

Philanthropic Freedom Pilot Study: Egypt Country Report

Overall Philanthropic Freedom Score: 2.33

General Background Information on Egypt

- GDP per capita: \$ 2,781¹
- Population: 83 million²
- Percent of population reporting “giving money”: 14%³
- Percent of population reporting “volunteering time”: 6%⁴
- There are three types of organizations: associations, foundations, and unions. Associations are organizations formed by at least ten individuals for a specific purpose and are the most common type of organization in Egypt. While the current government has not defined the criteria for a public benefit status, an organization can register for such a status.

Philanthropic Freedom Score Summary

Category	Score	Key Points
Civil Society Regulation	2.00	<ul style="list-style-type: none">• CSOs are heavily restricted in the types of activities they can pursue.• Associations and foundations are subject to extremely detailed and rigid structural requirements. The government is able to interfere in a number of significant ways.• Egyptian CSOs can be involuntarily terminated by the Minister of Insurance and Social Affairs after for a variety of reasons.
Domestic Tax Regulation	3.00	<ul style="list-style-type: none">• Individuals and corporations can obtain full tax deductions on cash and goods donated to organizations with an authorized donee status. The ceiling on such donations (corporate and individual) is 10% of annual taxable income. However, the process of claiming such deductions is not clear.• Organizations that have a public benefit status often have strong political support and receive funding from the government.
Cross-Border Flows Regulation	2.00	<ul style="list-style-type: none">• Civil society organizations are prohibited from receiving foreign funding without first obtaining approval from the Ministry of Insurance and Social Affairs, which can take a few months or be left without response. The same rule applies to sending funds abroad.• While there are no taxes or costs on the actual transfers, the process requires time and resources.
Overall	2.33	<ul style="list-style-type: none">• The policy environment in Egypt is restrictive to philanthropic activity due to policies impeding civil society activities, lack of fiscal incentives, and stringent rules for cross-border flows.

¹ World Bank. (2012). Data retrieved December 26, 2012, from World Bank Databank.

² Central Intelligence Agency. (2012). Data retrieved December 26, 2012, from The World Factbook 2012.

³ World Giving Index. (2012). Kent, UK: Charities Aid Foundation, 2012.

⁴ Ibid.

Socio-Cultural Background on Egypt’s Giving Environment
Provided by Kareem Elbayar
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Like most Arab countries, Egypt has a long tradition of charitable giving in the form of *zakat*, an Islamic obligation to give a fixed portion of assets to charity annually. Christian groups in the Arab world also have a long and well-established tradition of charitable giving. However, many civil society organizations (CSOs) have argued that it is difficult to convince Arab donors to make continuing philanthropic donations or to establish endowments along the Western model. In other words, Egyptian charities can count on one-time *zakat* donations normally made at the end of the month of Ramadan, but may encounter significant difficulty raising funds domestically at other times of the year.

Due in large part to years of hostility between Arab governments and independent CSOs, civil society across the Arab world is often perceived as corrupt and a vehicle for Western imperialism. Even after the ‘Arab Spring,’ the stakeholder government of the Supreme Council of the Armed Forces pursued a public media campaign against CSOs, labeling them agents of inappropriate Western interference. These accusations culminated in raids on a number of foreign and Egyptian CSOs early in 2012 with ongoing ramifications – several CSO workers await trial as of this writing for charges ranging from violating legal restrictions on receipt of foreign funds to treason and interfering with Egyptian sovereignty.

Official government estimates of the number of registered CSOs in Egypt range from 18,000 – 25,000 organizations, though most observers agree that the number of active organizations may be much less.

Under the existing law, the process of registering a new CSO should take no less than sixty days. If the Ministry of Insurance and Social Affairs does not reply to a registration application within sixty days, the organization is to be “considered as having taken place by rule of law.” In practice, however, registration can take several months – and in at least one prominent case, that of the Egyptian Organization for Human Rights – registration was not granted for several years. This is because it can be difficult for CSO founders to conclusively demonstrate that the Ministry has accepted a registration application and refused to act upon it, and administrative bodies and banks will generally refuse to provide services to organizations which have been registered “by default.”

**Scoring of Egypt’s Civil Society Regulation
Provided by Kareem Elbayar**

<p>Indicator Question 1: To what extent can individuals form and incorporate the organizations defined?</p>	<p>Score: 2.0</p>	<p>Under Egypt’s <i>Law on Associations and Foundations</i>, the formation and operation of an unregistered group is prohibited, and “whoever undertakes one of the activities of an association or foundation before completing its registration” can be subject to up to three months imprisonment and a fine of up to LE 1000 (Article 76(Third)). The process of registering a new association or foundation is arbitrary and burdensome, requiring applicants to file dozens of documents with the Ministry of Insurance and Social Affairs. The Ministry can reject any applicant found to be “threatening national unity, violating public order or morals,” or exercising “any political activity... restricted to political parties,” broad terms which are left undefined and are therefore interpreted at the discretion of government officials (Article 11). In practice, human rights organizations and opposition groups face extreme scrutiny and are often unable to register under the law, whereas apolitical development-focused organizations are often able to successfully register. It is for this reason that many of Egypt’s most prominent human rights organizations, including the Cairo Institute for Human Rights Studies, are registered not as associations or foundations but as private companies.</p>
<p>Indicator Question 2: To what extent are CSOs free to operate without excessive government interference?</p>	<p>Score: 2.0</p>	<p>Egyptian associations and foundations are subject to extremely detailed and rigid structural requirements as specified in Law 84 of 2002. More than 20 articles of the law are devoted to topics including how meetings of the board and general assembly must be called (in a written document which must be circulated to all association members and the Ministry at least fifteen days prior to the meeting); the size of an organization Boards of Directors (not less than five nor more than fifteen individuals) and the terms of their members (six years). The government is able to interfere in a number of significant ways – for example, by sending representatives to any meeting of the General Assembly or Board of Directors of any association. The government can also object to and remove any individuals nominated for membership in an organization’s Board of Directors for “failure to meet the nomination requirements” (Article 34). Associations and foundations are prohibited from “any political activity... restricted to political parties” and “any unionist activity... restricted to the unions,” ambiguous terms that are interpreted at the discretion of government officials (Article 11). Finally, associations and foundations may only “join, participate with, or be affiliated to” entities outside of Egypt after notifying the Ministry and waiting at least 60 days without receiving “a written objection” (Article 16). There is no limitation on the right of the government to object to such foreign affiliation or cooperation.</p>
<p>Indicator Question 3: To what extent is there government discretion in shutting down CSOs?</p>	<p>Score: 2.0</p>	<p>Egyptian CSOs can be involuntarily terminated by the Minister of Insurance and Social Affairs after he or she has called the organization “for a hearing of its statements” in the following cases: if they have (1) used their funds or property for reasons “other than the purposes [the CSO] was established for;” (2) sent or received funds from abroad with prior government authorization; (3) committed a “serious violation of the law, public order, or morals;” (4) joined, participated, or affiliated with an organization outside Egypt without prior government authorization; (5) exercised a political activity restricted to political parties or a unionist activity restricted to unions; or (6) collected donations from the public without prior government authorization (Article 42). Egyptian CSOs can appeal a dissolution decision to an Administrative Court, but many of these justifications are so broad as to be meaningless, making it nearly impossible for a court to overturn a ministerial decision of dissolution.</p> <p>Voluntarily dissolution is relatively simple, requiring an extraordinary meeting of the General Assembly to issue a resolution and appoint one or more liquidators (Article 41).</p>
<p>Average Score on Civil Society Regulation: 2.00</p>		

**Scoring of Egypt’s Domestic Tax Regulation
Provided by Kareem Elbayar**

<p>Indicator Question 4: Are there income tax incentives (at national, state, or provincial levels) in the form of credits or deductions for individuals and/or corporations to donate money or charitable gifts?</p>	<p>Score: 3.0</p>	<p>Donations by individuals or corporations to registered CSOs are tax-deductible up to a maximum of 10% of the annual income of the donor (Article 13(g)).</p> <p><i>(This question did not require a score by the expert; CGP has applied a score of 3.0. On the positive, there are available incentives to individuals and corporations. On the negative, the pool of organizations that can receive such donation is small due to the limited number of organizations that can register as nonprofit organizations.)</i></p>
<p>Indicator Question 5: To what extent is the tax system favorable to making charitable donations?</p>	<p>Score: 3.0</p>	<p>See above: In general donations to registered CSOs are tax-deductible up to a maximum of 10% of the donor’s annual income. However, the process of claiming such deductions is not clear.</p>
<p>Indicator Question 6: Do CSOs receive tax exemptions in the form of property tax exemptions, income tax exemptions, or others? If so, what are these exemptions?</p>	<p>Score: 3.0</p>	<p>All registered CSOs receive a wide variety of property, income, and customs tax exemptions:</p> <ul style="list-style-type: none"> • Exemption from registration, booking, and notarization fees for contracts • Exemption from stamp duties and taxes imposed on correspondence and printed matter • Exemption from customs taxes and duties imposed on import of tools, machines, equipment, etc. as well as upon monetary and in-kind donations and gifts received from abroad • Exemption from real estate taxes • 25% reduction in the cost of transport of equipment and machines by railway <p>In addition, all CSOs receive a special telephone rate and a 50% reduction on water, electricity, and natural gas produced by public companies – though many Egyptian CSOs have reported difficulty securing these reductions from Egyptian utilities.</p> <p><i>(This question did not require a score by the expert; CGP has applied a score of 3.0. On the positive there are exemptions available for nonprofits. On the negative, the policy environment presents significant difficulty in obtaining a public benefit status.)</i></p>
<p>Indicator Question 7: To what extent is the tax system favorable to CSOs in receiving charitable donations?</p>	<p>Score: 3.0</p>	<p>Note that there is no equivalent to the US 501(c)(3) designation. All registered Egyptian CSOs, including private member-benefit organizations, receive the benefits listed above. Egyptian law does allow for a “public benefit” designation, but this is rarely pursued by CSOs both because of the difficulty of obtaining the designation (it must be awarded via a Presidential decree) as well as the limited benefits of such designation (mainly limited to the ability to bid on government contracts).</p>
<p>Average Score on Domestic Tax Regulation: 3.00</p>		

**Scoring of Egypt’s Cross-Border Flows Regulation
Provided by Kareem Elbayar**

<p>Indicator Question 8: Are there costs/taxes on cross-border philanthropic cash and/or in-kind donations (e.g. customs, duties, VAT, etc) ? If so, what are these costs?</p>	<p align="center">Score: 2.0</p>	<p>There do not appear to be any costs or taxes for cross-border philanthropic cash or in-kind donations. Advance ministry approval is required to receive funds from abroad, otherwise an organization cannot receive funds from abroad.</p> <p><i>(This question did not require a score by the expert; CGP has applied a score of 2.0. Although there are no costs to receiving or sending money abroad, the strict government approval process makes cross-border flows cumbersome, if not impossible.)</i></p>
<p>Indicator Question 9: To what extent is the legal regulatory environment favorable to cross-border flows impeded?</p>	<p align="center">Score: 2.0</p>	<p>Egyptian CSOs are prohibited from sending or receiving funds from abroad without prior governmental authorization. There are no restrictions on the Egyptian government’s right to refuse an organization’s request to send money abroad – the Minister can refuse to grant such permission for any reason or no reason at all.</p>
<p align="center">Average Score on Cross-Border Flows Regulation: 2.00</p>		

Overall Philanthropic Freedom Score*: 2.33

***This score reflects equal weighting of the three categories described above.**