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STATE CAPITALISM AND THE ROLE OF THE ARMED FORCES IN EGYPT

IN THE HISTORICAL CONTEXT, THE CURRENT GOVERNMENT AND 2016–2023 IMF REFORMS*

Kareem I. Abdallah¹, Martina Jiráňková²

Abstract

This article examines a specific form of state capitalism in Egypt under President Abdel Fattah el-Sisi, characterized by the central role of the military in economic affairs. Following the events of the 2011 Egyptian Revolution, the Egyptian military not only secured its position as a key political player, but also became an integral part of the nation's economic strategy. This role extends to various sectors, which has an impact on the dynamics of markets and private sector participation in them. This paper analyses the developments and implications of this specific military-led economic model, particularly in the historical context and the reforms advocated by the International Monetary Fund. It assesses and addresses the challenges of harmonizing military sector economic activities with IMF recommendations on transparency, fiscal consolidation, and structural reforms. The findings highlight the complex interplay between political power, economic control, and international economic governance, which characterizes the unique challenges Egypt faces in balancing military engagement with market-oriented reforms targeting economic growth.

Key Words: State Capitalism; Military Economy; Egyptian Economic Policy; IMF Reforms; Political Economy

JEL Classification: P16, P26, H56, O53, E61

1. Introduction

Bremmer (2010) describes state capitalism as “a form of capitalism in which the state acts as the dominant economic player and uses markets preferentially to achieve its political goals.” Bremmer argues that the market spectrum is diverse and ranges from the utopian liberalism of free competition capitalism to state capitalism, planned economy and utopian communism. Musacchio and Lazzarini (2014) describe new forms of state capitalism, in which the state acts mainly as a shareholder, as follows: it “involves the extended influence of the government in the economy, either by owning a majority or minority equity position in companies or by granting subsidized credit and/or other privileges to private companies.” Many governments (China,

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Russia, Saudi Arabia, the United Arab Emirates, Brazil, Mexico, etc.) choose this route because, in addition to achieving political objectives, the system brings economic benefits as well. Aside from the concentration of factors of production in the early stages of capitalism's development, state-capitalism regimes, through their close links with the economy, were able to respond better to negative developments during the international financial and economic crisis of 2007 (e.g. through their influence on state banks³). In the case of economic booms, state-capitalist governments leave more room for market forces to play out and limit state interference in the economy. State capitalism usually runs into problems when a more advanced stage of development is reached and creativity, critical thinking and innovation need to be engaged.

Moreover, governments of state capitalist countries usually use protectionism in their trade policies. They support the so-called "national champions" by creating economically strong private firms capable of succeeding on the global market through subsidies, soft loans, etc. These strong players are the driving force of the domestic market. In addition, the state has majority or minority ownership of state-owned enterprises (for example Gazprom, Emirates, Aramco, Petrobras, etc.) and establishes sovereign wealth funds. These funds are mainly financed from surpluses in the balance of goods and services, from foreign exchange reserves from the export of raw materials and from other sources, including the national budget of the country concerned. Subsequently, countries invest these funds, often abroad, in the spirit of raw materials nationalism and tacit foreign expansion (e.g. the activities of China and the Gulf countries in Africa), as other attributes of state capitalism.

Capitalism in Egypt started around the beginning of the 19th century, when the originally agrarian country began to gradually build its industry and capitalism. In the beginning, the central motive was to fight against the domination of foreign powers and the corruption of the ruling monarchy. After the seizure of power by military officers in the mid-20th century, the Egyptian government began to move more towards managing economic activities in a socialist spirit, and later towards state capitalism (the period of Nasser - Egypt's first president - can be characterized in theoretical terms as the initial emergence of state capitalism in Egypt). The army has always played an important role in the country's economic and political development, but its role has been relatively fluid and is now reaching unprecedented proportions.

After 2011 and especially after 2014, Egypt has experienced a significant reorientation in its economic policy, characterized by a new model of state capitalism. This evolution is mainly marked by the increasing economic involvement of the military sector under President Sisi since he took office in 2014. The historical context of state capitalism in Egypt is deeply intertwined with the role of the military sector since the Nasser era. However, especially after the 2011 revolution, the military's involvement in economic activities has intensified significantly. This military dominance in the economic sphere has developed in the context of the government's ambitious goals to promote rapid, extensive, and extractive economic growth. However, current military-led development strategies have created inadequate economic relations often accompanied by crowding out private enterprises and reduced market dynamism. Under the leadership of President Sisi, state capitalism has taken on a unique form,

3 For example, China provided \$3.7 trillion in aid to boost the economy - (Keqiang 2015).

with the military sector playing a key *economic* role. This specific model, while providing some stability and control, raises questions about the efficiency, transparency, and competitiveness of the Egyptian economy. Although the economic activities of the military sector provide protection against political instability, they lead to a concentration of power and resources that undermines democratic processes and hinders private sector development.

The aim of the following article is to reveal the layers of state capitalism in Egypt, with an emphasis on the central role of the military sector. It analyses the complex interplay between the political and economic spheres and illustrates the links with concrete examples. In addition, it critically assesses the challenges and implications of this model for the political economy, its governance, and compliance with International Monetary Fund (IMF) requirements. In this way, the article provides an analytical understanding of the complex model of state capitalism in post-revolution Egypt and offers new insights into the obstacles associated with balancing state control and market dynamics, and the implications for Egypt's future economic development. Financial and economic policies under President Sisi are examined in the context of Egypt's current negotiations with the IMF. The complexity of these relationships is key to understanding the state's commitment to reform and how these reforms can be implemented. The paper analyzes the deeply entrenched economic role of the military sector and the interaction between political authority and economic strategy. The findings contribute to broader discourses on state capitalism, military participation in civilian economies, and the complex balance between economic development and political stability in Egypt.

2. The development of state capitalism in Egypt

The era of President Nasser - State Capitalism 1.0

The emergence of state capitalism (the initial form of state capitalism - state capitalism 1.0) in Egypt can be placed in the period of the accession of President Nasser in 1952 or 1956 after the military coup, the removal of the ruling monarchy and the establishment of the republic. The military officers who took power in Egypt had no ideological program, they only wanted to consolidate power, eliminate the feudal landlords and achieve industrial development without the capitalists gaining political power. The period of Nasser's rule was a key period in the history of state capitalism in Egypt, marked by significant changes in the functioning of the military sector and economic policies. The 1952 revolution ended the monarchy and established a republic, which brought the military sector into a central role in government. Nasser introduced socialist policies that significantly changed Egypt's economic environment. The state sector gradually began to increasingly influence economic activities in the country and expanded through the nationalization of private enterprises. This included the nationalization of key industries and assets. There was the nationalization of the Suez Canal and private companies as the government's development programs required large amounts of funding and nationalization was the solution. Other reasons for strengthening the role of the government were the centralized nature of the Egyptian state and the development of the state bureaucracy. Mabro (1974) states that the government also interfered in agricultural development to redistribute wealth, limit the amount of land that individuals could own, and redistribute

surplus land among peasants. In addition, the government was actively involved in planning and managing economic activity to reduce foreign influence and enhance national self-sufficiency. Large-scale industrial projects were launched as part of Nasser's development strategy. Emphasis was placed on establishing a strong industrial base to promote economic independence.

The military sector under Nasser played a key role not only in politics but also in the economic sphere. It was involved in various development projects and the establishment of state-owned enterprises. Nasser relied on the military sector to implement his visionary plan for a modernized and socialist Egypt. This reliance on the military sector went beyond traditional defense roles and integrated it into the broader socio-economic framework of the country. Officers of the Egyptian Armed Forces (EAF) were appointed to key ministerial and civilian positions. While there were initially around 1,500 such officers during the Nasser era, later research suggests a significant increase in their numbers in various sectors. The emergence of the so-called 'Officers' Republic', a term coined by Yezid Sayigh, was the result of several factors and has had a lasting impact on Egyptian society, shaping the way different actors in the economy and administration operate. It is the legacy of the Nasser era that continues to influence Egypt's political and economic structure, particularly through the participation of retired EAF officers in the country's governmental and economic spheres. These officers maintain connections that strongly influence their behavior and interactions in various EAF departments and related agencies. These networks and the concept of "rewards for loyalty" play a key role in understanding the dynamics and interdependence of political and economic power in Egypt.

From the 1960s onwards, the most radical phase of state interference in the economy took place. In 1960, Bank Misr was nationalized, giving the government control not only over the largest commercial private bank, but also over much of industry. O'Brien and Affairs (1966) mention that companies affiliated with this bank accounted for 20% of Egypt's industrial output, comprising almost half of all textile production. Moreover, the authors state that the bank and its companies were reorganized under the new Misr organization and operated alongside the Economic Organization, which was the means of realizing the economic goals of the state. Waterbury (1983) further notes that the Central Bank, which had hitherto been a private sector institution, was also nationalized. In addition, the Belgian and other international banks and the entire cotton trade were nationalized.

The final step came with the National Charter in 1962, which clearly defined what would fall under the public sector. These were banks and insurance companies, economic infrastructure, heavy and medium industry, and all institutions responsible for foreign trade. Even though the private sector was allowed to deal with land, construction, light industry, domestic trade and transport, these sectors were "run" by the state. The Ministry of Agriculture, together with the co-operatives, controlled the production processes and rents in agriculture and the redistribution of agricultural land. O'Brien and Affairs (1966) state that tax policies limited the profits of real estate enterprises. The private sector had no autonomy, was linked to the state to obtain foreign exchange, and was also controlled by it in terms of allowed profits, prices, credit, and inventories. The government regulated imports, exports, investments, set some wages and salaries, and regulated the prices of some minerals and food. The state used the market and the market mech-

anism to distribute consumer goods. Trimberger (1978) points out, however, that even so, profit remained the only indicator of success in both the public and private sectors.

Nasser's policies have had a lasting impact on Egyptian society and economy. The emphasis on socialism and state control set the tone for Egypt's economic approach for decades. However, these policies also had their limitations. While they initially encouraged industrial development and reduced foreign control, they eventually led to economic problems, including inefficiencies in state-owned industries and an overly large public sector. Mabro (1974) mentions that economic growth went into negative numbers in 1967 (-1% of GDP), and the country faced a severe decline in agricultural and industrial production, a large balance of payments deficit, and a lack of foreign exchange reserves that led to high foreign debt. Although private sector activities were limited by legislation and administrative controls by the state, private ownership still functioned. Abdel-Fadil (1980) reports that in the late 1960s and early 1970s, private entrepreneurs controlled 40% of manufacturing, 86% of national trade, 48% of transport and communications, 78% of private services, and 95% of tourism and recreational activities. However, a strong public sector always leads to clientelism, and this was no different in Egypt under Nasser. He chose only trusted individuals for strategic positions, who in turn created their own opportunistic structures.

President Nasser died in 1970 and most writers claim that state capitalism in the country died with him. In fact, state capitalism in Egypt, as elsewhere in the world, began to take on a more modern form, with the state indirectly involved in the management of economic activities, either by owning shares in companies through ministries and other state bodies in strategic sectors, or by maintaining close contacts with the leaders of these companies. State officials realized that in order to make the economy more efficient, the private sector would need to play a greater role than the public sector, which was becoming less and less productive. However, the period of Nasser's rule was crucial in establishing the principles of state capitalism in Egypt. Nasser's vision of a strong, independent, and socially just Egypt shaped by socialist principles profoundly influenced the role of the military and the state in the economy and laid the foundations for future economic policies and the development of state capitalism in the country.

The Sadat and Mubarak era – State Capitalism 2.0

President Sadat, who came to power in 1970, attempted to expand the private sector at the expense of the public sector. Under Sadat, Egypt underwent a dramatic shift in its approach to state capitalism, which can be characterized as state capitalism 2.0 until the end of the Mubarak era. The main feature of this period was the introduction of the Open Door (Infitah) policy, which represented a significant departure from Nasser's socialist policies. This policy aimed to liberalize the economy by attracting foreign investment and reducing state control, thus moving Egypt towards a more market-oriented economy. Thus, during the 1970s, there was a temporary reversal of the trend of increasing influence of military officers in the Egyptian state apparatus. This period was characterized by a greater exercise of presidential power over the EAF and a partial demilitarization of the government. However, this shift was short-lived. Patronage-client ties began to be established at the level of personal relationships to the stratum of the wealthy elite linked to economic power. Sadat created a layer of so-called *Munfatihun*

(openers) of the public and private sectors. In the public sector, these individuals accumulated capital, which they acquired by issuing import licenses, selling information, and engaging in other fraudulent activities enabled by their position of power. Often they were privately engaged in the same kind of business they were in charge of in their public positions. Kerr et al. (2019) reports that in the private sector, these *Munfatihun* were recruited from the ranks of wealthy families from the Nasir era and began to penetrate the power structures and political elites with the development of the private sector under Sadat. This two-way interpenetration of the public and private spheres created a powerful layer of wealthy families of businessmen and merchants that monopolized foreign trade in addition to the Egyptian internal market.

In addition to economic reforms, Sadat reoriented Egyptian foreign policy, as exemplified by the 1979 peace treaty with Israel. This move had far-reaching effects on Egypt's international relations, especially with Arab states, and strengthened relations with Western countries. These changes affected Egypt's economic strategies, including the flow of economic aid. However, Sadat's policies were not without challenges. While there were initial improvements, the period was characterized by increased income inequality, inflation, and unemployment. Reduced subsidies and increased economic hardship led to widespread public discontent, which was most evident in the 1977 uprising dubbed the "Bread Riots". Although President Sadat attempted pro-market reforms and a retreat from the 'socialism' of the 1960s, the strong links between the political and economic spheres continued to strengthen, even after the accession of President Mubarak in 1981. The period under Sadat was pivotal in reshaping Egypt's socio-economic structure and laid the foundations for the future trajectory of a new form of state capitalism, particularly in the Mubarak era.

President Mubarak's period was characterized by significant privatization (specifically two privatization rounds, the first in 1991-1997 and the second in 2004-2010), which led to the divestment of many state-owned enterprises. This represented a departure from Nasser's socialist policies and a continuation of Sadat's neoliberal policies. The reduction in state ownership resulted in a significant reduction in the state's share of gross domestic product to around 30%. Henry and Springborg (2001) argue that although the integration of officers into state economic enterprises originated in the Nasser era, it gained considerable momentum with the introduction of the Egyptian government's economic reform and structural transformation program in 1991. This scheme brought significant business opportunities for resigning EAF officers, who were quick to seize the opportunity. The privatization of these businesses coincided with Tantawi's ascension to the position of Minister of Defense, and the privatization further accelerated the loyalty scheme he was directing. The legacy of this scheme persisted, and even intensified, after the July 2013 military coup. Sabry (2012) states that in the early 1990s, the government initially intended to privatize approximately 314 state-owned enterprises. However, these privatizations were accompanied by considerable corruption. During the twenty years of the privatization program, the state only received approximately \$9.6 billion from the assets sold, which had a potential value of \$104 billion. There are countless cases demonstrating the level of corruption. In 1994, a company was sold for \$17 million, a quarter of its alleged value. Another example is a company that was sold in 2006 for 84 million Egyptian pounds, even though ten years earlier it had been valued at 211 million

Egyptian pounds. Kassab (2018) states that Tanta Flax and Oils became wholly owned by the Wadi Company after privatization. However, the sale was annulled in September 2011 due to corruption in the privatization process. In addition to Tanta Flax and Oils, Omar Effendi, Shebin Textiles, Maragel Steaming, Nile Company for Cotton Ginning and Arab Company for Trade can be included in these privatization rounds. As of 2010, 149 companies remained unsold from the original pool of companies slated for privatization. During this 20-year period, private investment increased, with foreign direct investment reaching \$14 billion in 2008 (foreign investments increased by 64% in the years 2002-2003 to \$700.6 million, with \$439.7 million coming directly from the sale of shares in local companies to foreign investors). However, it was expected to rise to about \$20 billion by 2013-14.

Despite these steps towards a market economy, the state under Mubarak maintained somewhat significant control over economic activities and influenced the private sector through mechanisms such as controlling market access, licensing, land allocation and the imposition of trade barriers. The Mubarak era was characterized by continued economic liberalization and greater integration of Egypt into the global economy. In addition, this period witnessed continued clientelism and the rise of a new social class made up of businessmen closely linked to President Mubarak's son, Gamal Mubarak. This group has played a key role in pushing through neoliberal economic policies and the privatization of state enterprises. The influence of these clientelist businessmen went deep into the formulation of Egypt's economic policies. They promoted and facilitated the shift towards a market-oriented economy, moving away from the state-controlled economic model. However, the rise and activities of this business class were seen as a challenge to the existing social order and political stability in Egypt. They contributed to growing economic inequalities and social tensions. At the same time, this group also posed a threat to EAF officers and their political-economic position in the country. The 30-year phase of Mubarak's presidency brought its own set of challenges, such as increasing inequalities in levels of wealth and access to resources. These subsequently contributed to public discontent and the 2011 uprising. The Mubarak era demonstrated the complexity of maintaining a balance between reducing direct state ownership while maintaining state control over economic decision-making and regulatory frameworks.

The end of state capitalism 2.0 in Egypt, defined by the Sadat and Mubarak eras, was the result of several interrelated socio-political and economic factors. The neoliberalism promoted during this era generated widespread discontent. This uneasy situation, especially among the youth and urban population, was exacerbated by political repression and limited social mobility, which fueled public dissent. The 2011 Egyptian revolution, which was a response to socio-economic tensions, called for political change, economic reform, and social justice, which eventually led to the removal of President Mubarak. This marked the end of "state capitalism 2.0".

After the revolution, the neoliberal economic model was significantly rethought. Under the leadership of President Sisi, Egypt moved towards "state capitalism 3.0". The shift from the privatization and reduction of state influence of the Mubarak era to a model in which the state reasserted its role through influencing regulatory frameworks, but also through the strategic involvement of the EAF in almost every sector of the Egyptian economy.

3. State Capitalism 3.0

In more authoritarian regimes, it is common for the military not only to occupy a prominent position within government functions, but also in areas that go beyond the traditional remit of the armed forces. This remit manifests itself in matters such as public administration, infrastructure development, service delivery and other state-dominated areas of the economy. Historically, this phenomenon can be observed locally in neighboring countries later affected by the Arab Spring. As the EAF gradually moved away from overt and direct political engagement during the Mubarak administration, senior officers of the military hierarchy became deeply intertwined with the state apparatus and the private sector elite. As a result, they were also comprehensively linked to the country's political economy to a degree never seen before. The emergence of the Egyptian military in 2011 and the subsequent succession of President Sisi have substantially increased its influence in terms of both scope and size. The EAF has become an autonomous entity with the ability to reshape markets, influence government policymaking, and influence investment strategies. After 2011, the Supreme Council of the Armed Forces (SCAF) struggled to effectively manage the political transition in Egypt, as it lacked a clear socio-economic vision and political strategies for a stable transition in the country (like the 1952-1956 period). Its response was therefore relatively conservative to protect its position and core interests. The extensive integration of the military forces into the state apparatus, however, significantly affected the political economy of the country.

Linking the EAF and the political sphere

One cannot properly grasp the current form of state capitalism in Egypt without being aware of the fundamental influence of the Egyptian military and its reach into the government. The Administrative Monitoring Authority (AMA), established as early as 1958, is a significant example of military infiltration into the civilian bureaucracy. Its main task is to fight corruption throughout the country, apart from the EAF, which falls directly under the supervision of the president. The leadership of the office is composed of military and police officers (unlike the substantively duplicative Office of Persecutorial Supervision and the Central Audit Organization, which are generally headed by civilians), and is headed by President Sisi's son. Khalaf (2016) argues that this arrangement allows the EAF to exert considerable influence over administrative and financial matters within the state apparatus. This highlights the strategic role of the military within the state's control mechanisms and its role in maintaining and expanding the EAF's influence. Along with the EAF's Office of Organization and Administration, the Office of Administrative Oversight compiles lists of departing officers seeking new positions and redistributes them to all members of the government. This practice has led to the creation of military enclaves in certain civilian ministries and departments where former officers regularly hold important positions. The Central Authority for Organization and Administration reinforces military infiltration into the civilian bureaucracy, with military retirees as its directors and is responsible for civil service development and reform.

During the Sadat and Mubarak eras, the senior officer corps became deeply intertwined with the country's state apparatus and political economy. This extensive intersection encompasses not only prominent positions, but also various levels within the civilian bureaucracy and economy, including control of administrative agencies, local government, and security services. Former EAF officers hold key positions within the civil service, including universities, national institutions, and various government bodies. They also hold important roles in the state public service and key infrastructure sectors, particularly those created during the first phase of privatization in 1991-1997. These sectors include civil aviation, maritime and land transport, electricity, water, and sanitation. In addition, the military has significant influence over sectors such as real estate management, public works, and agricultural development. Former military officers also hold important positions in various government ministries and agencies that deal with land-related sectors, including housing, real estate management, public infrastructure development, agricultural development, land reclamation, and even tourism. According to Sayigh (2019), they play a key role in bodies such as the Central Construction Apparatus of the Ministry of Housing, which deals with housing, urban ring roads and bridges. In addition, they take on leadership roles in the New Urban Development Authority, which is overseen by a former EAF general. Military retirees also lead the General Authority for Reclamation Projects and Agricultural Development, which oversees large-scale irrigation and agricultural initiatives such as the Toshki, Northern Sinai, East Oweinat and New Valley projects, along with associated areas such as agricultural silos and storage. They also oversee the Tourism Development Authority and the Religious Endowments Authority (Awqaf Authority). Ikram (2018) mentions that there are currently between fifty and sixty general authorities responsible for asset and operational budgets, regulatory frameworks, and investment decision-making in major sectors of the economy, including the Suez Canal, oil supply and trade, social and health insurance, and public infrastructure.

These appointments to senior positions in ministries and agencies provide secure jobs for former military officers. For example, former air force officers move seamlessly into roles related to civil aviation and airports, while naval officers oversee shipping, ports, and the Suez Canal. Signal Corps officers are responsible for telecommunications and information technology, and army officers are involved in construction, land transport and public works. In addition, Sayigh (2019) mentions that officers supplement their income through various roles and receive benefits such as free or subsidized housing, participation in social clubs, supermarkets and other benefits that are only available to military families. SCAF actively protects the privileges and status of military personnel. Unlike earlier, it more explicitly sets its institutional and policy priorities. It seeks to enshrine military powers and protections in constitutional arrangements to permanently place military forces above the state. The SCAF aims to establish a formal supervisory role over the state while seeking to exercise and expand its rights to exclusive control over the defense budget, military aid from the United States, and the military economy. At the same time, SCAF has absolute authority over the use of assets and resources derived from these approaches.

Linking the EAF and the economic sphere

The military is active in a variety of sectors, including the implementation of large-scale infrastructure projects, the production of consumer goods ranging from food to household appliances, the manufacture of industrial chemicals and transportation equipment, and the importation of essential goods for consumer markets. In addition, Sayigh (2019) notes that it has also expanded its operations into new areas such as gold prospecting, steel production and the administration of religious foundations and pilgrimages. At the same time, thousands of retired high-ranking officers have benefited from the military's considerable political influence, occupying leadership positions both within the civilian apparatus of the state and in public corporations, thus supplementing the official military economy while securing their own benefits. In addition, the EAF manage their own economic enterprises independently of the state treasury. This includes sectors such as the defense industry, national service projects, public works contracts and various profit-making activities such as military clubs and hotels.

A significant group of officers hold positions in commercial holding companies that were created because of the first phase of privatization, which began in 1991. The penetration of the EAF into recently privatized public companies depends heavily on political connections. Henry and Springborg (2001) mention that this situation has highlighted the survival of state capitalism, where even though the regime appears to adhere to the Washington Consensus in favor of the free market, it simultaneously operates on the basis of clientelism and political connections. Officers assume leadership roles or board memberships in these holding companies, which include civil aviation and airports, maritime and land transport, electricity, water, and sanitation. A prominent example is the case of the Ministry of Defense (MOD), which has acquired a 75% stake in the Nasr Company for Services and Maintenance, with the remainder owned by former EAF officers. Another example is the domination of the twenty-four subsidiaries of the Holding Company for Water and Wastewater by former EAF officers. In addition, military officers exert significant control over the natural gas and oil sectors. A similar pattern can be seen in selected services such as Egypt Telecom, now a joint stock company with a monopoly in the mobile phone market, and the National Telecommunications Regulatory Authority. The extent of military influence in the construction sector is evident in companies such as Hassan Allam Construction. According to The News (2016) the company was forced to hire up to sixty former officers in 2016.

The military economy is increasingly behaving like the commercial sector, seeking partnership arrangements with local and foreign private firms, and exploring sales and investment opportunities abroad. Senior members of the officer corps have become more entrepreneurial. They are actively pursuing opportunities for economic advancement, crossing the boundary between the military and civilian spheres and between the public and private sectors. Their economic activities are strongly linked to their bureaucratic position in the state apparatus, which provides them with unique access and opportunities. The integration of EAF officers into the Egyptian private sector is largely through so-called "solvers", who play a key role for private companies in navigating complex government bureaucracies and helping them obtain various permits and contracts. This practice symbolizes the increased interaction between the public, private, and foreign business sectors. An illustrative example of this phenomenon

is the efforts of the New Urban Communities Authority to launch the Obour town project in the desert. Judson (2012) argues that the employment of EAF officers was crucial to the successful negotiation with the German Development Agency (GTZ at the time) and Egyptian government authorities, highlighting the deep-rooted need for military connections in bureaucratic processes. By 2011, a significant number of private companies had military officers on their staff, cementing a complex network within the private sector.

The infiltration of military “solvers” in various sectors is illustrated by several companies. Tantawi (2015) argues that the International Airport Company, headed by Hani Rashad ‘Oqab, reflects the strategic placement of military officers in key positions (in this case, placed by Kato Investment Group) that influence key operations and decisions. ‘Oqab further extended his influence by joining the board of directors of EMAC Holding Company, a subsidiary of the Kuwaiti company Kharafi, which operates Marsa ‘Alam International Airport under a long-term contract.

The military presence in the private sector is not limited to the aerospace industry. In the automotive industry, the Egyptian Automobile Manufacturers Association, formerly headed by Major General Hussein Mostafa, points to the continued influence of military officers even after privatization. This influence is further evident in companies such as Engineering Automotive Manufacturing (EAMCO), Misr Company for Car Trade, and Auto Manufacturing and Repair, where EAF retirees hold prominent roles. For example, Adel (2015) mentions that Major General Hasan Soliman, a former EAF officer, served as chairman of the Egyptian Association of Automobile Manufacturers and the al-Amal Group. His leadership positions were later taken over by his son, Amr Soliman, indicating the continuation of military influence through family ties.

Another important role of EAF officers is participation in the Egyptian private security sector. Following the 1973 war and the 1979 peace treaty with Israel, many EAF officers took early retirement, providing experience for the growing private security sector. In this sector, according to Ibrahim (2014), Care Service, founded in 1979, is a prominent example. The company has become a leader and held a 30% market share in 2014. Another key player, according to the Daily News Egypt (2015) is Falcon Group International, which was established in 2006. Falcon Group’s rapid growth has led to a significant expansion of its workforce, which is estimated at between 6,000 and 12,000 employees as of 2014. The company’s significant turnover, estimated at around 2 billion Egyptian pounds, highlights its dominant position in the private security market. According to Abdallah (2015) Falcon Group has achieved success in securing major contracts, including providing security for President Sisi’s election campaign and several major infrastructure projects such as the second Suez Canal. The private security sector in Egypt has seen a boom in firms, with estimates ranging from 200 to 500 firms operating in the sector. The total number of employees of these firms is estimated at between 70 000 and 120 000. This growth is partly driven by the establishment of new firms by former EAF officers.

Another interesting trend is the increasing involvement of EAF officers in business activities. This trend reflects a broader shift in which retirees and active-duty officers are forming companies to win contracts, often blurring the lines between legitimate business and

questionable practices. An example is Maridive, a global oil and maritime company founded by a former naval officer. Similarly, the Alexandria Stevedore Company, founded in 1963 by former EAF officers and port authorities, was a major player in the industry, although it faced accusations from unions of monopolizing storage facilities.

One of the key aspects under discussion is the significant influence of the military sector on state land, which has also been identified by the IMF as a major obstacle to private sector development in Egypt. This control allows the military sector to negotiate favorable terms with private contractors, which affects market dynamics and competition. According to Diwan et al. (2016) a key element is the military sector's ability to extend various privileges to its private sector partners, including trade protection, energy subsidies, access to government land, and favorable regulatory enforcement. Military control over key resources and permits provides leverage over private firms, often leading to clientelist relationships. This is according to the authors evident for example in private firms' reliance on public contracts and procurement. The public sector and politically connected private firms receive larger market shares, while smaller and less productive firms are left with what is left over.

The military's involvement with the private sector is characterized by strategic but cautious alliances, especially with large corporations that have the necessary technical expertise and capital for large projects. These partnerships reflect a combination of cooperation and competition and show the complex interconnectedness and divergence of objectives of the two entities. Tarouty (2015) states that the Egyptian military sector has significant links with major companies such as Orascom Construction Limited, Elsewedy Electric and Arab Contractors Company. These collaborations, particularly prominent projects such as the Suez Economic Development Corridor and the new administrative capital, demonstrate the military sector's reliance on established private firms. However, the military sector is wary of globalized firms, which are often perceived as potential political or commercial competitors. In addition, the military sector's expansion into new sectors such as river transport and refinery operations has made it a direct competitor and disruptive actor in the market.

However, when it comes to small and medium-sized enterprises (SMEs), Adly (2015) mentions that the involvement of the Egyptian military has started to evolve especially since the MOD and affiliated agencies started to outsource work to SMEs on projects that do not require advanced expertise and are labor- rather than capital-intensive. While the reasons for partnering with large corporations are economic and political, the linkages with SMEs serve other purposes. Adly (2023) explains how this trend intensified after 2013, when the volume of military construction projects increased significantly. The military sector's relationship with SMEs is clearly intended to create jobs and promote economic growth, but it also leads to the restructuring of rent-seeking networks and clientelist relationships. A prominent example of the aforementioned trend, according to Othman (2014), is the New Ismailia City project, where Karam Salem, the head of the Engineering Authority of the EAF, claims that the authority has provided employment to 198 large, medium and small enterprises, which has provided employment to a large number of people directly and indirectly. The military's strategy of working with SMEs reflects a clear incentive structure for both parties, with subcontractors often paying bribes to gain work or access. The military strategy of outsourcing

to many SMEs is illustrated by the example of the Suez Canal expansion. This project not only awarded subcontracts to former MOD partners, but also to a majority of relatively unknown medium and small firms.

Another major sector of military infiltration is the media. Military involvement in the media represents only one significant shift from the military's earlier economic activity, which was mostly concentrated in non-tradable sectors. The MOD and associated agencies have gained a decisive position in Egypt's public and private media since 2015. Bahgat (2016) mentions that a significant development was the hostile takeovers of major private media companies, which led to the acquisition of control over media production companies and the redirection of contracts to military enterprises. The Directorate General of News led this initiative through its investment unit, Eagle Capital for Financial Investments, which acquired major news, entertainment, advertising, and production companies, including Black and White. Arabi (2017) notes that the Military Intelligence Service has also entered the sector and manages the al-Asimah television network through Cheri Media. Subsequently, Falcon Group International, an agent of the Military Intelligence Service, acquired al-Asimah and its subsidiaries. Tawasol for Public Relations, established to manage this growing media portfolio, purchased the privately owned al-Hayat television network, and acquired DRN Radio and Home Media. The acquisition of private media facilitated the provision of employment to active and former officers. This move not only serves a political agenda, but also reflects the efforts of agencies associated with the military sector to generate new sources of revenue.

Another development in this area is the significant entry of the Egyptian military into the steel industry. This move, according to Sayigh (2019) represents another instance of the EAF's shift from its historical focus on non-tradable sectors to a situation where it is actively competing with private firms in key manufacturing sectors. Traditionally dominated by private firms, the steel sector has experienced a significant shift with military involvement. The National Service Project Organization (NSPO) and the MOD have insulated themselves from risks typical of the steel industry, such as competing imported products, dollar and energy shortages, and fluctuating exchange rates. This strategic positioning has led to a bifurcated market where the military sector operates significantly differently in terms of risks and opportunities from the civilian sector. Military institutions have acquired significant stakes in major steel producers such as Suez Steel. This takeover was not just about saving a failing company, but also about gaining a foothold in a lucrative sector. For example, NSPO's purchase of Suez Steel increased its total capacity to 1.55-2.3 million tons, representing 12-16% of the sector, a figure that Said (2016) said could increase to 27% with planned expansions.

A similar situation can be found in the cement sector. The NSPO started operating its first two production lines in 2012, each with a capacity of 3.2 million tons, representing 6% of national production in 2015. However, by 2016, according to Werra and Ismail (2018), the NSPO had made significant investments in expanding the capacity of its plant in al-Arish and in building a new plant in Beni Suef, bringing the total capacity to nearly 12.5 million tons. The entry of military forces into the cement sector has negative implications for the private sector. The lack of energy and U.S. dollars, coupled with fierce competition in export markets, led to increasing losses for most cement plants in 2017 and 2018. The public National

Cement Company even, according to El-Swaifi (2018) suspended production, and eventually shut down operations. Similarly, the Beni Suef plant is operating at only 40% of its capacity.

Of all the EAF activities, the greatest opportunity cost appears to be in the so-called “megaprojects”. Sisi bases his legitimacy on these projects. The megaprojects are his legacy, which in his view are the only way to most effectively invest the capital borrowed from the IMF and the Gulf countries. The military’s participation in economic activities is consistent with Sisi’s vision that the military is the engine of economic development. This vision is based on Sisi’s belief in the army’s ability to effectively manage and implement projects, as can be seen, for example, in his decision to entrust the Suez Canal Authority with the development of the new port of Arish.

In August 2014, the EAF was tasked with overseeing the construction of a 37-kilometre-long road parallel to the Suez Canal to allow two-way shipping. This project, which was pushed by Admiral Mohab Mamish, symbolized the military’s growing influence on major national projects. Funding for the project was entirely raised from Egyptian sources through government bonds and was based on an expected doubling of the canal’s transit fees by 2023, which did not materialize given global trade trends. However, the expansion has led to an increase in MOD revenue from management fees and has involved many Egyptian companies, many with military connections, such as Dar al-Handasah. The canal project also represented the first phase of a wider initiative to transform the surrounding region, including Port Said, Ismailia and Suez, into an international industrial, logistics and transport hub.

Another major initiative is the construction of the New Administrative Capital east of Cairo, announced in 2015 by Housing Minister Mostafa Madbouly. This project represents a significant step in Egypt’s urban development with the promise of using sustainable technologies.

Moreover, the army’s involvement in the construction of “smart cities” such as al-Galalah International City, New Alamein and New Alexandria suggests its strategy of adapting to Egypt’s emerging new middle class. These cities emphasize high-speed urban projects and luxury housing. The military’s extensive involvement in infrastructure development for these new cities has significantly expanded its economic influence, including the construction of airports such as Capital International Airport. The case of Ain al-Sukhna, a Red Sea port built by the military, illustrates the strategic integration of military interests with civilian economic activities. It has become a center for investment, industrial development, and tourism. The military’s involvement in the creation of industrial clusters, such as the case of the Robika tanneries, further highlights its influential role in Egypt’s economy. Ain al-Sukhna, along with al-Galalah International City, reflects the social and political alliances of President Sisi’s government and illustrates the military’s infiltration of various sectors from tourism to manufacturing.

2015 also brought an expansion of the military’s economic reach, with President Sisi allowing the EAF Land Projects Agency to engage in commercial activities, allowing it to establish companies and develop its real estate resources. This consolidated the military’s control over state land, affecting joint ventures and development in strategic areas. In November 2014, President Sisi designated the southern Shalateen region near the border as a military zone. This

decision allowed the MOD and NSPO to conduct large-scale mining and quarrying activities, including gold exploration. Another significant example of military infiltration was established by the Presidential Decree 233 of 2016, which designated twenty-one national roads as “strategic zones of military importance”. Executive Order 233 also had far-reaching implications for commercial franchises. It included land up to 2 kilometers on either side of these national roads under MOD control, effectively giving it a significant commercial franchise. This control also extends into the telecommunications sector, where MOD has shown aggressive interest. With Egypt Telecom owning the infrastructure and maintaining a de facto monopoly, MOD’s influence is likely to be significant in laying fiber optic and other telecommunications infrastructure in these areas. Subsequent decrees have further strengthened the MOD’s advantages. For example, Presidential Decree 77 transferred 60,000 feddans (approximately 250 km²) of arable land in the “green belt” from the 6. October city to the city of Sheikh Mohammed bin Zayed. Similarly, Presidential Decree 101 granted the MOD land near the Dabaa nuclear complex on the northern coast, further consolidating military control over infrastructure and economic zones.

The current state of affairs in relation to IMF reforms and ways to address shortcomings

The IMF-supported program in Egypt is a comprehensive set of policies to preserve macro-economic stability and prepare the environment for dynamic and inclusive economic growth. However, the financial assistance packages require specific restructuring measures to be undertaken by the desired entity. In the case of Egypt, specific conditions are included, among others, on large-scale structural reforms to reduce state presence and increase transparency. From the outset of the IMF reforms in 2016, one of the main conditions of the bailout involved the privatization of state-owned enterprises. However, it is now retrospectively evident that the IMF has not yet incorporated the coherence and actual reach of the EAF into the political-economic sphere in its requirements. This is also evident in the development of the Egyptian economy and the continued intensification of the scope and reach of the EAF into civilian economic activities. The IMF is the only international body dealing with the structural issues of the Egyptian economy and even has the leverage to push for the necessary changes. Unfortunately, however, it has not yet used this ability effectively enough. Currently, Egypt’s military economy is a burden, constraining social spending, private sector development, distorting markets and reducing the availability of resources. The government’s policy of promoting the military sector by distorting market incentives, along with the various exemptions of this sector from general laws and regulations, hampers private sector development and limits the fiscal space necessary for sufficient spending on education, health, social protection, and basic infrastructure. Until this situation changes, other objectives of the IMF program, such as reducing unemployment and increasing long-term economic growth through sustainable policies, remain unrealistic. The IMF and World Bank have so far been reluctant to comment explicitly on the involvement of the EAF and other military agencies in Egypt’s civilian economy. However, this is a long-term problem. Turning a blind eye to the diversion of resources to the military sector and away from the increasingly significant impacts on the economy and

public finances has undermined the effectiveness of these institutions' programs and allowed their resources to be invested in favor of the Egyptian government's suboptimal policies.

However, for the first time, the International Finance Corporation has commented on the issue of EAF involvement (2020) and subsequently the IMF (2021) in their official report on Egypt's request for an extension of the agreement. The most recent IMF report (2023) however, is more specific with regard to military involvement and builds on the commitments contained in the Egyptian government's (2022) - State Ownership Policy. This policy covers state-owned enterprises, SOEs, **military-owned enterprises**, economic bodies, and joint ventures and partnerships. The policy sets out the **criteria for determining whether a sector is strategic or not** and explains how each sector is assessed against these criteria.

The implications of the IMF report and the Egyptian SOP are therefore very significant as they encompass and target one of the most important causes of the inadequate functioning of the Egyptian economy. In short, the government has stated in the SOP that it will exercise direct control over military companies, both in terms of ownership and regulation. However, there appears to be a lack of political will or capacity to implement these provisions. In fact, the EAF has expanded its activities into sectors that the SOP originally covered (in the previous draft), and some of its most economically active agencies are not, by their very nature, companies at all (but rather government agencies and other bodies). Moreover, without specific information on how the government intends to subject the overly powerful military to the provisions of the SOP, it is unclear how the government plans to reform this area. The policy framework creates confusion between the stated goal of leveling the economic playing field of the military with the private sector and the reality of the economic role and business activities of the EAF.

The strategic sectors highlighted in the SOP are (a) agriculture, livestock, fisheries, and forestry, with emphasis on food security and land reclamation. The state aims to increase agricultural exports and create employment opportunities, b) electricity, gas, and a focus on infrastructure for electricity transmission and natural gas networks, with these areas considered natural monopolies key to national security, c) water and sanitation due to their direct impact on public health, d) construction, with a focus on social housing to provide affordable housing solutions, e) transport and investment in infrastructure such as ports and railways, f) communications and a focus on infrastructure for wireless and fixed communications and modern postal services, g) publishing - government involvement in media to strengthen national identity, h) financial services and insurance, which the government believes are important for financial inclusion and social commitment, i) the Suez Canal because of its strategic and economic importance, j) education in the form of investment in pre-school and higher education, k) health care and focus on pharmaceuticals, medical supplies and health services because of their direct relationship to the health of citizens, l) oil and gas extraction because of the strategic nature of these resources, m) metallurgical and chemical industries because of their importance in various sectors including military production, n) printing and packaging, including security printing and banknote printing, important for national security, and o) food and engineering industries, important for national food security and industrial development.

From the SOP, it seems that there is no field that is not strategic. Thus, for any meaningful and lasting progress to be made, it is important to recognize that dissolving the military economy is not an option in the foreseeable future (either with respect to its political engagement or direct economic activities). However, rationalizing the financial, economic, and regulatory model of the military economy in line with the IMF's broader recommendations for Egypt could slow its expansion enough to change its dynamics and divert it from its current trajectory. The core of such a strategy is to clearly delineate the assets and activities of the military sector in the civilian sector from its defense functions, while harmonizing the rules and regulations governing these activities with those of the civilian public sector and, where relevant, with those governing private sector participation in the market.

IMF (2021 a 2023) recommends centralizing state ownership into a single entity. The current structure includes about twenty companies under the Ministry of Military Production (MOMP), ten under the Arab Organization for Industrialization (AOI), and about forty under the MOD, mainly the NSPO. A significant step towards efficiency and compliance with IMF requirements would be to merge all military companies into a single holding structure. The process could start with the MOD companies, which could come under the Ministry of Public Affairs. This could be followed by AOI companies, with preliminary changes in legal registration. The NSPO companies, which are already going down the partial privatization route, could also be integrated into this structure, as partial private ownership does not prevent consolidation in the public sector. In addition, the defense activities in these companies should be separated and merged into a separate holding company, which would ensure compliance with security protocols and the legal framework of the public business sector. The military holding company could then fall directly under the remit of the MOD or the National Military Production Authority.

The IMF's second major recommendation (2023) is the creation of a unified legal and administrative framework for military and civilian activities in both the public and private sectors. To establish a unified legal and administrative framework for Egyptian military companies, it is necessary to apply uniform rules for government procurement and control procedures, which will ensure transparency and accountability. These rules should govern project management, procurement processes and financial auditing. In addition, military companies must comply with public sector business regulations, including labor law and audit control. Financial transparency is key. This includes compliance with IMF recommendations for detailed financial reporting. The budget for military activities related to civilian activities should be integrated into the overall government budget. In addition, profits from civilian goods and services produced by the military should go to the Treasury, contributing to public finances and reducing dependence on special military funds. This framework would ensure that the economic activities of the EAF are governed by the same standards and principles of accountability as other state-owned enterprises.

Given the political importance of the EAF and its increasing involvement in various economic sectors, it is essential to address its unique advantages. However, without complementary changes in the legal, regulatory, and judicial frameworks that provide the military with autonomy in the civilian economy, it may be difficult to overcome resistance to reforms within the military. A thorough examination of the specific legal frameworks that separate military companies and economically active military entities from their civilian counterparts is nec-

essary to complement the IMF's recommendations for the entire public sector. In its report, the IMF (2023) most emphasizes and seeks to achieve competitive neutrality; in other words, the IMF requires Egypt to level the playing field for private and public companies with respect to commercial laws, taxation and customs fees, and access to finance. As a starting point, the laws and regulations that allow EAF special economic privileges and financial exemptions, commercial advantages, and protect its civil activities from independent evaluation by auditing companies need to be analyzed in detail and reformed. According to Sayigh (2022), the laws can be divided into two (or three) main groups – defense-related laws, non-defense-related laws, and laws related to the regulatory and judicial framework.

The first group of laws and regulations provide favorable conditions for military authorities in relation to their defense functions, which extend these authorities to include their activities in the civilian sphere. However, this group also includes laws that refer to national security but provide military authorities with powers beyond defense. The second set of laws and regulations concerns the military's economic and commercial activities unrelated to defense. Interestingly, most of the laws and regulations issued since Sisi took office fall into this category. The first subset in this category refers to laws relating to the civilian public sector, but either includes the military sector in respects from which it should be excluded or exempts it from provisions that should include it. The second subset allows for the commercialization and monetization of military activities and assets, while the third provides the military sector with assured revenues from Egypt's natural resources, particularly its mineral wealth. The third set of laws relates to exempting military activities from the normal audits and accountabilities that apply to the public sector. The AMA, which is largely staffed by military personnel, shields military activities from significant audits. Thus, the laws create a conflict of interest due to the dual role of the military as both a market actor and an auditor. At the same time, the laws in this group involve legal exemptions for military personnel and companies from civilian law and civilian courts. The military penal code does not regulate military contracts and business in the civilian sphere, leading private companies to rely heavily on political alliances for security and contract enforcement.

All the relevant laws by these groups, their impacts, the objectives of potential reforms and the ways in which they can be applied can be found in the Appendix in Tables 1, 2 and 3. Laws and regulations introduced after 2016 (the first IMF bailout package) are highlighted by bold bordering.

4. Conclusion

In a comprehensive examination of state capitalism under President Sisi, the EAF's prominent role in the political and economic spheres of the country stands out. This involvement, going beyond the traditional boundaries of defense, marks a significant development in the classical understanding of state capitalism as we have known it. Under Sisi, the military has penetrated various sectors such as construction, agriculture, and even the production of consumer goods, not only redefining its own role but also transforming Egypt's economic landscape. The expansion of the EAF's economic activities presents a somewhat complex scenario. On the one hand, they have contributed to a certain degree of stability and control in the country. On the other hand, however, these expansions raise fundamental questions about market competition and neu-

trality. EAF benefiting from advantages such as tax exemptions, access to primary resources and preferential treatment in public procurement, have created an uneven playing field that can stifle the growth and competitiveness of private enterprises. This scenario is further complicated by the lack of transparency and regulatory oversight that are essential for a healthy market economy.

The International Monetary Fund has somewhat belatedly recognized these challenges and is currently supporting significant economic reforms in Egypt. Its recommendations are aimed at increasing transparency, accountability and fair market practices, and its reports emphasize the need for the centralization of state ownership and the creation of a more uniform and fairer legal framework. These reforms aim to ensure that all economic actors, including those under the military shield, operate under the same standards and are subject to the same level of scrutiny as their private counterparts. However, the Egyptian government's journey towards compliance with these recommendations has been accompanied by varying degrees of success. While some steps towards reform have been taken, significant gaps remain, particularly in the areas of transparency and competitive neutrality. The economic activities of the EAF still largely operate outside the standard regulatory frameworks that apply to civilian businesses. This disparity not only hinders fair competition but also poses an obstacle to sustainable economic growth.

Given these observations, the Egyptian government and the IMF should focus on several key areas of their reform efforts. First, the legal and regulatory framework needs to be redesigned to remove the special advantages enjoyed by the military. This includes reforming the laws that provide military enterprises with exemptions and special controls. Second, the transparency and financial accountability of these enterprises must be increased. This can be achieved through rigorous financial reporting and independent audits. Finally, ensuring market competition is essential. The Egyptian government should aim to create a level playing field where military enterprises do not enjoy unfair advantages over their private counterparts, particularly in areas such as taxation and public procurement.

An analysis of state capitalism in Egypt under President Sisi, with an emphasis on the involvement of the military, allows an understanding of the complex interconnections between state control and market freedom. It highlights the essential need for governance that is not only consistent with national security interests but also adheres to the principles of transparency, fair competition, and equitable economic growth. As Egypt continues to develop within the global economic framework, striking a balance between the roles of the EAF, the state and the private sector in defining its future direction is critical. This balance is not only essential for the country's economic prosperity, but also for ensuring a stable and equitable society.

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Appendix

Table 1: Laws relating to defense functions.

The Law	Purpose	Impact	Objective of the reform	How to achieve reform
Laws providing favorable conditions for military authorities in relation to their defense functions				
Prime Minister's Decree No. 263 from 1956 and Act No. 204 from 1957 (and amendments thereto)	Exclude defense supply deals and contracts from civilian control and financial regulations; extend to all military activities in the civilian sector.	It allows the military sector to engage with civilian sectors without standard regulation and financial oversight.	Limit application strictly to national defense needs; exclude civilian economic activities from exemptions.	Amend the law to narrowly define military functions. Establish independent civilian oversight from military activities in civilian sectors.
Act No. 11 from 1991	Exemption from commodities, tools, equipment, and services for armaments from various taxes.	Financial benefits for the military sector in civilian economic activities.	Limit tax and customs exemptions to activities directly related to national security and defense.	Amend the law to clarify and limit tax exemptions. Conduct regular audits and financial reviews from military enterprises in civilian areas.
Law No. 17 from 2001	Extends tax exemptions to all commands, agencies from EAF, MOMP, and AOI.	Expands the scope from military entities that enjoy tax and financial exemptions in civilian areas.	Apply tax and customs exemptions only to defense-specific activities.	Legislation to specify tax exemptions for defense-related activities only. Ensure parity in tax and regulatory obligations with civilian entities.
Law No. 91 from 2005	Renews the exemption from customs duties for the military sector.	It increases the military sector's competitive advantage in foreign trade and domestic supply chains.	Apply tariff exemptions only to defense-specific imports.	Revise the law so that customs exemptions apply only to defense-related imports. Increase transparency from military import activities.
Prime Ministerial Decree No. 1769 from 2020	Requires MOMP verification prior to importation from equipment if domestic alternatives are not available.	Strengthens military control over import activities, limits competition.	Ensure that military involvement in civilian imports does not compromise market competitiveness.	Put regulatory controls in place to prevent military import controls from becoming a monopoly market. Promote transparent decision-making processes.
Act No. 165 from 2020 (Amendment to Act No. 55 from 1968)	Assigns military advisors to governors to monitor civilian services and projects.	It increases the influence from the military sector in the civil administration.	Redefine the role from military advisors to avoid interference in civilian affairs.	Amend the law to clarify and limit the advisory role from military personnel in civilian administration. Ensure separation from military and civilian administrative roles.
Supplement to the Military Penal Code (November 2021)	It is a criminal offence under the amendment to collect data/studies related to the armed forces without the consent from the Ministry from Defense.	It limits the transparency and accountability from military enterprises in the civilian sectors.	Enable greater transparency and accountability from the military sector in civilian affairs.	Revise the criminal law to distinguish between military and civilian activities. Allow independent research and data collection on civilian business activities from the military sector.
Laws that refer to national security but give military authorities powers beyond defense				
Law No. 143 from 1981 on "Desert Territories" and Presidential Decrees No. 152 and 153 from 2001	Strengthen the MOD's authority to designate "strategic zones from military importance" in desert areas and require coordination from civilian use from state land with the MOD.	It provides the military with extensive influence over key economic assets, including land, that have little connection to national security.	Limit military control from land designations to areas directly related to national security. Ensure civilian use from land without excessive military interference.	Amend the laws to narrow the role of the military in determining land. Establish independent oversight from land use in desert areas.
Act No 38 from 1977 and Act No. 143 from 1981	Require travel agencies to obtain MOD permission to operate in border areas and all desert territories.	It limits civilian and tourist land use, increasing military control over key areas.	Allow civilian and tourist development in desert areas without excessive military control.	Revise laws to minimize the role from the MOD in non-military areas with a focus on tourism and civilian development.
Prime Minister's Decree No. 933 from 1988, Law No. 7 from 1991 and Law No. 5 from 1996	Requires ministries and general economic authorities to obtain military permits for the use from state land outside urban boundaries and gives the president the authority to designate desert areas as strategic zones and establish rules for the disposition from state land.	It increases military control over land use, which impacts the ability from civilian agencies and the private sector to use state land.	Reduce military influence on non-military land use decisions. Empower civilian agencies and the private sector in land use.	Legislative changes to reduce military land use authorizations. Increase the autonomy from civilian authorities in land management.

Table 2: Laws that provide exceptions for military personnel in civilian matters.

The Law	Purpose	Impact	Objective from the reform	How to achieve reform
Laws relating to the civil public sector as a whole				
Act No. 182 from 2018	Allows government ministers to award public contracts for goods and services without competition (known as direct award). Extends similar powers to MOD and MOMP without set limits on the value from contracts.	It allows for potential corruption in the awarding from contracts, especially by the military sector in government-funded projects.	Limit direct award powers to genuine defense goods and services, with clearly defined MOD rules and procedures.	Amend Law 182 to set limits on military contracts and establish strict oversight and accountability for direct awards.
Prime Ministerial Decree No. 1769 from 2020	It exempts “processes whose details should not be disclosed for national security reasons” from compliance with government rules requiring disclosure from details from selection and evaluation processes.	It excludes military business and public works from normal disclosure requirements, thereby limiting transparency.	Ensure transparency by applying government disclosure rules to all selection and evaluation processes, including those exempted for national security reasons.	Revise Regulation 1769 to include military activities under the same transparency requirements as civilian sectors.
General amendments to public procurement and antitrust laws (in line with the IMF agreement)	Committed to creating a unified procurement law as part from the \$12 billion loan agreement with the IMF; targets amending the competition law with stronger antitrust provisions.	Continued delays in changing laws are inconsistent with the IMF agreement, leading to disparate management and procurement regulations.	Amend public procurement and competition laws to bring them in line with the IMF agreement, strengthen anti-trust provisions and harmonize procurement rules.	Implement legislative changes to comply with the IMF agreement, including strengthening antitrust laws and unifying procurement rules.
Laws enabling commercialization and monetization from military activities and assets				
Decree No. 68 from 2015	Exempts military income-generating activities (e.g., commercial services at hotels, clubs, resorts) from taxes, inventory, and valuation.	It allows military commercial activities without standard financial oversight or taxation.	Subject military commercial activities to standard financial reporting, taxation and oversight.	Amend or repeal the decree to force taxation and financial accountability on military commercial activities.
Presidential Decree 127 (2015) & Amendments to Law No. 100 from 1971	Allows military and government agencies to set up commercial companies and joint ventures. Expands GID's authority to establish companies and appoint officers to key positions.	It expands military involvement in commercial activities and blurs the boundaries between state and military economic interests.	Limit the role from the military sector in commercial activities, ensuring the separation from military and state economic interests.	Change laws to restrict military and government agencies from forming or managing commercial companies.
Presidential Decree 446 from 2015	Authorizes the EAF Land Projects Agency to use immovable property as capital in the establishment from joint ventures with domestic and foreign companies.	It allows the military to commercially exploit real estate, potentially bypassing standard government oversight.	Regulate the commercial use from military real property, ensuring oversight by appropriate government agencies.	Establish control mechanisms for commercial military sector enterprises with immovable property through the Ministry from Finance or similar entities.
Presidential Decree 244 from 2018	It designates the MOMP as a “special purpose entity” and exempts it from the application from certain articles from the Civil Service Act 2015 relating to competitive employment.	Provides MOMP with specific exemptions, leading to less transparent and non-competitive hiring and management practices.	Review exemptions and ensure competitive and transparent recruitment and management practices in MOMP and affiliated entities.	Amend or rescind Presidential Decree 244 to require MOMP to comply with standard civil service laws and regulations.

Table 2: Continuation

The Law	Purpose	Impact	Objective from the reform	How to achieve reform
Laws providing the military with assured revenue from natural resources				
Prime Ministerial Decree No. 1657 from 2015	It implements regulations for the Mineral Resources Act 198 from 2014, which requires MOD approval for mineral extraction and allows MOD to collect royalties on production.	It places mineral extraction under military control and requires civilian actors to obtain MOD approval.	Subject military-controlled mineral extraction to standard regulatory oversight and fair competition.	Amend the decree to reduce military control in mineral extraction and ensure fair access for civilian operators.
The Egyptian Black Sands Company Agreement Act (2019)	It authorizes the NSPO (and the Nuclear Materials Authority) to explore, mine and process black sand minerals and derivatives throughout Egypt, granting it a commercial monopoly.	Grants the organization a monopoly in the extraction and processing from black sand minerals.	Ensure transparent and competitive practices for the exploitation from black sand minerals.	Review and potentially revise the law to open the black sand minerals sector to civilian and other businesses.
General laws on military commercial activities	They are expanding the range from military commercial activities in various sectors, including gold exploration, marble, and granite processing.	It increases military involvement in various commercial sectors, potentially overshadowing civilian enterprises.	Regulate military involvement in commercial activities, ensuring transparency and fair competition.	Implement standard financial reporting requirements for all military commercial activities.

Table 3: Laws relating to the regulatory and judicial framework.

Law/proceeds	Purpose	Impact	Objective from the reform	How to achieve reform
Laws relating to the regulatory framework				
Prime Ministerial Decree No. 1196 from 2015	Designates the AMA as an institution requiring confidentiality for national security reasons and protects its operations from scrutiny.	It protects the AMA, and indirectly the military sector, from significant audits and liability.	Ensure that AMA operations and military activities in the civilian domain are subject to standard audits and accountability.	Amend or repeal the regulation to subject AMA operations to standard regulatory oversight.
Act No. 207 from 2017	It formally limits the AMA's jurisdiction to civilian individuals and entities, while explicitly excluding the military sector.	It reinforces the exclusion from the military sector from AMA oversight and prevents control from military activities in the civilian sector.	Extend AMA jurisdiction to include military activities and ensure effective oversight.	Amend the law to include military activities within the jurisdiction of the AMA.
Presidential Decree No. 89 from 2015	It transfers the power to dismiss the heads of independent and oversight agencies to the President.	It also reduces the regulatory power from state agencies over military enterprises and finances.	Restore the independence from state authorities in the regulation from military enterprises and finance.	Reverse the regulations and restore the power from state authorities to monitor military activities.
Law on the judicial framework				
Decree-Law No. 45 from 2011	Amended the Military Justice Act to specify whether charges against EAF officers should be referred to military courts or civilian authorities.	Provides military prosecutors with discretion in deciding the jurisdiction from cases involving EAF officers.	Make referral from cases involving EAF officers to civilian courts a legal obligation, not a discretion.	Amend the decree to make it mandatory to try certain cases involving EAF officers in civilian court proceedings.

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