

# PANORAMIC **CONSTRUCTION**

Egypt



LEXOLOGY

# Construction

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## LOCAL MARKET

### Foreign pursuit of the local market

If a foreign designer or contractor wanted to set up an operation to pursue the local market, what are the key concerns they should consider before taking such a step?

The following key concerns should, inter alia, be carefully considered by foreign designers and contractors:

- the foreign ownership restriction that may apply to their specific activities in Egypt;
- the best countries that should be used to hold their investment in Egypt as each country has its own bilateral treaties that shall apply to such investment;
- the regulations governing their specific activities in Egypt and the feasibility of complying with such regulations;
- the gap between local regulations and international standards or compliance requirements, if any; and
- any technical, financial and tax-related issues that may be triggered by conducting their activities.

Law stated - 12 May 2025

## REGULATION AND COMPLIANCE

### Licensing procedures

Must foreign designers and contractors be licensed locally to work and, if so, what are the consequences of working without a licence?

According to the Egyptian Federation for Construction and Building Contractors (EFCBC) Law No. 104 of 1992 as amended (the EFCBC Law), all constructors, whether natural or legal persons, working in Egypt in any of the fields of, inter alia, construction, buildings, public utilities, land reclamation and fixtures works (the Construction Fields) are required to be registered with the Construction Union (the Registration Requirement), noting that the Registration Requirement is also applied to non-Egyptian constructors working in Egypt.

The EFCBC has six main divisions that contain the following specialisations in accordance with the Executive Regulation of the EFCBC Law:

	First Division	Second Division	Third Division	Fourth Division	Fifth Division	Sixth Division
1.	Buildings	Roads, passages and airports	Water and drainage networks and plants	Public utilities, thermal and water energy plants	Electronic, and electromechanical works	Operating and maintenance works for buildings

2.	Foundations	Tunnels	Fuel and gas networks	Sea, river and dredging works	Low voltage networks	Maintenance, restoration, and preservation of antiquities
3.	Metal constructions	Bridges		Land reclamation	Electric, water, gas and diesel work.	Operating and maintenance works for roads and bridges
4.	Supplemental works	Railways		Water wells	New and renewable electricity work	Maintenance of railways
5.					Elevator, escalator and walkers work	Operating and maintenance of subways
6.						Operating, and maintenance, for water, sewage, desalination, lifting and treatment of plants and networks
7.						Operating and maintenance of gas

						and fuel stations and network
8.						Operating and maintenance of electrical power stations, lines and transformers
9.						Maintenance of green areas

Each aforementioned division is divided into several tiers.

Furthermore, the requirements of each tier as well as the limits of the construction fields-related activities that can be carried out by the members of each tier differ from tier to tier, the limits and requirements of which are regularly amended from time to time by virtue of a ministerial decree issued by the Egyptian Minister of Housing.

The EFCBC Law imposes a fine of not less than E£1,000 and not more than E£10,000 in either of the following cases:

- executing or entering into a contract for carrying out any activities related to the Construction Fields without meeting the Registration Requirement on the date of such contract; or
- the use of or order to use any person that does not meet the Registration Requirement.

Furthermore, according to the Engineers' Syndicate Law No. 66 of 1974 (Law 66), no one in Egypt is allowed to assign any engineering work to any person except for the engineers and/or engineering consultancy firms that are admitted before the Engineers' Syndicate. However, the Engineers' Syndicate may, upon the request of the relevant employer, grant a temporary permit to non-Egyptian engineering consultancy firms to work in Egypt on an exceptional basis.

**Law stated - 12 May 2025**

### Competition

Do local laws provide any advantage to domestic contractors in competition with foreign contractors?



Construction contracts with governmental entities must be awarded based on the most qualified and lowest bid; however, in accordance with the Public Contracts Law, the exception is that Egyptian contractors shall be accorded priority if their bids do not exceed the lowest foreign bid by more than 15 per cent.

Foreign contractors may be registered with the EFCBC as corresponding members. As such, each corresponding member may carry out all activities related to the Construction Fields that are permitted for the first-tier active members registered locally in Egypt and with the EFCBC in the country of the said corresponding member. This applies unless the said corresponding member specialises in providing any special services that are not offered by any of the active members.

Corresponding members are required to have a partnership of not less than 51 per cent with at least one of the active members of the EFCBC (the Local Partnership Requirement) with the exception of specific limited cases.

**Law stated - 12 May 2025**

### **Competition protections**

**What legal protections exist to ensure fair and open competition to secure contracts with public entities, and to prevent bid rigging or other anticompetitive behaviour?**

The Executive Regulation of the Public Contracts Law includes the main principles promoting fair and open competition, as follows:

- publishing a brochure of terms and conditions that includes rules, provisions, procedures and conditions stipulated in the relevant laws, regulations and contracting method;
- publishing the transactions that are offered by all the contracting methods on the public contracting portal, except for transactions related to national security; and
- publishing the reason for the decisions issued regarding any of the contracting procedures on the public contracting portal.

In accordance with the Public Contracts Law, bidders are prohibited from submitting more than one bid for one transaction. In the event of a violation of this prohibition, the administrative authority shall exclude the violating bids, transfer the temporary insurance to the administrative authority, terminate the contract, devolve the final insurance and charge the contractor with any loss incurred.

Administrative authorities are obliged to notify the Egyptian Competition Authority of any violation of the Public Contracts Law that is relevant to the provisions of the Law on the Protection of Competition and the Prevention of Monopolistic Practices.

**Law stated - 12 May 2025**

### **Bribery**

**If a contractor has illegally obtained the award of a contract, for example, by bribery, will the contract be enforceable? Are bribe-givers and bribe-takers prosecuted and, if so, what are the penalties they face? Are facilitation payments allowable under local law?**

Pursuant to the Public Contracts Law, a contract must be terminated if it is established that the contracting party engaged in fraudulent and/or manipulative practices either in dealing with a governmental entity or during the contract award process.

Moreover, according to the Penal Code No. 58 of 1937 (the Penal Code), bribery is punishable with life imprisonment, and subject to a fine equal to the value of the bribe promised or given.

Facilitation payments are not expressly regulated under Egyptian Law, and according to the Public Contracts Law, the contracting brochure must specify the timeline for each procedure.

**Law stated - 12 May 2025**

### **Reporting bribery**

**Under local law, must employees of the project team members report suspicion or knowledge of bribery of government employees and, if so, what are the penalties for failure to report?**

According to the Criminal Procedures Law No. 150 of 1950, anyone who becomes aware of the occurrence of a crime has a legal duty to notify the Public Prosecution or a judicial officer. However, Egyptian law does not penalise the failure to report a crime, except for crimes related to national security.

**Law stated - 12 May 2025**

### **Political contributions**

**Is the making of political contributions part of doing business? If so, are there laws that restrict the ability of contractors or design professionals to work for public agencies because of their financial support for political candidates or parties?**

According to the Civil Service Law No. 81 of 2016, it is not permissible for anyone employed by public agencies to engage in any political activity, including the provision of donations or offering financial support to political parties.

**Law stated - 12 May 2025**

### **Compliance**

**Is a construction manager or other construction professional acting as a public entity's representative or agent on a project and its employees subject to the same anti-corruption and compliance rules as government employees?**

According to the Penal Code, the definition of bribery is expanded to encompass private fields. Accordingly, they are subject to the same anti-corruption and compliance rules applicable to public officials. However, sanctions imposed in the private field are generally less severe than those applicable to governmental employees.

In practice, the relationship between private contractors and public entities is primarily governed by the agreement. Both parties retain the discretion to incorporate articles relating to anti-corruption and compliance rules, without prejudice to the general rules and regulations of Egyptian law.

**Law stated - 12 May 2025**

### **Other international legal considerations**

**Are there any other important legal issues that may present obstacles to a foreign contractor attempting to do business in your jurisdiction?**

Foreign contractors, whether natural or legal persons, working in Egypt in any of the fields of, inter alia, construction, buildings, public utilities, land reclamation and fixtures works (the Construction fields) are required to be registered with the Construction Union (the Registration Requirement).

Furthermore, according to the Engineers' Syndicate Law No. 66 of 1974 (Law 66), no one in Egypt is allowed to assign any engineering work to any person except for the engineers and/or engineering consultancy firms that are admitted to the Engineers' Syndicate.

**Law stated - 12 May 2025**

## **CONTRACTS AND INSURANCE**

### **Construction contracts**

**What standard contract forms, if any, are used for construction and design? Must the language of the contract be the local language? Are there restrictions on choice of law and the venue for dispute resolution?**

In Egypt, the standard contract forms most commonly used in construction and design are those issued by the International Federation of Consulting Engineers (FIDIC) and the Egyptian Syndicate for Engineers, which also provides standard forms for design and supervision.

The most common types of construction contracts include:

- lump sum contract;
- unit price contract;
- cost-plus contract; and
- design build contract.

Under Egyptian Law, the contractual language is not regulated. However, in practice, any document submitted to courts or governmental authorities must be in the Arabic language

or at least bilingual. Furthermore, under the Egyptian Civil Code No. 131 of 1948 (the Egyptian Civil Code), generally contracting parties have the freedom to select the governing law and jurisdiction of their contracts.

**Law stated - 12 May 2025**

### **Payment methods**

**How are contractors, subcontractors, vendors and workers typically paid and is there a standard frequency for payments?**

According to the Executive Regulation of the Non-cash Payments Law No. 18 of 2019, state authorities and agencies, as well as private legal persons and establishments, are committed to payment using non-cash methods when settling dues to suppliers, contractors, service providers and others.

In the case of state authorities and agencies, non-cash payment methods are mandatory when the amount exceeds E£1. In the case of private legal persons and establishments, the threshold is set at E£5,000. For the purposes of this regulation, a non-cash payment is defined as each payment method that increases one of the beneficiary's bank accounts. This includes, but is not limited to, deposits, bank transfers, debit orders, credit and debit card transactions, mobile payments or any other means approved by the Governor of the Central Bank of Egypt.

As regards the standard frequency, the standard payment methods under FIDIC-related boilerplates are commonly used.

**Law stated - 12 May 2025**

### **Contractual matrix of international projects**

**What is the typical contractual matrix for a major project in your jurisdiction in terms of the contractual relationships among the various construction project participants? For example, do owners contract directly with contractors or do they contract through construction managers to trade contractors? Are any of the relationships legally defined?**

In the majority of construction projects in Egypt, the typical contractual matrix includes:

- employer;
- contractor;
- sub-contractor; and
- engineering consultants.

It is worth noting that the contractual relationship varies, whereby the employer may enter into a contract with either a public or private entity. The contractor, in turn, would enter into a contract with the said employer for implementation of works as a main contractor. However, subcontractors may then be hired by the main contractor for the execution of

works. Furthermore, the engineering consultant may contract with the employer and/or the contractor for the supervision, design and management of the project.

These contractual arrangements, however, may differ from one project to another, depending on the parties involved in the design and delivery of the project.

**Law stated - 12 May 2025**

### **PPP and PFI**

#### **Is there a formal statutory and regulatory framework for PPP and PFI contracts?**

The Public Private Partnership Law No. 67 of 2010 and its Executive Regulations are the main legal framework governing PPPs in Egypt. This law targets certain areas of infrastructure, including, inter alia, roads and industrial development. Under this framework, investments may be made through an operating contract, or alternatively, a concession contract where the private entity carries out the operation, sale and provision of services to the end user as supervised by the public entity.

Public Procurement Law No. 180 of 2018 regulates contracts that are entered into by and between the private sector and public entities, which includes the procurement and implementation thereof.

**Law stated - 12 May 2025**

### **Joint ventures**

#### **Are all members of consortia jointly liable for the entire project or may they allocate liability and responsibility among them?**

Under the Egyptian Civil Code No. 131 of 1948 (the Egyptian Civil Code), the engineer and the contractor are jointly and severally – as the case may be – responsible for 10 years for the total or partial demolition of constructions or other permanent structures they construct. This liability applies even if such destruction results from a defect in the land itself, even if the employer authorised the erection of the defective construction. This 10-year liability does not apply if the construction was intended by the parties to last for less than 10 years. The warranty imposed extends to defects in constructions and erections that endanger the solidity and security of the works. The 10-year period commences from the date of delivery of the works. However, the said warranty does not apply to the rights of action that a contractor may have against their subcontractors.

The engineer who only undertakes to prepare the plans without being entrusted with the supervision of their execution, is responsible only for defects resulting from the said plans.

Any provision under a contract excluding or restricting the warranty of the engineer and the contractor shall be considered null and void.

**Law stated - 12 May 2025**

**Tort claims and indemnity**

Do local laws permit a contracting party to be indemnified against all acts, errors and omissions arising from the work of the other party, even when the first party is negligent?

Generally, in contracts, Egyptian law allows the inclusion of indemnification provisions by one party to the other in cases of acts, errors and omissions arising from one party. However, according to the Egyptian Civil Code, contracting parties may not exclude or limit their liability for gross negligence, wilful misconduct and fraud, and any conflicting provision that would be deemed null and void under Egyptian law.

**Law stated - 12 May 2025**

**Liability to third parties**

Where a contractor constructs a building that will be sold or leased to a third party, does the contractor bear any potential responsibility to the third party? May the third party pursue a claim against the contractor despite the lack of contractual privity? Can a contractor's liability to contracting parties and others be limited by contract or law?

The contractor may be held liable for any damages sustained by a third party due to causing harm to the third party, whether intentionally or negligently, as regulated under the Egyptian Civil Code, in addition to other liabilities.

**Law stated - 12 May 2025**

**Insurance**

To what extent do available insurance products afford a contractor coverage for: damage to the property of third parties; injury to workers or third parties; delay damages; and damages due to environmental hazards? Does the local law limit contractors' liability for damages?

The scope of insurance coverage available to a contractor depends on the specific terms of the relevant insurance policy. Under the Egyptian Civil Code it is permissible to limit the liability. However, such liability does not extend to involving gross negligence, wilful misconduct and fraud. Any contractual provision dismissing the liability of the contractor for the aforementioned circumstances would be deemed null and void under Egyptian law.

Under the Construction Law No. 119 of 2008, building permits may not be issued - nor may construction works commence- for projects amounting to E£1 million or more, or a building consisting of four stories, until a liability insurance policy is issued. Such an insurance policy shall cover the civil liability to the engineer and the contractor to third parties.

**Law stated - 12 May 2025**

**LABOUR AND CLOSURE OF OPERATIONS**

### **Labour requirements**

#### **Are there any laws requiring a minimum amount of local labour to be employed on a particular construction project?**

As a general rule, according to the Companies Law No. 159 of 1981 (the Companies Law), in joint stock companies, limited liability companies and partnerships limited by shares, the minimum amount of local employees shall not be less than 90 per cent of the workforce of the company.

However, exceptionally, and in accordance with the Executive Regulations of the Investment Law No. 72 of 2017 (the Investment Law), foreign workers may comprise up to 20 per cent of the total workforce of the company in construction projects, subject to (1) the unavailability of local labour possessing the necessary qualifications and (2) the company being established in accordance with said Investment Law.

**Law stated - 12 May 2025**

### **Local labour law**

#### **If a contractor directly hires local labour at any level for a project, are there any legal obligations towards the employees that cannot be terminated upon completion of the employment?**

According to the Civil Code No. 131 of 1948, the statute of limitations of employment claims is one year from the date of termination of the employment.

However, the statute of limitations concerning employees' rights -especially in relation to profit-sharing and the total revenue – begins from the date the employee receives a declaration outlining any dues from the employer according to the latest inspection.

**Law stated - 12 May 2025**

### **Labour and human rights**

#### **What laws apply to the treatment of foreign construction workers and what rights do they have? What are the local law consequences for failure to follow those laws?**

The Egyptian Labour Law No. 14 of 2025 (the new Labour Law effective as of September 2025 as well as the old Labour Law No. ) applies to foreign workers employed in Egypt. While the Labour Law outlines specific requirements for the employment of foreign nationals, such as obtaining work permits, it does not provide a separate set of rights granted to foreign workers. Therefore, the employee rights under the Labour Law apply to foreigners as well.

According to the Labour Law, if any of the provisions of the foregoing law are violated, the employer will be subject to a fine, and in some cases the employee may be entitled to compensation.

**Law stated - 12 May 2025**

### **Close of operations**

**If a foreign contractor that has been legally operating decides to close its operations, what are the legal obstacles to closing up and leaving?**

The Companies Law allows non-Egyptian companies (including contractors) to establish a branch in Egypt for the purpose of executing works of a contractual nature.

For a foreign company to register a branch,, such foreign company must be awarded a contract – such as a construction agreement – to be performed within Egypt prior to the registration with the competent Commercial Registry Office. However, the operation period of the branch shall be limited to the term of the awarded contract. This being said, as long as the said branch does not have in place any other contract to implement in Egypt after the completion of the originally registered awarded contract, the branch is required to cease operations and formally close.

Legally, a branch is simply deemed part of the foreign company establishing such branch, which has no separate legal existence and, therefore, the said foreign company is fully liable for all obligations and liabilities of its branch in Egypt.

**Law stated - 12 May 2025**

## **PAYMENT**

### **Payment rights**

**How may a contractor secure the right to payment of its costs and fees from an owner? May the contractor place liens on the property?**

Under Egyptian law, several guarantees may be considered and incorporated in construction contracts in Egypt. The Egyptian Civil Code regulates the means of security intended to guarantee the rights of creditors. These mechanisms include the right of retention; where a contractor may refrain from performing their obligation if the creditor fails to perform an obligation incumbent on the contractor arising out of the obligation of the debtor and connected therewith, or fails to provide adequate security to guarantee the performance of such obligation.

In particular, this right belongs especially to the possessor or holder of an object, where they have incurred necessary or beneficial expenditure in relation to that object. In such case, the possessor is entitled to retain the object until they are reimbursed, unless the obligation of restitution results from an unlawful act.

Furthermore, it is worth noting that mortgage can be constituted by an authentic document. The mortgagor may either be the debtor or a third party who consents to mortgage their property in the interests of the debtor. In both cases, the mortgagor must be the owner of the mortgaged property and must have the legal capacity to dispose of it.

Egyptian law prohibits the constitution of a mortgage over future property and any attempt to mortgage a building or property that has not yet been established is deemed void. However, in accordance with the Egyptian Civil Code, a mortgage may be granted to secure conditional, future or contingent debt, and may also be granted to secure an opened credit or the opening



of a current account, provided that the amount of the debt secured, or the maximum amount that such debt may attain, is removed from the mortgage deed.

According to the Egyptian Civil Code, parties may determine the terms and conditions of their contracts as long as they do not conflict with any public order provision. With that being said, the contracting parties may include forms of guarantee – such as performance bonds and letters of guarantee – in order for the contractor to ensure payment of costs and fees incurred for the execution of works.

**Law stated - 12 May 2025**

#### **'Pay if paid' and 'pay when paid'**

**Does local law prohibit construction contracts from containing terms that make a subcontractor's right to payment contingent on the general contractor's receipt of payment from the owner, thereby causing the subcontractor to bear the risk of the owner's non-payment or late payment?**

As a general rule under the Egyptian Civil Code, payment is due upon receipt of the works, unless the custom or the relevant agreement stipulates otherwise. Furthermore, the general contractor may entrust a subcontractor with the execution of the works partially or in its entirety; however, the said contractor shall remain liable for the subcontractor before the owner.

Notwithstanding the aforementioned, under the Egyptian Civil Code, subcontractors who work for the general contractor shall have the right to claim payment from the owner directly for an amount not exceeding the amount owed to the general contractor. The rights of subcontractors have priority over those whom the general contractor has assigned sums due to them by the owner.

**Law stated - 12 May 2025**

#### **Contracting with government entities**

**Can a government agency assert sovereign immunity as a defence to a contractor's claim for payment?**

According to the Egyptian Civil Code, immovable and movable assets that are allocated to the public services and owned by the Egyptian state or any of its public entities shall have immunity from disposal, seizure or acquisition by prescription. Theoretically, any immovable and movable assets – that are not allocated to the public services in Egypt – may be subject to seizure. However, there are other ways to enforce payment-arbitration related awards against the state's assets.

**Law stated - 12 May 2025**

#### **Statutory payment protection**

## Where major projects have been interrupted or cancelled, do the local laws provide any protection for unpaid contractors who have performed work?

Under the general rules of the Egyptian Civil Code, if one of the parties does not perform their obligation in bilateral contracts, the other party may demand the performance of the contract or its rescission after serving a formal summons to the debtor. They may also claim damages, if due, in either case. The court may grant additional time to the debtor, if necessary, as a result of or depending on the circumstances.

Law stated - 12 May 2025

## FORCE MAJEURE

### Force majeure and acts of God

#### Under local law are contractors excused from performing contractual obligations owing to events beyond their control?

Under the general rules of the Egyptian Civil Code, the impossibility of performing obligations under a contract are considered a force majeure event. In such cases, contractors shall not be liable for any damages resulting from their failure to perform, provided that the impossibility of performance is due to circumstances that are not attributable to nor controllable by such contractor including, inter alia, a sudden incident, force majeure and/or fault of third parties.

In light of the above, in order for an event to be deemed force majeure under Egyptian law, it must meet the following three main conditions, which shall be assessed by the competent court on a case-by-case basis:

- be unpredictable;
- cannot be prevented from being considered; and
- an inability to meet the obligation shall exist for anyone in the same situation.

The Egyptian Civil Code also provides for circumstances of hardship, whereby the main conditions to be satisfied in order to claim hardship are as follows:

- exceptional unforeseen circumstances at the time of concluding the agreement;
- difficulty in performing the contract obligations but not impossible; and
- resulting in inordinate losses to the contractor.

That being said, the competent court may reduce the contractual obligations of the contractor as a result of a hardship event.

Law stated - 12 May 2025

## DISPUTES

### Courts and tribunals

## **Are there any specialised tribunals that are dedicated to resolving construction disputes?**

Generally, Egyptian law does not determine specific tribunals to resolve construction disputes. However, despite the non-existence of specific courts designated to hear construction-related disputes, there have been designated specialised circuits within the competent national courts dealing with construction-related matters, where sitting judges are familiar with construction matters.

According to the Civil and Commercial Procedures Law No. 13 of 1968 (the Civil and Commercial Procedures Law), the competent national court – with respect to matters pertinent to construction – is the court of the defendant's domicile or the court of which the agreement is concluded or executed in its circuit.

**Law stated - 12 May 2025**

## **Discovery and disclosure**

### **To what extent do local proceedings include discovery or disclosure?**

The Egyptian Evidence Law allows a party to request a court order compelling the opposing party to disclose relevant documents in their possession that could support the case. Additionally, Egyptian courts have frequently affirmed the right of parties to adopt the International Bar Association Rules on the Taking of Evidence in International Arbitration.

**Law stated - 12 May 2025**

## **Dispute boards**

### **Are dispute boards (DBs) used? Do they issue decisions or only recommendations? Are their decisions treated as mandatory, advisory, final or interim? Do they have dispute avoidance roles?**

The Dispute Review Board (DRB) is regulated by the Cairo Regional Centre for International Commercial Arbitration (CRCICA), a leading arbitral institution in Egypt and an independent, non-profit international organisation established in 1979. CRCICA offers alternative dispute resolution services. Based on its Dispute Board Rules, the scope of the DRB is as follows:

- To issue recommendations with respect to each referral, whereby the parties shall duly consider each recommendation, which carries great weight; however, it is not immediately binding.
- In the case of dissatisfaction with the recommendation, the dissatisfied party shall, within 28 days following receipt, submit a Notice of Dissatisfaction to the other party and the DRB.
- After submitting a Notice of Dissatisfaction, either party may submit the dispute to arbitration or litigation.
- If neither party submits a Notice of Dissatisfaction to the other party and the DRB within 28 days, the recommendation shall become final and binding.
-

If either party fails to comply with a recommendation that has become final and binding, then the other party may submit the failure to comply with the recommendation to arbitration or litigation.

**Law stated - 12 May 2025**

## **Mediation**

**Has the practice of voluntary participation in professionally organised mediation gained acceptance and, if so, how prevalent is the practice and where are the mediators coming from? If not, why not?**

Mediation is organised by CRCICA's Mediation Rules, according to which there are two different types of mediation institutional and ad hoc. CRCICA's Panel of Mediators includes experienced accredited mediators with various professional backgrounds. This provides the parties with a wide range for selection of their mediators or neutrals, according to the nature of the dispute. The parties are not obliged to appoint their mediators or neutrals from amongst this Panel. Usually, for cost efficiency, the mediators are Egyptian nationals. However, the advantages of mediation have not been fully explored or recognised in Egypt, particularly in the construction industry. This can be attributed to many factors, including lack of awareness, misconception of the process and/or lack of supportive legislation.

**Law stated - 12 May 2025**

## **Confidentiality in mediation**

**Are statements made in mediation confidential?**

According to the Law Establishing the Economic Court No. 120 of 2008 (the Economic Court Law), preparatory judges can arrange for a mediation hearing between disputing parties, which shall be confidential. Any information cannot be used before any other courts or third parties.

According to CRCICA's Mediation Rules, all participants in the mediation process are bound by a duty of confidentiality. This applies to the parties and their representatives, the mediator and CRCICA itself. Unless the parties expressly agree in writing to the contrary, all documents, information, materials, proposals and terms of any settlement in connection with the mediation – exchanged during the mediation – must be kept strictly confidential.

**Law stated - 12 May 2025**

## **Arbitration of private disputes**

**What is the prevailing attitude towards arbitration of construction disputes? Is it preferred over litigation in the local courts?**

Most construction contracts include an arbitration clause, as contracting parties typically prefer arbitration in construction disputes over litigation for various reasons, including:

- neutrality;
- flexibility;
- time and cost-efficiency;
- confidentiality;
- enforceability; and
- final and binding awards.

**Law stated - 12 May 2025**

### **Governing law and arbitration providers**

**If a foreign contractor wanted to pursue work and insisted by contract upon international arbitration as the dispute resolution mechanism, which of the customary international arbitration providers is preferred and why?**

Usually, foreign contractors choose arbitration providers that are widely accepted, such as International Court of Arbitration and London Court of International Arbitration. Similarly, the preference of hearing will be given to jurisdictions with high levels of neutrality and impartiality within the local legal system as well as a better track record in enforcing agreements to arbitrate. Generally, it is preferred to hold hearings in Cairo, Egypt to save costs and travel time, especially since CRCICA provides modernised hearing rooms that are fully equipped with high-speed internet access, privacy, confidentiality, audiovisual equipment and a translation booth with simultaneous interpretation equipment.

Furthermore, it may be preferable to choose Egyptian law as the governing dispute law to avoid any contradiction that may arise when enforcing arbitral awards in Egypt.

**Law stated - 12 May 2025**

### **Dispute resolution with government entities**

**May government agencies participate in private arbitration and be bound by the arbitrators' award?**

According to Prime Minister Decree No. 2592 of 2020, all governmental entities and state-owned companies are prohibited from concluding contracts with foreign investors or agreeing to arbitrate without first referring the matter to the Higher Authority for Studying and Opening International Arbitration Cases.

Such requirement is a matter of public policy, and, in the absence of the approval of the competent minister or whoever assumes their authority with respect to public entities, the arbitration agreement would be null and void.

The effectiveness of this Decree in the context of investment arbitration disputes – where the state's defences are based on national law requirements – may not prevail in cases where the state's actions constitutes a breach of its obligations under international investment treaties.

Egypt has been a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards since February 1959. The convention was incorporated into

the Egyptian legal system in June 1959, without any reservations. In accordance with the Convention, foreign arbitration awards shall be applicable in Egypt.

**Law stated - 12 May 2025**

### **Arbitral award**

**Is there any basis upon which an arbitral award issued by a foreign or international tribunal may be rejected by your local courts?**

According to the Arbitration Law No. 27 of 1994 (the Arbitration Law), a claim for annulment of an arbitration award shall not be admissible except in the following cases:

- invalidity of the arbitration agreement;
- lack of legal capacity of either party;
- violation of a party's right to a due process, including the inability of either party to present their case as a result of not being given proper notice of the appointment of an arbitrator or of the arbitral proceedings or for other reasons beyond their control;
- if the arbitral award failed to apply the law agreed by the parties to the subject matter of the dispute;
- if the constitution of the arbitral tribunal or the appointment of arbitrators violates the law or the parties' agreement;
- if the arbitral award dealt with matters that fall outside the scope of the arbitration agreement or exceeded the agreement; and
- if the award is vitiated or a procedure affecting the judgment was vitiated in a manner that affects the verdict.

Furthermore, the Arbitration Law grants the court adjudicating the action for annulment of the power to set aside an arbitral award that violates Egyptian public policy; for instance, if the subject matter of the arbitration agreement is inarbitrable (ie, a criminal act).

**Law stated - 12 May 2025**

### **Limitation periods**

**Are there any statutory limitation periods within which lawsuits must be commenced for construction work or design services and are there any statutory preconditions for commencing or maintaining such proceedings?**

According to the Civil Code No. 131 of 1948 (the Civil Code), the guarantee lawsuit must be commenced within three years as of the date that the defects occurred in the construction works.

However, according to the Civil Code, the duration of the defects that occurred in the construction works is restricted to 10 years as of the date of handing over the construction works. Accordingly, the guarantee lawsuit for the defects that occurred in the constructions works cannot be submitted if the said defects occurred after the lapse of 10 years.

## ENVIRONMENTAL REGULATION

### International environmental law

Is your jurisdiction party to the Stockholm Declaration of 1972? What are the local laws that provide for preservation of the environment and wildlife while advancing infrastructure and building projects?

The Environmental Law No. 4 of 1994, as amended by virtue of Law No. 9 of 2009 and Law No. 102 of 1983 promulgating nature reserves in Egypt (the Environmental Law), prohibits the performance of activities that may damage or cause the deterioration of nature reserves, or harm wildlife, marine or plant life, or affect their aesthetic level. In particular, the following activities are prohibited:

- Hunting, transporting, killing or disturbing terrestrial or marine creatures, or carrying out actions that would eradicate them.
- Hunting, taking or transporting any organisms or organic materials such as shells, corals, rocks or soil for any purpose.
- Destroying or moving plants located in a nature reserve area.
- Destroying geological or geographical formations, or areas that are home to animal or plant species or their reproduction.
- Polluting the soil, water or air of a protected area in any way.
- Performing construction works of buildings or facilities, building roads, driving vehicles or practising any agricultural, industrial or commercial activities in a nature reserve, except with obtaining a permit from the Egyptian Environment Affairs Agency (the EEAA).

Violating the aforementioned provisions of the Environmental Law shall be sanctioned with a fine ranging from E£500 and E£5,000, and/or imprisonment for a period not exceeding one year. In the event of recidivism, the violator shall be sanctioned with a fine ranging from E£3,000 and E£10,000, and/or imprisonment for a period of not less than one year. The violator shall also be charged with the expenses of removal of the works and confiscation of the machinery used in committing such violation.

### Local environmental responsibility

What duties and liability do local laws impose on developers and contractors for the creation of environmental hazards or violation of local environmental laws and regulations?

In general, environmental hazards and issues are regulated in accordance with the provisions of the Environmental Law, as well as the Waste Management Law No. 202 of 2020 (the Waste

Management Law) and their Executive Regulations, whereas the relevant regulators are the EEAA and the Waste Management Regulatory Authority (the WMRA).

Hazardous materials are defined in the Waste Management Law as waste containing organic or non-organic components or compounds that have a harmful effect on human health and/or the environment as a result of their physical, chemical or biological characteristics or that contain any dangerous qualities such as contagious, flammable, explosive or toxic substances.

Pursuant to the Environmental Law, any entity producing, handling or creating hazardous compounds and waste as defined above, must undertake all the necessary precautions to ensure that no pollution occurs to the environment, and must hold a hazardous waste disposal register, and violation of this provision shall be sanctioned by either imprisonment for one year or a fine ranging from E£10,000 and E£20,000. The Environmental Law also stipulates that any disposal of waste and hazardous material should be subject to obtaining the relevant licence.

The Waste Management Law prohibits any person from circulating hazardous waste without obtaining a licence from the WMRA and a licence from the Ministry of Environment. Moreover, it prohibits the disposal or delivery of hazardous substances and waste except in places designated for such purpose. Violation of this shall be sanctioned by imprisonment for a period of not less than three years and not exceeding 15 years and a fine ranging from E£200,000 and E£1 million.

The Environmental Law stipulates that all companies that may have an impact on the environment shall hold an environmental register.

In addition, demolition and construction waste are defined under the Waste Management Law as waste that does not result in physical or chemical reactions, such as the waste resulting from exploiting quarries, demolition, building, construction, development and repair, roads, bridges, land cleaning and building sewers. The Waste Management Law imposes an obligation on all entities performing demolition and construction works to transport, dispose of and recycle such types of waste via licensed individuals, as well as an obligation on the licensees to recycle or dispose of such waste on the sites designated for such purpose.

In the context of air pollution, entities (in general) are obliged in accordance with the Environmental Law in the event of establishing a project, to ensure that its site is in compliance with the accepted limits of air pollutants within the permissible limits. Hence, the responsible entities must ensure that no leaked or emitted air pollutants exceed the maximum permissible levels as specified in the Executive Regulations of the Environmental Law. The Environmental Law also prohibits the use of machines, engines or vehicles that emit exhaust fumes exceeding the limits set by the Executive Regulations.

With respect to water pollution, the Environmental Law prohibits all entities from discharging or throwing any untreated waste or liquids that may cause pollution along Egyptian seashores or adjoining waters either directly or indirectly, intentionally or unintentionally. Building permits shall only be granted for entities near the seashore, which would result in the discharge of polluting substances and wastes, subject to the said entity conducting an environmental impact assessment.

**Law stated - 12 May 2025**



## CROSS-BORDER ISSUES

### International treaties

Is your jurisdiction a signatory to any investment agreements for the protection of investments of a foreign entity in construction and infrastructure projects? If so, how does your model agreement define 'investment'?

Egypt has entered into multiple bilateral investment treaties (BITs) with several countries, whereby a foreign investor regardless of their scope of work is provided with an extra layer of protection for their investment rights in Egypt. However, it is worth noting that the provisions of each BIT may differ from one to the other. However, for example, the BIT between Egypt and the United Kingdom defines investment as every kind of asset and in particular includes, inter alia:

- movable and immovable property and other property rights such as mortgages, liens or pledges;
- shares, stock and debentures of companies or interests in the property of such companies;
- claims to money or to any performance under contract having a financial value;
- intellectual property rights and goodwill; and
- business concessions conferred by law or under contract, which is similar to most of the BITs of which Egypt is a signatory.

**Law stated - 12 May 2025**

### Tax treaties

Has your jurisdiction entered into double taxation treaties pursuant to which a contractor is prevented from being taxed in various jurisdictions?

Egypt has entered into multiple double taxation treaties with several countries, whereby these treaties prevent taxpayers, including contractors, from being subject to double taxation in various jurisdictions.

**Law stated - 12 May 2025**

### Currency controls

Are there currency controls that make it difficult or impossible to change operating funds or profits from one currency to another?

Generally, under the Executive Regulation of the Banking Law No. 194 of 2020, all dealings within entities in Egypt must only be made in Egyptian pounds with a few exceptions as follows:

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contracting, supply or services agreement made with a non-Egyptian company, provided that any payment shall be made through any bank that is licensed by the Central Bank of Egypt (CBE);

- contracting or supply agreement made with an Egyptian company within the non-Egyptian component required to implement such agreement, provided that any payment shall be made through any bank that is licensed by the CBE;
- insurance agreement requiring the payment of the insurance prime and compensation in any currency other than E£ and provided that any payment shall be made through any bank that is licensed by the CBE;
- transactions with touristic entities or any other transaction requiring payment in any currency other than E£, provided that approval is obtained from the CBE as well as the competent minister;
- transactions with entities working under the Free Zones and Special Nature Economic Zones; or
- securities and any other financial investments, including its revenues.

Due to the recent devaluation of the E£, currency controls have been put in place by heavy regulations imposed by the CBE regulating conversion and transfer of funds to a foreign currency for the sake of reserving foreign currency in Egypt.

**Law stated - 12 May 2025**

### **Removal of revenues, profits and investment**

**Are there any controls or laws that restrict removal of revenues, profits or investments from your jurisdiction?**

Most foreign investors in Egypt who are protected under a relevant BIT are granted repatriation rights. Pursuant to such treaties, Egypt is obliged to allow the transfer – without delay – of all returns on investment outside its territory in any freely usable currency. These returns may include net profits, dividends, royalties, technical assistance and in-kind service fees, interest and other due returns accruing from any investment made by the foreign investor. The said investor shall not be subject to any discriminatory banking, administrative or legal restrictions. Moreover no taxes or fees shall be applicable on the transfer process.

Furthermore, any company established in Egypt under the Investment Legal System by virtue of the Investment Law No. 72 of 2017 shall be entitled to own, manage, use, and dispose of the project. Such companies may generate and retain profits from the project and to transfer such profits abroad. They are also entitled to liquidate the project, in whole or in part, and transfer the proceeds of such liquidation, abroad without prejudice to the rights of third parties.

However, given the fact that the country has been facing unavailability of foreign currency and restrictions imposed by the Central Bank of Egypt, it has been challenging for banks in Egypt to secure the foreign currency required for profit transfers abroad. As a result, most banks have classified this situation as a force majeure event.

**Law stated - 12 May 2025**

## UPDATE AND TRENDS

### Emerging trends

Are there any emerging trends or hot topics in construction regulation in your jurisdiction?

The Egyptian Cabinet has approved executive regulations for Law No. 187 of 2023 on Reconciliation in Some Building Violations and the Legalisation of their Conditions. This regulatory framework aims to streamline procedures for reconciling building code violations.

Applications under Law No. 17 of 2019 will be automatically transferred, with the existing pricing maintained. Rejected applicants retain appeal rights within 30 days of the Executive Regulations' effective date No. 1121 of 2024. They may also reapply under the updated law, potentially subject to revised fees.

The Executive Regulations further permit completion of previously reconciled construction, contingent on structural integrity and submission of required documentation. The full 20-article regulations address urban planning obligations and reconciliation processes for land use changes.

More recently, Prime Minister's Decree No. 1386 of 2025 was issued, extending the deadline for reconciliation applications for certain building violations to the competent administrative authority for an additional six-month period as of 5 May 2025.

**Law stated - 12 May 2025**