**KEY OBSERVATIONS**

- The Egyptian government is undertaking fiscal reform to attract foreign investment, reach IMF loan conditions and stabilize state finances.
- The military-led government is consolidating its hold over political space and the economy. This is causing direct competition between army-owned enterprises and the private sector.
- Donor livelihood strategies will be challenged by these contradicting economic and power shifts, hindering project implementation and worsening poverty and unemployment.

**CONTEXT**

1. **Military monopolises the state**
   - Clampdown on independence of judiciary; civil protest

2. **Economy - a trickle down effect?**
   - Upcoming elections
   - IMF reform
   - Inflation
   - Currency devaluation
   - High interest rates
   - Competition between army and private business
   - Impact on undernutrition

3. **SCENARIOS BY 2020**
   - **SECURITY FIRST**
     - With popular support or resignation, military consolidates control over all sectors of Egyptian society
     - Increase of arbitrary arrests and detentions; expanding application of terrorism laws to prosecute broader cross-section of opposition.
     - Clamp down on media and freedom of speech, increasing precarity and difficulties for INGOs, NGOs, civil society
     - Terrorist attacks by IS and other actors increase but are limited to outside of Cairo.
   - **ENERGY RENAISSANCE**
     - Structural economic reform and attracting foreign investment causes government to increase space for private enterprises. Massive investment and profit in energy - both alternative (wind and solar) and natural gas.
     - Food and energy subsidies decrease and investment in infrastructure increases as Egypt's economy stabilizes. This contributes to greater political security and quality of life.
     - These positive economic indicators in the time frame do not have a significant impact on unemployment rates and depressed wages; poverty increases.
     - Zohr oilfield extraction begins in 2018 and flood the market with capital.
     - The state invests in the Sinai and development as well as politics become more inclusive.
   - **INTRA-ELITE BATTLE ROYALE**
     - The SCAF monopolizes and controls the state and the economic apparatus, but hopes to use Sisi as a replaceable scapegoat for unpopular economic reform and economic encroachment. Political divisions arise as Sisi tries to hold on to power.
     - Protests in the run-up to the presidential elections build, further delaying economic stability and causing brutal crackdowns on by police and military.
     - Conflict between military and economic elite destabilizes the state and increases terror incidents, while Egyptian quality of life suffers tremendously. Economic instability fuels a growing radical insurgency and migration.

**MAIN TRENDS**

- UN estimates that Egypt runs out of water by 2025
- Poverty and unemployment particularly impacting under-30s
- Food insecurity increasing due to poverty and food price inflation
- Slow-burning jihadist insurgency destabilises Sinai with repercussions across the country
- Production of Zohr oilfield -- Egypt's best hope for economic recovery
- Fertility rate increasing once more contributing to population growth of 1.5m/yr.