time employment. Most women are engaged in small-sized home industries in the agricultural sector. Two-thirds of Egyptian women entrepreneurs are concentrated in the agriculture sector, which offers low profit margins. Without counting that due to the covid-19 pandemic, Egypt has encountered an economic slowdown thus affecting the most vulnerable population among which women are predominant.

Recently, The Egyptian Labor Code explicitly prohibits wage discrimination, and the Labor Law promotes equal pay for equal work. Several articles can help women to achieve balance between personal life and work. This particularly applies to the work environment in the public sector, where female employees may request half-time work for half pay. Furthermore, they are entitled to take up to three parental leaves of up to two years without pay. In the private sector, females are allowed a maximum of two years of leave without pay, but this applies only to employees of companies employing more than 50 people. The Labor Code requires private sector employers to provide childcare facilities on site when they have 100 or more women employees. In practice, the enforcement of private sector support to female life balance results in a negative influence on women's recruitment as employers might avoid reaching the 100-female employee threshold, discriminate against married women, or invest less in female employees. The ratio between women to men in terms of wages and paid work is relatively balanced with a score of 64.9% versus 69.7%[3]. However, women are highly represented among the unemployed and part time employment workforce. The low literacy and cultural barriers especially in rural areas are underlining reasons for this

high percentage. Women are traditionally perceived to remain in the private sphere of householding and reproductive role. The society is strongly marked by cultural norms of patriarchy which gives an important place to the boy since early childhood thus giving him preferential treatment in terms of inheritance over girls. This has made women believe that when there is scarcity of jobs men should be more entitled as they are perceived as breadwinners. In rural areas women will be mostly found in agricultural sector and it is difficult for them to combine the heavy workload of coupled responsibilities made of farming activities and household chores which both constitute unpaid work. Few women are holding small businesses as it is easier to be self-employed than to access job, but the stringent collateral imposed by banks do not allow a bigger size of enterprises and let alone to have more women owned businesses. The absence of required skills, financial capability (lack of collateral), the social barriers (banks perceive that lending to women has a potential risk and prefer to lend to men) make it very difficult for women to access financial products that could allow them to perform in private sector. Women are underrepresented in the private sector and highly affected by unemployment or part time employment. Most women are engaged in small-sized home industries in the agricultural sector. Two-thirds of Egyptian women entrepreneurs are concentrated in the agriculture sector, which offers low profit margins. Without counting that due to the covid-19 pandemic, Egypt has encountered an economic slowdown thus affecting the most vulnerable population among which women are predominant. The GGGR of 2023 indicator for women owned enterprises stands for only 6,30% which make the low score indicator of 0,492. Some progresses have been to enhance participation of women in the private sector by measures being put in place to transition SMES from informality to formality, put in place financial inclusive programs and most importantly by encouraging private sector to gender equality through having gender sensitive approaches in their institutions with regards to career development, recruitment, family-work balance , sexual harassment policies It is worth to mention, the Egyptian Gender Equity Seal (EGES) certification process launched by the National Council for Women with the objective of promoting gender equity and eliminate gender discrimination against women in companies, [1] Another significant milestone is the setting up of a business facilitation office for women, established at the Investors Service Center (ISC) to facilitate the incorporation procedures for women-owned businesses. Egypt is also the first country to launch the Closing Gender Gap Accelerator, through a public private collaboration platform with the objective of helping governments and private businesses to decisively act on closing the economic gender gaps[2].

[1] <https://www.worldbank.org/en/news/feature/2021/03/30/gender-equity-seal-a-key-to-strengthening-egypt-s-private-secto>

<https://www.worldbank.org/en/news/feature/2021/03/30/gender-equity-seal-a-key-to-strengthening-egypt-s-private-sector>

[2]<https://www.egypttoday.com/Article/3/99029/Egypt-launches-Closing-Gender-Gap-Accelerator-s-action-plan-in>

7.c. Men and women equal status and protection under the law

Score Type	Value
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Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Government of Egypt has conducted several reforms through laws amendments and initiated several strategies with regards to the betterment of the women conditions and their subsequent empowerment. Among those significant changes, the adoption of a new constitution enacted in 2014 clearly declares to achieve equality between women and men and commits to take necessary measures to ensure appropriate representations of women in the parliament, public posts, high management posts in the state, judicial posts. Some changes are taking place to ensure women rights are no longer infringed with regards marriage, polygamy and divorce. Between March and May 2022, members of the Egyptian Council of Representatives (parliament) proposed new draft laws protecting the rights of women by regulating the three acts.[1] New amendments have also been introduced to the Personal Law status regulating the child custody and post-divorce alimony granting noncustodial parent to spend more time with the child and allow the child to better know the noncustodial parent 's family.[2] Another worthy amendment to mention is the Citizenship Law providing right to women having acquired Egyptian Nationality to pass it on their children[3]

A significant milestone was reached in October 2021 when a republic decision was made to appoint 98 female judges which culminated on having a first ever woman judge sat on the podium in March 2022.[4] According to a census by Egyptian Media, today Egypt counts 1980 females' judges in the administrative Prosecution Authority representing 43% of the body's members and 670 women in the State of lawsuits Authority representing 20% of overall members.[5] This is a significant record given that the last official statistics provided by the National Council for women in 2015 stated that there were only 80 female judges against 12,000 male judges[6].

Meanwhile efforts are needed as there are significant disparities with regards to women representation in other decision-making positions like public posts, high management posts in the state, defense & security . Data on government employees shows that females are under-represented in the highest administrative segments and in the lowest administrative segments[4].

The Egyptian constitution states in article 11 that the state is committed to achieving equality between women and men in all "civil, political, economic, social, and cultural rights". It grants women the right to hold public and high management posts in the state and be appointed to judicial bodies and entities without discrimination. It also vows to protect women against all forms of violence. However, the social and religious norms make it difficult to apply resulting in women and girls facing discrimination in several areas starting from home including sexist stereotypes, sexual harassment, and gender-based violence.

In 2014, the Penal Law was amended to punish any gesture, words or inappropriate sexual or pornographic behavior. A clause was also introduced on harassment at the workplace, stipulating a more severe sentence for an offender who is in a position of authority over the victim. Recently in 2020, Egypt has approved a new law to protect the identity of women who come forward to report sexual harassment

or assault in a move that aimed to encourage women and girls to report cases of sexual violence. Moreover, the Arab Republic of Egypt is signatory to CEDAW and has ratified it. Its last report before the committee has proven that significant progress was made especially in the protection for women through laws, strategies, and programme. Among which is the Launching of Human Rights National Strategy in alignment with the National Strategy for the Empowerment of Women 2030. [1]

The First national Committee to eradicate Female Genital mutilation was put in 2019 to protect women and girls against this practice and criminalizing it.[2] The National Coordinating committee for combating and preventing illegal Migration and trafficking in persons are actions taken by the government to provide more protection to women.

In Egypt, state law enshrines property ownership for women and no laws restrict their inheritance of land. However, regardless of their education and social economically status, women are still experiencing deprivation in terms of land ownership due to entrenched patriarchal tradition where preferable practice would be for male heirs to avoid outsiders to inherit through marriage or to give money to women in exchange of their plot to stop them from any entitlement to inherit or claim for their parts. Some significant actions were taken to ensure the denial to women inheritance rights is prohibited and access to land property is guaranteed. These actions were translated by the new inheritance law of 2017 criminalizing and punishing the deprivation to inheritance by introducing a fine and imprisonment to any offender[1] and the Mubarak Resettlement Scheme (New lands) securing land for women where 20% of land titles were allocated to women. Efforts are still needed as a study shows that only 5.2 of land are owned by women (individually or collectively)[2].

[1]<https://www.loc.gov/item/global-legal-monitor/2022-05-23/egypt-new-laws-regulating-marriage-polygamy-and-divorce-proposed/>

[2]<https://www.loc.gov/item/global-legal-monitor/2023-08-09/egypt-new-amendments-regulating-child-custody-and-alimony-proposed/>

[3]<https://www.loc.gov/item/global-legal-monitor/2023-05-07/egypt-house-of-representatives-approves-new-amendments-to-citizenship-law/?loclr=ealln>

[4]<https://www.arabnews.com/node/2036886/middle-east>

[5]<https://www.arabnews.com/node/2036886/middle-east>

[6]<https://abcnews.go.com/International/appointment-98-female-judges-egypts-state-council-means/story?id=80685728>

[1] <https://www.al-monitor.com/originals/2017/12/egypt-law-women-inheritance-rights.html>

[2] <https://www.icarda.org/media/news/how-gender-affects-patterns-asset-ownership-and-control-egypt>

08. Equity of Public Resource Use

Criteria Score: 3.333

8.a. Poverty Measurement

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Poverty rate remains elevated in Egypt estimated at 29.7% as per the most recent figures, with significant regional disparities. Indeed, poverty is higher in rural areas, notably in Upper Egypt, where it is estimated at 55%. Increasing Government expenditures in subsidies and social protections programs since 2015 have contributed to buffering the impact of rising international food and energy prices on poor and vulnerable households. Nevertheless, the poverty rate is expected to increase due to the impact of the high inflation recorded in FY2022/23 on households' purchasing power. According to the 2017/18 Household Income, Expenditures and Consumption Survey (HIECS), "food items" make up 44% of the consumption basket of the bottom quintile (as compared to 30% for the top quintile). The unemployment rate remained stable estimated at 7.2% in June 2022. Compared to other North African countries, this relatively low unemployment rate is partly due to the implementation of labor-intensive mega-projects. But it is also a reflection of discouraged job seekers and the low labor force participation in Egypt, particularly for women (15.5% of the female working-age population in 2022 from 22.5% in 2011). Over the past decade, labor force participation decreased from 48.8% in 2011 to 41.8% in 2022. The decline of the labor force participation could be explained by the quality of employment opportunities that remains poor. Moreover, jobs created are more irregular and informal. Informal employment is important in Egypt estimated at 55.3% of total employment in 2020.

8.b. Public Expenditures: Priorities and strategies

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The budget target for FY2022/23 strikes an appropriate balance between supporting the recovery and keeping public debt on the projected path. In Egypt's budget for fiscal year (FY) of 2023/2024, and to mitigate the impact of high inflation on poor and vulnerable households, the Government has planned to increase its spending by 28 percent on social safety programs to an estimated EGP 455 billion (USD 15 billion). Breaking with the previous policy on subsidies removal, spending on food and energy subsidies is expected to increase respectively by 20 percent to EGP 108 billion (USD 3.6 billion) and 24 percent to EGP 35.9 billion (USD 1.2 billion).

Moreover, the Government will continue the implementation of the the Decent Life Initiative (Hayah Karima). The initiative was launched to enhance social inclusiveness and tackle poverty in the country's most deprived 45,000 villages, where 58% of the populations live according to the GoE, reflecting the state's commitment towards prioritizing human capabilities and improving the living standards of its residents. The Government is evolving the social contract that prevailed in Egypt for at least the half century before embarking on the most ambitious reform program in decades.

The budget deficit for the FY2023/24 is projected to increase to 7% of GDP, against 6.2% in FY 2022/23, driven by higher interests' payment while the primary surplus is targeted at 2.5% of GDP. The financing gap will be plugged through local treasury sales, bonds issuances and loans from foreign institutions.

8.c. Regressive Tax

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

There is a use of a regressive tax structure that shifts the tax burden to the shoulders of the middle and lower classes. In terms of personal income taxes, the Egyptian parliament approved a new income tax law on April 22, 2020. The new law will impose a 25 percent tax rate on the wealthiest Egyptians, earning 400,000 EGP. This is a relatively modest rate for the highest income brackets by regional and international standards. For comparison, Egypt has the seventh lowest rate in Africa. In addition, the corporate tax rate stands at 22.5 percent, rendering Egypt home to the fifth lowest corporate tax rate in Africa.

In FY2022/23, as part of the medium-term revenue strategy (MTRS) of the Ministry of Finance, tax revenues increased in double digits y-o-y (+23.1%) despite inflationary pressures and thanks to continued

efforts on digitalization and widening of the tax base on various fronts including VAT, revisiting exemptions and closing loopholes to decrease tax avoidance and evasion. Nevertheless, tax revenues remain low in Egypt, estimated at 12.4% of GDP in FY 2022/23. This is in part due to the high level of informality.

09. Building Human Resources

Criteria Score: 3.333

9.a. Health and nutrition services

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

Malnutrition is a public health concern for Egypt. According to the global nutrition report 2022, Egypt is off course in meeting the targets for maternal, infant and young child nutrition. In terms of stunting, 22.3% of children under 5 are affected, while 9.5% of children under 5 are affected by wasting, and 15.7% of the same category are overweight. To counter malnutrition, the GoE implements a School feeding program that serves over 12 million young children. This allows school age children to get fortified meals while at the same time allows families to save money that would have otherwise gone towards school meals for their children. The adult population consists of 25.9% of adult men and 44.7 % of adult women are obese, while diabetes affects around 23.4% of women and 18.8% of men.

Health

The Egyptian health system is characterized by the multiple entities in charge of service regulation, financing and provision. Moreover, health outcomes in Egypt mirror epidemiologic transition; increasing prevalence of noncommunicable diseases (NCDs) and persistent high levels of selected communicable diseases (CDs) place a huge financial burden on the health system's limited resources. This together with financial inefficiencies aggravate inequality in health services coverage and health outcomes. In Egypt, where the health care system is fragmented along class lines, the standard of care received by a patient may depend on their status or job.

Cognizant of this situation, the GoE launched the National Social Health Insurance Program with universal health coverage (UHC) as a main component. The program intends to consolidate a fragmented health system, improve governance of health system and encourage quality services provided by both public and

private health service providers. It includes an integrated package of diagnostic and treatment services, and allows the patient to choose his/her health service provider. It aims to reduce the out-of-pocket spending by citizens, which had reached above 60%. The UHC program is implemented using a phased approach, with full coverage of the country expected by 2030. The first phase of implementation was to be completed by end of FY2022/2023 with about 15 million people covered.

Health budgets rose but remains far from the targeted spending of 3 percent of gross domestic product included into the 2014 constitution. In 2020/21 the state expenditure on health as a percentage of public expenditure was 5.5%.[1] The Government plans to raise the healthcare spending by 15% in FY 2023/24.

Life expectancy continues to rise, reaching 72 in 2018. A campaign to eliminate hepatitis C has achieved remarkable progress

[1] https://www.arabdevelopmentportal.com/sites/default/files/publication/egypt_in_figures_lshh.pdf

9.b. Education, ECD, training and literacy programs

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

There have been large improvements in educational attainment in the last two decades in Egypt, one country with the largest education and training systems in the MENA region. In fact, and referring to CAPMAS statistic, Egypt has almost 1.7 million staff (teaching and non-teaching staff) and with more than 24 million students enrolled at different levels and types of education. Over the past few decades, the pattern of educational attainment is one of democratization of access to basic education, but of persistent inequities in the general secondary and college education. The preparatory and secondary education completion rates have increased by over 25 percent between 1990 and 2020. While Egypt has managed to close the gender gap at the secondary and higher education levels, girls are still less likely to complete basic education than boys.

Although Egypt has a highly subsidized public education system, the quality of education is poor forcing families to turn towards private tutoring. It is estimated that around 42% of family expenditure to education goes towards tutoring. However, public expenditure on education as a percentage of total expenditure declined to represent only 6% in 2020/21 compared to 12% in 2013/14. The Government began actively encouraging private sector participation and investments in the education sector to help relieve budgetary

strains. Currently, the private sector constitutes only 10% of total enrolment in Egypt's education system. Private schools accommodate 24% of kindergarten students, 8% of primary school pupils, 7% of middle school students and 13% of general secondary school students.

The Ministry of Education (MoE) oversees instruction at the K-12 level, while the Ministry of Higher Education and Scientific Research (MHESR) manages the implementation of education policy at the tertiary level, working closely with the MoE to ensure the same principles are followed across the system. For the next decade the MoE will be focused on implementing a major new education reform programme known as Education 2.0 (EDU 2.0). The initiative, announced in 2018, is set to dramatically restructure K-12 schooling throughout the country (see analysis). The reform aligns with the targets outlined in Vision 2030, Egypt's long-term roadmap for economic, environmental and social development. EDU 2.0 is set to be fully implemented by 2030, replacing the country's traditional culture of memorisation for tests with one focused on student-centred teaching and competency-based learning for life, alongside mastery of technology.

Despite clear improvements in access to education, several challenges persist. Overcrowded classrooms and a high student-to-teacher ratio mean that teaching quality is impacted at some institutions, falling short of international standards and negatively affecting student outcomes. According to CAPMAS, the average number of students per class in the 2018/19 academic year stood at 23.8 for pre-primary, 27.4 for primary and 16.2 for secondary. Capacity constraints have led schools to conduct lessons in double shifts, especially in urban centres.

Egypt ranks among the lowest worldwide in terms of quality of education at the different levels: in vocational training, Egypt ranks 129 out of 141 countries on the 2019 World Economic Forum Competitiveness Ranking while it is placed 133 out of 141 for Skillset of graduates. With one of the largest education systems in the region, the challenges both in terms of access, quality, and governance of the education system are immense. Inability to meet the rising demand for education dwindling infrastructure, insufficiently skilled teachers, disproportionately large class sizes, and focus on rote learning rather than critical thinking are amongst the key factors hindering the quality of teaching and learning in Egypt.

9.c. Prevention and treatment of HIV/AIDS, tuberculosis, and malaria

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

HIV/AIDS

Egypt remains a low HIV prevalence country with evidence of a concentrated epidemic among people who inject drugs and men who have sex with men in Cairo and Alexandria. Some HIV professionals presume that vulnerable populations may include prisoners, migrants, and children in street.

Tuberculosis, below is from the Egyptian Journal of Broncho logy 2019

Tuberculosis (TB) in Egypt is considered an important public health problem. Egypt is ranked among the mid-level incidence countries. The highest percentage of TB cases was in the age group 15–30 years. Infection was higher in males than females and in rural areas more than urban areas. Pulmonary TB and smear positivity at diagnosis, second, third, and fifth month were higher in Lower Egypt. Treatment after failure or relapse was significantly higher in Upper Egypt, whereas default rate, failure rate, and death rate were significantly higher in Lower Egypt. Upper Egypt included higher incidence rates of TB, Cure rate and treatment success rate were significantly higher among patients of Upper Egypt, whereas transfer out rate and retreatment failure rate were significantly higher among Lower Egypt patients. Conclusion TB is still a health problem in Egypt: pulmonary TB more in Lower Egypt, whereas extrapulmonary more in Upper Egypt.

Malaria

There have been no cases of locally transmitted malaria in Egypt since June 14, 2014. Between late May to mid-June 19 locally acquired *P. vivax* malaria cases were identified in one village of the Aswan Governorate in Egypt.

10. Social Protection and Labor

Criteria Score: 3.6

10.a. Social safety net programs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Takaful and Karama (T&K), or Solidarity and Dignity, is a cornerstone of Egypt's social safety net, launched in 2015. . The project has reached vulnerable households in all of Egypt's 27 governorates, with

women representing a large majority. . As of June 2022, T&K covered 3.69 million households, equivalent to 12.84 million persons. In 2023, to mitigate the effect of the inflation, there was an increase in the benefits and the beneficiaries, and it is expected that the number of persons covered will reach five million households by end of 2023. , The project benefitted from three World Bank loans for a total of 1.4 Billion USD since 2015. In 2019, T&K piloted a new component “Forsa” which aimed to link the young persons who exited from the Takaful families, with economic opportunities. The subsidized commodities remain another cornerstone of Egypt’s social safety nets. In mid-2014, the delivery system was reformed to replace subsidized commodities with a monthly cash allocation in the form of “smartcards” targeting Egypt’s most vulnerable, contributing to the alleviation of poverty. Despite these important programs, the poverty in Egypt is on the rise, triggered by the multiple global crises (COVID19, the supply chain disruption and Russia’s invasion of Ukraine and the ensuing food security challenge) compounded by internal factors, including the multiple devaluations of the Egyptian pound in 2022/2023, the high inflation rate that reached 40% and the import restrictions. The most recent poverty survey records a rate of 29.7% in 2019. Guestimates are that this rate has increased by 6 to 9 percentage points, to reach between 36% and 39%. Needless to say, without these social safety nets, the poverty rate would have surged even more. The Government increased the budget for subsidies and social protection by 48.8% from EGP 358.4 billion in FY 2022/23 to EGP 529.7 billion in FY 2023/2024. The Government has also launched Haya Karima Initiative (Decent Life) which seeks improve the infrastructure in the poorest villages nationwide, including implementing sewage and waste-water infrastructure, rehabilitating housing conditions and youth centers. . Egypt’s large fiscal deficit and government debt burden has severely constrained its fiscal space, as evidenced by the large debt service outlays (which now limit its capacity to adequately fund health services, education, and infrastructure). While Egypt’s public finances and debt situation worsened markedly since2011, they have historically been relatively weak.

10.b. Protection of basic labour standards

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The current regime governing labor relations in Egypt has been in place since 2003 when Labor Law No. 12 ("Labor Law"), which replaced Law No. 127 of 1981, took effect. The Labor Law's inability to deal with current market practices has been fairly obvious since its promulgation. However, in comparison to its predecessor, the Labor Law has made significant strides in the right direction, although it still remains unable to deal with some basic market trends.

One of the Labor Law's main issues requiring reform is the type of employee it envisions protecting. It tends to deal with employees as manual laborers. While a significant portion of the Egyptian population do indeed work in manual labor, a sizeable portion of the population has desk jobs. Moreover, given the

changing nature of the Egyptian economy into a more capitalistic market, it requires corresponding legislative reform to ensure that neither employer nor employee is treated unfairly.

10.c. Labour market regulations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The length work is 8 hours per day, 6 days per week with a maximum of 48 hours per week, and a rest obligation of a minimum of 24 consecutive hours in a week. There is a minimum 1 hour of rest for a day of work. If an employee works for more than 8 hours per day, s/he has a right to a 35% bonus for day work and 70% bonus for night work.

Retirement Age, 60 years.

Working Contracts, the work contracts are governed (in order of importance) by legal provision, collective agreement and individual negotiation. The two types of contract frequently used are the limited duration contract and the open-ended contract. There is also the temporary work contract which is used with the purpose of giving the employee a well-specified assignment. There is no maximum duration. The occasional work contract exists in the case of a specific assignment and its duration cannot exceed 6 months. The seasonal work contract is often used in the tourism sector, which is required to be updated every year at around the same fixed date. This type of contract cannot be renewed. Dismissal / layoff criteria are also very rigid compared to the employment conditions which are very flexible.

10.d. Community driven initiatives

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The constitution does not restrict association or assembly rights. However, it stipulates that they should be further regulated by law. A new NGO law was passed by parliament in November 2016 and ratified by the president in May 2017. The law establishes a monitoring authority. The new NGO was widely commented by the international community. President Al-Sisi suggested revising the law on November 4, 2018. The House of Representatives passed an amended NGOs law in July 2019, after the existing version of the law was criticized for imposing steep restrictions on the work of tens of thousands of NGOs in the country. On the 27 November 2020: Egypt's government has ratified, with immediate effect, the bylaws of the new law concerning non-government organizations (NGOs). The constitution does not restrict association or assembly rights. However, it stipulates that they should be further regulated by law and, therewith, opens the door for the rulers to do so. Correspondingly, the regime has, for example, severely implemented a restrictive protest law passed in 2013 and detained hundreds of peaceful protesters during the period under review. It does not tolerate demonstrations critical of its policies or decisions. A new NGO law was passed by parliament in November 2016 and ratified by the president in May 2017. The law restricts the founding and work of NGOs, among others by establishing a monitoring authority, controlled by the General Intelligence Service, which can effectively shut down any organization, and imposing harsh restrictions on NGOs' fields of operation and their funding. Based on the new law, the regime shut down several organizations, froze assets and imposed travel bans on activists. Effectively, it only allows the work of organizations that support the regime. Surprisingly, al-Sisi suggested revising the law on November 4, 2018. Yet, it can hardly be expected that an amended law would allow civil society to operate freely. Moreover, al-Sisi reinstated the state of emergency on April 10, 2017, and has repeatedly renewed it since then. This further restricts association and assembly rights and facilitates the regime's authoritarian approach. The constitution does not restrict association or assembly rights. However, it stipulates that they should be further regulated by law and, therewith, opens the door for the rulers to do so. Correspondingly, the regime has, for example, severely implemented a restrictive protest law passed in 2013 and detained hundreds of peaceful protesters during the period under review. It does not tolerate demonstrations critical of its policies or decisions. CUT A new NGO law was passed by parliament in November 2016 and ratified by the president in May 2017. The law restricts the founding and work of NGOs, among others by CUT establish a monitoring authority, controlled by the General Intelligence Service, The government suggested revising the law on November 4, 2018. Egypt is under a state of Emergency since April 10, 2017 and has repeatedly renewed it since then.

10.e. Pension and old age savings programs

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

On January 1 2020, Egypt's government implemented a new law that makes extensive changes to the country's social insurance pension system, including coverage, financing, qualifying conditions, benefit formulas, and benefit adjustments. The new law (Law No. 148 of 2019) replaces many existing social security laws and regulations and consolidates several different social insurance programs into one. The new law is intended to improve social protection in Egypt without undermining the pension system's financial sustainability. Key provisions of the new law affecting old-age pensions (effective January 1 unless otherwise noted) include:

Covered workers: The unified program covers 26 categories of workers, including public- and private-sector employees, civil servants, and self-employed persons. Ten of the 26 categories previously lacked social insurance coverage; these 10 categories primarily include irregular and seasonal workers (for example, fishermen, land-transportation employees, and household workers) and small employers (for example, owners of environmental, rural, and family industries).

Contribution rates: The employee and employer contribution rates are 9 percent and 12 percent, respectively, of total monthly earnings or payroll. (Previously, the employee and employer contributions rates were 10 percent and 15 percent, respectively, and were levied on base and variable earnings up to two different monthly earning ceilings.) The employee and employer contribution rates will each increase by 0.5 percent every 7 years until the combined rate reaches 26 percent in 2055. The minimum monthly earnings used to calculate contributions are the monthly minimum wage, and the maximum monthly earnings are 5,710 Egyptian pounds (US\$361.85).

Qualifying conditions: While the normal retirement age remains unchanged at 60 for now, it is scheduled to increase to 61 on July 1, 2032, and by an additional year every 2 years thereafter until reaching age 65 in 2040. The minimum months of contributions required to qualify for an old-age pension at the normal retirement age is also set to increase from 120 months to 180 months in 2025.

Early retirement: Starting in 2025, an insured person can claim a reduced old-age pension at any age before the normal retirement age if he or she has at least 300 months of contributions (up from 240 months currently) and is entitled to a monthly pension that is at least equal to the minimum monthly pension or 50 percent of his or her last monthly covered earnings, whichever is greater.

Benefit formula: The old-age pension's replacement rate is still 2.22 percent of the insured's average annual covered earnings for each year of contributions, but the average earnings are now calculated based on the insured's lifetime earnings (adjusted for inflation) instead of his or her last 2 years of earnings before retirement. The new formula only applies to periods of service since the new law's implementation date. (The old formula still applies to periods of service before the implementation date.)

Minimum and maximum pensions: The minimum monthly pension is 65 percent of the minimum monthly earnings used to calculate contributions. The maximum monthly pension is 80 percent of the insured's average monthly covered earnings or 80 percent of the maximum monthly earnings used to calculate contributions, whichever is less.

End-of-service benefit: The new law replaces the social insurance end-of-service benefit with one based on individual accounts. To fund the individual account benefit, employees and employers each contribute 1 percent of total monthly covered earnings or payroll. When an insured person retires, he or she receives his or her account balance (total employee and employer contributions plus accrued interest) as a lump sum. The new benefit only applies to periods of service since the new law's implementation date. (The old

benefit still applies to periods of service before the implementation date.)

Benefit adjustment: The pension amount is automatically adjusted in July of each year based on changes in the national consumer price index, with a maximum annual increase of 15 percent. (Previously, adjustments were made on an ad hoc basis.)

Sources: Law No. 148 of 2019; "Egypt's New Social Insurance and Pensions Law is a Remarkable Step towards Social Security: MPs," *Al-Ahram*, July 22, 2019; "Egypt: A Third of Population Lives in Poverty," Voice of America, July 30, 2019; "32.5% of Egyptians Live in Extreme Poverty: CAPMAS," *Egypt Today*, August 1, 2019; *Social Security Programs Throughout the World: Africa, 2019*, U.S. Social Security Administration, September 2019; "Egypt: New Universal Social Security Law Revamps Pension Benefits," Global News Briefs, Willis Towers Watson, September 3, 2019; "Egypt's New Social Insurance Law," Sharkawy and Sarhan, September 11, 2019; "Egypt Consolidates Pension and Employee Social Insurance Law," Mercer, October 1, 2019; personal communication, International Social Security Association, January 2020.

11. Environmental Policies and Regulations

Criteria Score: 3.5

11. Environmental Policies and Regulations

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

1. . In addition to its vulnerability to climate change and growing population, Egypt faces significant challenges promoting environmental and social protection. Egypt's environmental legal framework governing water, air, soil, and biodiversity protection is composed of several laws structured around the environmental Law 4/1994 and its Executive Regulations 338/1995 and their amendments. Other environmental & social protection include health and safety regulations, natural resources and national heritage, the Nile River and waterways and waste management. The Ministry of Environment, with the Egyptian Environmental Affairs Agency (EEAA) being its executive arm, aims to mainstream environmental safeguards in all national policies, strategies and programs. Enforcement of Egypt's environmental Law 4/1994 and its executive regulations shows mixed results. While progress has been

achieved in reducing CO2 emissions, pollution abatement and compliance on standards need more attention. According to the World Bank, until recently, the EEAA's enforcement and compliance function mainly focuses on fines and punishment. To promote compliance with international standards, Egypt is a signatory to various international agreements. However, whereas international standards focus on mainstreaming both environmental and social risks and impacts management on all operations, governing laws in Egypt focus on environmental compliance and to a much lesser extent on social issues (resettlement, vulnerable groups, gender, etc.). Social issues are solely limited to public hearing sessions and community meetings for medium and high-risk projects (Categories B and C). Thus, it is important to support the EEAA to include and integrate better social safeguards provisions into its current laws and regulations to ensure effective conformity with international benchmarks. Indeed, implementing environmental laws and regulations are hampered by institutional constraints, limiting efforts to conduct routine and random inspections of tens of thousands of public and private establishments in Egypt. Moreover, local administrations, especially those dealing with water supply and sanitation, have limited decision-making powers to effectively implement environmental safeguards.

14.a - Environmental and social legal framework

Egypt's environmental legal framework constitutes multiple laws with Law 4/1994 being the key legal instrument governing water, air, soil, natural habitats and biodiversity protection. Other prevailing relevant environmental and social laws include: (i) Law 48/1982 for protection of the Nile River and water bodies and its amendments; (ii) Law 93/1962 regulating the discharge of liquid waste to the public sewage network, where the executive regulations of this law were amended by Minister of Housing decree 44/2000; (iii) Decree 458/2007 on drinking water quality standards; and (iv) Law 12/2003 on labor and workforce safety. Egypt is also signatory to several international conventions for the protection of environment which have been transposed into national legislation. In 1980s EEAA was established then the Presidential Decree 275/1997 created the Egypt's first Ministry of Environmental Affairs (which includes EEAA among its structure to date) with the mandate of mainstreaming environmental and social dimensions in all national policies, plans, programs relevant to the protection of human health and management of natural resources and national heritage and biodiversity collaboratively with the national and international development partners. In 1994, it developed its Guidelines of Principles and Procedures for "Environmental Impact Assessment" that governs the assessment of environmental and social impacts of all projects' types of projects in Egypt.

Egypt has an Environmental Protection Fund (EPF), established in 1994 which to receive the funds specifically allocated to it in the General State Budget by way of support, donations and grants presented by national and foreign organizations concerned with environmental protection, fines and compensation awarded by courts of law or via out-of-court settlements for damage caused to the environment, as well as revenues from the protectorates fund.[FO(1)]

14.b Environmental and Social Issues, Challenges and Opportunities

Despite the institutional framework and regulations in place, Egypt still faces some challenges linked to its growing population, planning, technical capacity, limited financial resources and [FOT2] enforcement of existing regulations with a view of achieving sustainable development objectives of the country. These are manifested in a number of environmental and social challenges, including climate change. Fluvial, marine environments and coastal zones are under continuous pressure both from agricultural, industrial, urban, global warming impacts, and tourist development causing shoreline erosion and flooding, water pollution and deterioration of natural resources and habitats. Air quality is deteriorating, particularly in Cairo and Alexandria, where more than 80% of industrial activity takes place. In relation to water quality, the scarcity of freshwater resources, mainly from the Nile, has intensified with population growth and the expanding

economy (more than 90% of Egypt's water coming from the Nile), which led the GoE to embark on mega projects for treating agricultural drainage waters to use for irrigating millions of feddans new farm lands in the western desert and North Sinai.

Despite having several environmental regulations and being a signatory to various international agreements, Egypt lacks effective implementation capacity of key E&S policies and enforcement of regulations which affect its objectives of environmental protection and achieving sustainable development goals. The responsibility for overseeing the effective implementation of environmental legislation is shared between various institutions at central level. There are limited decision-making powers delegated to local administrations, and the Ministry of Environmental Affairs, particularly the EEAA, does not have adequate [FOT3] executive power for proper implementation and enforcement of all E&S legislation. Typically, the focus has been on strict compliance with limited staffing as opposed to adequately mainstreaming environmental and social safeguards sustainability considerations into decision making and supporting project developers mainstream the requirements into project development and implementation. There is less focus on social safeguards issues (e.g. resettlement, vulnerable groups, gender, etc.) which are solely limited to public hearing sessions and community meetings for medium and high-risk projects (Categories B and C).

There is the need to strengthen institutional and administrative capacities, in particular with regards to implementation and enforcement capacities and capacity building of all stakeholders (including civil society organizations) involved in supporting Egypt improve on its overall sustainability performance. In addition to national initiatives, donor funded projects, programmes are also an important avenue to support Egypt on its sustainability pathway.

In the last decades, donor funded projects in Egypt have helped to build strong E&S capacity for national and private sector actors. For the specific case of the AfDB, this can include strong E&S support during project preparation and implementation, regular technical E&S meetings with borrowers/clients to resolve E&S issues, E&S capacity building workshops for all actors with significant improvement in the Environmental and Social Safeguards Performance of Bank supported operations in Egypt being observed.

The 2021 "Environmental Sustainability Criteria Guidelines" embedded in 2021-2022 Fiscal Plan and in the Yearly Governmental Plans for greening of all public projects (30% green projects of all governmental projects) is expected to create a shift towards clean energy and resource efficiency and open up new markets and business opportunities. This will generate new type of E&S risks that would require further instruments of regulation and E&S safeguards. The Bank may support mainstreaming environmental governance, including legislative and administrative reform, and improvement of environmental and social performance through its funded operations for compliance enhancement capacities strengthening for EEAA and its 16 Regional Branches. The EEAA should also be supported to mainstream stronger social safeguards provisions into its current mandate, E&S laws and regulations in line with international standards such as the African Development Bank's Integrated Safeguards System (ISS).

[FO(1)] Please explain its rôle in the in-country E&S framework. Not just receiving funds. What active role it plays? Other wise you can remove it.

[FOT2]

[FOT3] You already said above that they EEAA has the powers per legislation....

Caveat this sentence by focusing on adequacy.....it is much more +ve

(D) Public Sector Management and Institutions

Cluster Score: 3.108

12. Property Rights and Rule-based Governance

Criteria Score: 3.875

12.a. Legal basis for secure property and contract rights

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

Concerning the "rule of law" indicator of the WGI of the WB 2021, the country's score increased from 37.9 in 2019 to 39.9 in 2020. The property rights index from The Heritage Foundation reflects the ability of individuals to accumulate private property, secured by clear laws that are fully enforced by the state. It also measures the effectiveness of the judicial system and Government Integrity. This index has rebounded in Egypt from 49 in 2020 to 55.7 in 2021.

The government of Egypt recently deployed important efforts to increase private investment and protect investors. In August 2023, a law (No.136) was issued for the Establishment of the Egyptian Authority for Intellectual Property (EAIP). The EAIP replace several ministries/authorities that previously held intellectual property-related mandates is financially independent. A Inter-ministerial Committee for the settlement of investment disputes was also established. The Committee is headed by the Minister of Justice and include a representative from the Federation of Egyptian Industries and the Federation of Egyptian Chambers of Commerce.

12.b. Predictability, transparency, and impartiality of laws affecting economic activity

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The World Bank's WGI 2021 report(most recent) shows a slight improvement in the indicator "Control of corruption" compared to 2020, from 24.1/100 to 26.9/100 but the scores are still below 2019 and 2018 scores' respectively of 28.8/100 and 36.1/100. Likewise, "voice and accountability" has been trending down in 2019, 2020 before slightly improving to 8.21/100 (against 7.7/100). Transparency International's Corruptions Perception Index (CPI) 2022 ranks Egypt 130 out of 180 with a score of 30/100 from 33/100 in 2020, indicating a deterioration in Egypt's transparency level. Nevertheless, the Government of Egypt is also pursuing an anti-corruption strategy, including implementing about 500 governmental services electronically to cutdown red tape. At a more specific level, Egypt passed a long-awaited draft law on investment in March 2017, which had a goal of making deals less vulnerable to legal disputes or changes in Government and reducing the existing bureaucracy. The new investment law addresses many of the obstacles that investors face and significant enhances the investment environment in accordance to international standards. By enabling the General Authority for Investments (GAFI) to go through all the procedures and to obtain all needed licenses from other Government entities on behalf of the investor, the law simplifies investment procedures for investors and significantly reduces the time needed for issuing investment licenses, procuring land, and obtaining utilities services for investors. In addition, the law sets a legal framework for dispute resolution as well as standard procedures for solving investor disputes that may arise in the future

12.c. Difficulty in obtaining business licenses

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The role of the State as market participant in diverse sectors limits private sector dynamism in the country. The widespread presence of SOEs across the economy affects competition and distorts market outcomes which requires not only reforming SOEs but implement bona fide competition policies. The private sector, especially SMEs, is facing competition from state-owned companies. The legal and regulatory framework needs to be adjusted to empower them. The new SME law is not known by most of SMEs. Development partners should support the government in the implementation of this law. The private sector is complaining about the taxation system. Lack of awareness and knowledge among the private sector - SMEs and actors of the informal sector do not know about the regulatory framework, and measures that could benefit them. They have a limited access to finance resources, new technologies, global and regional value chains. There is a structural gap between the supply side and the demand side, meaning that the public-private dialogue is inadequate.

Since 2016, GoE has deployed significant efforts to support private sector development and continue to be fully engaged with Development Partners to quickly advance its reforms program and improve the business climate. There have been reforms aimed at reducing regulatory overhang and improving the ease of doing business in recent years. According to the 2023 index of Economic Freedom, Egypt improved its score in indicator "investment freedom" from 55/100 in 2016 to 65/100 in 2023, which classify Egypt in the category of countries with investment "Moderately free".

(<https://www.heritage.org/index/visualize?cnts=egypt&type=6>)

12.d. Crime and violence as an impediment to economic activity

Score Type	Value
Draft Score	4.5
Reviewed Score	4.5
Second Draft Score	4.5
Final Score	4.5

Country Notes:

Over the recent years, the political situation in Egypt has been stable, creating an enabling environment for structural reforms. The peaceful presidential and parliamentary elections, following the adoption of a new constitution in 2014, have helped to build an environment for steady governance and facilitated the continued focus on bold economic reforms and programs. Since 2016, the Government has embarked on major reforms for economic recovery and re-establishment of public security and rule of law. The security situation has improved, attributed to the efforts in fighting terrorism, which include security reinforcement and presence throughout the country. Among most problematic factors for doing business, Egyptian enterprises rank Crime, theft and disorder far below issues such as taxation, access to finance, regulation, customs and other issues in the micro policy environment, as shown in the 2020 enterprise survey

conducted by the World Bank in Egypt (the most recent enterprise survey).

13. Quality of Budgetary and Financial Management

Criteria Score: 3.25

13.a. Comprehensive and credible budget

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The budget process in Egypt is governed by both constitutional provisions and budget laws. The budget process in Egypt encompasses three main phases: (i) the Discussion and Approval Phase, (ii) the Implementation Phase, and (iii) the Audit Phase.

The Discussion and Approval Phase starts with the President presenting the Executive's Budget Proposal to the House of Representatives. Here, the parliament scrutinizes the budget through various committees, each focusing on specific areas such as health, housing, and education. These committees engage in detailed reviews and may propose amendments, provided they do not increase the deficit. This Enacted Budget, a pivotal document, must be established before the fiscal year begins, with opportunities for public, civil society, and media participation in the process.

Moving to the Implementation Phase, once the budget is enacted into law, the executive begins fund collection and expenditure based on specified budget allocations. The Ministry of Finance disburses payments to line ministries and spending units according to their requirements. These entities manage finances and maintain transaction records. Monthly reports on revenue and expenditures are submitted to the Ministry of Finance, which compiles aggregate Monthly In-Year Reports throughout the fiscal year.

The Audit Phase entails sending this report to the Accountability State Authority (ASA), for a thorough examination of accuracy and compliance with regulations. The agency submits an Audit Report to the Ministry of Finance and parliament, discussing recommendations with the executive. The Final Accounts Report is then endorsed by the House of Representatives through presidential approval, subsequently becoming law and accessible on the Ministry of Finance website. Notably, while the Audit Report is a crucial budget document discussed in parliament, it remains classified and unpublished in Egypt.

Egypt's 2014 Constitution defines this process in order to ensure transparency, accountability, and effective financial management in Egypt's budgetary affairs clarifying the role of the parliament, the different ministries and the Accountability State Authority (ASA).

More importantly, it specifies minimum allocations for specific line items, such as healthcare (3 % of total expenditure) and education (4 % of total expenditure and 2% for university education) Since 2014, consecutive administrations have consistently fallen short of meeting the constitutionally prescribed targets for the health and education sectors. Despite the Constitution's clear mandate, which dictates that a minimum of three percent of GDP should be allocated to health and four percent to education.

The meager investments made in the fields of health and education stand in stark contrast to the substantial budgetary allocations earmarked for servicing sovereign debt. In the 2023/24 fiscal year, a significant 56 percent of the budget is designated for loan repayments and the payment of interest on state debt. This situation has been exacerbated by the ongoing economic crisis, triggered by Russia's invasion of Ukraine. While the Central Bank of Egypt has taken measures to curb inflation by raising interest rates in recent months, the burden of interest payments on the state budget has intensified, particularly since the state is the largest borrower in the domestic market. Egypt's persistent dependence on external debt to finance its spending has not only hindered its ability to bolster its economic power and resilience but has also had a notable impact on the effectiveness of its counter-cyclical and cyclically neutral policies. In accordance with the latest iteration of the Medium-Term Debt Strategy (2020-2024), the Government of Egypt (GoE) has set its sights on maintaining a consistent trajectory of reducing Egypt's central government debt as a percentage of GDP over the medium term. The objective is to reach a level of approximately 80% of GDP by June 2024 Creating additional fiscal breathing room, allowing the government more flexibility in managing its finances.

The Law No. 6 of 2022 , which enacts the Unified Public Finance Law, establishes a new framework for the preparation and execution of the state's general budget. This budgeting process is anchored in the principles of program budgeting and performance assessment, aligning with the broader objectives outlined in the general plan for economic and social development as well as the strategic goals of the state guided by international standards in this domain. However, it's not uncommon for the implementation of such reforms to take several years, or even longer, to fully realize their intended impact.

Egypt's budgetary framework is designed to align with national objectives. This strategic approach coincides with the monumental shift to the new administrative capital and the continued execution of the The "Decent Life" presidential initiative, known as the National Project for the Development of the Egyptian Countryside, inaugurated by President Abdel Fattah El-Sisi in 2019 representing the most substantial endeavor ever undertaken by the Egyptian government. The primary aim of these budget allocations is to enhance the quality of life for roughly 60% of Egypt's population residing in rural areas. The current budget for the fiscal year 2023/2024 is aptly characterized as a human development budget, with its central objectives revolving around job creation and the enhancement of public services. Nevertheless, the absence of an independent audit for budgetary implementation raises concerns about the integrity and quality of these processes.

For 2021, Egypt ranked 61 out of 117 countries with Score of 43 (out of 100) in the International Budget Partnership's Open Budget Survey (OBS) up from 82 out of 100 countries with Score of 13 in 2012. Preliminary result of OBS 2021 shows the Score of 43, which indicates the openness of Egyptian governmental budget remains the same. Therefore, the criteria of 2.a remains the same rating.

13.b. Effective financial management systems

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

A number of important initiatives have been adopted to improve PFM :

- A new unit at the Ministry of Finance was created in 2016 to focus on fiscal risks and PFM reforms. In June 2017, the PFM unit has issued a comprehensive internal assessment of fiscal risks, including macroeconomic risks, implementation risks and risks emanating from contingent liabilities. This unit is also acting as an internal audit unit. In November 2019, The Finance Ministry issued criteria for government auditors to assess that state funds are being used efficiently.
- The shift to programme-based budgeting is progressing slowly.
- A Medium-Term Debt Management Strategy was published in the Spring 2019.
- A medium-term expenditure fiscal framework covering the period 2016-2019 was published

In addition, the Ministry of Finance has overhauled the SOE guarantee framework to have full control over the stock of contingent liabilities. In the spring 2019, the authorities published the first financial statements of SOEs.

- The government initiated a debt committee which reviews government borrowing.

On 3 October 2018, a new law regulating public procurement was issued in Egypt to replace the Bids and Tenders Law No. 89 of 1998 ("**Tender Law**"). The new law is titled 'Law No. 182 of 2018 Regulating Contracts Entered by Public Entities' (herein referred to as the "**New Public Procurement Law**"). The New Public Procurement Law will apply on all contracts to be entered into between the private sector and any governmental entity or public authority including the procurement as well as the implementation phases. It also reserves 10% of public procurement to SMEs and favours contracting to local businesses at the governorate level. In 2019, the further development of an online procurement portal. The new law will also be followed by the operationalization of an online procurement and a Code of Integrity for Government Procurement Staff.

A revised PFM Law, which aims to improve governance and reduce corruption risks, was submitted to the Egyptian Parliament in early 2021 and approved by the Upper House (the Senate Council) in July 2021. This revised law will strengthen the budget process by including: (i) a fiscal responsibility provision to guide macro-fiscal policy; (ii) a medium-term budget framework; (iii) main elements of the budget calendar; (iv) minimum contents of the budget documentation; (v) robust provisions on reallocation of resources, contingency reserves, and supplementary appropriations, and (vi) accounting rules for all public entities including economic authorities.

While the number of important initiatives has been progressing, the IMF Article IV Consultation Document of July 2021 also mentions that the vulnerability remains high because of large public debt and public finance's fragility to external shocks. Due to these overall considerations, this criterion 2.b needs to remain the same.

The Government of Egypt (GOE) has also embarked since 2017 on a significant modernization effort in its public financial management & IT systems through the introduction of the Treasury Single Account (TSA) and the Government Financial Management Information System (GFMS). These systems are set to streamline financial operations and empower policymakers with data-driven decision-making tools. This fiscal year (2023-2024) marks the culmination of the Ministry of Finance's extensive digital transformation initiatives across all Services Authorities. A significant milestone in this journey is the commencement of the implementation of the Government Financial Management Information System (GFMS) within all the economic bodies.

13.c. Timely and accurate fiscal reporting

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0

Final Score	3.0
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Country Notes:

In the context of budget transparency, "accessibility" necessitates that comprehensive budget information is comprehensible to citizens. This entails presenting all such information in a clear and understandable manner while also providing explanations for the impact of budget measures. To address this need for transparency and citizen understanding, Egypt has been annually publishing the "citizen's budget" since 2014.

In addition to its official website, the MoF has also launched an interactive and informative online platform, through which citizens can engage with budget processes by sending questions, posting comments, and receiving relevant timely answers and replies. (Budget Transparency Series: A Guide to Egypt's State Budget Transparency Brief No.1, 2020, UNICEF).

The latest Open Budget 2021 survey which assesses budgetary transparency at the level of 117 countries gave respectively the score of 43 out of 100 and Transparency domain. Despite notable progress achieved in the intervening years between 2012 and 2019, the country's 2021 score has plateaued. Consequently, Egypt still falls into the category of nations characterized by limited accessible information regarding their budgets.

According to this organization's recommendations, Egypt should prioritize the following actions to improve budget transparency:

1. Timely online publication of the Pre-Budget Statement and Audit Report.
2. Strengthening the Executive's Budget Proposal by including multi-year expenditure and revenue estimates, as well as providing more detailed information about the national debt (as indicated in indicator 14).
3. Enrich the Year-End Report with macroeconomic data and comprehensive details on actual expenditures.

Enhance the comprehensiveness of the Mid-Year Review by supplying updated execution data and revised estimates for the latter part of the fiscal year.

13.d. Clear and balanced assignment of expenditures and revenues to each level of government

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0

Second Draft Score	3.0
Final Score	3.0

Country Notes:

In the formulation phase, the government estimates the revenues, allocations, and expenditure of the next fiscal year based on assumptions made by the Ministry of Finance (MoF), the Ministry of Planning (MoP) and the Central Bank of Egypt (CBE). Based on these assumptions, in September or October, the MoF issues a Budget Circular, asking ministries and other government entities to formulate and submit their budgets to the MoF (Budget Transparency Series: A Guide to Egypt's State Budget Transparency Brief No.1, 2020, UNICEF). Here, this status indicates that the balanced assignment of the budget is stronger at the central government level. The International Budget Partnership's Open Budget Survey (OBS) both in 2019 and 2021 suggests the similar trends at question 35, which indicates the budgets of local administrations are not exhibited in detail at the draft stage.

The Ministry of Planning and Economic Development of Egypt shows its interest in developing public spending management mechanisms at the local level. The Ministry's Press Release on 05/August/2021 explains that the Ministry is putting its efforts, on top of further building capacity of governorates officials, to disseminate "Citizen's Investment Plan" in all Egypt's governorates, which identifies and prioritize the sectoral distribution of investment projects by citizen's involvement. This effort synchronizes with the Ministry of Finance's initiative of the Citizen Budget Booklet, which aims to improve citizen participation in budget process including local government level.

While these efforts are on-going, the actual effects will be emerged in coming years. As indicated earlier, preliminary result of OBS 2021 shows the Score of 43, which indicates the openness of Egyptian governmental budget remains the same. The criteria of 2.d remains as same as the previous rating.

14. Efficiency of Revenue Mobilization

Criteria Score: 3.75

14.a. Tax policy

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

The Government of Egypt is committed to pursue all the fiscal reforms initiated prior to the pandemic, to enhance domestic resource mobilization and improve spending efficiency. The MoF is well advanced in the preparation of the medium-term revenue strategy (MTRS) that includes key measures to improve the performance of tax collection. The implementation of this strategy will allow the MoF to raise the tax-to-GDP ratio by 2% points within four years. Egypt's tax-to-GDP ratio is among the lowest in the North Region and Africa, estimated at 12.4% in 2022/2023.

ITIn 2022/2023, tax revenue increased by estimated to have increased by 23.1%, thanks to continued efforts on digitalization and widening of the tax base on various fronts including VAT, revisiting exemptions and closing loopholes to decrease tax avoidance and evasion

14.b. Tax administration

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

The Egyptian government has made substantial improvements in its tax policy in recent years.

The 2017 Investment Law includes many positive changes, including limiting corporate income tax holidays to free zone (FZ) companies. Similarly, the 2015 amendment of the Law on Economic Zones of Special Nature no longer includes reduced corporate and income taxes for projects inside special economic zones. The government also has an extensive array of measures to protect the domestic tax base from cross-border tax minimization techniques used by multinational enterprises (MNEs). The Egyptian Ministry of Finance and the OECD have recently launched an EU-funded project to strengthen domestic resource mobilization in Egypt.

Incentives offered to companies in FZs contribute to revenue leakage when commodities (imported and domestic supplies) enter zones tax-free. They also introduce distortions and hamper productivity growth when FZ companies enjoy competitive advantages focus on the domestic market, as shown by recent figures presented in Chapter 5. To limit revenue leakage, the authorities are encouraged to prescribe and publish lists of commodity inputs currently eligible for customs duty and value added tax (VAT) exemptions. They could also consider mechanisms to monitor firms' export performance until CIT holidays are phased-out in zones.

Recent updates/changes have been announced by the Egyptian government to several articles in the Egyptian income tax law derived with an intention to stimulate the economy post the COVID-19 pandemic.

Such changes mainly cover the withholding tax (WHT) imposed on the dividend distributions made by an Egyptian company, capital gains tax (CGT) realized upon disposing Egyptian listed shares on the Egyptian Exchange (EGX), along with the stamp tax imposed, as explained below.

In addition to the above, the Unified tax procedures law have been issued and that mainly covers the procedures for the filling of different taxes / registration for tax purposes as well as the penalties for noncompliance as well as other tax topics.

The Egyptian Ministry of Finance has issued a series of laws and decrees to digitize the operations of the Egyptian Tax Authority. Ministerial decree 144 of 2020 is a manifestation of the MOF's vision to automate and digitize the tax system in Egypt and was issued in the official gazette on March 5, 2020 and enforced as of March 6, 2020.

In early 2023, The Egyptian Tax Authority has published Value-Added Tax (VAT) Guidelines for digital services and other remote services provided by non-residents. According to the Ministerial Decree no. 160 for the year 2023, the Guidelines outline the VAT obligations for non-resident vendors who render digital and remote services to customers in Egypt through various platforms, including websites, social media stores, and applications. The guidelines became effective on 22 June 2023.

15. Quality of Public Administration

Criteria Score: 2.667

15.a. Policy coordination and responsiveness

Score Type	Value
Draft Score	3.5
Reviewed Score	3.5
Second Draft Score	3.5
Final Score	3.5

Country Notes:

It is known that the governance style of the Government of Egypt is quite centralized, top-down in administration. The Bertelsmann Transformation Index (BTI 2022) explains the situation of policy coordination as follows; "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, which in many cases leads to a lack of coordination and inefficiency, redundancies, or conflicting and counterproductive policies. Moreover, different parts of the government frequently compete for competencies and the leadership's approval, instead of effectively supporting and complementing each other." The indicator of "Policy Coordination" in the BTI 2022 shows that it is 5/10 and didn't change since 2020.

15.b. Service delivery and operational efficiency

Score Type	Value
Draft Score	2.5
Reviewed Score	2.5
Second Draft Score	2.5
Final Score	2.5

Country Notes:

The absence of a modern public employment framework with adequate incentives is a major factor behind the poor quality of public services and limited government effectiveness. Weak incentives by policy makers and public servants (including the selection and advancement mechanisms and lack of transparency and accountability) have a detrimental impact on public service delivery. More generally, Egypt needs to change the incentive structure of its bureaucracy to achieve better level of efficiency and effectiveness in the government functions. As part of this effort, Egypt promulgated a new Civil Service Law (Law No. 81) in 2016 for reforming civil service for better efficiency.

The BTI 2022 founds that Egypt has made insufficient use of human, financial and organizational resources. *"Successive governments have used public sector employment to counter unemployment and buy loyalty. This has dramatically inflated the state apparatus, which consists of some seven million employees (25% of Egypt's total work force). No more than three million are necessary, according to estimates. This results in redundancies and underemployment, and ultimately in low efficiency both in providing public services and completing regulatory procedures"*.

https://bti-project.org/fileadmin/api/content/en/downloads/reports/country_report_2022_EGY.pdf

Over the period 2021-2023, the budget deficit and the public debt ratio were reduced, but both remain at high levels. Almost three-quarters of the government's expenditures are spent on state employees, subsidies and debt service. According to the BTI 2022, Egypt's score in terms of resources efficiency is 4/10 and did not change over the period 2020-2022. Government Effectiveness as measured by the World Governance Indicators has experienced an upward trend since 2016 to 2019 from 34.6 to 41.4. But from 2019 to 2021, it reduced to 35.6. Hence, the trend may be somewhat standstill and the score of 11.b is maintained.

15.c. Merit and ethics

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Egypt has a number of bodies and agencies concerned with preventing and combating corruption, including the Administrative Control Authority (ACA), the Public Prosecution, the Administrative Prosecution Authority and the related specialized prosecution offices, the Accountability State Authority (ASA), the Department of Illicit Gain of the Ministry of Justice, the Directorate General for Combating Financial Crime of the Ministry of the Interior, the Money laundering and Terrorist Financing Combating Unit (EMLCU), and the National Board of Payments. The Public prosecution plays a key role in the field of international cooperation. Egypt has established a National Coordinating Committee for the Prevention and Combatting of Corruption (NCCPCC) and a National Coordination committee against money laundering. It also established a National Committee for the Recovery of Funds, Properties and Assets Located Abroad, headed by the Prosecutor General.

Training programs exist for public service employees, both upon general appointment and at the unit level (Articles 7–8, Law No. 81/2016). All ministries have training departments in charge of raising the standard of training and practice in the performance of work, the acquisition of skills and experience with regard to performance and awareness of the duties, tasks, and responsibilities entrusted to them. These departments also ensure compliance with regulations and directives governing work, the fight against all forms of corruption, and raising awareness of these risks.

According to the Bertelsmann Stiftung's Transformation Index (BTI) 2022, the rule of law has been undermined by extensive corruption and a culture of nepotism and favoritism over the past decade in Egypt. President Al-Sisi has repeatedly highlighted his intention to end this practice. Egypt's first national strategy to fight corruption, which covered the period 2014 – 2018, was followed up by a second stage covering the years from 2019 until 2022, and several individuals were indeed charged in 2020 and 2021. The BTI 2022 also points out that "Institutional arrangements to implement an anti-corruption policy exist and have improved in recent years." The status is assessed that such institutional arrangements are not utilized for impartial application of rule of laws due to the political influence.

15.d. Pay adequacy and management of the wage bill

No score data available for this subcriteria.

16. Transparency, Accountability, and Corruption in the Public Sector

Criteria Score: 2

16.a. Accountability of the executive to oversight institutions

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The last IMF Article IV Staff Report 2021 points out the necessity to improve audit particularly internal audit function. It says “accelerating the development of the internal audit function across the public sector coupled with creating a central oversight body, strengthening provisions regarding the independence and transparency of the external audit (including through the publication of external audit reports) and strengthening the legal framework for PFM.” While there is the Accountability State Authority of Egypt (ASA) which is state’s central auditing agency, the function of the ASA is considered that it is needed to be further strengthened.

The Open Budget Survey (OBS) 2021 points out that the legislature and supreme audit institution in Egypt provide limited oversight during the planning stage of the budget cycle and weak oversight during the implementation stage function so that the OBS gives Egypt on a composite oversight score of 44/100 marking a decrease of 6 points from its 2019 score. This has led to Egypt's performance in legislative and audit oversight being categorized as 'few' and 'limited' respectively. OBS 2021 provides recommendation to strengthen budget oversight function for both areas. The recommendations include steps to strengthen oversight and enhance audit independence. These steps entail engaging in budget policy debates before presenting the Executive's Budget Proposal, thereby endorsing recommendations for the upcoming budget. It is also advised that legislative committees meticulously examine the Executive's Budget Proposal and share their analyses online for transparency. Similarly, another committee should review in-year budget execution and make their findings available online to ensure ongoing fiscal accountability. Furthermore, a committee should evaluate the Audit Report and publish their findings online. These actions collectively aim to reinforce oversight and enhance the effectiveness of the Egypt Accountability State Authority (ASA), ultimately leading to improved audit governance in Egypt.

The Bertelsmann Stiftung's Transformation Index (BTI) for 2022 highlights the need for institutional reforms within the government structure. It suggests that leadership should prioritize the establishment of improved checks and balances, with a focus on strengthening the legislature and enhancing the independence of the judiciary. This recommendation holds particular significance in the context of the military's substantial economic enterprise, which currently operates with limited public oversight. Additionally, the BTI points out that newly established entities like the Tahya Masr (Long Live Egypt) fund

in 2016 and the Sovereign Fund of Egypt in late 2019 have largely evaded comprehensive auditing and scrutiny, emphasizing the importance of addressing this issue.

The criteria of 12.a remains as same as the previous rating.

16.b. Access of civil society to information on public affairs

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

The Ministry of Finance (MOF) is introducing and implementing a participatory budget process in Egypt. According to the UNICEF's "A Guide to Egypt's State Budget, transparency Brief No.1," "the MoF publishes a number of reports and documents to familiarize the public with the State Budget, the most relevant of which is the Citizen Budget Booklet. Published every September, it provides a simplified version of the State Budget that is designed to be accessible and easily understandable for the general public." It also add that "the MoF has also launched an interactive and informative online platform through which citizens can engage with budget processes by sending questions, posting comments, and receiving relevant timely answers and replies."

As discussions on the Information Exchange Law commence in Egypt during the 2023 national dialogue, profound concerns have arisen regarding the timing, discourse, and substance of this legislation, despite its constitutional foundations. Indeed, Article 68 of the 2014 Egyptian constitution strongly underscores citizens' rights to transparently access information, data, statistics, and official documents while providing regulatory safeguards for this right. However, legislative trends over the decades have often failed to support freedom of expression and the exchange of information. Valid apprehensions surround the current draft of the law, as it seems to curtail the scope of information access, exclude specific entities from these rights, and erode the presumed independence of the National Information Council. These issues highlight the pressing need to enhance freedom of expression and the right to access information in Egypt.

According to the Reporters Without Borders (RSF) 2023 indicates that freedom of the press is low in Egypt and that the situation has worsened over the past five years. In the RSF, the country is ranked 166/180 in 2023, while it was ranked 168/180 in 2022. Ease of access to information on public affairs has also been not progressed rapidly. Initiatives such as the citizens budget being implemented recently but Open Budget Survey (OBS) 2021 advised more to be done in this area such as publish Citizens Budget information in a timely manner. As the OBS 2019 scores Egypt as 43/100, which reflects limited access to information in the country. The Bertelsmann Stiftung's Transformation Index (BTI) 2022 suggests that an insufficient auditing of state spending causes the difficulty of checking the government by the public.

The drafting and implementation of the National Anti-Corruption Strategy involved representatives from civil society as key stakeholders. Extensive efforts have been made to raise awareness and empower the public to contribute to the fight against corruption through public media campaigns that demonstrate its negative effects on society and how to communicate with regulatory and anti-corruption authorities to report acts of corruption. Several hotlines and online portals have been established for citizens to report corruption, including anonymously. The Strategy also aims to integrate anti-corruption curricula at all levels of education. The 2019 UN Convention Against Corruption review of implementation identifies followings as good practice; (1) Egypt experienced broad stakeholder participation in the adoption of the second national anticorruption strategy (2019–2022); and (2) The development and implementation of the Egypt-based Corruption Perception Index, in consultation with civil society, academia and the general public. The World Governance Indicator's rating of Voice and Accountability has been in continuous declining trend since 2017. Also, the overall score and rating of Participation, Rights & Inclusion in the Mo Ibrahim Index 2020 is 23.8/100 and 49 out of 54 Africa countries. The rating of the criteria 12.a remains the same. Egypt's score in the Open Budget Index has improved to 43/100 in 2021 preliminary and 2019 from 41/100 in 2017 due to the progress made in public availability of budget documents at Mid-Year review and Year-End Report.

Even though these efforts have been set in motion, it appears that the actual outcomes seen in the different indicators results, are being somewhat tempered. The drafting and implementation of the National Anti-Corruption Strategy involved representatives from civil society as key stakeholders. Extensive efforts have been made to raise awareness and empower the public to contribute to the fight against corruption through public media campaigns that demonstrate its negative effects on society and how to communicate with regulatory and anti-corruption authorities to report acts of corruption. Several hotlines and online portals have been established for citizens to report corruption, including anonymously. The Strategy also aims to integrate anti-corruption curricula at all levels of education. The 2019 UN Convention Against Corruption review of implementation identifies followings as good practice; (1) Egypt experienced broad stakeholder participation in the adoption of the second national anticorruption strategy (2019–2022); and (2) The development and implementation of the Egypt-based Corruption Perception Index, in consultation with civil society, academia and the general public. The World Governance Indicator's rating of Voice and Accountability has been in continuous declining trend since 2017. Also, the overall score and rating of Participation, Rights & Inclusion in the Mo Ibrahim Index 2020 is 23.8/100 and 49 out of 54 Africa countries. The rating of the criteria 12.a remains the same.

16.c. State captured by narrow vested interests

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

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The national legal framework to prevent and counter corruption includes provisions from a number of laws, notably the Civil Service Law (Law No. 81/2016), The Procurement Law (Law No. 182/2018), the Penal Code (PC), the Criminal Procedure Code (CPC) and the Law on Illicit Gain and the Anti-Money-Laundering Law (AML Law). Egypt is also a party to a number of international agreements on international cooperation, crime control and crime prevention.

A number of systems have been set up to facilitate the reporting by civil servants to the relevant authorities of acts of corruption through hotlines, websites, social networks that are open generally to the public, or dedicated offices to receive complaints, which exist within all regulatory bodies and in some units of the administrative apparatus. Presidential Decree No. 314/2017 established a unified complaint system throughout Egypt to receive, examine, and channel all government complaints and respond to them electronically. This system is in the process of being implemented. A law on the protection of reporting persons has been proposed.

In Egypt, State Owned Enterprises (SOEs) are present in almost every sector of the economy. Information provided by the authorities indicates that there are over 300 publicly owned companies, including public business sector companies (PBSC), public sector companies (PSC) and military-owned companies, and close to 645 joint ventures (JVs) and partnerships involving the state. There are also 53 economic authorities (EAs), that operate in various, often strategic sectors including logistics, agriculture, oil and gas, electricity, and energy. According to the FY2017/18 Economic Census, PBSCs and PSCs alone amounted to around 16 percent of the economy in terms of production, 25 percent of capital investment, and 6 percent of employment. (source: IMF 2021 Article IV) The important footprint of the State in diverse sectors and its role as market participant create uncertainty and perception of unfair competition, limiting the private sector dynamism in the country.

The Law 149/2019, commonly referred to as the NGO Law, and its 2021 by-law have raised concerns among UN experts [1] due to their impact on civil society in Egypt. These laws limit civil society's access to funding and grant significant supervisory control and discretionary power to the executive branch over the regulation and dissolution of civil society organizations in the country. While the NGO Law is the primary legislation governing civil society activities, several other laws, including those related to cyber and information technology crimes, terrorist entities, anti-terrorism measures, and the right to public meetings and peaceful demonstrations, further hinder the work of civil society organizations. Despite certain improvements, such as the elimination of imprisonment penalties and the involvement of multiple authorities in decision-making, the NGO Law still imposes burdensome procedures on civil society, impeding their activities. Additionally, the legislative processes for these laws lacked transparency and consultation with broader civil society organizations, leading to legal uncertainty and limiting civil society's ability to provide input on legislation that affects their operations. UN experts have expressed these

concerns regarding the NGO Law and its impact on civil society in Egypt.

Although all the above-mentioned efforts and progresses, the Corruption Perception Index of Egypt as of 2022 the last available year is score of 30/100, and the country rank is 130/180. This is a slight set back from 2019 data, which are 33/100 and 117/198, respectively. While World Governance Indicator's rating of Control of Corruption (latest score was updated in 2021) has been in continuous declining trend since 2017, The 2020 Mo Ibrahim Index reveals a decline in the Anti-Corruption performance within the Security and Rule of Law category in Egypt, as the score decreased from 45.8 in 2012 to 41.8 in 2021.

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[1] <https://spcommreports.ohchr.org/TMResultsBase/DownloadPublicCommunicationFile?gld=26522>

(E) Infrastructure and Regional Integration

Cluster Score: 3.334

17. Infrastructure Development

Criteria Score: 3.667

17.a. Sector strategy/policy

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

In the recent years, the government of Egypt increased substantially public investments in the infrastructure sectors. In FY 2021/22, some LE406bn (\$25.4bn) were invested in the development of new infrastructure for transport (45%), water and sanitation (33%), electricity (15%) and communications (7%). Although the bulk of those investments is still public, there is increasing emphasis from the government on attracting private investment, especially to the electricity and transport (sea and dry ports) sectors. This is not limited to green investment, but also to possible privatization of existing infrastructure assets.

Transport: Over the past few years, transport projects have been front and centre as "national initiatives" in Egypt's developmental journey. Road and bridge projects have been prioritized, and viewed as the arteries of development. Egypt's ranking in the Infrastructure Index of the Global Competitiveness Report has soared from 91st to 28th place within just three years, primarily due to the implementation of numerous infrastructure projects, particularly in transportation and roads projects contributing to the country's development and the improvement of its global competitiveness.

Egypt has lined up nearly 80 projects in the transportation sector, covering port development, container terminals, cruise berths, marine passenger terminals, multimodal transport, river ports and metro, offering investment opportunities to the private sector. These projects, under construction or in the planning stages, are estimated to cost about 129 billion Egyptian pounds (\$6.6 billion), according to Ministry of Transport.

As part of the National Road Project; the Ministry of Transport has completed the construction of 7,000 km of new roads and the completion upgrading and rehabilitation of projects spanning 5,500 km. The government is also upgrading airports, ports, and integrating transportation networks.

For the enhancing of Egyptian connectivity to neighbour countries, several projects of land border crossing ports have been completed, the most significant of which is the establishment of the Qustul and Arqin land ports (at the cost of EGP 79 million, and EGP 93 million respectively) both land border ports are on both sides of the Nile with the boarder of Sudan, along with a comprehensive development of the Sallum land port with the boarder of Libya at a cost of EGP 2.6 billion and the improving and developing of the Taba land port at a cost of EGP 40 million.

Work is also progressing in the field of river transport across several projects, the most important of which is the development of the Cairo/Alexandria waterway (Riyah Buhayri and Nubaria Canal) at a cost of EGP 28.73 million, and the development of the Cairo/Aswan waterway at a cost of EGP 267.94 million.

In total, the Ministry of Transport has around 25 projects in the railway sector, 9 dry ports and logistics areas in the pipeline. The government's top priority is to connect the cities and the ports with decent transportation means and to develop the roads, railways and ports to put Egypt as a global centre and hub for transport, warehousing and logistics services.

Investment in energy infrastructure has received due attention from the government in the past decade given its critical role in supporting socio-economic development. In line with the Integrated Sustainable Energy Strategy, the government aims to expedite the transition to green growth by increasing the share of renewable energy to 42% of the generation mix by 2030. Most of the needed investments in renewables are targeted for the private sector. In this regard, Egypt was successful in attracting private investments in 32 power plants in the Benban solar park. Further, several new renewable energy projects are in different stages of planning and development by the private sector. In order to further diversify its energy sources, construction of the \$30bn El Dabaa Nuclear Power Plant is progressing, which will be the first of its kind in Egypt and the largest nuclear power plant in Africa. To integrate those new capacities in the national grid, the government has been making sizable investments in expansion and upgrade of the transmission and distribution networks. As a result, Egypt currently has surplus power generation capacity, which along with the large natural gas discoveries in the Mediterranean and the well-developed gas infrastructure in the country, could position Egypt as a regional energy hub by strengthening the regional power and gas interconnections.

Water infrastructure is also a priority for the government, as water security has become an issue of increasing national importance. Egypt is extremely dependent on the River Nile and its renewable water resources, quantified at 699 m³/capita/year in 2014 (FAO) are expected to drop to 500 m³/capita/year by the year 2025, the "absolute" water scarcity level. The agriculture requirements exceed 80% of the total water demand for water. In view of the expected increase in water demand from other sectors, such as industries and municipal water supply, the development of Egypt's economy strongly depends on its ability to conserve and manage its water resources, including through the increased use of non-conventional resources (ex. Desalination, aquifers...). In terms of water and sanitation infrastructure, it has grown substantially over the last two decades in Egypt (UNICEF and WHO 2019 reports). In 2020, around 99.4% of the Egyptian population have access to drinking water from an improve source, provided collection time is not more than 30 minutes, but with disparities between urban and rural population. A significant number of households do not access drinking water when needed. For instance, 1 out of 3 rural houses (and 1 out of 4 in urban areas) does not have access to water for more than 12 hours per day on average. Egypt has also done a great effort in keeping pace with demographic growth and increasing sanitation coverage to at least basic services. The efforts deployed have largely extended the sewerage network and improved the wastewater treatment. In 2020, 67.1% of the population is connected to safely sanitation managed services, using improved facilities which are not shared with other households and where excreta are safely disposed or transported and treated off-site. There are some disparities between safely managed service access in urban area (72.8%) and rural area (62.7%), which will be duly addressed through the Decent Life Initiative.

17.b. Legal and regulatory frameworks for infrastructure

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

As described above, the government of Egypt aims for the private sector to play a larger role in the economy, including in the development of infrastructure and delivery of related services. Furthermore, some sectors; including energy, sea and dry ports, and telecommunications; are targeted for the attraction of FDI. Typically, such developments are contracted in the form of PPPs. PPPs are regulated by law No. 67 of 2010, as amended from time to time to facilitate and make it more attractive to the private sector. In addition, the government has been introducing tax incentives and guarantees, liberalizing the foreign exchange system, and adopting comprehensive value added tax (VAT) systems to help attract more domestic and foreign investment into the country. PPPs opportunities are spread across many sectors (independent power producers, solid waste, toll roads, urban transport, sea and dry ports, airports, logistics hubs, wastewater treatment plants, desalination), but need to be well prepared and structured to attract investors. The PPP Central Unit at the Ministry of Finance is mandated to support the sectoral ministries in the preparation and procurement of PPP projects. Once the PPP project has been procured, the sectoral ministries and their affiliated companies[1] become fully responsible for implementation of the contracts. Training public officials and strengthening the capacity of the PPP Central Unit to allow it to prepare complex projects, and further developing PPP financing schemes, should be undertaken regularly. In addition to the PPP Law, other laws and regulations are adopted from time to time that are sector specific. For example, in the energy sector, a renewable energy law and associated Feed-in-Tariff regulations were issued to incentivize PPPs in renewable energy, which proved to be very successful. For the railways sector, Egypt has been introducing some regulations to allow the private sector to be involved in O&M of passenger and freight train operations. While the mobile telephone sector is competitive and fully privatized, the fixed line telephone network remains a Telecom Egypt monopoly. Although Internet access is very cost-competitive, it is experiencing some bandwidth challenges and its insufficient local content does not stimulate e-commerce usage.

[1] For example, the Ministry of Transport and the port authorities for sea transport PPPs, the ministry of Housing and the holding company for water for water and wastewater PPPs, etc.

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67 of 2010, as amended from time to time to facilitate and make it more attractive to the private sector. In addition, the government has been introducing tax incentives and guarantees, liberalizing the foreign exchange system, and adopting comprehensive value added tax (VAT) systems to help attract more domestic and foreign investment into the country. PPPs opportunities are spread across many sectors (independent power producers, solid waste, toll roads, urban transport, sea and dry ports, airports, logistics hubs, wastewater treatment plants, desalination), but need to be well prepared and structured to attract investors. Training public officials and strengthening the capacity of the PPP Central Unit in the Ministry of Finance to allow it to prepare complex projects, and further developing PPP financing schemes, should be undertaken regularly. In the energy sector, the government has been implementing an ambitious sector reform program with the aim of enhancing its sustainability, improving the governance and performance of the public utilities and enhancing the environment for attracting private investments in the sector. The results have been rapid increase in private investments especially in renewables and in upstream oil and gas. While the mobile telephone sector is competitive and fully privatized, the fixed line telephone network remains a Telecom Egypt monopoly. Although Internet access is very cost-competitive, it is experiencing some bandwidth challenges and its insufficient local content does not stimulate e-commerce usage. For the railway sector, Egypt needs to have a clear regulatory framework to set out the policy making, regulations and operations.

17.c. Public resource management and accountability in the infrastructure sector

Score Type	Value
Draft Score	3.0
Reviewed Score	3.0
Second Draft Score	3.0
Final Score	3.0

Country Notes:

The authorities have developed and implement a robust national procurement/public contract systems and procedures that are largely compliant with international standards of procurement/public contracts. These systems are relatively transparent and stable. External/independent audits to assess the selection process of contractors is relatively rare. Meanwhile, economic analysis/cost opportunity analysis related to infrastructure projects are common, but consultations of populations/beneficiaries/civil society/private sector in designing, implementing and evaluating infrastructure projects/programs are generally inadequate, highlighting the centrally planned economic decision making of the Government that in some cases willfully neglects local opinion. The government of Egypt is also opting more increasing PPPs when it comes to infrastructure projects in order to reduce public expenses for the construction and maintenance of these infrastructure. indeed, there is potential need for development of PPPs to create competition and turn it from being a monopoly sector and giving opportunity for private operators to build, maintain, and operate new lines. For the air transport sector, Egypt signed the Open Skies Agreement in 2000, which opened international air traffic to competition. International travel is competitive in quality and price and supports the development of the tourist industry. Domestic air travel has been opened to competition.

18. Regional Integration

Criteria Score: 3

18.a. Movement of persons and labor and right of establishment

Score Type	Value
Draft Score	2.0
Reviewed Score	2.0
Second Draft Score	2.0
Final Score	2.0

Country Notes:

Egypt as member of COMESA and CEN-SAD plays a pivotal role in shaping the visa openness and free movement of people within the two regional economic blocs. However, the country exhibits a low visa openness score of 0.075 and is ranked 49 out of 53 on the Africa Visa Openness Index[1], reflecting restrictive visa policies compared to other African nations. Egypt only offers visa free access or visa on arrival to five African countries. Egypt is ranked the lowest in both COMESA and CEN-SAD in terms of visa openness, highlighting Egypt's stringent stance on visa provisions and reciprocity potentially impeding the realization of free movement, regional integration, trade, and cooperation goals within the region. However, Egypt is one of the twenty-four Africa countries that offer e-visas. The restrictive visa policies in Egypt could have far-reaching implications, necessitating urgent policy dialogues and engagements to align Egypt's visa policies with the regional aspirations for enhanced mobility. Harmonizing visa policies across member states is crucial to mitigating the existing restrictions and fostering regional economic integration. Labor movement and relations in Egypt are fundamentally regulated by Law No. 12 of 2003, the Labor Law, which encompasses terms of employment, employee rights, and dispute resolution mechanisms[2]. It mandates foreign workers to acquire appropriate work permits from the Ministry of Manpower and Immigration to attain legal employment within the country. Although the majority of the workforce is local, there's a significant presence of foreign workers, predominantly within the oil, gas, and education sectors. Notably, there is an increasing demand for skilled labor, particularly in the technology and health sectors, reflecting contemporary labor market trends. When employing foreign workers in Egypt, there are several key considerations and regulations to keep in mind. According to Egyptian Companies Law, the total number of foreign employees in an Egyptian company cannot exceed 10% of the total labor force. The total compensation of foreign employees should not exceed 35% of the total

payroll of the establishment. The foreign employee will be granted a temporary visa from the Egyptian Embassy or Consulate General in their country of residence. This visa allows them to enter Egypt for the purpose of applying for a work permit. A security background check is conducted, and once completed, the employee will be granted a new work permit valid for one year, which can be renewed annually with a maximum limit of three years. Egyptian law prohibits foreigners from participating in certain forms of employment, such as tour guides, export business, and customs clearance. Notably, members of the board of directors of joint-stock companies, financial managers, administrative managers, and assembling technicians are exempt from the 10% foreign labor limitation, enabling them to secure work permits without adhering to the standard Egyptian labor requirements. Establishments employing foreign experts or technical personnel are obligated to hire and train local assistants with qualifications analogous to those of the foreign personnel and to prepare periodic progress reports. Concerning the right of establishment, the legal and regulatory frameworks are provided by Companies Law No. 159 of 1981 and its amendments, along with the Investment Law No. 72 of 2017[3]. The latter offers incentives and guarantees aimed at promoting foreign investments. In pursuit of a favorable business climate and to stimulate foreign investments, Egypt has initiated several reforms, including simplification of business registration procedures. Despite these efforts, several challenges such as bureaucratic complexities, ambiguous legal provisions, and occasional inconsistency in law enforcement can pose significant obstacles for investors and businesses.[1]Africa Visa Openness Report 2022 (https://www.visaopenness.org/fileadmin/uploads/afdb/Documents/VOI%E2%80%932022_final2_9dec22.pdf) [2] International Labour organization – Egypt (http://ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=64693&p_country=EGY&p_count=483) [3] UNCTAD Compendium of Investment Laws – Egypt (file:///C:/Users/Kershia%20Cavele/Downloads/Egypt%20-%20Investment%20Law%20%20(English).pdf)

18.b. Regional financial integration

Score Type	Value
Draft Score	4.0
Reviewed Score	4.0
Second Draft Score	4.0
Final Score	4.0

Country Notes:

Egypt actively contributes to regional collaborations aimed at elevating financial stability, economic growth, and investment prospects. Egypt has actively engaged in regional dialogues and blocs such as the Arab Monetary Fund (AMF) whose mission is to lay the monetary foundations for Arab economic integration and promote economic development in Arab countries. Egypt is channeling efforts to cement its role as a regional hub for financial services, backed by its advanced banking sector. The Central Bank of Egypt is part of the Common Market for Eastern and Southern Africa (COMESA) led initiative on Regional Payment and Settlement System (REPSS)[1][1]. REPSS links all participating banks in the region to facilitate payments in a cost and time efficient manner. Central Bank of Egypt is thus a correspondent bank and

facilitates transfer of funds among member states. At trade integration/AfCFTA level, this unlocks the opportunity to have a common payment venue for COMESA countries and commercial avenues based on customs and economic inter-commercial agreements.

The banking sector in Egypt still has a long way to go to ensure the financial inclusion of the majority of its population. As of 2021, just over half of the adult population in the country owned a bank or financial institution account. The percentage of adult Egyptians (16 years +) who own a financial institution account has however, been increasing steadily over the years. The percentage increased to 56.2% in December 2021 up from 33.8% in 2017[1][2]. Serving the aforementioned adult population, the number of banks in the country fluctuated from 2010 onwards, reaching its highest in 2012 and 2013. Most recently, an aggregate of 37 banks provided their services to the Egyptian population.

This above progress is the result of multi-pronged course of action by the Central Bank of Egypt and national stakeholders through: (i) modernizing the infrastructure and improving financial sector regulatory frameworks with the expansion of financial access points, (ii) developing financial infrastructure such as the credit bureau and the introduction of credit guarantee schemes. Following a series of reforms, the financial sector in Egypt has become robust, profitable, and resilient to shocks. In 2021 half of the top 10 banks in the North African region were Egyptian.

The government is at the forefront, implementing legislative reforms to promote financial inclusion and align its regulatory environment with international benchmarks and investing meticulously in building state-of-the-art financial infrastructure and institutions. Egypt is also paving the way for innovation in financial technology, aiming to augment the efficacy and inclusivity of financial services in the region. In line with some of the financial inclusion objectives, the Central Bank of Egypt has developed a robust strategy on FinTech Innovation, Fintech Hub, FinTech Fund, and regulatory sandbox.

[1][1] The Central Bank of Egypt – COMESA Regional Payment & Settlement System (REPSS) (<https://www.cbe.org.eg/en/payment-systems-and-services/regional-payment-and-settlement-systems>)

[1][2] African Development Bank Group – Egypt Country Strategy Paper 2022-2026 (https://www.afdb.org/sites/default/files/documents/projects-and-operations/egypt_-_country_strategy_paper_2022_-2026.pdf)

Egypt actively contributes to regional collaborations aimed at elevating financial stability, economic growth, and investment prospects. Egypt has actively engaged in regional dialogues and blocs such as the Arab Monetary Fund (AMF) whose mission is to lay the monetary foundations for Arab economic integration and promote economic development in Arab countries. Egypt is channeling efforts to cement its role as a regional hub for financial services, backed by its advanced banking sector. The Central Bank of Egypt is part of the Common Market for Eastern and Southern Africa (COMESA) led initiative on Regional Payment and Settlement System (REPSS)[1]. REPSS links all participating banks in the region to facilitate payments in a cost and time efficient manner. Central Bank of Egypt is thus a correspondent bank and facilitates transfer of funds among member states. At trade integration/AfCFTA level, this unlocks the opportunity to have a common payment venue for COMESA countries and commercial avenues based on customs and economic inter-commercial agreements. The banking sector in Egypt still has a long way to go to ensure the financial inclusion of the majority of its population. As of 2021, just over half of the adult population in the country owned a bank or financial institution account. The percentage of adult Egyptians (16 years +) who own a financial institution account has however, been increasing steadily over the years. The percentage increased to 56.2% in December 2021 up from 33.8% in 2017[2]. Serving the aforementioned adult population, the number of banks in the country fluctuated from 2010 onwards,

reaching its highest in 2012 and 2013. Most recently, an aggregate of 37 banks provided their services to the Egyptian population. This above progress is the result of multi-pronged course of action by the Central Bank of Egypt and national stakeholders through: (i) modernizing the infrastructure and improving financial sector regulatory frameworks with the expansion of financial access points, (ii) developing financial infrastructure such as the credit bureau and the introduction of credit guarantee schemes. Following a series of reforms, the financial sector in Egypt has become robust, profitable, and resilient to shocks. In 2021 half of the top 10 banks in the North African region were Egyptian. The government is at the forefront, implementing legislative reforms to promote financial inclusion and align its regulatory environment with international benchmarks and investing meticulously in building state-of-the-art financial infrastructure and institutions. Egypt is also paving the way for innovation in financial technology, aiming to augment the efficacy and inclusivity of financial services in the region. In line with some of the financial inclusion objectives, the Central Bank of Egypt has developed a robust strategy on FinTech Innovation, Fintech Hub, FinTech Fund, and regulatory sandbox.[1] The Central Bank of Egypt – COMESA Regional Payment & Settlement System (REPSS) (<https://www.cbe.org.eg/en/payment-systems-and-services/regional-payment-and-settlement-systems>)[2] African Development Bank Group – Egypt Country Strategy Paper 2022-2026 (https://www.afdb.org/sites/default/files/documents/projects-and-operations/egypt_-_country_strategy_paper_2022_-2026.pdf)