

Egypt Legal Framework Analysis Highlights

This report summarizes the main findings of the analysis of the legal framework governing cooperatives in Egypt.

Egyptian cooperatives, provided for in the Constitution, are mainly governed by Law No. 317 of 1956 on cooperative associations in Egypt. This law is supplemented by other specific laws, including: Law 267 of 1960, which organizes public cooperation institutions; Law 109 of 1975, which governs consumer cooperatives; Law 122 of 1980, which governs agricultural cooperative societies; Law 14 of 1980 on the housing cooperation code; and Law 1 of 1990 on educational cooperatives.

The Cooperative Associations Act No. 317 of 1956 clearly defines a cooperative and makes express reference to certain universal cooperative principles such as democratic power exercised by members (one member one vote). The cooperative is established by prior declaration (registration) and not by prior authorization.

The organs of cooperatives are the following: a deliberative organ (general assembly) and an executive organ. The internal control body (control committee) has been abolished due to inefficiency. The control is then carried out by the Administration.

At the financial level, some specific texts oblige the cooperatives to constitute a legal reserve (20% of the surpluses) while having the faculty to constitute free reserves. It is also provided for the payment of profits to the members according to their exchanges with the cooperative.

At the fiscal level, the general law (317/1956) organizes the taxation of cooperative associations, while the sectoral cooperative laws (agricultural, consumer, production and housing cooperatives) each provide for a favorable tax regime according to the cooperative's sector of activity. Thus, Act No. 122 of 1957 on agricultural cooperatives exempts them from certain taxes. The same is true of Law 110 of 1975, which reduces the costs of production cooperatives through tax exemptions. However, some of the provisions of these specific laws are in line with the provisions of the general law, while other provisions are contradictory.

It may be noted that, with regard to user-friendliness, the multiplicity of legal texts, involving a plurality of legal regimes for cooperatives, constitutes a real obstacle to the proper development of the cooperative movement in Egypt.

Therefore, the main recommendation is the unification of cooperative legislations. This unification would result in the drafting of a single law that would constitute the common law for cooperatives, with a general legal regime applying to all cooperatives (agricultural, consumer, productive, etc.). This law would then be supplemented by specific texts applying to each type or form of cooperative according to the sector in which it operates. Other specificities could be governed by the statutes and internal regulations of each cooperative, again according to its field of activity.