

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR EGYPT

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

PUBLIC

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for Egypt and provide the Bank's management responses.

In accordance with the EBRD Access to Information Policy (AIP), the draft strategy for Egypt was posted on the EBRD website in English and Arabic for 45 calendar days starting from 17 November 2021. The public was invited to comment on the draft strategy no later than 1 January 2022. The previous strategy was also made available on the EBRD website at <https://www.ebrd.com/what-we-do/strategies-and-policies/egypt-strategy.pdf>.

Information about the public consultation process was posted on the EBRD's dedicated "Have your say" webpage, which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. Targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

During the consultation period, two sets of written comments were received by the EBRD. One of them was a joint response of seven international and local CSOs.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised two consultative meetings with civil society organisations on 13 July 2021 and on 19 July 2021. The objective of the meetings were to gather civil society's feedback during the preparatory phase for developing the draft strategy. 24 participants from 17 different civil society organisations participated in the consultations.

The EBRD was represented by the Managing Director for Southern and Eastern Mediterranean, Deputy Head of Egypt, the Economic, Policy and Governance, the Country Strategy and the Civil Society Engagement teams during the first consultation. On the second consultation, the Bank was represented by the Civil Society Engagement team. The summaries of the consultation meetings are provided in the Annex 1 to this report.

2. SUMMARY OF PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD response
Country Strategy Priorities	
<p>Several CSOs acknowledge that the political assessment is a “notable improvement from the previous one”. However CSOs express concern that its findings are not reflected in the strategy itself and that it is unclear how the political assessment will inform the Bank’s lending operations in Egypt. They contend that the Bank does not adequately recognise the risks of non-compliance with Article 1 in Egypt and should use its leverage to push for reform in line with its “more for more, less for less” approach.</p>	<p>The Bank takes all the noted concerns very seriously. Its assessment of a country’s commitment to and application of the principles of pluralism and multiparty democracy is set out within individual Country Strategies and defined in the Political Methodology. The Bank’s response to compliance challenges with the political principles in Article 1 was refined, as approved by the EBRD Board of Directors in July 2018, and envisages “adjustments to new investments and policy engagement as new trends materialise”. This approach is applied consistently to all of the Bank’s countries of operations and allows the Bank to respond in an agile fashion to important shifts in countries of operations’ political situation, in accordance with a “more for more”/“less for less” rationale. Accordingly, possible instruments include: (1) modifying public/private sector share; (2) intensifying/prioritising policy engagement in the Bank’s areas of expertise; (3) enhancing conditionality at project level; (4) narrowing investments on activities with positive cross border externalities; and/or (5) managing overall business volume (increase or decrease).</p> <p>The Bank clearly states in the Strategy, that “going forward, it will continue to couple its investments with robust policy engagement”. The Bank will continue using its contacts with the authorities to raise issues of concern, where appropriate. As noted in the Executive Summary, this will include efforts to support greater private sector development and a more level playing field and enhance governance in the public sector. The Executive Summary also notes the link between “transparency and rule of law affecting the business climate”.</p> <p>Pursuant to the draft strategy, the EBRD is committed to promoting a more inclusive economy for Egyptian businesses, women and youth; accelerating Egypt’s Green Economy Transition, and enhancing Egypt’s competitiveness by supporting public sector growth and strengthening</p>

	<p>governance. The Bank understands that this roadmap is in line with civil society’s priorities.</p> <p>While implementing this commitment, the Bank will continuously monitor developments in the political sphere and will report on any such steps. It is, however, outside of the remit of the Bank to prescribe specific priorities, actions, or indicators in the political sphere.</p>
Annex 1 – Political Assessment	
<p>CSOs assert that the political assessment omits several major developments in the deterioration of rights and democracy and utilizes excessively diplomatic language in comparison to that of UN rights experts. According to CSOs, despite the ‘more for more, less for less’ approach, this results in little of material consequence for the Bank’s engagement with the country.</p>	<p>As noted above, the Bank’s policies include tools to adjust the Bank’s activities in response to changing circumstances in its countries of operation and provide opportunities for engagement with civil society.</p> <p>In light of these procedures, the Bank has consulted widely with civil society stakeholders during the strategy review process.</p> <p>The serious concerns expressed with regards to Article-1 are reflected in the Political Assessment in accordance with the Political Methodology, and in a way that ensures necessary support for the document to be approved. The Assessment has made ample usage of approved reference points including direct quotations from UN sources and experts.</p> <p>The Bank takes the challenges related to the political principles in Article 1 seriously. Hence, the extensive coverage in the Political Assessment, and emphasising “strengthening governance” as a priority of the new strategy. This builds upon different work streams already enacted and progressed in the Bank’s operations in the country.</p> <p>The Bank will continue to monitor the situation as related to the political principles in Article 1 and may further engage with the authorities on these matters as appropriate.</p>
<p>Several CSOs encourage the Bank to add additional discussion to the <i>Free Elections and Representative Government</i> section, including on Egypt’s 2018 presidential election, Parliament’s “real ability” to act as a counterweight to the Executive, the role of the judiciary in Egypt with respect to separation of powers and checks and balances, and allegations of fear and intimidation around the 2020 legislative elections, including the arrest, conviction and sentence of high-profile members of the “Coalition of Hope”.</p>	<p>The Assessment provides the Constitutional framework upon which elections take place and that govern the balance of legislature and executive powers in the country. It also details the dynamics relating to the latest elections, including boycotts and allegations made by relevant domestic and international interlocutors. Parliament’s supervisory and monitoring prerogatives are noted, and specific examples provided. The Assessment elaborates on the legislations upon which the Presidential term has extended, and notes its implications. The Assessment also notes the</p>

	Constitutional Amendments relating to the role of the Armed Forces in the State.
<p>CSOs acknowledge that the political assessment provides a fair overview of many of the concerns raised by international rights experts and civil society about closing civic space and the “repressive” legal framework for civil society (notably 149/2019 and its 2021 by-law) but urge the Bank to “work more closely with Egyptian authorities to bring the country’s NGO law into conformity with international standards”.</p> <p>CSOs also assert that the political assessment’s discussion of Egyptian labour unions, professional syndicates and student unions misrepresentative, and does not adequately reflect the severity of the actual situation, particularly with regards to media freedoms and political opposition. According to CSOs, some of the terminology used leaves the impression that the Bank cannot determine whether or not numerous international reports are accurate.</p>	<p>The Assessment devotes considerable coverage to the civil society space in the country. It details the challenges and concerns raised with regard to the legal framework governing the operations of NGOs and CSOs in the country, how the framework was developed, and the circumstances under which it is implemented.</p> <p>With regard to working on the legislative environment, the Bank follows the lead of, and draws on references from, other international organisations whose mandates are more directly related to supporting in shaping relevant legislations in countries of operations.</p> <p>The Assessment notes at length issues raised by domestic and international interlocutors with regard to concerns about the new NGO law. It mentions and tracks developments concerning judicial cases that have attracted domestic and international attention, including cases that took place prior to the duration covered in the Assessment but that remain open; the positions of relevant reference sources are presented and their views/findings quoted specifically related to concerns raised by CSOs. The Assessment comments on the situation of civil society organisations operating within and without the political rights sphere, noting the importance of their participation in national dialogues on key political, economic, and social domains.</p> <p>In the new strategy period, the Bank will continue cooperating with the civil society stakeholders to lift the capacity-related constraints, and implementing best practices to strengthen civic space in Egypt.</p> <p>With regard to the media, the Assessment states at length concerns and allegations made by domestic and international interlocutors, and notes assessments of their impact on freedom of the press.</p> <p>As noted above, the Assessment reflects the positions of CSOs. However, as per the Political Methodology, its primary sources are ones of universal coverage and trustworthiness accepted by the Bank’s shareholders. Also as per the</p>

	Methodology, it must reflect the comments of the Authorities of the country in concern.
Several CSOs conveyed that “although the state of emergency was formally lifted in October 2021, Egypt remains in a de facto state of exception”, and argue that the political assessment should contain more detail about the lack of due process and judicial independence, military trials of civilians and the increase in executions, citing instances of the disregarding of laws, violation of rights and guarantees enshrined within Egypt’s Constitution and international human rights commitments, unfair mass trials and death sentences issued by military courts”.	The Political Assessment mentions the period during which the country was under state of emergency, details the powers that state of emergency endows the Executive with, and makes reference to civilians tried before military courts. The Assessment reflects conclusions consistent with relevant international documents and assessments by the UN. This includes at the UN Universal Periodic Review on Egypt in 2019, as well as in comments made by the Office of the UN High Commissioner for Human Rights.
CSOs also express concern regarding gaps in parliamentary oversight and anti-corruption interventions (including within military-controlled enterprises).	The Assessment tracks policies to prevent corruption in the period since the last Country Strategy. It reports on the operations of key institutions in this space, particularly the Central Authority for Accounts and the Administrative Control Authority. The Assessment states challenges in the implementation of existing legislations, challenges affecting the business environment, and in compliance with international standards. The Assessment also reports on the results of the EBRD Diagnostics Report on Egypt with regard to the “Well-Governed” Transition Quality. The strategy notes the increase in the presence in the economy of state entities including that are part of the Ministry of Defence.
Several CSOs note that there has not yet been any implementation of Egypt’s new human rights strategy announced in September 2021. CSOs also assert that the political assessment downplays the issue of torture and the widespread use of the death penalty (referencing 2017 UN Committee against Torture (UNCAT) report) and urge the Bank to recognize and include the “widespread and serious issue of intimidation and harassment” of political dissidents.	The Assessment elaborates at length on the situation concerning human rights in the country: it presents the deep concerns raised by CSOs as well as by international observers, including direct and extensive quotations from approved references such as the Office of the UN Commissioner for Human Rights. The Assessment states the concerns expressed by CSOs about the Counter-Terrorism Law. The Assessment presents in detail the concerns expressed in the statement made by 31 countries at the 46 th session of the UN Human Rights Council. With regard to allegations of torture, the Assessment refers to statements made by the Spokesperson of the UN Commissioner for Human Rights, as well as to concerns raised by the UN Committee Against Torture.
CSOs contend that the political assessment neglects to mention recent actions against women social media influencers, and the treatment of LGBTQI+ and the Nubian minority.	Under its Strategic and Capital Framework, the Bank maintains focus on inclusion in all its policies.

	<p>The new strategies on the Promotion of Gender Equality, and Equality of Opportunity reflect in one of the Bank's key strategic priorities for the next years and highlight the EBRD's commitment to promoting gender equality and equality of opportunity across our regions. More specifically the new EBRD Equality of Opportunity Strategy identifies LGBTI people and ethnic minorities as examples of groups particularly affected by long-term stressors and megatrends.</p>

ANNEX 1

Summary of key messages from CSOs during the two consultations:

- CSOs welcomed investments in decarbonisation, energy efficiency and waste management but noted that lack of capacity, particularly for SMEs, is a major challenge. They also noted the importance of ensuring accountability in the process of privatisation.
- In addition to providing finance to women, CSOs suggest that EBRD mobilises its policy tools for inclusive growth, to address areas of unpaid care and domestic work and increase women's participation in project design, delivery and monitoring.
- Some CSOs expressed concerns regarding the state of economic and political transition in Egypt, including human rights, the rule of law and the role of the Armed Forces in the economy, and noted major challenges facing civil society that limit space for meaningful community engagement. They urged the EBRD to respond to these challenges, through its operations in the country in line with its mandate.

Consultation with civil society on 13 July 2021

Gender and Inclusion

- Civil society organisation (CSOs) representatives emphasised the importance of **monitoring the inclusiveness of the economy**, suggesting to use indicators and studies on sexual harassment and to oversee the real situation on the ground.
- In addition to providing financing instruments, EBRD's work of empowering women and minorities should also consider the unpaid work in the economy.
- Concerns were raised around the current draft family law, influence on the legal system and women's ability to independently act.
- **Designing, delivering and monitoring projects on inclusive participation for women and children** was highlighted as another area of potential EBRD focus. Representatives noted the importance of addressing spatial inequality for women and young people.
- Egypt has a deficiency in the care economy sector. **Supporting the care economy** was also noted given the impact of the pandemic would benefit women and job creation.
- Integrating **disability** in the strategy was also raised, with the hope that private sector improvements around this issue would promote change on the national level. **CSOs also noted the importance of supporting migrants and refugees** in the country context.
- Underlining the poverty increase and the expansion of the military's economic influence in many sectors, representatives questioned how the EBRD intends to manage these issues and continue to pursue inclusive participation in private sector led initiatives.
- For inclusiveness, it is important to have a solid monitoring mechanism that will assess barriers on the ground and CSOs queried what the Bank could do to tackle challenges, for example in microfinance, that disproportionately affect women.

Green Economy Transition

- Representatives welcomed EBRD's announcement to be fully aligned with the Paris Agreement and highlighted that Egypt has a lot of experience and opportunities for the green economy but still faces issues with solid and plastic waste and energy efficiency. Some noted that SMEs do not receive enough capacity building support when it comes to green economy transition.
- CSOs urged the EBRD to consider climate issues from a just transition perspective, rather than as a purely environmental issue.
- CSOs supported efforts to decrease the carbon footprint of Egypt and reduce fossil fuel use.

Privatisation and Governance

- A number of CSOs repeatedly raised concerns about what the “more for more, less for less” principle means in the country context, and asked the Bank to raise this principle more frequently in its operations in Egypt. The participants were clear that they were not asking the EBRD to pull out from Egypt, but called on the Bank to help address Article 1 challenges in the country.
- Several representatives noted that issues concerning **the rule of law, the judiciary, and political and civil rights in the country are intertwined with the EBRD’s thematic priorities for Egypt**. Clientelism perseveres presenting obstacles for an inclusive economy
- CSOs reiterated the Bank’s unique position with its political mandate, and suggested that the new political assessment reflect reality, for example, by focusing on actual implementation of laws and violations.
- CSOs also advocated for greater conditionality in business levels and urged the Bank to include human rights in its risk assessment and improve human rights due diligence.

Consultation with civil society on 19 July 2021

The second consultation with civil society focused on how the EBRD can securely engage with local civil society representatives, in addition to the new country strategy for Egypt.

New CS for Egypt

- Participants focused on the situation on the ground and the challenges civil society faces, including government restrictions on CSO members and their families, which they view as an attempt to intimidate and restrict civil society dialogue. Several CSOs urged the Bank **to think how it can protect CSOs within its mandate**.
- CSOs representatives expressed their concern on the number of death penalty executions, remarking that within 2019 the country has seen over 160 death penalty executions.
- Participants urged the EBRD to consider how the political climate may be impeding changes in the country and that the EBRD – as the only IFI with an explicit mention to democracy – could use its lending operations to actually tackle the many governance issues the country is facing.
- The participants wanted to make sure that the political reality of the country should be reflected into the CS document and that the EBRD will try to address those issues through the strategy;
- Several CSOs expressed concern that without proper governance safeguards privatisation would only benefit unaccountable elites.
- CSOs noted that improvements to governance and the rule of law, including greater transparency, are necessary to secure foreign investment.
- CSOs encouraged the EBRD, IMF and WB to work together to improve human rights and governance in the country, and deploy greater conditionality in their investments.

Securely engaging with local Egyptian CSOs

- CSOs urged the Bank to find ways to ensure local Egyptian CSO participation in meetings and creation of a safe space for them to share their opinions openly.
- CSOs questioned how EBRD can empower local CSOs in the country and reassure the government that local CSOs are significant partners for positive change.

CSO Recommendations

- EBRD has a unique advantage to do more in the country given Article 1. The Bank should better use this in the country context.
- Urge policy engagement for strengthening civic space in all CoOs.
- Mention in the political assessment that local civil society in Egypt does not feel safe enough to participate at EBRD consultations.

EBRD should publicly demonstrate a more determined commitment towards human rights, as this could encourage greater CSO participation in consultations.