Egypt

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QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Nonprofit Company, Foreign Nongovernmental Organization, Federation

Five main social issues addressed by these organizations: Basic Needs, Youth and Family, Housing and Economic Development, Religion, Food

Average time established by law to register a philanthropic organization: 31-60 days

Average cost for registering a philanthropic organization: Up to US $550

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

All Egyptian philanthropic organizations are required to register with Egypt’s Ministry of Social Solidarity. National and local ministry officials, along with the State Security Services (or secret police), are responsible for monitoring registered nongovernmental organizations (NGOs).

Philanthropic Environment Scores:

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<th>Year</th>
<th>Ease of Operating</th>
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<td>2018</td>
<td>2.5</td>
<td>3.3</td>
<td>2.3</td>
<td>1.8</td>
<td>4.0</td>
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I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

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

Question 1: To what extent can individuals form and incorporate the organizations defined?

Law 70 of 2017 on Associations and Other Foundations Working in the Field of Civil Work, Egypt’s law governing philanthropic organizations, creates a number of hurdles to incorporating philanthropic organizations. The law requires all organizations to register with Egypt’s Ministry of Social Solidarity (MOSS). Informal or unregistered groups are prohibited. Organizations operating without formal registration can be dissolved and their founders fined up to US $55,000 and imprisoned for up to 5 years.

All organizations operating under Law 70 must pursue development and social welfare objectives and must align their work with the state’s development priorities. Under Egypt’s prior law governing philanthropic organizations, Law 84 of 2002, many human rights and advocacy organizations registered as civil companies in order to avoid the restrictions of Law 84. Law 70 requires all organizations that do civil work, including human rights organizations, to register under the law.

The registration process often drags on for months or years and leaves organizations in limbo; if they operate prior to formal registration they can be dissolved for operating illegally. Organizations that are denied registration may appeal MOSS’s decision in court; however, according to one Egyptian lawyer, taking a registration case to court is a “nightmare.”

Associations must pay up to EGP 10,000 (approximately US $550) to register. They must have at least 10 founding members and a physical premise. Foundations are created with a fund of at least US $2,800 and must conduct work of a nonprofit, civil purpose.

Organizations register with local MOSS offices, which are considered to be idiosyncratic, opaque, and arbitrary in their decision-making processes.

Question 2: To what extent are POs free to operate without excessive government interference?

Law 70 allows the government significant interference into philanthropic organizations’ operations, governance, and internal affairs. Organizations are prohibited from “any work of a political nature” or anything that “may cause harm to the national security, law and order, public morals, or public health.” (Article 13 of the Law 70) They may also not conduct opinion polls. In addition to monitoring and restricting organizations’ activities, the government may, under Law 70, enter an organization’s offices to inspect its financial and administrative records. Organizations must notify the government of plans to move premises.
Philanthropic organizations in Egypt must have both a General Assembly and a Board of Directors. Organizations must declare the identities of their General Assembly and Board of Directors members to the government, which has the authority to refuse any member. Organizations must notify the government of all planned meetings of the Assembly and Board and provide minutes of General Assembly meetings. Decisions emerging from both General Assembly and Board of Directors meetings must be shared with the government within 15 days of their issuance. The government has the right to call a meeting of the General Assembly, appoint members of the Board of Directors, and dissolve the Board of Directors.

Organizations must gain approval before accepting donations from outside of Egypt and from foreigners inside of Egypt. The National Agency to Regulate the Work of Foreign Non-Governmental Organizations has 60 days to approve the receipt of funds. A lack of approval is considered a denial. An organization that receives foreign funds without approval may be dissolved. Law 70 also requires organizations to inform the government before receiving funds from domestic sources and requires government approval to spend the funds.

Organizations must gain approval to join or be affiliated with organizations located outside of Egypt. Organizations are permitted to participate in networks and to use the Internet; however, the government has been known to restrict both of these activities. Philanthropic organization leaders have indicated that organizations that collaborate are often harassed by government officials. In addition, the government has been known to shut down news and networking sites arbitrarily. Reporting requirements are onerous, requiring philanthropic organizations to report to the government all aspects of their governance, activities, and fundraising.

**Question 3: To what extent is there government discretion in shutting down POs?**

A philanthropic organization’s General Assembly may dissolve the organization by resolution. The resolution must appoint a liquidator and determine the liquidation period and the liquidator’s remuneration.

Egypt’s Ministry of Social Solidarity may dissolve a philanthropic organization after consulting with the General Federation of NGOs and conducting a hearing with the organization. Grounds for dissolution by the government include: conducting activities other than those for which the organization was established; acquiring funds from or sending funds to a foreign body without government permission; violating the law, public order, or morals; joining a foreign association without government permission; conducting activities banned under the law; and collecting donations of which the government does not approve. Organizations dissolved by the Ministry of Social Solidarity may contest the decision in court.
II. Domestic Tax and Fiscal Issues

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

Question 4: To what extent is the tax system favorable to making charitable donations?

Score: 3.0

Law 70 provides that donations by individuals or corporations to philanthropic organizations registered under Law 70 are tax deductible up to a maximum of 10 percent of the donor’s annual net taxable income. The tax deduction does not apply to donations made to unregistered organizations, nor does it apply to non-Egyptian organizations. Article 23 of Egypt’s Income Tax Law provides that only donations to “Egyptian nongovernmental organizations and foundations registered in accordance with the provisions of their respective regulatory laws” are eligible for a tax-deductible donation. As a result, the number of philanthropic organizations is more limited in practice. The process is further complicated by the fact that applying for and receiving tax benefits is not clearly set forth in the Income Tax Law.

Question 5: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.5

Philanthropic organizations are exempt from the stamp duty, customs taxes, real estate taxes, the telephone tariff, and donations. Philanthropic organizations also enjoy a reduction of 30 percent of the costs of transport of machines or equipment by railway. Organizations are exempt from paying custom taxes and other charges and duties on all imported tools, machines, devices, equipment, production requirements, and vehicles that are necessary for its activities as well as on gifts and donations received from abroad, provided that these items are needed for the organization’s main activity.

III. Cross-Border Philanthropic Flows

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

Question 6: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 2.5

There are no customs duties or other taxes levied on donations made by individuals to recipients outside of Egypt. While the law does not clearly restrict an individual’s ability to send donations abroad, such funding is subject to restrictions designed to impede support for groups deemed to be
terrorist organizations. Furthermore, any individual member of a philanthropic organization registered under Law 70 must receive approval from the Ministry of Social Solidarity.

**Question 7: To what extent is the legal regulatory environment favorable to receiving cross-border donations?**

Philanthropic organizations must receive advance approval from Egypt's Ministry of Social Solidarity before receiving donations from abroad, including donations from an Egyptian or foreign individual or organization. Securing approval may take months. Organizations that accept funds from abroad without government consent may be dissolved by the government. In recent years, organizations have reported being held in limbo for a year or more as they waited for approval to receive foreign donations, and this has, in some cases, led the donor to withdraw the offer of donation.

Egypt's Penal Code further restricts foreign donations by punishing any person affiliated with an organization that accepts foreign funds to conduct activities deemed to threaten national interest, unity, and the public peace or breach national security. Penalties include life imprisonment and steep fines.

**IV. Political and Governance Environment**

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

**Question 8: To what extent is the political and governance environment favorable for philanthropy?**

The political environment poses major challenges to philanthropic organizations that are interested in affecting social change or public policies. In 2011, Egypt's government charged 43 NGO employees with operating organizations illegally. The charges injected fear into Egypt's entire philanthropic sector. Since then, government crackdowns on the philanthropic sector have intensified. Human rights NGOs have been particularly affected as the government has shut down their offices and arrested and issued travel bans to their employees. While philanthropic organizations are encouraged to work in charitable and economic development realms, they are prohibited from having a voice in policy debates. The only organizations that the government encourages to address policy issues such as human rights and women's empowerment include GONGOs, or government NGOs, in which the government and government-friendly officials serve on the boards.

Rather than understanding the role of philanthropic organizations as change agents, Egypt's government sees organizations that promote change as a threat to its rule and uses both formal regulation and informal harassment (particularly by the secret police) to discourage organizations from working in ways that might disrupt the existing political status quo.
Question 9: To what extent are public policies and practices favorable for philanthropy?

Score: 2.0

Egypt has a long history of charitable giving, and the government supports a culture of charity for poverty alleviation and economic development. It also provides funding for organizations whose work advances the government's development priorities, and looks particularly favorably upon organizations that provide microcredit or promote social enterprise and small businesses.

When it was still in power, the regime of Hosni Mubarak actively encouraged philanthropic gifts to major institutions, including hospitals and libraries. In addition, it asked leaders of Egypt's philanthropic foundations to support causes championed by the government. Under Law 70, enacted under the regime of President Fattah El-Sisi, all organizations are required to work on projects that advance the government's development agenda. Philanthropic organizations that challenge the government's rule are harassed, portrayed as threats to Egypt's national security, and, in some instances, shut down. The government also restricts donations to these institutions, particularly funds from abroad.

V. Socio-Cultural Environment

Question 10: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 4.0

The custom of charitable giving is deeply rooted in Egyptian society. Religious tithes are particularly common, with Muslims required to donate "zakat" for charitable purposes. Christians offer religious tithes of "ushur," and members of all faiths commonly engage in "sadaka" or the voluntary giving of time or money. Giving is part of a culture of "takaful," or social solidarity.

Prior to the 1950s, wealthy elites institutionalized their philanthropy through the "waqf," or Islamic endowment. Until President Nasser nationalized the waqf in the 1950s, these institutions funded a variety of social welfare services including education, health care, food and shelter, and infrastructure projects, and constituted a vibrant system of private giving for the public good. More recently, individuals have created "mu'assasat," or philanthropic foundations, as vehicles for their philanthropy.

While individual giving remains popular and charity organizations are well respected, newer development NGOs and foundations enjoy less trust among the general population. These organizations must make regular reports to the government on all aspects of their operations but are far less transparent with the public about their governance, financing, and activities. Moreover, a culture of fear and competition within Egypt's development sector perpetuates a lack of transparency and impedes collaboration or the sharing of best practices that might help to increase the effectiveness of Egypt's philanthropic sector. Human rights organizations are even less trusted, and the government actively stokes suspicions that these groups are simply tools of Western governments and foreign agendas.
VI. Future of Philanthropy

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

Current state of the philanthropic sector

Historical traditions of charity continue to be prevalent and relevant. Giving between individuals, or between individuals and religious institutions, is common. While the Islamic endowment of waqf has fallen out of favor as a vehicle for private philanthropy, religious tithes of zakat and ushur, along with voluntary gifts of sadaqa, remain widespread practices.

Prior to the country’s January 25, 2011 uprisings, Egypt’s NGO and philanthropic sectors were growing rapidly, with approximately 30,000 associations and 1,000 foundations registered with Egypt’s Ministry of Social Affairs. The NGO sector included charity, development, and advocacy NGOs, while the foundation sector consisted primarily of small operating foundations, but it also included larger grant making foundations. Organizations in both sectors struggled with challenges of coordination, collaboration, capacity, and management, but various umbrella groups – for example the Arab Foundations Forum and the Gerhart Center for Philanthropy and Civic Engagement at the American University in Cairo – were actively working to build the country’s capacity for institutionalized philanthropy. The 2011 uprisings seemed to present a major opportunity for both the NGO and foundation sectors to lead civil society’s reform efforts, particularly within political and policy realms from which they had previously been excluded.

By 2014, however, successive governments had cracked down so forcefully on the sector that NGO leaders were predicting the “death of civil society.” The regime of President Abdel Fattah Al-Sisi continued to repress any organization or activist that spoke out politically or in any way that threatened the government’s increasingly tight grip on power. Human rights NGOs were especially targeted, and Law 70 7 further restricts organizations’ ability to engage in activities other than those squarely in the realm of charity or economic development.

Three major recent events affecting the philanthropic landscape between January 2014 and December 2016

- The regime of President Abdel Fattah Al-Sisi has, between 2014 and 2018, increased the government’s crackdown on Egypt’s NGO sector by raiding and shutting down various NGOs and arresting and placing travel bans on NGO employees. While the crackdown targets human rights NGOs and activists, organizations as varied as arts and culture NGOs, development NGOs, and human rights NGOs have been shuttered;

- On September 21, 2014, President Abdel Fattah Al-Sisi amended Egypt’s Penal Code to place further restrictions on foreign funding and impose harsher punishments on those who break the law. The code now states that offenders who receive foreign funding to act in ways that threaten the national interest or destabilize the country’s peace, independence, or unity, “shall be punished by life imprisonment and a fine of no less than EGP 500,000 (approximately US $2,750) and no more than what he has been given or promised.” (Article 707 of the new amendments).
On November 29, 2016, the Egyptian Parliament voted to pass a new NGO law to further restrict NGOs’ and foundations’ freedoms. Law 70 of 2017, which was ratified on May 29, 2017 by President Al-Sisi, tightens the government’s power over local NGOs, imposes additional restrictions on funding from abroad and on international NGOs operating in Egypt, and criminalizes peaceful, civic activism.

Future development trends in the philanthropic landscape

On May 29, 2017, Egyptian President Abdel Fattah Al-Sisi ratified Law 70, an NGO law that places even more draconian restrictions on the sector. As mentioned above, the law will tighten the government’s power over local NGOs, impose additional restrictions on funding from abroad and on international NGOs operating in Egypt, and criminalize peaceful civic activism. While Egypt’s human rights NGOs have continued their advocacy efforts even in the face of years of government repression, the new law could give the Al-Sisi regime further latitude to curtail the work of these organizations – particularly given that the law requires all organizations to restrict their work to the realm of “social development” that align with Egypt’s official development plan.

Given the restrictions of the new law, citizens interested in pursuing social change through an organization may be less likely to choose the NGO or philanthropic foundation form. Over the past decade, social enterprises have become increasingly popular as Egyptians have looked outside the NGO structure for vehicles through which to improve livelihoods and advance change. It is likely that this trend will increase, particularly as the Al-Sisi regime encourages entrepreneurship.

Three key recommendations to improve the environment for philanthropy

- While charitable organizations are relatively well-known and trusted among the general public, NGOs and philanthropic foundations are less well-known and increasingly distrusted. The government stokes this distrust with its campaigns against the sector. Efforts to more broadly and clearly convey the work of NGOs and foundations may help the public to be more familiar with – and less skeptical of – these organizations’ work. Toward that end, philanthropic organizations should strive to be more transparent with each other and with the general public about their activities, governance, and finances;

- Government repression and harassment has injected a culture of fear and competition into Egypt’s philanthropic sector. Organizations hesitate to share their information or collaborate with each other out of fear that they will be exposed and/or appear threatening to the government, which prefers that the sector remain filled with small, uncoordinated organizations. Efforts to collaborate – should they be feasible in light of government repression – could allow organizations to learn from each other and to take a stronger position vis-à-vis the government; and
Egypt's new NGO law, Law 70 of 2017 on Associations and Other Foundations Working in the Field of Civil Work, will further curtail the work of Egyptian philanthropic organizations by imposing greater government control and increasing restrictions on organizations’ registration, funding, activities, and communications with foreign organizations. Unless this law can be repealed, philanthropic organizations in Egypt will be unable to fulfill roles as social change agents and will be relegated to pursuing the official development goals laid out by the Egyptian government.