Submitted within the framework of the consultation launched on the Draft Country Strategy for Egypt, this input follows close monitoring and advocacy work by the Arab NGO Network for Development (ANND), Egyptian Center for Economic and Social Rights and the Egyptian Initiative for Personal Rights on the European Bank for Reconstruction and Development's engagement in Egypt, since 2012, following the Deauville partnership. The input follows the same structure of the Draft Strategy and clusters issues on a) Overview of the Bank's Activities b) Operational Environment c) Strategic Orientations. Additional and in-depth analysis, research and documentation developed by ANND and its members and partners in Egypt are annexed to the input.

Overview of the Bank's Activities

In the first section of the Draft Strategy, Bank undertakes an overview of its previous activities, acknowledges the political, security and economic challenges in Egypt and presents achievements around the investments undertaken through 36 operations amounting to €1.9 billion. Energy, financial institutions, agribusiness and infrastructure are the sectors that the Bank engaged during this period, as presented with percentages of 12, 52, 34 and 1 respectively. Support to private corporates, further initiatives on PPPs in transport, infrastructure and agribusiness are exemplified in the overview, identifying as well key lessons learnt.

We consider that the overview assessment that should be the base of the strategic direction ahead has a limited focus. The evaluation should be with a rights-based approach and focus on development outcomes of the investments as benchmarks for success in order for the Country Strategy to meet its prime objective of being tailored to country's needs. This would support proposing financial tools and working methods adapted to the country, and address key needs and necessities identified by civil society and revise any negative impacts resulted from previous engagements. Such an approach is key for the principle of mutual accountability and would contribute to the success of the Bank's future engagement.

In this regard, on the contrary to the picture presented by the Bank, Egyptian civil society's assessment[1] on the engagement of the Bank is bleak with adverse impacts and no success stories. For instance, a summary briefing of February 2014, shows in fact that the bank has failed in its commitment to prioritize lending to SMEs, with a mere $25 million allocated out of

[1] http://platformlondon.org/wp-content/uploads/2015/02/summary_of_EBRD_in_1st_year.pdf

$534 million in its first year of lending. Moreover, civil society highlights that Bank's lending focused on multinationals, oil companies and agribusiness, which it identified as sectors that do not need funding, and that the outcome of this lending did not address any development challenge, namely inequalities and social justice. Similarly, on the sectorial engagement, whereas the Draft strategy highlights the private sector investment in natural resource production and in oil sector, civil society assessment sheds light on the very fact that "loans towards oil extraction make no sense as this sector has access to credit, and maintaining oil extraction will not contribute to resolving the existing power crisis in Egypt" [2]. Moreover, the gas flaring reduction praised by Bank's is found to be largely cosmetic, as "both IPR and KEC had already committed to reducing gas flaring, and IPR had already achieved the reduction prior to the EBRD loan" [3].

With its focus on lending specific large-scale businesses and economic activities, the Bank's strategy fails to depart from an accurate analysis of the economic situation in Egypt, especially after the 2011 Revolution. In light of this, the Bank fails to acknowledge the role that micro and small enterprises played in absorbing the economic crisis, by offering millions of job opportunities and managing to survive the price hikes, as well as ensuring capital remains in Egypt and production and service provision remains available and accessible. The bank has failed to play a role in supporting and financing these small-scale enterprises. In addition, the bank has failed to even draft the impact of its support to large enterprises in terms of meaningful job creation, after all, the informal economy, and the micro and small enterprises remain the main force of employment in the country, despite the billions of dollars being poured into the economy in the name of development. Particularly with the economic crisis post-2011, and the ensuing job losses, small and micro enterprises have absorbed one third of the formerly formally employed youth. In this way, the Bank's continued disregard to small enterprises and micro-ending reflects its lacking commitment to a developmental role in Egypt.

In addition, the Bank should consider revising its strategic directions as the assessment undertaken is limited and do not necessarily correspond to the concerns of the Egyptian civil society. One key aspect in this regard is the need for revision the model promoted by the Bank, namely continuous call for privatization and the PPPs. PPPs were the key model promoted previously and remains at the center of the future engagement of the Bank. Egypt, like many other Arab countries long adopted "economic transition toward an open economy" but these

[2] İbid.

[3] İbid.

policies including liberalization of trade and finance, privatization, and attraction of foreign direct investment have indeed shown to have conveyed undesirable impacts on development. PPPs success would depend on various conditions, including adoption of a national plan that determines the amount of PPP investments needed depending on the national needs, imposing transparency mechanisms on the private sector partner and access to information and so on. Moreover, as recommended by the OCED guidelines, provision of Public Sector comparator is key for the success of PPPs, which Egypt did not put in place. The comparator helps the government to estimate the cost of the project in case the government financed it, to compare it to the cost of project if executed under a PPP formula. Indeed, in 2016, the government cancelled a PPP sewage project, because when the comparator was calculated (after the contract was signed), it turned out that should it be financed and operated by the public sector, the savings would amount to 15 bn EGP[4]. In addition, the EBRD in its strategic directions promoting PPPs should consider the national context, and the potential adverse impact of pushing for PPPS in certain sectors, especially the impact on citizens' access to basic services.

Operational Environment

The Draft Strategy lists several violations that are contradictory and alarming to the nature of Agreement Article 1 and to the essential elements of multiparty democracy and pluralism identified by EBRD itself. Among these essential elements, freedom of association, peaceful assembly and the right to form trade unions and strike will be our key focus. The Draft Strategy acknowledges the existence of several restrictions on the operations of local and international civil society organizations in Egypt, and admits that these create concerns, yet halts its analysis stating this and continues to focus on the quantitative dimension. Accordingly it notes a progress, namely the increase in number of associations.

An enabling environment for civil society is much broad then number of associations; thus the effectiveness and efficiency of civil society, an in relation level of restrictions on the right to freedom of association, peaceful assembly, expression and opinion, as well as access to resources, information and the existence of inclusive, participatory and transparency social dialogue in the country should be considered as well a key indicator assessing the situation. Mere recognition of limitations in this regard but not highlighting the systematic violations remain as a shortcoming of the Bank's approach. The lack of analysis is also clear given that the

[4] http://www.almalnews.com/Pages/StoryDetails.aspx?ID=292737

NGO law concerns are based on an outdated 2014 draft, not taking into consideration the most recent and draconian steps undertaken by the Egyptian authorities. In this regard, the Strategy in relation EBRD's engagement in the country should take into consideration, that the NGO law ratified by Parliament on the 29th of November seeks to eliminate independent civil society and close civic space in Egypt.

The state has taken real steps to eliminate Egyptian civil society organizations by prosecuting case no. 173/2011 on foreign funding, and several organizations and their current and former directors have been banned from travel and have had their assets frozen. The new NGO law, however, would pave the way for the "eradication of any sort of civic action geared to development, charitable activities, and services. The operation of local development associations throughout Egyptian villages and hamlets, which provide services to local residents, will become nearly impossible."[5] Alongside several Egyptian and international CSOs, the call of the United Nations Special Rapporteur on Freedom of Association and Assembly, Maina Kiai must be a reference point in the analysis. Indeed, Mr. Kiai states that "this bill proposes perhaps the worst restrictions on fundamental freedoms in Egypt since the 2011 uprisings...It aims to destroy Egypt's foundation for peaceful, civic engagement at its very roots. If it becomes law, it would devastate civil society not only in the short term, but possibly for generations to come"[6].

In addition, in 2016, the parliament endorsed a vaguely-worded anti-terror bill. The law shields the police and military forces from any accountability for what it calls "the proportionate use of force", and lists a list of crimes and penalties redefined as terrorist crimes, some of which have already been used against peaceful protestors[7].

EBRD's future engagements than would be in a country, where the civic space is closed, thus adherence to Article 1 is totally hampered. In this regard, it is important to note that it is not only human rights organizations and peaceful protestors that face violations but independent labor unions and workers face similarly shrinking space, as the state-controlled Egyptian Trade Union Federation filed a lawsuit filed asking for the prohibition of the independent unions (including other small groups defending labor rights), labeled as "illegal" and "illegitimate" [8]. In addition, the state has ended the struggle for legal recognition that the independent unions had started in 2009, by refusing to pass a law on union freedoms, and instead, in July 2016, the

[5] http://www.cihrs.org/?p=19227&lang=en
[6] http://www.ohchr.org/FR/NewsEvents/Pages/DisplayNews.aspx?NewsID=20920&LangID=E
[7] https://www.pri.org/stories/2016-04-26/amnesty-international-slams-egypt-paranoia-over-anti-government-protest
[8] http://carnegieendowment.org/sada/64634?mc_cid=ffd4afc473&mc_eid=4c299af8c0

parliament approved amendments (law 61/ 2016) to the pre-existing restrictive Law 35/ 1976 regulating labor unions. These amendments have mostly empowered the official unions and their board members, while finally stripping independent unions of their legal standing, by failing to recognize them, or the right to establish, or join, unions outside the official state-controlled structure[9].

Strategic Orientations

The strategic direction starts with a strong promotion of neo-liberal and growth focused model, noting that "Egypt's fast growing population and high unemployment pose significant socioeconomic challenges and require inter alia sustained economic growth supported by a vibrant private sector and strong FDIs." Nevertheless this model centralizing FDI attraction and privatization, is in place since years in Egypt and offered limited development results in the country; did not address calls on social justice or employability that were at the center of people's uprisings. On the contrary, as put forward previously by an ANND research paper[10], this model resulted in national productive capacities to be marginalized along with national development projects generally. This model, imposing free movement of capital, led to the exit of hundreds of billions of dollars out of the country, sometimes illicitly, depriving Egypt of much needed resources for development, and deepening its dollar crunch[11]. Moreover, addressing inequalities, empowering people through employment generation and decent wages, and establishing comprehensive rights-based social plans have been neglected. Accordingly, economic growth were achieved, while poverty, unemployment, and inequities were on the rise. In fact, the Strategy well presents this situation in Egypt, noting the high unemployment standing at 12.5 per cent (2016), with even higher youth and women unemployment rates of 37 per cent and 26 per cent respectively. Therefore a shift in development model promoted by EBRD is much needed and the EBRD's support for the Egyptian economy (as well in other countries of the region) should be rooted in an economic model, where productive capacities,

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[9] Abdel Barr, 2016 "The Labor Unions Law". Al-Badil [Arabic Only] URL: http://elbadil.com/2016/07/27/ قانون النقابات العمالية جه يكحلها عم/

[10]https://csrdar.org/sites/default/files/The%20Demands%20for%20New%20Development%20Models%20at%20the%20Center%20of%20the%20Peoples'%20Revolutions%20in%20the%20Arab%20Region.pdf

[11] http://eipr.org/publications/%D8%AB%D9%84%D8%A7%D8%AB-%D8%A3%D8%B3%D8%A7%D8%B7%D9%8A%D8%B1-%D8%AD%D9%83%D9%88%D9%85%D9%8A%D8%A9-%D8%B9%D9%86-%D8%AA%D8%B9%D9%88%D9%8A%D9%85-%D8%A7%D9%84%D8%AC%D9%86%D9%8A%D9%87-%D8%A7%D9%84%D9%85%D8%B5%D8%B1%D9%8A

redistribution mechanisms, employment and decent wages take the forefront and financing to companies with tax heaven headquarters or affiliates are sustained.

With regard to the support to SMEs, EBRD should contribute to economic diversification and revive productive capacity of Egypt. Thus, support to SMEs should tackle key challenges faced by SMEs and increase their technological capacities, know-how, and manufacturing capacities. Moreover, the SME support should be part of a comprehensive and sustainable development approach and be towards ensuring structural transformation in industry, aiming at moving them away from low value added manufacturing tasks and orienting them to the productive sectors with values added. In this regard, rather than aiming principally SMEs engagement in global value chains organized by transnational corporations, EBRD should support them in developing national and regional production chains.

Energy remains a priority sector for the future of EBRD engagement in Egypt and the Bank states to be committed to support the power sector's transition to a more efficient, transparent and private sector led commercial model. Nevertheless, once again civil society analysis on the Bank's energy investments is not promising, and finds the analysis in the Draft Strategy misleading, requiring an urgent shift considering environmental and development outcomes. Furthermore, concerns remain as energy sector in Egypt lack transparency and is characterized by poor governance.

A research[12] undertaken by ANND and Bankwatch focused on energy sector and European financial institutions showed that the EBRD and the EIB contributed with EUR 8.4 billion, 94% of the total EU financing and the EBRD financed 105 projects at a cost of EUR 2.8 billion. The analysis reveals that this financing was spread unevenly between fossil fuels and renewable sources of energy and energy savings: oil, gas and coal absorbed nearly three times more financing by volume than renewables and energy conservation. Financing to hydrocarbons overpassed financing to alternative sources of energy and energy efficiency projects and Egypt with EUR 1.5 billion was among the top borrowers (alongside Tunisia from the region) in this regard. Furthermore, questions remain in several aspects of the EBRD's energy investments in the country, including the engagement of local communities. For instance, in February 2015, despite the calls of civil society groups from the region, the Cemex project in Egypt[13] was

[12] http://bankwatch.org/sites/default/files/where-the-grass-is-less-green.pdf

[13] http://www.ebrd.com/work-with-us/projects/psd/cemex-egypt-assiut-cement-company-fuel-substitution.html

approved: concerns[14] in relation to support to coal despite to availability of renewables, negative impacts deriving from the release of heavy metals such as mercury and lead and water pollution were simply not heard by the Board. With regard to the Bank's engagement in water sector and commercialization promoted, the Strategy remains limited underestimating several concerns on utility privatization in the country. Several civil society activists previously focused on human rights impacts of privatization of basic rights, including the right to water. For instance, Abd al-Mawla Ismail, member of the Right to Water Forum in the Arab Region stated earlier that "allowing the private sector to provide utilities creates a market which leaves them vulnerable to demand and supply….and this ultimately means that utilities will be provided only to those who can afford them"[15]. Similarly urban researcher Yahia Shawkat reminds us the increasing costs of utility privatization for the ordinary citizen in Egypt, "as the government would be subsidizing not only the cost of production, but also the companies' profit margins from taxes"[16].

Annexes

- ANND Research paper The Demands for New Development Models at the Center of the Peoples' Revolutions in the Arab Region: Threats from Multilateral and Regional Financial and Development Institutions https://csrdar.org/sites/default/files/The%20Demands%20for%20New%20Development%20Models%20at%20the%20Center%20of%20the%20Peoples'%20Revolutions%20in%20the%20Arab%20Region.pdf
- European Investment Bank and European Bank for Reconstruction and Development and energy sector http://www.annd.org/data/item/pdf/26.pdf
- European Investment Bank and European Bank for Reconstruction and Development and Climate Change http://www.annd.org/data/item/pdf/25.pdf
- EIB and EBRD Interventions in the Arab Region in the AGRIBUSINESS Sector: A Civil Society insight http://www.annd.org/data/item/pdf/24.pdf
- Where the grass is less green http://bankwatch.org/sites/default/files/where-the-grass-is-less-green.pdf
- Joint letter to EBRD http://eipr.org/en/press/2012/09/joint-letter-ebrd

[14] Raised in a joint letter sent to the EBRD, available at http://bankwatch.org/sites/default/files/letter-EBRD-Egypt-gas2coal-20Feb2015.pdf
[15] https://www.madamasr.com/en/2016/12/08/feature/economy/what-official-statements-on-utility-privatization-are-not-saying/
[16] ibid

- Statement by EIPR: European Bank for Development Encourages Egypt to Pursue its Pre-Revolution Privatization Schemes http://www.eipr.org/en/press/2012/03/european-bank-development-encourages-egypt-pursue-its-pre-revolution-privatization
- Memo on the Coal to Gas Switch in Egypt, and EBRD Involvement Submitted to the European Bank for Reconstruction and Development (EBRD) by: The Egyptian Center for Economic and Social Rights (ECESR) http://ecesr.org/en/wp-content/uploads/2014/04/Corrected-Memo-attachted-to-CSOs-Letter-to-EBRD-on-Coal-Projects-in-Egypt-on-9May2014.pdf
- ECESR Publishes Correspondence with EBRD about Plans to Finance Egyptian Government's Use of Coal http://ecesr.org/en/2014/04/13/environmental-justice-ecesr-publishes-correspondence-with-ebrd-about-plans-to-finance-egyptian-governments-use-of-coal/