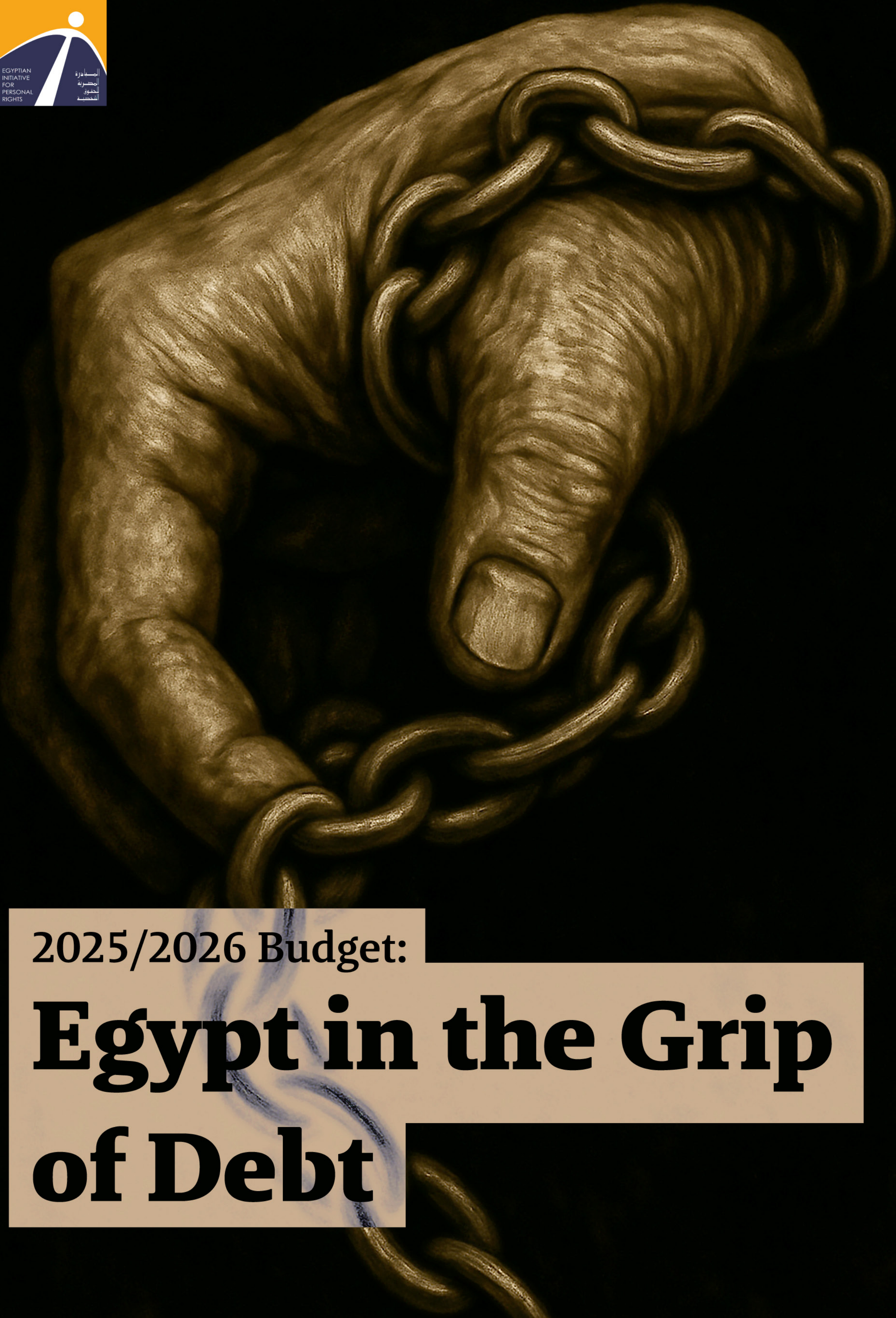
EGYPTIAN INITIATIVE FOR PERSONAL RIGHTS

المبادرة المصرية للحقوق الشخصية



2025/2026 Budget:

Egypt in the Grip of Debt

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June 2025

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The Egyptian Initiative for Personal Rights (EIPR) has been working since 2002 to strengthen and protect basic rights and freedoms in Egypt, through research, advocacy and litigation in the fields of civil liberties, economic and social rights, and criminal justice.

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The House of Representatives is currently reviewing the draft budget for the 2025/2026 fiscal year, which was presented by the Minister of Finance in mid-April. It will next be discussed by the relevant parliamentary committees before finalizing the plan for the fiscal year starting in July.

The budget will be debated amid the continued decline of the standard of living of most Egyptians caused by a series of economic decisions and austerity policies implemented by the government to reduce public spending. These included the liberalisation of prices for various goods and services—such as fuel, electricity, food, and medicine—resulting in successive waves of price hikes. At the same time, public spending continues to rise rather than fall, as state budgets indicate year after year. This increase, however, is largely directed toward servicing debt and interest payments, enriching the state's creditors at the expense of citizens whose living conditions are steadily deteriorating.

Egypt's economic crises are exacerbated by policies that have left the country highly vulnerable to external shocks and regional pressures—including the ongoing genocidal war waged by Israel in Gaza and its repercussions in the Red Sea, which have impacted Suez Canal revenues. Additionally, Egypt faces global challenges related to U.S. trade policies that have created uncertainty in international markets.

Egypt is increasingly dependent on domestic and external debt as a primary source of financing, clearly impacting the composition of the upcoming fiscal year's budget. Debt repayments, including interest, account for nearly two-thirds of the government's planned expenditures. Borrowing continues to be the principal mechanism through which the state secures new resources to bridge the gap between revenues and expenditures—a trend that is expected to persist and deteriorate in the coming years.

While spending on servicing domestic and external debt has steadily increased over the past decade, Real-term expenditure on essential services—such as wages, healthcare, education, and social protection—has declined.

Although rising debt is linked to loan agreements and economic programs Egypt has implemented with the International Monetary Fund (IMF) since

2016, the IMF itself has acknowledged that the "heavy burden of debt servicing" is an obstacle that reduces any expected economic recovery, especially amid the "unstable geopolitical environment surrounding the country," according to a recent IMF report on regional economic outlooks for the Middle East published in early May.[1]

The overall direction of the new budget mirrors that of previous years, though it introduces some improvements in planning and transparency, aligning with Egypt's commitments to the IMF. The government has set a public debt ceiling of 94.3% of GDP in June 2025, aiming to reduce it to 90% by the end of the new fiscal year in June 2026.[2] This is a positive step that responds to long-standing economic and rights-based demands. However, the debt ceiling remains very high as a share of GDP, and the data surrounding it is not comprehensive. The financial statement presented by the government includes general government debt and the debt of economic authorities, but does not clarify the methodology used to eliminate overlaps between the two. It also omits debt associated with the Central Bank, despite it being part of the overall public debt.

The financial statement also outlines a plan to reduce external debt by $1–2 billion annually over the medium term, a move that is urgently needed. However, it raises questions about how this reduction will be achieved, given the continued reliance on borrowing as a primary revenue source in the new budget and the lack of clarity around alternative funding strategies the government intends to pursue.

Transparency of the new budget has improved slightly compared to the previous year, particularly regarding the relationship between the general government budget and that of economic authorities, with the data presented in a more organized manner. However, much remains unclear and requires further detail.

1 Regional Economic Outlook, Middle East and Central Asia, May 2025, https://ent.news/2025/5/36.pdf

2 Financial Statement on Fiscal Year 2025/2026: "Budget of Growth, Stability and Partnership with the Business Community"، Ministry of Finance, April 2025.

The Ministry of Finance's presentation of the financial statement also indicated the government's intention to introduce a three-year medium-term budget framework, with ministries submitting four-year budget plans. No further details were provided, though this approach could help improve planning processes. At the same time, it may also impose constraints on expenditures required by certain sectors. For medium-term planning to succeed and deliver outcomes different from those seen in previous years, it must involve broad participation from all relevant sectors. Financial plans must reflect actual needs and be built on a wider vision for economic recovery and the fulfillment of economic and social rights for citizens.

Austerity remains the dominant feature of the new budget, as spending on fuel subsidies is set to fall to less than half of the current fiscal year allocation—signaling further fuel price hikes following three increases already implemented in 2024, and a fourth in April.[3] This aligns with the government's commitments to the IMF to reduce subsidy spending, with all the attendant effects on the prices of goods and services that rely on transportation or fuel use. Meanwhile, spending on education and healthcare as a share of GDP continues to decline. The increase in allocations for food subsidy programs falls short of inflation rates, resulting in a real-term decrease in spending in this category. By contrast, allocations for the Takaful and Karama cash transfer programs have increased in real terms, although they still fall short of meeting estimated poverty line thresholds.

On the revenue side, the new budget continues to rely heavily on income taxes and taxes on the consumption of goods and services, which together account for 45% of projected revenues. In comparison, taxes on corporate profits contribute only 12.5%, while property owners account for just 0.7%.[4]

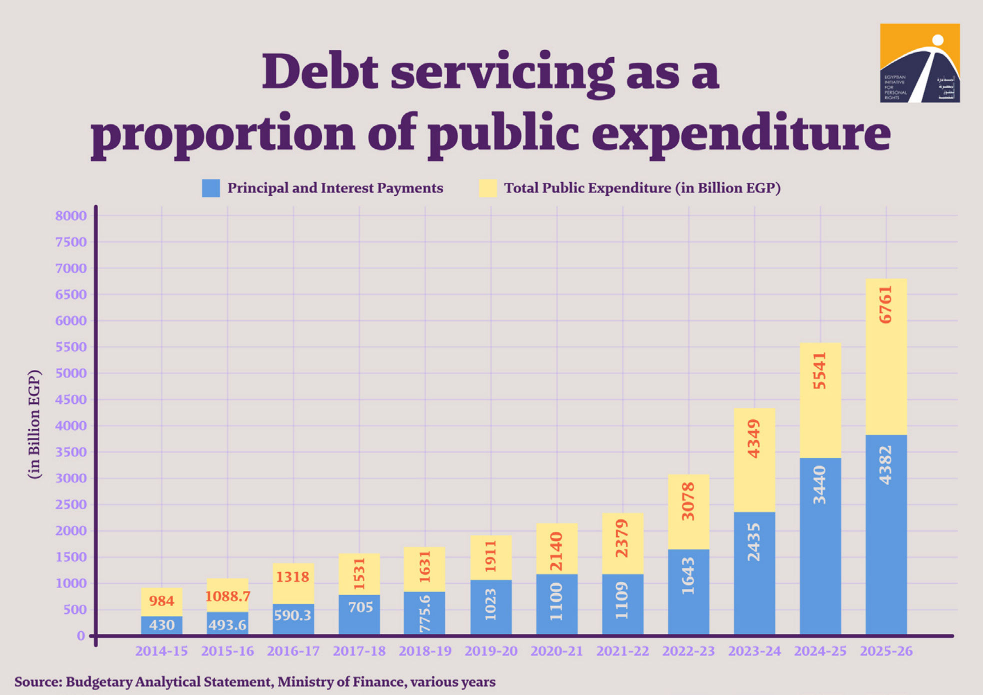
3 Egypt raises fuel prices for the second time in six months, expects savings of EGP 35 billion, Asharq Bloomberg, April 11, 2025, https://tinyurl.com/7drayhhy

4 Analytical Statement on the Draft State Budget for the 2025/2026 Fiscal Year.

Debt First

In the new budget, allocations for servicing principal and interest on both domestic and foreign debt alone constitute nearly two-thirds of total planned expenditures, at 64.8%. As a result, room for spending on areas that impact citizens' lives and support economic development continues to shrink year after year, with only about 35% of total allocations left to fund wages, subsidies, education, healthcare, public investment, and the purchase of goods.

This trend has steadily intensified over the past ten years. In the 2014/2015 budget, allocations for debt principal and interest payments accounted for around 43% of total government expenditures. Since then, their share has increased by more than 20 percentage points.



The consistent and significant expansion of external debt has played a key role in this trajectory, as these loans have grown steadily over the past decade and began to accumulate rapidly after Egypt signed its first loan agreement with the IMF in November 2016. Within a single year, external debt jumped from

16.6% to 33.6% of GDP, naturally leading to a rise in debt servicing costs in foreign currency.

Tracking Egypt's external debt shows a sharp increase from $46 billion in June 2014 to $168 billion in December 2023, with its share of GDP rising from 15% to approximately 43% over the same period.[5] Following the Ras El Hekma deal in February 2024—under which the UAE relinquished its dollar deposits at the Central Bank of Egypt in exchange for local currency investments—external debt began to decline, reaching $155.2 billion by June that year. However, it began to rise again after the effects of the deal wore off, increasing by around $3 billion between July and September 2024, according to the latest published data on external debt.[6]

Despite the government's stated intention to reduce debt, **the 2025–2026 budget relies on a 186% increase in external borrowing compared to the previous year, with planned international borrowing amounting to EGP 400 billion (approximately USD 8 billion).**

In recent years, the Egyptian government's growing reliance on borrowing has been driven by three main factors: covering the gap between revenues and expenditures, repaying installments of domestic and foreign debt, and financing or guaranteeing loans for projects—most of which are neither essential nor pressing, do not generate income or reduce future spending, and do not provide basic services to citizens. This is evident in several ventures such as the New Administrative Capital, the high-speed rail, and the monorail.

In its report on the final account of the 2023/2024 fiscal year, the Central Auditing Organization noted that several government entities not covered by the general budget had defaulted on repaying certain loans, which the budget ultimately had to cover. The report also highlighted that some external loans were not effectively utilized due to slow withdrawal rates, or in some cases,

5 For more on the role of external debt in exacerbating the budget crisis, see the research paper "2024/2025: A Budget for Interest on Debt: Austerity for Us, Profits for Creditors" Egyptian Initiative for Personal Rights, August 2024 https://eipr.org/en/publications/20242025-budget-interest-debt-austerity-us-profits-creditors.

6 Central Bank of Egypt's Website https://www.cbe.org.eg/en/economic-research

no withdrawals at all—despite long periods having passed since they became effective—citing "the failure to conduct necessary project studies and accurately determine needs before implementation." The general budget still bears the cost of commissions on these loans regardless.[7]

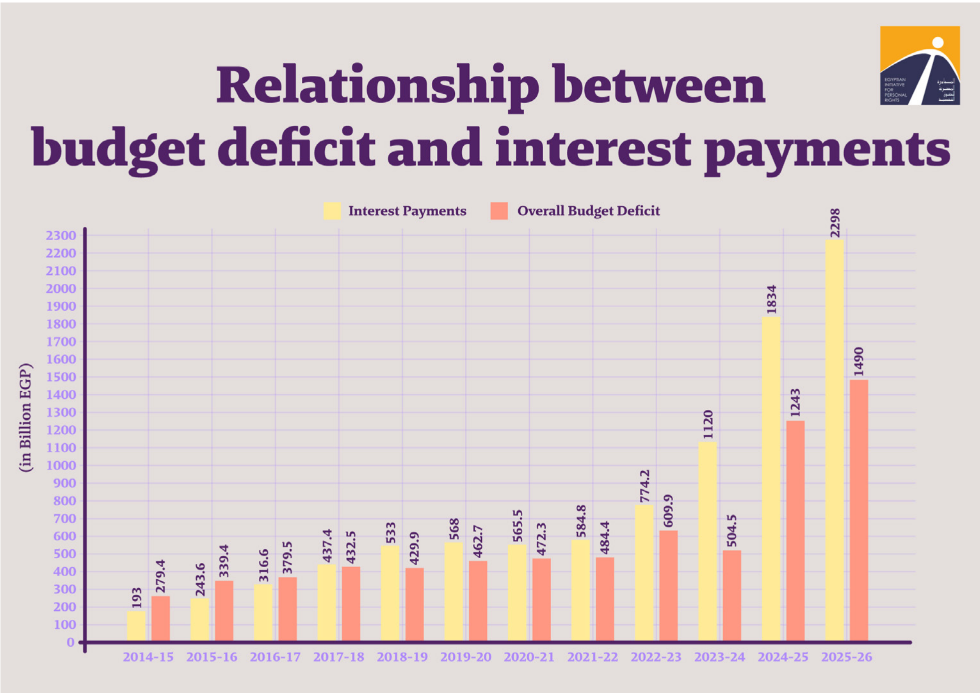
The bulk of the new borrowing planned for the upcoming fiscal year is earmarked for repaying previous domestic and external loans—58% of the new debt will go toward servicing old debt. This reflects a deepening cycle of indebtedness from which there appears to be no escape.

7 Beesan Kassab, Mismanagement of Loans and Government Tax Arrears Among the Central Auditing Organization's Remarks on Last Year's Budget, Mada Masr, April 27, 2025.

Interest Payments Exceed the Deficit and Hinder Spending

Interest payments on domestic and external debt continue to drain public resources, consuming half of all government expenditures across sectors—after excluding allocations for debt principal repayments. In the new budget, interest payments alone account for 11.2% of Egypt's GDP, up from 10.7% in the current fiscal year. This share surpasses the combined allocations for wages, subsidies, education, and healthcare.

According to preliminary projections (which assume no shocks or exchange rate fluctuations), interest payments in the upcoming fiscal year will represent 73.7% of expected total public revenues, estimated at EGP 3.12 trillion.



While repeated devaluations in recent years have increased the burden of interest payments on external debt, the primary driver of rising overall interest costs is the domestic interest rate. Local debt accounts for around 88% of total interest payments, amounting to EGP 2.04 trillion in the new budget.

Raising interest rates is a conventional tool used to curb inflation, and the Central Bank of Egypt raised them multiple times over the past two years before beginning to ease them recently amid slowing inflation. However, in the context of Egypt's economy, interest rate policy has had limited impact on inflation control, while significantly straining public finances and driving up public debt—factors that, in turn, contribute to further inflation.

Alarmingly, Egypt's overall budget deficit—which represents the gap between total revenues and expenditures after excluding debt principal payments and is often the focal point in discussions of fiscal balance—is now significantly smaller than the country's interest payments on debt. In the new budget, the deficit is projected at approximately EGP 1.5 trillion, or 7.3% of GDP, while interest payments are expected to reach EGP 2.298 trillion, or 11.2% of GDP. This highlights the role of debt servicing in fueling the deficit. Borrowing—typically justified as a means of covering the budget shortfall—has escalated to the point where interest payments alone exceed the size of the deficit.

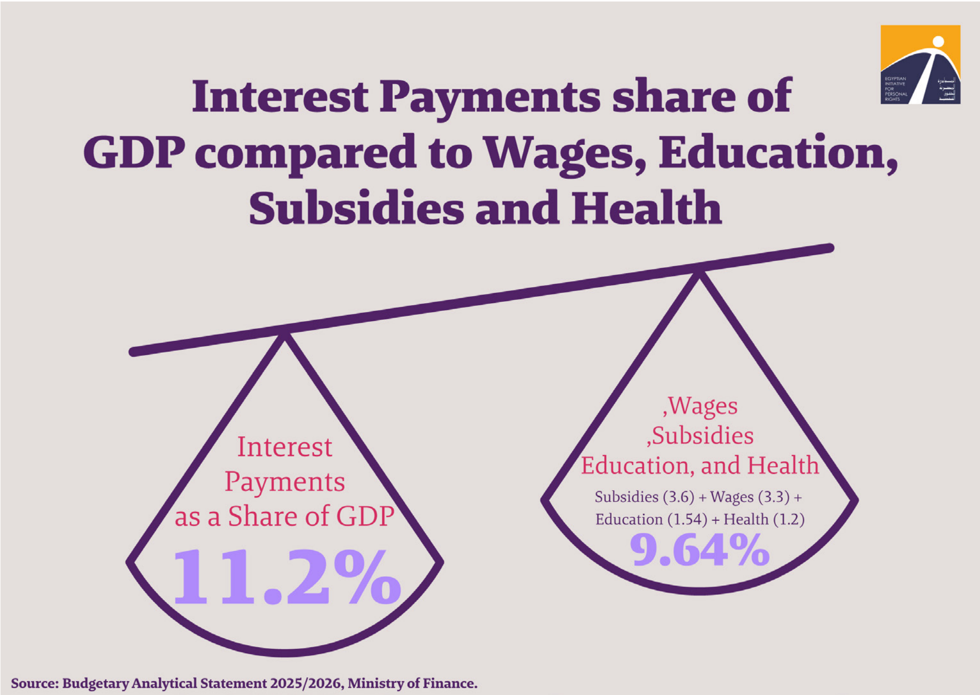
Excluding interest payments, the budget would show a primary surplus of 4%. The government presents this as an achievement, implying it would be running a surplus were it not for the debt burden. The IMF places significant emphasis on achieving a primary surplus, yet Egypt's borrowing and debt servicing continue to rise year after year, rendering the primary surplus practically ineffectual.

As a result, the state has become the largest borrower from the Egyptian banking sector through the sale of bonds and treasury bills. By the end of December 2024, government borrowing through these instruments accounted for 57% of total domestic credit, compared to 20% for the private sector, 3% for public enterprises, and 8.5% for households.[8]

For the 2025/2026 fiscal year, the Ministry of Finance aims to raise about EGP 3.1 trillion through domestic debt instruments, including sales of government securities to both local and foreign investors. This growing reliance

8 Central Bank of Egypt, Monthly Bulletin, February 2025 https://www.cbe.org.eg/ar/economic-research/economic-reports/monthly-statistical-bulletin

on debt not only burdens public finances but also the broader economy, as banks increasingly prefer the low-risk, high-return strategy of lending to the government over financing productive sectors.[9]



Consequently, the Central Bank's commitment to high interest rate policies—endorsed by the IMF as a tool to fight inflation—combined with the government's expanding domestic borrowing, is draining resources away from vital social and development spending. These resources are instead funneled toward banks and lending institutions, both domestic and international, whose profits continue to grow through this process.

9 Record Profits for Egyptian Banks – But at Whose Expense?, Al Mawkef Al Masry Facebook page.https://www.facebook.com/photo/?fbid=994608392784642&set=a.113788360866654

Senior Officials Before Health and Education

The public services sector represents the top priority in expenditures according to the functional classification of the new fiscal year's budget,[10] amounting to EGP 2.15 trillion and accounting for 59% of total "expenditures" (which includes all public spending except for debt principal repayments). This sector encompasses the expenses of the House of Representatives and the Senate, the Presidency, the Cabinet, specialized councils, governorate headquarters, the Central Auditing Organization, the Ministry of Foreign Affairs, the Ministry of Finance and its departments—including the Public Debt Division, which accounts for the largest share of spending in this category, as it includes debt interest payments totaling EGP 2.29 trillion.

Even when interest payments are excluded, this sector still retains high priority in public spending, with EGP 420 billion allocated to it—placing expenditures related to top state officials and legislative bodies as the second largest spending item after social protection.

Employees in the public services sector also receive a disproportionately high share of the wage budget relative to their numbers. Despite a relatively limited workforce, public services account for about 22% of the total wage and compensation budget of EGP 679 billion in the new budget, compared to just 16% for healthcare workers, for example. Moreover, wages in this sector increased by 66% in the new budget compared to the current one, whereas wages rose by only 17% in health and a mere 4% in education.

In April, the state raised the minimum wage for public sector employees to

10 Budget expenditures and revenues are classified under three categories: economic classification, functional classification, and administrative classification. For example, under economic classification, expenditures are divided into items such as wages, subsidies, procurement, debt interest, and investments. Under functional classification, expenditures are categorized by the sectors they serve—such as general public services, health, education, culture, economic and commercial affairs, housing, public order, and social protection. The administrative classification shows how expenditures are distributed among different governorates and administrative bodies.

EGP 7,000,[11] and granted a flat raise of EGP 600 across all employment grades, contributing to an overall 18% increase in wage allocations in the new budget compared to the current year. However, a large portion of public sector employees will not actually benefit from this increase—either due to the sectoral disparities mentioned above or because the minimum wage has not been universally applied,[12] a situation that sparked protests in several state-owned companies in recent months.

The public services sector also receives a substantial share of public investment—19.7% in the new budget—coming close to the allocation for the "Economic Affairs" category, which includes commerce, agriculture, irrigation, livestock, mining, energy, tourism, and communications. These are sectors typically in need of investment funding, unlike the executive and legislative bodies covered under the public services sector. Investment allocations for this sector doubled in the current budget compared to the previous year, likely reflecting spending on new government and legislative headquarters in the New Administrative Capital and New Alamein.

Social Protection ranks second after the public services sector in spending priorities according to the functional classification of the budget, with an allocation of EGP 636.8 billion. This is followed by education, then health, economic affairs, housing and utilities, and lastly, public order and safety.

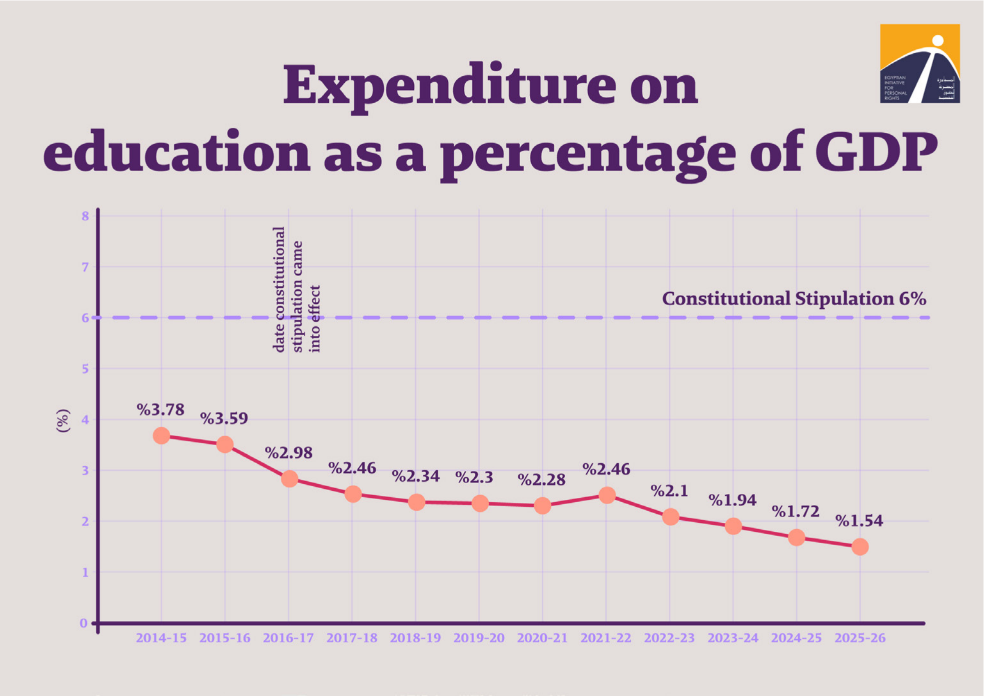
Spending on housing and utilities decreased by 30.6% compared to the current fiscal year, totaling EGP 142.5 billion, after having risen by about 82% in the previous budget. Meanwhile, the Economic Affairs category—which covers commerce, agriculture, irrigation, livestock, mining, energy, tourism, and communications—saw a modest improvement in the new budget, with its allocation increasing by 5% compared to the previous year, after having been the only category to experience a cut in the current budget.

11 Mohamed Taha, "Madbouly: Minimum Wage Set at EGP 7,000 Starting July," Al-Masry Al-Youm, February 26, 2025, https://www.almasryalyoum.com/news/details/3387782.

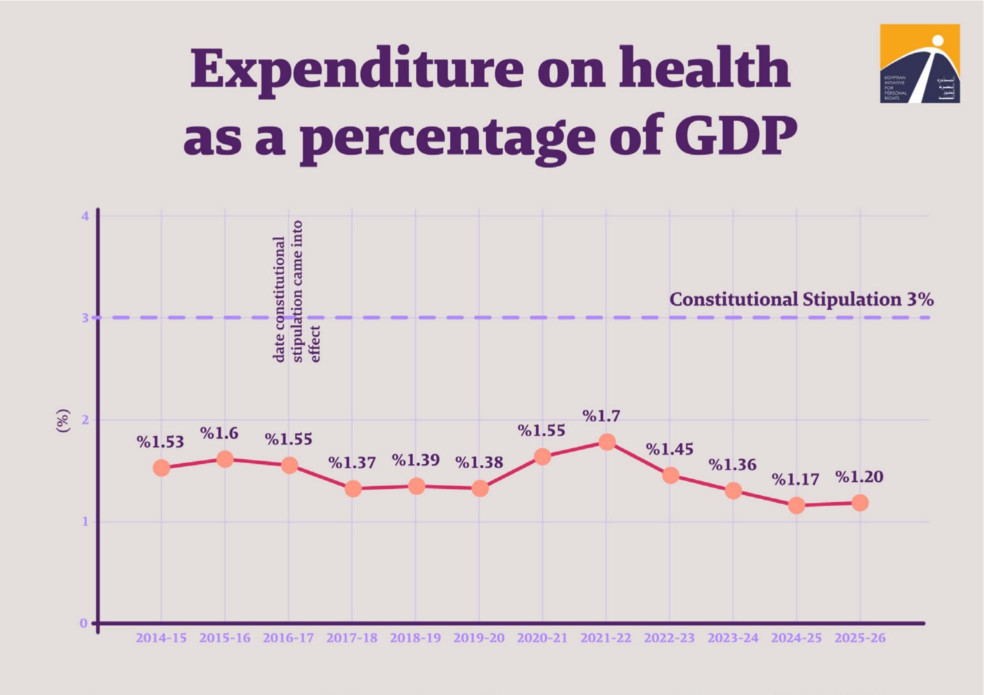
12 Ahmed Khalifa, "Samannoud Textiles Applies Minimum Wage to Supervisors and Administrative Staff, Excluding Other Workers," Al-Manassa, April 29, 2025, https://manassa.news/news/23772.

Disclosure on Constitutional Spending Commitments

Education allocations in the new budget increased by 6.7% compared to the current budget, reaching EGP 315 billion. However, education's share of GDP continued to decline, reaching 1.54%, representing less than one-quarter of the constitutional stipulation.



Spending on health also increased by about 23%, to 246.2 billion pounds in the new budget, yet it maintained the same low share of GDP of 1.2%, which is less than half the constitutionally mandated percentage.



The 2014 Egyptian constitution requires the government to raise spending on education and health to about 10% of GDP within three years of its implementation, making this a constitutional obligation. Accordingly, pre-university and university education are supposed to account for 6% of GDP, and health for 3%. However, the reality during that period was quite the opposite, as allocations for these sectors steadily declined over the years.

In June 2023, President Abdel Fattah El-Sisi admitted[13] that the government was not meeting the constitutional minimum spending on education and health. Nevertheless, each year the government has asserted compliance with constitutional spending commitments, even though its claims contradict the official figures in the budget documents for education and health—offering no explanations for these discrepancies.

For the first time though, the new financial statement for the upcoming fiscal year

13 "For the first time: The president acknowledges the government's disregard of constitutional education and health spending ratios", Press Release by the Egyptian Initiative for Personal Rights, June 17, 2023, https://tinyurl.com/bdefdvm9

explains in the budget documents that the gap between the allocated amounts for the education and health sectors and the constitutionally mandated percentages is primarily bridged by assigning portions of public debt interest payments to each sector. This means the education budget carries part of the public debt interest burden, and the health budget carries another share, proportional to its allocation.

EIPR had previously raised concerns about this government practice of achieving only token compliance with the constitutional percentages,[14] highlighting it in several studies and policy papers published in the years following 2016 — the year these commitments were supposed to take effect.

This disclosure of the accounting method is potentially a positive step in terms of greater financial transparency. However, it remains unclear why the percentages are calculated in this way. One sector is burdened with debt costs that benefited other sectors. This raises questions—unless the real aim is simply to create the appearance of compliance with the constitutional spending requirements, without actually meeting them.

14 Salma Hussein, "The Government's Plans for 2020–2021 Are Free of Corona," Position Paper, Egyptian Initiative for Personal Rights, May 2020, https://eipr.org/sites/default/files/reports/pdf/no_corona_in_the_budget_20-21.pdf

Who benefits from subsidies?

Despite a 15% increase in the allocation for "subsidies, grants, and social benefits" in the new budget—bringing its total to 732.6 billion Egyptian pounds—its share of overall public expenditure has declined over the past ten years. Subsidies as a percentage of GDP have dropped from 8% in the 2014/2015 fiscal year to 3.6% in the new budget. This decline has occurred within the framework of financing programs Egypt has signed with the IMF since 2016.

The IMF consistently emphasizes the need to reduce spending on subsidies, especially energy subsidies, viewing them as a source of fiscal imbalance. The Fund argues that cutting such "inefficient" subsidy allocations would generate savings that could be redirected toward improving social spending on education and health. However, experience shows that the reduction in subsidies—which has led to lower living standards and higher inflation—has not achieved this goal. Instead, any savings from these austerity measures have been redirected toward servicing public debt.

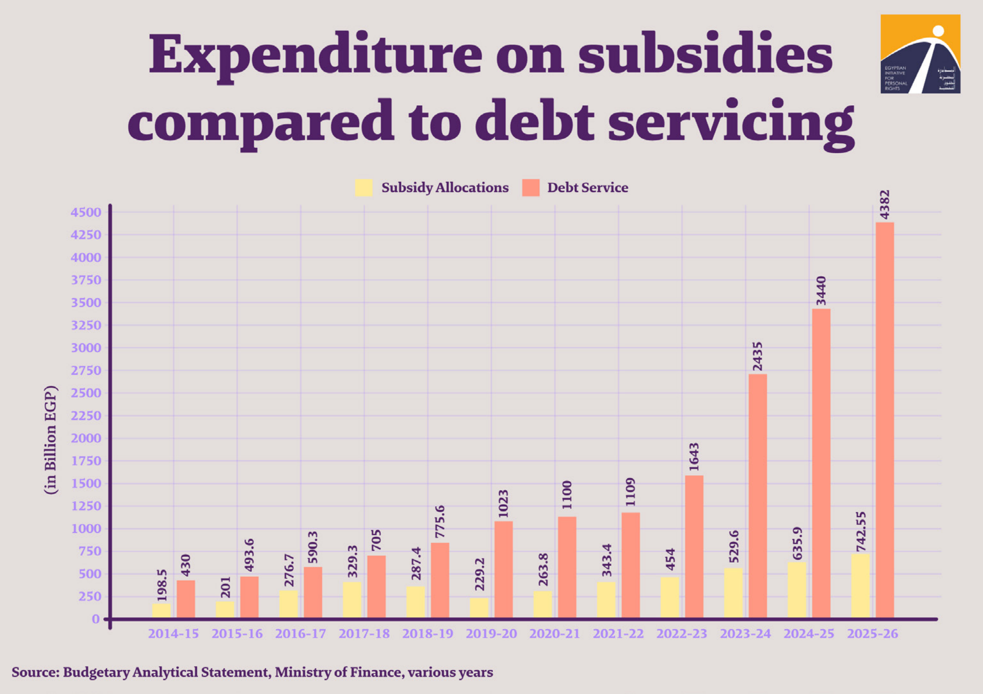
At least one-third of subsidy spending is allocated to areas unrelated to social protection. Industrial activities alone receive 29.5 billion pounds in subsidies, in addition to 44.5 billion pounds that are allocated to export promotion subsidies—an item that increased by 93.5% compared to the current fiscal year's budget, following an 80% increase the year before.

Nearly one-fifth of the subsidy budget—153.4 billion Egyptian pounds—is allocated to repaying the government's debts to social insurance funds.

As for fuel subsidies, from which the industrial sector also benefits significantly, their allocation has been cut by more than half, down to 75 billion pounds. This reduction is part of a government program, agreed upon with the IMF, aimed at phasing out fuel subsidies and deregulating fuel prices. However, a similar amount to what was saved was redirected to electricity subsidies, which surged from 2.5 billion pounds in the current budget to 75 billion pounds in the new one. This shift follows a decline in Egypt's natural gas production and an increasing reliance on imports to meet domestic demand.

Food subsidy allocations increased by around 19% in the new budget, reaching 160 billion pounds. But the increase is modest when compared to last year's inflation rate, meaning the real value of spending on this item is lower than in the previous budget.

Cash support for the poorest households has risen by 35%, reaching 54 billion pounds. This comes after the decision to increase the value of the Takaful and Karama social protection programs by 25%, a change that took effect in April of this year and now benefits around 5.2 million families.



According to statements by Minister of Social Solidarity Maya Morsy, monthly payments under the Takaful and Karama cash transfer programs "will rise to EGP 900 next July," up from around EGP 736 in the current budget. This amount increases based on various criteria and family circumstances, and in some cases may reach up to EGP 3,000, according to the minister.[15] However, the value of cash transfers under these support programs continues to erode due to rising prices and the depreciation of the currency. There is no estab-

15 "Minister of Social Solidarity: Takaful and Karama Monthly Payments Increased to EGP 900" Al-Masry Al-Youm, May 10, 2025, https://www.almasryalyoum.com/news/details/3447059

lished mechanism for adjusting the payments or linking them to inflation, and even after several increases in the past three years, they have consistently remained below the official poverty line.

In 2019/2020, the national poverty line was EGP 857 per person per month, according to the most recent published Income and Expenditure Survey.[16] The average household size in that survey was four members, meaning a household needed EGP 3,462 per month to stay above the poverty line. At that time, 29.7% of the population lived below that threshold.

The national statistics agency—CAPMAS—has not released updated poverty data, even though such figures are meant to be published every two years. Still, inflation data alone is enough to indicate a deterioration in living conditions. Over just the past two years—2023 and 2024—prices have risen by a cumulative 60%. Compared to 2020, when the last official poverty assessment was conducted, the purchasing power of large segments of the population has clearly declined, with the foreign exchange rate plunging from EGP 16 to the dollar at that time to EGP 50 to the dollar today. This strongly suggests a significant increase in poverty levels during that period.

This is supported by the latest figures from the World Bank, which stated in April that the national poverty rate had risen to 33.5% of the population in 2021—an increase of 3.8 percentage points in just one year from the last available official data. The World Bank's April data also indicated that 66.2% of Egyptians were living on less than EGP 26.47 per day in 2021[17]—the equivalent of the international poverty line of $6.85 per day, adjusted for purchasing power parity.[18]

Subsidies for food and cash transfers together account for no more than 29% of total subsidy allocations in the budget, while each provides only minimal protection for the rights of the poor and near-poor to access even a portion of their basic needs.

16 Income, Expenditure, and Consumption Survey, Central Agency for Public Mobilization and Statistics (CAPMAS), 2019/2020.

17 Poverty & Equity Brief, Arab Republic of Egypt, The World Bank, April 2025, https://documents1.worldbank.org/curated/en/099558104212527926/pdf/IDU-353e3c35-372f-4190-b161-88f749c99df0.pdf

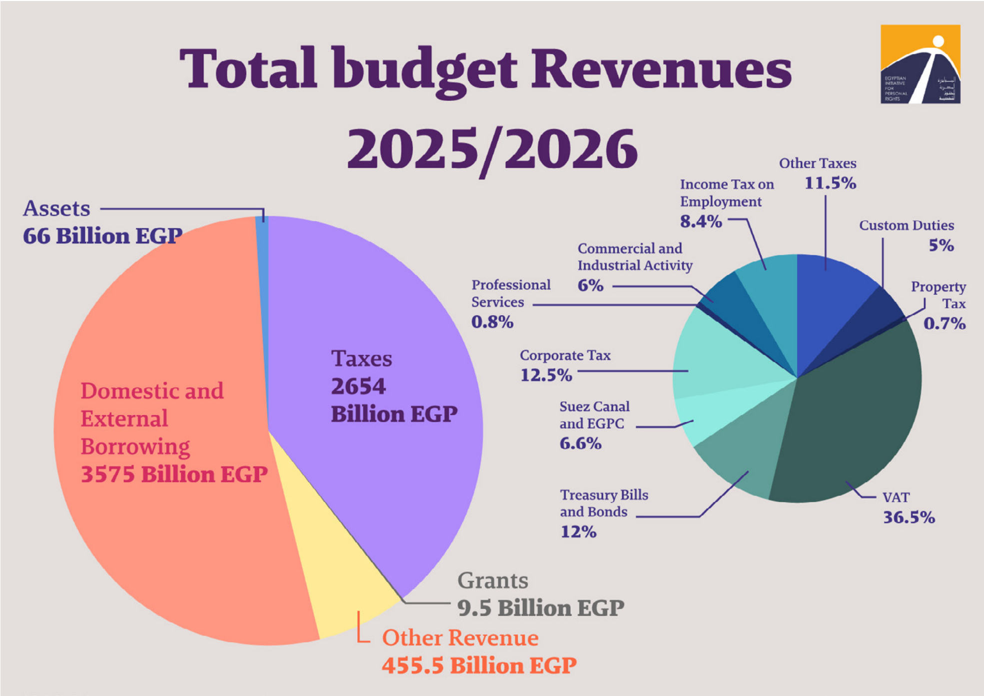
18 A method for calculating the real value of a currency based on its ability to purchase a specific basket of goods across different countries.

Insufficient and Unfair Taxes

The government plans to increase tax revenue in the upcoming year's budget by 31%. However, expected taxes will cover only 39% of total expenditure estimates in the new budget. An additional 7% will come from non-tax revenues, while the government relies on borrowing domestically and internationally for more than half of its spending, totaling 3.5 trillion Egyptian pounds—a 25% increase over the previous budget.

This means that debt repayment allocations will continue to rise in the coming years, at the expense of all other items needed to meet citizen needs and support economic development, despite ongoing talk about efforts to reduce debt.

If loans are excluded from the calculation, taxes represent 77% of what is stated in the budget as "revenues," which is the portion covering expenses excluding debt repayments. This means taxes could cover a larger share of expenditures if the debt burden were lifted, keeping in mind that half of these expenditures are interest payments.



Interest payments on domestic and foreign debt account for about 87% of the expected tax revenue in the new fiscal year. This implies that taxpayers are effectively financing profits for state creditors, including banks, individuals, and institutions, both inside and outside the country.

Improving state finances and reducing reliance on borrowing requires a series of measures, most importantly adopting a more equitable and efficient tax system. Taxes are supposed to be the main source of funding in the state budget, but tax revenue in Egypt is low relative to the size of its economy and compared to similar countries around the world. Tax-to-GDP ratio currently stands at 13%, up from 11.8% the previous year.

The limited tax revenue is due to the type of economic policies pursued, but it is also linked to the state's inherent biases and priorities in fiscal policy. As shown in the budget document, the government does not collect sufficient or appropriate taxes from companies and individuals who earn profits and make significant gains—those who, in fairness, should contribute more in taxes given their use of public resources and in accordance with the principles of justice. Nor does it adequately tax real estate owners, whose wealth has become the largest store of value in Egypt. Instead, the state tends to expand tax collection from individuals who do not earn profits, either directly, as with income tax on salaries, or indirectly through taxes on the goods and services they consume, such as value-added tax (VAT), which is charged at a uniform rate on everyone's consumption regardless of differences in income and wealth.

Value-added tax (VAT) alone accounts for 36.5% of total tax revenue, while income tax on salaries contributes 8.4%. Together, consumers and wage earners fund about 45% of total tax revenue, whereas profit-making corporations contribute no more than 12.5%. Historically, the tax contributions of the Suez Canal Authority and the petroleum authority (EGPC)[19]—including foreign partners in oil and gas exploration and extraction concessions—roughly matched those of corporations. However, in the new budget, their share drops to 6.6% due to disruptions affecting Suez Canal revenues amid unrest in the

19 The Egyptian General Petroleum Corporation.

Red Sea and a sharp decline in petroleum authority revenues following a significant drop in Egypt's oil and gas production.

Taxes on commercial and industrial activities make up no more than 5.9% of tax revenue, while taxes from professionals (doctors, engineers, lawyers, and others) are minimal at just 0.8%. Taxes on treasury bills and bonds contribute 12.1% of the total revenue.

Property taxes, regarded as a form of wealth tax, are projected to contribute just 0.7% of the government's estimated revenue in the upcoming fiscal year. Although property tax revenues have increased from EGP 7.9 billion in the current budget to EGP 18 billion EGP in the new budget, this remains a modest figure considering that wealthy individuals increasingly invest their money in real estate, the prices of which increase exponentially year after year. The true scale of profits from this sector is illustrated by statements from one of Egypt's largest real estate investors, Hisham Talaat Moustafa, who noted in a television interview that "the price per square meter of a residential unit in Al Rehab at the time of its launch in 1996 was EGP 900, and is now EGP 90,000EGP."[20]

20 Hisham Talaat Moustafa: The highest real estate investment return in Egypt… and the price per square meter in Al-Rehab rose from EGP 900 to 90,000, Al-Mal Newspaper, May 5, 2025, https://tinyurl.com/ykzfc4xz

Recommendations

EIPR recommends that members of parliament reject the draft budget submitted by the government, as it fails to meet the government's promise of presenting a unified budget. What has been newly submitted includes only partial data from economic authorities, without integrating these entities into the budget to be presented in a comprehensive manner. As a result, the proposed budget does not provide MPs with a complete picture that would allow for meaningful participation in shaping and evaluating public policy.

EIPR also calls on MPs to pay close attention to the following key issues during budget discussions:

- Setting a ceiling on public debt is a positive step that responds to years of advocacy from both economic experts and civil rights organizations, including recommendations made by EIPR in its reports on debt.[21] However, the debt-to-GDP ratio set by the government remains extremely high. Addressing this requires a fundamentally different approach to economic policymaking aimed at reducing the debt burden. Moreover, it is essential that parliament be involved in setting this ceiling and in taking action if it is exceeded. The ceiling should also be comprehensive, covering the general budget, economic authorities, and the Egyptian Central Bank—not just public budget entities.

- Parliament should also play a role in deciding how borrowed funds are allocated. Currently, this responsibility lies solely with the executive, without public oversight, even though the government itself played a key role in deepening the debt crisis. Parliamentary oversight must be strengthened over all new borrowing. This includes ensuring timely review of loan agreements, requiring full disclosure of borrowing by economic authorities, and extending parliamentary scrutiny to the Central Bank's external borrowing through foreign deposits—reviewing both their financial and non-financial terms.

21 Salma Hussein, "External Debt 2020: COVID-19 Increases Borrowing", Egyptian Initiative for Personal Rights, June 2021, https://eipr.org/sites/default/files/reports/pdf/ldyn_lkhrjy_2020.pdf

- Efforts to free the state budget from the grip of debt require a clear plan to reduce dependence on borrowing as a primary source of revenue. This entails a serious commitment to promoting productive and service sectors that generate income and added value, as well as restructuring tax policies to make them fairer and more efficient—so that profitable entities pay their fair share of taxes, rather than placing the bulk of the burden on workers and consumers. It also requires narrowing the scope of external borrowing, limiting it to essential needs to be determined with parliamentary input.

- That is on the revenue side, on the expenditure side, it is necessary to reschedule existing debts and extend their currently very short repayment periods, in order to ease budget pressure and create more room for investment in human and economic development. Spending should also be restricted on projects that do not generate income, reduce future costs, or meet people's basic needs—such as improving education and healthcare, ensuring adequate housing, and creating decent job opportunities.

- Immediate action is required to increase spending on health and education to meet the constitutional targets—not merely on paper, but in a way that genuinely enhances the quality and efficiency of both sectors. This is especially urgent given their critical role in development and in reducing social inequality, particularly in light of the current shortage of healthcare providers and teachers.

- There is an urgent need to fundamentally reassess the rationale behind current government subsidy policies, which appear to have largely lost their proper social and rights-based orientation. State subsidies for essential goods and services—such as food provisions, social security, publicly funded healthcare, and energy support—should aim to guarantee citizens' economic and social rights. These rights are grounded in the principle that public funds belong to the people, and such subsidies are also meant to compensate for deficiencies in public services, limited job opportunities, and low wages caused by prevailing economic policies. In this context, expanding these subsidies is necessary given the current deterioration in living standards.

- This is distinct from subsidies directed at productive and service sectors that, while important to the economy, are also profit-driven. In these cases, government support should be conditional—linked to job creation, increased production, and tax compliance. The impact of such subsidies must be regularly reviewed, and withdrawn if they fail to deliver on their objectives. After all, the state's role is not to help profitable actors further increase their profits.