



Egypt Country Strategy

2022-2027

Approved by the Board of Directors on 9 February 2022



European Bank
for Reconstruction and Development

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Glossary of Key Terms

ABI	Annual Business Investment	ICT	Information and Communications Technology
ASB	Advice for Small Businesses	ICA	Industry, Commerce and Agribusiness
CBE	Central Bank of Egypt	IFI	International Financial Institution
CONIA	Cairo Overnight Index Average	IPPF	Infrastructure Project Preparation Facility
COP	Conference of the Parties	M&S	Manufacturing & Services
CSP	Concentrated Solar Power	NBFI	Non-Bank Financial Institution
DCFTA	Deep and Comprehensive Free Trade Area	NDC	Nationally Determined Contribution
DFI	Development Finance Institution	NPL	Non-Performing Loan
ECA	Egyptian Competition Authority	PFI	Partner Financial Institution
EE	Energy Efficiency	PPP	Public-Private Partnership
EEHC	Egyptian Electricity Holding Co.	PR	Performance Requirement
EGX	Egyptian Exchange	PSP	Private Sector Participation
EIB	European Investment Bank	PTI	Portfolio Transition Impact
ENR	Egyptian National Railways	RE	Renewable Energy
ERRADA	Egyptian Regulatory Reform and Development Activity	SCEZ	Suez Canal Economic Zone
ETI	Expected Transition Impact	SCF	Strategic and Capital Framework
EU	European Union	SME	Small and Medium-Sized Enterprise
E&S	Environmental & Social	SOB	State-Owned Bank
FDI	Foreign Direct Investment	SOE	State-Owned Enterprise
FI	Financial Institution	TC	Technical Cooperation
FRA	Financial Regulatory Authority	TFP	Trade Finance Programme
G4G	Guarantee for Growth	TMT	Technology, Media and Telecommunications
GASCO	Egyptian Natural Gas Company	TVET	Technical and Vocational Education and Training
GCAP	Green City Action Plan	VC	Venture Capital
GCF	Green Climate Fund	VCCP	Value Chain Competitiveness Programme
GDP	Gross Domestic Product	WIB	Women in Business Programme
GEFF	Green Economy Financing Facility	YIB	Youth in Business Programme
GET	Green Economy Transition		
GHG	Green House Gas		
GVC	Global Value Chain		
GVC	Green Value Chain Programme		
H&S	Health & Safety		
HR	Human Resources		

Egypt's commitment to and application of the political principles stated in Article 1 of the Agreement Establishing the Bank has been marked by concerns of relevant international organisations. Positive steps in selected legislative and policy areas were recognised and further implementation encouraged.

The Government is evolving the social contract that prevailed in Egypt for at least the half century before by embarking on an ambitious reform programme. The objectives are to continue transforming the public subsidies system so that it reaches deserving sections of the society, make the state's finances sustainable and reduce economic dependency on the state. However, more steps are needed to reform the executive, particularly the civil service. Aspects related to transparency and the rule of law affecting the business climate need to be addressed. In the face of acute challenges in the past few years, there has been a notable increase in the presence in the economy of state entities, including a number that are part of the Ministry of Defense.

There are also systemic challenges. Egypt's population doubled to now over a hundred million, in about four decades. This population increase has put further strain on the quality of education, and the system's ability to graduate employable youths, especially in jobs that allow for social security, let alone mobility. Water scarcity is increasingly a major concern.

Following the Arab uprisings in 2011 and a drop in growth, Egypt's economy made a strong recovery, thanks to fundamental macroeconomic and structural reforms. Supported by two IMF programmes in recent years, growth reached 5.6 per cent in fiscal year (FY) 2018-19, on the back of significant public investments and domestic consumption, accompanied by a primary budget surplus, sustainable debt levels and stronger foreign reserves. There have also been significant efforts to increase socio-economic inclusion, particularly for youth and remote and rural regions, as well as to improve the operations and governance of SOEs (including by publishing financial statements) and the civil service. Particular progress has been made on the green agenda, including through Egypt's Integrated Sustainable Energy Strategy to 2035 and innovative financing solutions such as the issuance of the first green bond in Africa and the Middle East.

The economy continued to grow at a rate of 3.6 per cent during FY2019-20 (one of the few EBRD countries of operation with positive growth) notwithstanding the COVID-19 pandemic, thanks to a partial and temporary lockdown and the resilience of the refining, wholesale and retail trade, communications, agriculture, real estate and construction sectors. Health and information technology sectors also grew during the pandemic. Growth is expected to slightly slow to 3.3 per cent in FY2020-21, as disruptions to the tourism sector and global value chains due to the pandemic continue to be felt. Nonetheless, successful structural reforms implemented across key sectors (including education, social safety nets and subsidies) are paving the way for sustained growth going forward as the pandemic's impact eventually dissipates. A second phase of reforms is underway.

Yet despite these sizeable reforms and Egypt's tangible progress towards a sustainable market economy, substantial transition gaps remain. The significant role of the state in the economy, including a large number of SOEs, at times constrains **competitive** forces and a level playing field for the private sector. Removing trade barriers could additionally strengthen competition from abroad. Economic **governance** is in need of further

significant improvements and public utilities and some SOEs continue to be hindered by limited financial sustainability and operational inefficiencies. While efforts to address **inclusion** gaps have been made, challenges affecting access to finance and other economic opportunities still persist, especially with regard to women, youth and remote and/or less developed regions. With Egypt's growing population exerting pressure on resources and public services, including water, energy and transport, already strained by global climate change, accelerating adoption of **green** measures in these sectors (as well as addressing water scarcity) will also be essential in the coming years.

Since commencing operations in 2012, the Bank has built a strong portfolio to help Egypt meet these challenges, investing over €7.4 billion, nearly three-quarters of which has been in the private sector. Going forward, the Bank will continue to couple its investments with robust policy engagement across sectors to help facilitate, *inter alia*, greater private sector participation in the economy and a more level playing field, enhanced corporate and economic governance in the public sector, a deeper, more holistic green transformation, including development of long term low carbon and net zero pathways, and the formation of new channels of economic opportunity that will benefit all of Egypt's population.

Across these and other areas the Bank will forge a strong partnership with the Government, whose own 'Egypt Vision 2030' plan and new Government Action Program 2023-2027 (which includes objectives such as the protection of natural resources, development of human capital, increased transparency and greater productivity and employment) aim to further transform the economy around sustainable development principles. A number of aspects – notably green transformation, inclusive growth and greater innovation – are well aligned with the UN Sustainable Development Goals (SDGs) and the EBRD's most recent Strategic and Capital Framework, and present strong avenues for cooperation. The Bank will also aim to develop digital initiatives across its strategic orientations, in recognition of their particular growth potential.

With that in mind, the Bank is set to pursue the following strategic priorities in Egypt in 2022-2027:

- *Promoting a more inclusive economy for Egyptian businesses, women and youth;*
- *Accelerating Egypt's Green Economy Transition; and*
- *Enhancing Egypt's competitiveness by supporting private sector growth and strengthening governance.*

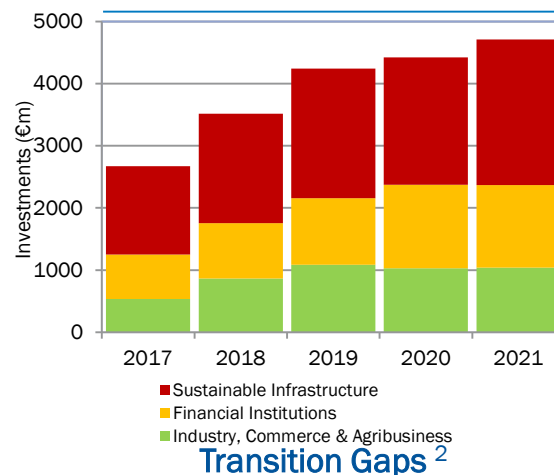
EBRD Investment Activities in Egypt (as of December 2021)

Portfolio	€4,712m	Active projects	116
Equity share	8%	Operating assets	€2,659m
Private Sector Share ¹	57%	Net cum. investment	€8,707m

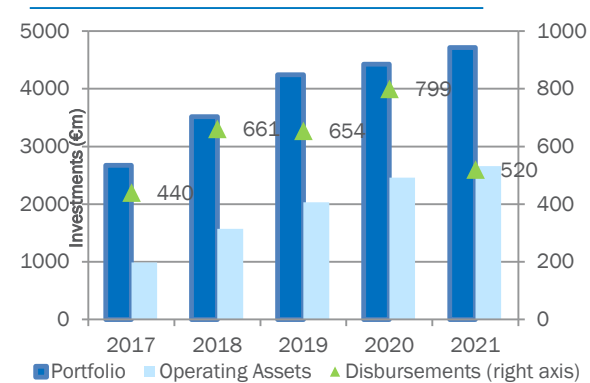
ABI and Operations



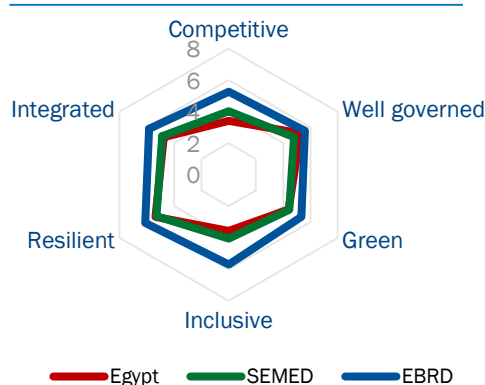
Portfolio Composition



Portfolio Dynamics



Transition Gaps ²



Egypt Context Figures (2019)*

	Egypt	Comparators
Population (million) ³	100.4	(36.5) Morocco (38.0) Poland (83.4) Turkey
GDP per capita (PPP, USD) ³	12,261	(7,856) Morocco (34,233) Poland (27,303) Turkey
Global Competitiveness Index (WEF) 2019 (rank / 141 economies)	93	(75) Morocco (37) Poland (61) Turkey
Unemployment (%; ILO est.) ⁴	9.7	(9.0) Morocco (3.3) Poland (13.7) Turkey
Youth unemployment (%; ILO est.) ⁴	26.5	(22.3) Morocco (9.8) Poland (24.6) Turkey
Female labour force participation (%; ILO est.) ⁴	18.5	(21.6) Morocco (48.6) Poland (34.3) Turkey
Energy intensity (TPES/GDP) ⁵	0.3	(0.2) Morocco (0.2) Poland (0.2) Turkey
Emission intensity (kg/2015 US\$ of GDP) ⁵	0.6	(0.5) Morocco (0.6) Poland (0.4) Turkey

* 2019 data the latest available for alignment purposes for all countries. ¹ Cumulative Bank Investments over 5 year rolling basis on portfolio. ² Cf. EBRD Transition Report 2020. ³ World Bank WDI.

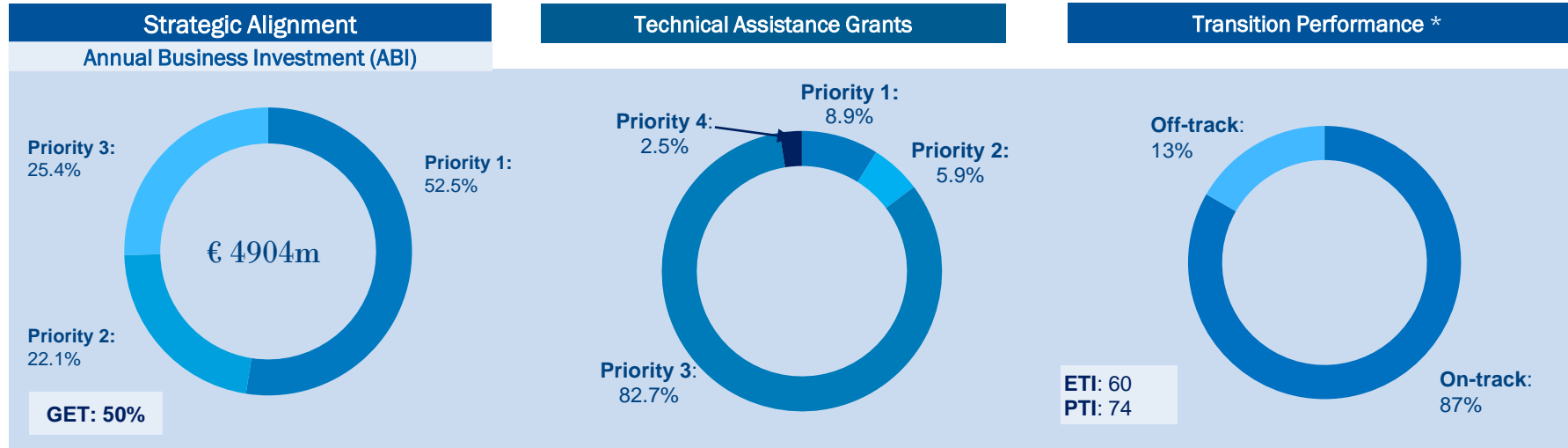
⁴ International Labour Organisation. 2020 data for Egypt shows an improvement to 7.5 per cent. ⁵ IEA's Energy Atlas.

1. Implementation of Previous Strategy (2017-2021)



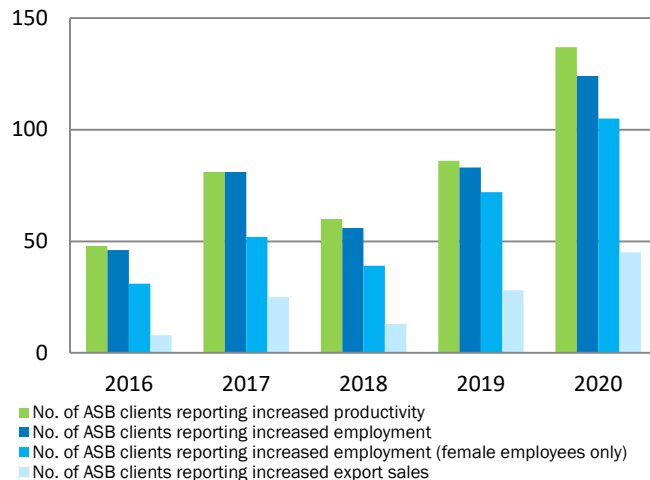
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1.1. Key Transition Results



Priority 1: Support Egypt's private sector competitiveness through stronger value chains, improved access to finance for SMEs, and increased economic opportunities for women and young people

Advice for Small Businesses



Key Transition Results

- Strengthened and diversified SME access to finance by signing eight credit lines with PFIs for a total of €917m and investing €46.4m into SME Equity Funds (SPE Capital Fund, Lorax Capital Fund II, Badia Impact Squared) to ensure availability of long-term financing for SMEs.
- Bolstered trade competitiveness of Egyptian companies through 25 TFP lines (totalling €1.4b) with 8 PFIs, and provided direct investment via the VCCP to key agribusinesses (e.g., €75.5m to Almarai to fund dairy and juice production, strengthening backward linkages with local farmers, and €2.1m to Farm Fresh to increase their fruit and vegetable production).
- Facilitated access to training and work-based learning opportunities for youth by launching the first sector-skills platform in Egypt (El Sewedy Technical Academy) and partnering with clients such as MAF Almaza to establish on-site training facility and El Roda to implement an internship scheme.
- Supported female entrepreneurs via the Bank's WiB Programme through dedicated credit lines with QNB Ahli Bank), advisory, and training to help women develop their financial skills.
- Supported the growth of the private equity industry by investing €80m in six equity funds and completed the restructuring study of the NileX (the SME stock market), which was formally adopted by the Egyptian Stock Exchange. Also invested in the first short-term debt instrument through a local bond participation (€83.2m)
- Launched Youth in Business programme with two dedicated credit lines in the amount of €39m.

* Transition impact performance reflects how likely projects are to achieve the transition impact objectives of them at signing. Calculated based on active mature (> 2 years) portfolio.

1. Implementation of Previous Strategy (2017-2021)



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1.1. Key Transition Results

Priority 2: Improve quality and sustainability of Egypt's public utilities through private sector participation and commercialisation

EBRD Egypt Portfolio by Region	Key Transition Results
	<ul style="list-style-type: none"> Supported Egyptian National Railways (ENR) by financing the purchase of 100 diesel locomotives (€290m) as part of its locomotive renewal programme, helping commercialise operations and maintenance and commissioning advisory support to raise public awareness and enhance safer rail transport for women. As part of the Integrated Approach to Cairo Urban Transport, introduced a public service contract to improve the operational efficiency and service delivery of the metro. Helped launch and award the 6th of October Dry Port PPP tender via EBRD IPPF, the first inland port PPP and largest logistics centre, to a consortium of global companies, which will enhance logistics performance and reduce congestion. Continued supporting the balance sheet restructuring of the New Urban Communities Authority through a €173m participation in its local currency bond issue, helping attract private investment to develop new urban centres. Improved business processes across oil and gas SOEs, including capacity building at GASCO to improve efficiency, transparency and governance, and technical support to implement Egypt's new Gas Market Law, which liberalises the country's downstream gas market and allows private sector participation. Financed the rehabilitation of the sewerage network in Kafr El Sheikh, helping provide improved wastewater services to 470,000 new households.

Priority 3: Support Egypt's Green Economy Transition

GET	Key Transition Results																		
<table border="1"> <caption>GET Data (2017-2021)</caption> <thead> <tr> <th>Year</th> <th>CO2 Emissions Red. (Kt/year)</th> <th>GET share of ABI (%)</th> </tr> </thead> <tbody> <tr> <td>2017</td> <td>~950</td> <td>~65</td> </tr> <tr> <td>2018</td> <td>~620</td> <td>~45</td> </tr> <tr> <td>2019</td> <td>~650</td> <td>~48</td> </tr> <tr> <td>2020</td> <td>~100</td> <td>~10</td> </tr> <tr> <td>2021</td> <td>~250</td> <td>~55</td> </tr> </tbody> </table>	Year	CO2 Emissions Red. (Kt/year)	GET share of ABI (%)	2017	~950	~65	2018	~620	~45	2019	~650	~48	2020	~100	~10	2021	~250	~55	<ul style="list-style-type: none"> Supported efforts to diversify Egypt's energy mix by financing the construction and operation of 16 solar plants at Benban (€410m), the largest solar park in Africa, which is projected to generate 750MW of clean and reliable energy. Also helped the government develop a contractual framework for renewable energy investments to attract private sector investors. Financed the construction and operation of three solar photovoltaic power plants (€73m) resulting in the reduction of CO2 emissions and the economic development of Aswan province. Facilitated one of the first green private-to-private projects in the country, with an initial €3m loan to TAQA Arabia's subsidiary, providing renewable energy to Egypt's largest integrated dairy farm. Helped improve the energy and resource efficiency of small businesses via €157m in dedicated GEF credit lines with QNB Alahli and the National Bank of Egypt as well as direct investments in companies (e.g., €12m to Al Dau Al Haram to increase their energy and resource efficiency). Helped address urgent irrigation issues and improve the management of municipal solid waste through the Kitchener Drain Rehabilitation programme (€148m) in the Egyptian Delta region, Assisted the Government in developing an e-mobility strategy to roll out electric vehicles and associated infrastructure and invested €50m in Infinity Energy to expand vehicle charging stations across Egypt. Prepared and helped implement a low carbon roadmap for the cement industry.
Year	CO2 Emissions Red. (Kt/year)	GET share of ABI (%)																	
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1. Implementation of Previous Strategy (2017-2021)



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1.1. Key Transition Results

Priority 4: Strengthen Governance and Level the Playing Field for all Businesses	
	Key Transition Results
	<ul style="list-style-type: none">• Launched the One Stop Shop development plan for the Suez Canal Economic Zone (SCEZ) with a focus on restructuring the investment relation department, licencing reform, registration and ICT. Also provided support to further enhance the regulatory framework to the SCEZ.• Provided support to two FI clients (Banque Misr and AAIB) to implement best practices with regards to SME lending, leading to enhanced transparency and better corporate governance at the SME level.• Supported the Holding Company for Water and Wastewater and the Ministry of Local Development in appointing Project Implementation Support and Construction Supervision consultants on the Fayoum Water and Wastewater Expansion Programme and the Kitchener Solid Waste project.• Supported implementation of the Ministry of Petroleum's modernisation, corporatisation, and restructuring programme, aimed at increasing efficiency, transparency, and accountability across Egypt's oil and gas SOEs.• Assessed ENR's current governance and developed a set of recommendations on procurement, internal audit and management control.• Helped launch a mobile application for the Holding Company for Water and Wastewater, which allows users to lodge complaints and interact with water companies in real time.• Signed agreement with the Egyptian Electricity Holding Company (EEHC) to support implementation of IFRS in EEHC and its subsidiaries, thereby laying the foundation towards commercialisation and implementing best international practices in financial reporting.• Introduced e-procurement in state entities.• Instituted new procedures to step up disbursements, including quarterly meetings with the Government to address outstanding bottlenecks.

1. Implementation of Previous Strategy (2017-2021)

1.2. Implementation Challenges and Key Lessons

Context for Implementation

Since commencing operations in 2012, the Bank has invested over €7.4 billion in Egypt, with nearly three-quarters of its investments in the private sector, helping Egypt become the second largest country of operations. Prior to the COVID-19 pandemic, the Egyptian economy had expanded rapidly, buoyed by the successful implementation of fundamental macroeconomic reforms under two IMF-supported programmes, increasing exports and investment and improving public finances. Yet despite these sizeable reforms, substantial transition gaps remain. The state continues to play a significant role in the economy¹ and public utilities and some SOEs are hindered by low financial sustainability and operational inefficiencies. While efforts to address inclusion gaps have been made, challenges affecting access to finance and other economic opportunities still persist. With Egypt's growing population exerting pressure on resources and public services, including water, energy and transport, further strained by climate change, accelerating adoption of green measures in these sectors will also be essential. Recognising these challenges, 'Egypt Vision 2030' and the new Government Action Program 2023-2027 aim to further transform the economy around sustainable development principles, with a number of aspects – e.g., green transformation, inclusive growth and greater innovation – aligning well with the UN SDGs and EBRD's most recent SCF.

Implementation Challenges	Key Lessons & Way Forward
<ul style="list-style-type: none"> • Previous finance mostly channelled through banks, limiting the breadth and impact of the Bank's investments even as private sector credit remains low and firms struggle to access finance and tap export opportunities. 	<ul style="list-style-type: none"> • Look to go deeper into the real economy, helping companies expand regionally and globally. Although state-owned banks will remain critical for scale and geographic reach, development of new NBFIs segments (e.g., microfinance, leasing) can further expand the Bank's impact.
<ul style="list-style-type: none"> • Growing demand continues to strain essential municipal services, increasingly exacerbated by climate vulnerabilities, including water scarcity. 	<ul style="list-style-type: none"> • Expand Green Cities initiatives to further augment sustainability at the municipal level. Expanding access to green financial products like GEFFs can also help extend GET impact to the private sector.
<ul style="list-style-type: none"> • Major strides made in renewable energy but substantial network upgrades and regulatory reform still needed to increase absorption and fully harness requisite private sector investment in line with Government targets. 	<ul style="list-style-type: none"> • Investment to modernise transmission and distribution and scale up the private-to-private market can unlock Egypt's full renewables potential. Support for an updated NDC could further catalyse green ambition.
<ul style="list-style-type: none"> • Despite recent investments in human capital, large inclusion gaps for women and youth and regional disparities in access to finance and services persist. 	<ul style="list-style-type: none"> • Step up support for skills development (e.g. sector skills councils) and financial inclusion. Increased digitalisation (in governance, connectivity) can also be an effective means of lifting up underserved groups.
<ul style="list-style-type: none"> • Previous efforts at strengthening governance focused largely on macro-economic stabilisation. Among other aspects, Egypt Vision 2030 may provide new impetus to address the prominent role of the state in the economy. 	<ul style="list-style-type: none"> • Look to capitalise on momentum to privatise state-owned assets and strengthen commercialisation at key SOEs. Enhanced capacity may also improve disbursements. Elevation of PPPs and transparent procurement could open private sector opportunities to develop public infrastructure.
<ul style="list-style-type: none"> • Although there have been some improvements to the business environment, foreign investors still face regulatory uncertainty and uneven governance, which inhibits investment. 	<ul style="list-style-type: none"> • Support key governance reforms to facilitate greater competition and a level playing field, increase investor confidence and strengthen post-COVID-19 resilience.

¹ Reports by the Ministry of Finance indicate that there are a total of 297 SOEs controlled by different ministries and economic authorities, including non-civilian ones under special laws. Many have been instrumental in implementing important investment projects and reforms in recent years. However, as Egypt moves towards upper middle income country status their presence (especially in key sectors that provide inputs to the overall private sector) may constrain the competitive forces needed for a dynamic private sector growth.

2. Economic Context



2.1 . Macroeconomic Context and Outlook for Strategy Period

Egypt - Main macroeconomic indicators²

	2017	2018	2019	2020	2021
GDP growth (% y-o-y)	4.1	5.3	5.6	3.6	3.3
CPI inflation (% avg.)	23.5	20.9	13.9	5.7	4.5
Government balance (% GDP)	-10.9	-9.7	-8.1	-8.0	-7.4
Current account balance (% GDP)	-6.1	-2.4	-3.6	-3.1	-4.6
Net FDI (% of GDP) ¹	-3.3	-3.0	-2.6	-2.0	-1.3
External debt (% GDP)	33.4	37.0	36.0	34.0	34.2
Gross reserves (% GDP)	13.0	17.4	14.5	10.2	10.0
General gov't gross debt (% GDP)	103.0	92.4	83.7	87.9	90.6
Unemployment (% labour force)	11.3	8.9	8.0	9.6	7.3
Nominal GDP (\$bn)	236.5	250.3	302.3	363.2	396.3

- In the context of the global pandemic and national lockdown measures, the Egyptian economy turned out relatively resilient, with slower but positive GDP growth in fiscal years (FY) 2019-20 and 2020-21 of 3.6% and 3.3%, respectively (making it one of a few with positive growth). Towards FY2021-22 the beginning of a gradual recovery can be seen.
- Unemployment rose to 9.6% in Q2 2020, reflecting the economic impact of COVID-19 on labour-intensive sectors such as tourism, before declining to 7.5% in Q3 2021.
- Inflation slowed to 4.5% in FY2020-21, reflecting a decrease in food prices and slower increases in transportation, housing and utilities prices.
- The CBE supported the economy with policy rate cuts of 300 basis points in March 2020 and another 50 basis points in September and November 2020, leaving it near its historical low. The resulting high real interest rate has helped attract portfolio flows and stabilise foreign exchange reserves.
- The budget deficit declined to 7.4% of GDP in FY2020-21 as revenues increased, driven by an improvement in tax collection (new electronic systems), although expenditures increased (interest payments). A primary surplus of 1.4% of GDP was achieved.
- Public debt increased from 87.9% to 90.6% of GDP, highlighting the need for fiscal discipline in the coming years.
- The current account deficit widened to 4.6% of GDP in FY2020-21 as tourism revenues continued to underperform, imports increased and exports remained stagnant. Moreover, FDI inflows declined. International reserves increased to US\$ 40.9 billion in December 2021 (covering over 7 months of imports).
- Risks to the outlook include the slow pace of vaccination, weakness in the tourism sector worldwide, and a slowdown in implementing mega projects as well as vulnerability to external shocks given the high debt and financing needs.

¹ Negative FDI figures represent inflows.

² National estimates (for fiscal years).

2. Economic Context

2.2 . Key Transition Challenges*



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Resilient (5.35)

- The banking sector is relatively large and stable, and has remained so throughout the pandemic. There were 38 banks in Egypt as of end-2019 with assets of roughly US\$ 368 billion (around 100% of GDP) – although these are concentrated in large state-owned banks.
- Banks generally perform well in terms of **capitalisation and profitability**, characterised by resilient asset quality. (NPLs stabilised at 3.6%, with strong provision coverage).
- Overall credit to the private sector is low. Access to finance for entrepreneurs, households and SMEs has grown significantly but remains low.
- Relative to the banking sector, **NBFIs and capital markets remain underdeveloped** in their reach to the private sector and have significant potential for growth in Egypt.
- The energy sector has significantly boosted its resilience in recent years. However, transition to a truly open and resilient energy market is still hampered by a combination of design issues and practical implementation.

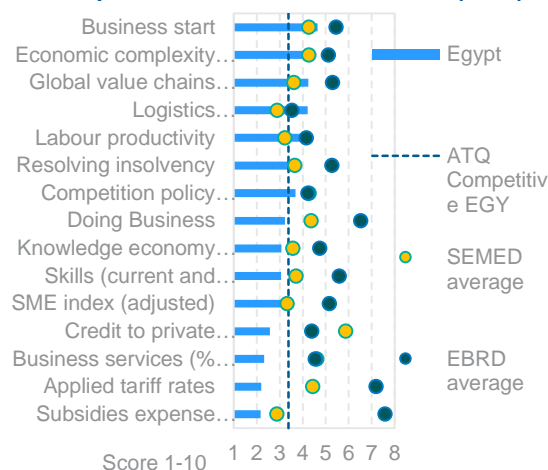
Financial Soundness Indicators, in%

	2019	2020	2021
NPL/total loans	4.2	4.0	3.5
Capital Adequacy Ratio (CAR)	17.7	20.1	19.0
Credit to the private sector (% of GDP)	22.9	24.9	28.2
Market capitalisation of listed domestic companies (% of GDP)	14.6	11.3	...

Competitive (3.41)

- Egypt benefits from its strategic position, large domestic market and significant recent reforms to the business environment.
- Still, the **investment climate** is characterised by regulations and conditions that weigh down private sector enterprises compared to peers (notably for SMEs)¹, incl. paying taxes, getting credit and knowledge and skills mismatches.
- Barriers to trade (tariffs, customs procedures) **limit openness** to international markets.
- A level playing for the private sector would need a more balanced role of the **state in the economy** and stronger **competition institutions** (law, institutions and its enforcement), all areas where Egypt lags behind its peers.

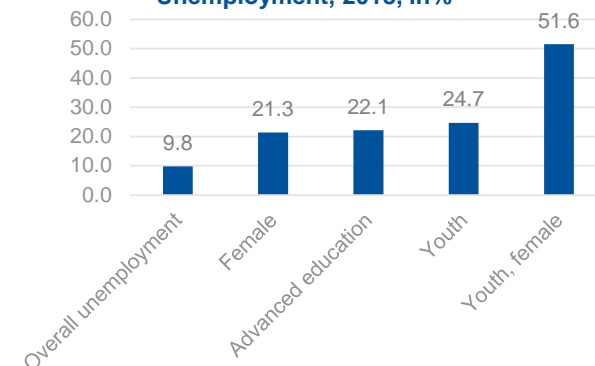
Competitive ATQ indicators' scores (2018)



Inclusive (3.56)

- Gender inclusion:** Egypt's performance in gender equality (parenthood, mobility and assets) lags behind its peers. Female labour force participation remains low at 21.9% (16.7% in Q2 2021), versus 70.9% for men. Women's financial inclusion and access to finance is limited, below the regional average.
- Youth inclusion:** Young people's access to employment and finance is among the lowest in the EBRD region. Recent reforms to address skills mismatches, strengthen vocational and higher education and the role of employers in setting curricula should continue to improve the performance of Egyptian students on harmonised tests.
- Regional inclusion:** Egypt's rural population, notably in Upper Egypt, have less access to services, such as health care, and to finance than those living in urban areas.

Unemployment, 2018, in%



* ATQ scores as calculated in EBRD's Transition Report 2021.

¹ The authorities passed a long awaited SME law in August 2020 providing preferential treatment, tax exemptions and special support measures. The benefits have yet to materialise on the ground.

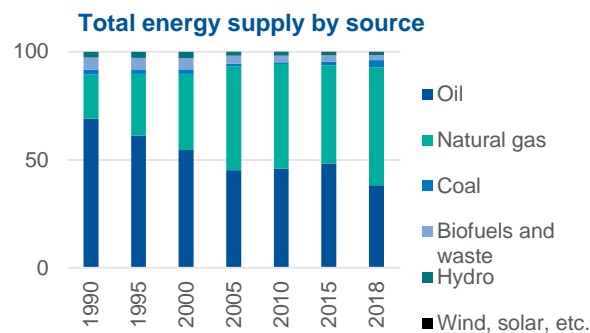
2. Economic Context

2.2 . Key Transition Challenges



Green (4.40)

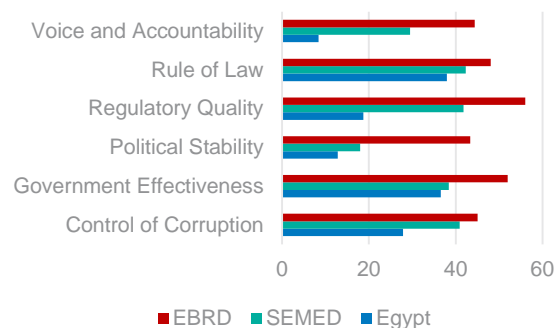
- The country is firmly committed to greener and more sustainable growth, as reflected in key reforms and public investments (e.g., green bond, solar, desalination).
- The Integrated Sustainable Energy Strategy to 2035 sets **renewable energy targets** of 20% of the electricity mix by 2022 and 42% by 2035.
- However, Egypt does not currently set objectives for **GHG emissions reductions in its NDC** (to be updated in 2021), while climate projections suggest significant risks.
- Emissions** are high (e.g., transport, buildings) and Cairo residents are exposed to **air pollution**. On average, residents breathe in air suffused with 14.2 times the safe level of PM10. The **waste management sector** is underdeveloped.
- Egypt is one of the three most **water stressed** countries in the EBRD region, with dwindling groundwater reserves and a strong dependence on rain-fed agriculture.



Well-Governed (5.25)

- Despite notable improvements and reforms in **governance and structural policies** (recent IMF programme), the overall quality of national governance (protecting investors, expenditure transparency, digitalisation of public services) has to further improve to meet the country's growth aspirations (see figure below).
- Survey data¹ suggests that **corruption** is still perceived as a problem in public and private institutions, and is the third most problematic obstacle for doing business.
- Public sector capacity and commitment to business friendly **regulations** and **transparency** remains critical to investor confidence, but domestic or external circumstances could impact its pace.
- As per the graph below, Egypt still lags behind its regional peers on a number of economic governance metrics.

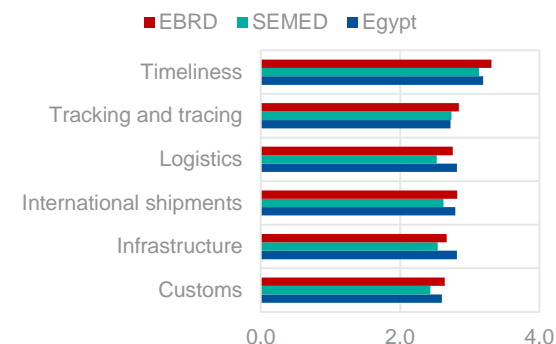
Worldwide Governance Indicators 2019



Integrated (4.75)

- Trade environment:** Exports and imports of goods and services as a share of GDP have been rising since 2016.
- Domestic transport:** Egypt has strong transport infrastructure (14th for road connectivity among EBRD countries) but domestic logistics performance is low. The proportion of products lost to breakage or spoilage during shipping is the 2nd highest among EBRD countries.
- Egypt has seen significant (although volatile) FDI inflows,² but **openness to FDI** (as per the OECD's restrictiveness index) is below the regional and EBRD average. However, portfolio inflows as a share of GDP are the 4th highest amongst all EBRD countries.
- Cross-border integration:** The cost of trading across borders is higher than the regional and EBRD average.

Logistics Performance Index 2018



¹ WEF Global Competitiveness Index, 2020.

² UNCTAD, World Investment Report 2021

3. Government Priorities and Stakeholder Engagement

3.1. Government Reform Priorities

The Government of Egypt has set out a number of ambitious reforms to revitalise the economy building on its successful IMF-supported programme, including as part of Egypt Vision 2030, as well as the Presidential Initiative, Hayah Kareema¹. After months of consultations with relevant stakeholders, Egypt also launched the National Strategy for Human Rights in September 2021. These steps will be all the more crucial in the wake of COVID-19:

- **Digitalised economy and public services:** including developing ICT infrastructure; fostering digital inclusion; transitioning to a knowledge-based economy; and building capacities and encouraging innovation.
- **Integrated sustainable energy:** ensuring continuous, diversified energy supply and facilitating increased development and integration of renewables across sectors.
- **Knowledge, innovation and scientific research:** promoting creative and innovative scientific, technological and knowledge based solutions.
- **Education and training:** creating a high quality education and training system available to all, without discrimination, within an efficient, just, sustainable and flexible institutional framework as mentioned in the Egypt Human Development Report 2021.
- **Transparency and efficiency of governmental institutions** to ensure effective public administration and management of state resources.
- **Water Resource Development and Management** to achieve water security through sustainable management of water resources, including developing new sources, rationalising consumption and optimising use, improving water quality, and creating an enabling environment for integrated management of water resources.
- **Increase competitiveness** by creating a diversified market economy capable of achieving sustainable and inclusive development.
- **Sustainable agriculture, industry and services:** implementing reforms in the agriculture sector to promote sustainability and localised industry and improve competitiveness in manufacturing, tourism and hospitality.
- **Support MSMEs:** increasing access to finance (SME Strategy) and digital services in addition to business consultation services.

3.2. EBRD Reform Areas Broadly Agreed with Authorities

- Enhanced economic inclusion for women, youth and underserved regions through greater access to finance, skills development and essential services
- Further expansion of the private renewable energy market and support for low carbon pathways and implementation of climate change mitigation and adaptation measures across the economy
- Support for PPPs and other commercial solutions to develop sustainable infrastructure as well as focused engagement to promote greener urban development
- Expansion of the private sector to new markets, with an emphasis on increased exports and value chain integration, as well as development of a supportive ecosystem for innovation
- Strengthened capital markets infrastructure and governance
- Digitalisation across sectors, including as a means of increasing regional inclusion and the efficiency and transparency of public services

3.3. Key Messages from Civil Society to EBRD

- 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 mobilise its policy tools for inclusive growth, such as to address the role 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 about 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.

¹ Hayah Kareema encompasses a variety of measures to enhance financial inclusion, green economy and social development for women and youth.

4. Defining EBRD Egypt Country Strategy Priorities



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What needs to change ? (Country Diagnostic)	Can it be changed ? (Political Economy)	What can the Bank do ? (Institutional Capabilities)	Strategic Priorities (2022-2027)	What We Want to see (Key Objectives)
<ul style="list-style-type: none"> Financial inclusion limited for businesses and households Significant gender gaps stemming from social, cultural and legal barriers, amplified by COVID-19 Female labour force participation (22%) strikingly low Acute demographic challenges, with youth unemployment persistently high and large skills mismatches High informality, a drag on growth Regional disparities in access to finance and services persist 	<ul style="list-style-type: none"> Inclusion, a top Government priority, e.g., CBE financial inclusion strategy Government exploring ways to upgrade TVET provision, incl. clusters and technological universities Opportunities to harness digital transformation to modernise the financial system, increase equality and tackle informality Gov't investments in TMT infra to accommodate digital development Efforts to promote gender equality in access to infrastructure and services 	<ul style="list-style-type: none"> Effective instruments to support SMEs, incl. dedicated credit lines EBRD can promote greater financial inclusion, incl. via tailored support for underserved segments (WiB/YiB, regional ASB) and digital solutions Wide range of products to encourage lending to broader segments Track record of supporting TVET reform and private-led skills development, incl. digital solutions Ability to leverage investment/ advisory portfolio outside Cairo 	<p><i>Promoting a more inclusive economy for Egyptian businesses, women and youth</i></p>	<ul style="list-style-type: none"> Increased access to finance and entrepreneurship Increased access to skills development Increased access to services and economic opportunities
<ul style="list-style-type: none"> Electricity reliant mainly on natural gas, with demand to double by 2030 High GHG emission levels and energy and carbon intensity across sectors, with associated air pollution Quality/sustainability of municipal infra is insufficient to meet growing demand & environmental pressures Chronic water scarcity exacerbated by network losses and outdated irrigation methods High vulnerability to climate change and lack of risk management 	<ul style="list-style-type: none"> Government renewable energy targets under 2035 Integrated Sustainable Energy Strategy Recent completion of Benban – Africa's largest solar park – shows sector's potential, including exports RE segment growing rapidly, with increasing private interest in wind 2050 Water Strategy recognises need for sustainable water infra Ambitious Green Growth Strategy and COP27 an opportunity to add quantitative targets to Egypt's NDC 	<ul style="list-style-type: none"> Recently launched GET 2.1 strategy Strong track record of advancing renewable energy projects in Egypt and developing low carbon pathways Considerable experience developing sustainable infrastructure and innovative green financial solutions EBRD can develop GCAPs for climate resilient and inclusive cities Institutional and financial support for resource efficiency and climate resilience via dedicated GET products (e.g., GEFF, VCCP, GVC) 	<p><i>Accelerating Egypt's Green Economy Transition</i></p>	<ul style="list-style-type: none"> Increased renewable energy capacity and a more diversified energy mix Improved quality, efficiency and environmental sustainability of infrastructure Increased energy and resource efficiency and climate resilience
<ul style="list-style-type: none"> Potential to strengthen productivity and outward orientation (e.g., GVCs) Digitalisation and technology potential remain underutilised Concentrated banking sector and limited capital markets constrain access to finance Role of the state and presence of SOEs in key sectors may give rise to distortions and misallocation Despite reforms, investors still face uncertainty; public and enterprise governance can be improved 	<ul style="list-style-type: none"> Opportunity for Government to pivot from COVID-19 stabilisation and build on successful IMF programme Egypt Vision 2030 and Government Action Program 2023-2027 to re-orient economic growth around sustainable development principles Government committed to expanding private sector, incl. potential PPPs Recent efforts to improve economic governance (e.g., ERRADA, inv. law) Digitalisation can increase efficiency and transparency of gov't services 	<ul style="list-style-type: none"> Well tailored products to support firms (e.g., value chains, exports, innovation), incl. advisory to improve corporate governance and standards Specialised experience in developing capital markets and expanding financial product range Strong track record of supporting improved corporate governance in SOEs and greater PSP, incl. PPPs Focused policy engagement to strengthen the business climate, e.g. support to Competition Authority 	<p><i>Enhancing Egypt's competitiveness by supporting private sector growth and strengthening governance</i></p>	<ul style="list-style-type: none"> A more expansive, competitive and resilient private sector post-COVID-19 Deepened and more diversified financial sector and products Increased private sector participation Improved governance and business environment

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5. Activities and Results Framework



Priority 1: Promoting a more inclusive economy for Egyptian businesses, women and youth

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased access to finance and entrepreneurship	<ul style="list-style-type: none"> Further expand the Bank's Women and Youth in Business programmes, along with related business advisory services, and look to leverage policy engagement to create a supportive ecosystem In coordination with relevant national agencies (e.g., MSMEDA), support small business' access to finance through dedicated SME credit lines and promote entrepreneurship through specialised advisory (e.g., start-up support and increased digitalisation), including in underserved regions as part of further expansion of ASB activities beyond Cairo and Alexandria and pilot efforts to support more inclusive regions Look to expand access to alternative sources of finance by supporting non-bank financial intermediaries (e.g. microfinance, leasing and factoring) as well as through necessary legal and regulatory support Promote greater financial inclusion by advancing fintech and other digital solutions, assisting the FRA in developing relevant legal frameworks (e.g., e-payments, crowdfunding), providing policy support to the CBE's financial inclusion strategy and promoting the use of sex-disaggregated data to close gender gaps in lending 	<ul style="list-style-type: none"> Total volume/number of loans disbursed for women-led SMEs and/or outside Cairo and Alexandria Legal, institutional and/or regulatory improvements to the non-banking sector
Increased access to skills development	<ul style="list-style-type: none"> Enhance human capital through TVET and higher education reform, including by expanding sector skills councils to improve market relevance of training/education and develop occupational standards in employment-rich sectors Help clients develop and implement quality gender responsive training and dual learning programmes, including through mapping medium to long term skills needs and the Bank's Skills in Business programme Continue to promote equal opportunity policies and practices to further improve access to formal employment for underserved groups (e.g., women, people with disabilities), with a focus on leveraging digital applications Explore options to further support access to quality education and training (including through Edtech, PPPs, direct investments and/or advisory services) with a focus on strengthening green and digital skills 	<ul style="list-style-type: none"> Employment opportunities increased as a result of EBRD-supported activities Number of clients introducing inclusive and gender-responsive policies and practices
Increased access to services and economic opportunities	<ul style="list-style-type: none"> Continue to deepen the Bank's engagement in support of gender and climate responsive energy, transport and municipal infrastructure services, including to combat gender-based violence and harassment Support greater access to and greener modes of information and communication technologies, including to underserved populations, by exploring options to develop fixed and mobile broadband infrastructure Alongside national programs for rural development (e.g., Hayah Kareema), explore opportunities to further support more inclusive regions through investments in labour intensive sectors outside Cairo and Alexandria as well as in select infrastructure projects (including, potentially, social infrastructure) to strengthen local access to private and public services and enhance economic opportunities Support the adoption of electronic platforms for public procurement in line with best practices, and promote inclusive procurement (SMEs, women and youth) Continue to develop specific policy initiatives with local partners to increase women's labour participation and empowerment, particularly in under represented sectors (e.g., technology and green economy) 	<ul style="list-style-type: none"> Number of individuals (women) with improved access to transport and municipal services (including water)



5. Activities and Results Framework



Priority 2: Accelerating Egypt's Green Economy Transition

Key Objectives	Activities	Tracking Indicators (Outcomes)
Increased renewable energy capacity and a more diversified energy mix	<ul style="list-style-type: none"> • Provide direct and intermediated financing to further expand and integrate private renewable energy projects (primarily solar and wind), including through investments to scale up the private to private market and develop renewables to decarbonise and electrify other sectors (e.g., green hydrogen, desalination) • Support the opening of the private to private renewables market and energy markets • Develop a decarbonisation plan for the electricity sector and introduce climate governance in electricity SOEs • As part of ongoing efforts to modernise and upgrade transmission and distribution networks to better absorb renewables, invest in digital (smart grids, smart meters) and storage (battery, pumped storage, CSP) and seek to further increase private sector participation by unbundling electricity SOEs • Continue to promote cleaner and more energy efficient generation to reduce emissions and air pollution and selectively support investments that foster green energy transition in line with Paris Agreement objectives 	<ul style="list-style-type: none"> • Total CO2e reduced (tonnes/year) • Total renewable electricity capacity installed (MW) • Total renewable energy - electricity produced (MWh/year)
Improved quality, efficiency and environmental sustainability of infrastructure	<ul style="list-style-type: none"> • Support greener modes of transport (e.g. metro, rail) and decarbonisation through fleet renewal and cleaner fuels, including where feasible by accelerating the roll-out of electric vehicles and investing in charging infrastructure, as well as policy engagement to incentivise electric vehicle ownership • Support further upgrading, decarbonisation and adaptation of sustainable municipal infrastructure and services, e.g., water and wastewater, solid waste and district cooling, including via PPPs and private to private investments • Explore opportunities to further improve water quality and efficiency to manage security and address scarcity, including potential investments in desalination plants and modern/smart irrigation systems and to upgrade distribution networks to reduce leaks, as well as policy advisory to help determine a sustainable tariff policy • Building on initial efforts in Cairo, Alexandria and 6th of October City, continue activities under the Green Cities Framework (including investment, capacity building and policy dialogue) to promote smarter, more sustainable and inclusive urban development that helps cities address environmental challenges (e.g. air pollution) 	<ul style="list-style-type: none"> • Total water saved (m3/year) • Total solid waste reduced, recovered or recycled (tonnes/yr) • Legal, institutional and/or regulatory improvements supporting the water sector
Increased energy and resource efficiency and climate resilience	<ul style="list-style-type: none"> • Further scale up green intermediated financing (e.g. GEFF, GVC) through energy and resource efficiency credit lines with partner FIs, with a focus on buildings/households, SMEs and green value chains • Support other green economy investments and related advisory in the private sector to improve energy and resource efficiency, including as part of the ASB and the VCCP programmes • Provide financial and advisory support to promote and develop environmentally sustainable and climate resilient practices in the ICA and FI sectors, including developing financial sustainability guidelines, as well as development of low carbon and climate resilient pathways in energy-intensive sectors • Promote further development of the circular economy and critical raw materials by working with the Ministry of Environment to introduce policies and measures for waste management, recycling and reuse of resources • Provide technical and financial support to assist Egypt's efforts at climate change mitigation and adaptation, including to enhance its Nationally Determined Contribution to the Paris Agreement and implement low-carbon and climate resilient pathways across the economy, including industry, energy, transport and agriculture 	<ul style="list-style-type: none"> • Total number/volume of loans disbursed by PFIs for EE/RE investments • Legal, institutional and/or regulatory improvements supporting climate resilience



5. Activities and Results Framework



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Priority 3: Enhancing Egypt's competitiveness by supporting private sector growth and strengthening governance

Key Objectives	Activities	Tracking Indicators (Outcomes)
A more expansive, competitive and resilient private sector post-COVID-19	<ul style="list-style-type: none"> Provide direct and indirect finance to corporates and SMEs in the manufacturing, agribusiness and TMT sectors (including in growth areas such as pharmaceuticals), with a focus on increasing export sophistication, fortifying value chains and strengthening industrialisation, alongside advisory to improve corporate governance (including climate-related), operational efficiency and business standards (e.g., certification) Support expansion of the private sector to new markets (e.g., sub-Saharan Africa), including via scaled up trade finance and modern, efficient and climate resilient logistics (e.g. ports, warehouses and industrial zones) Support adoption of innovative practices and technologies by Egyptian companies, accelerators and start-ups through direct investment/VC funds, coupled with advisory via ASB and the Star Venture programme Foster resilience in the tourism sector post-COVID-19 via targeted investments, training and capacity building 	<ul style="list-style-type: none"> Total volume/number of loans disbursed by PFIs for SMEs Volume of TFP transactions extended by PFIs
Deepened and more diversified financial sector and products	<ul style="list-style-type: none"> Continue to deepen capital markets by expanding products and introducing more sophisticated instruments (e.g., derivatives, guarantees, commercial paper and Islamic finance) and developing local currency finance Further develop dedicated green financial instruments and seek opportunities to support green bonds and innovative, structured products with banks (e.g., G4G), including state-owned where critical for scale/outreach Deepen engagement with the EGX's SME Platform Exchange as an alternative source of funds for SMEs Support development of the equity market, including investments in local and regional private equity, venture capital funds and REITs, and the domestic institutional investor base as a source of growth capital Policy engagement to enhance capital market infrastructure and governance, e.g., by developing a yield curve with CBE, implementing CONIA benchmarks, upgrading the depository system for government securities and establishing links to international trading platforms, and deepening the corporate bond market with the FRA 	<ul style="list-style-type: none"> Total volume of capital market transactions facilitated
Increased private sector participation	<ul style="list-style-type: none"> Continue to promote transparent privatisation and greater commercialisation, corporatisation and efficiency of public enterprises and state-owned assets, including policy engagement to strengthen corporate governance, climate resilience and transparency of SOEs in line with the Government's 'Reforms 2.0' programme Look to facilitate greater private sector mobilisation and participation in sustainable infrastructure and services, notably via PPPs, with a focus on green logistics, transport, circular economy and desalination, leveraging IPPF Continue to support transparent public procurement, incl. through digital applications, and capacity building 	<ul style="list-style-type: none"> Total number of PPPs or concessions implemented
Improved governance and business environment	<ul style="list-style-type: none"> Support structural reforms to attract FDI across sectors as a source of skills, technology and standards, including: <ul style="list-style-type: none"> general measures to improve the business environment, facilitate public-private dialogue and strengthen the innovation ecosystem in co-ordination with other IFI/DFIs; legal and technical assistance to promote competition and level the playing field, including potential support to the Egyptian Competition Authority (ECA); and Development of a governance programme and One Stop Shop for the Suez Canal Economic Zone Authority Support digitalisation in the public and private sectors and other e-governance initiatives 	<ul style="list-style-type: none"> Legal, institutional and/or regulatory improvements to governance or the business environment



6. Mapping of International Partners' Complementarity in EBRD Business Areas



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EBRD BUSINESS AREAS														
		Sectors								Cross-cutting Themes				
		Industry, Commerce & Agribusiness				Sustainable Infrastructure		Financial Institutions		Strategic Initiatives				
Indicative average annual investments/grants (€m, 2017-2021)		Agribusiness	Manufacturing & Services	Property & Tourism	TMT	Natural resources	Energy	Infrastructure	Banking	Non-Bank Financial Institutions	Green Economy	Inclusion & Gender	Local Currency & Capital Markets	Small Business
EIB	1100		€				€	€			€	€		€
World Bank	1026	€P		€P			€P	€P		P	€P	€P	P	€P
EU	511	€	€P				€P	€P			€	€		€
AfDB	228						€P	€P			€P			€P
IFC	180	€	P			€	€P	€			€	€	€P	P
AIIB	130						€	€			€			
USAID	130	€P	€P	€P		€P	€P					€P		€P
AFD	84	€P					€P	€			€P	€P		€
UNDP	55				€P		€				€P	€P		
EBRD (future)		€P	€P	€	€	€	€P	€	€P	€P	€	€	€P	€P

€ Area of significant investments ● Focus mostly on private sector
 P Area of significant policy engagement ○ Focus mostly on public sector

Potential Areas of Cooperation



Competitive

- Cooperation with the EU to advance digital technologies for SMEs
- Work with the World Bank and other IFIs to enhance the investment climate
- Further cooperate with IFC to strengthen agricultural companies' competitiveness and help them integrate into GVCs



Green

- Continue co-finance green projects with EIB and AFD to support climate mitigation and adaptation solutions, using the GCF
- Work with the EU and KfW to further introduce green technologies



Integrated

- Cooperation with the EU and EIB on infrastructure and energy investments
- Collaboration with the EU to support trade and closer economic integration under the DCFTA



Resilient

- Work with the EU, EIB (as part of Team Europe) and IFC on post COVID-19 recovery



Inclusive

- Further collaborate with the EU and IFC on addressing gender based violence and harassment

Note: IFI mapping based on publicly available data (excluding budget support), with significant IFI investment defined as exceeding 5% of investments signed between 2017-2021. .

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7. Implementation Risks and Environmental and Social Implications



Risks to the Strategy Implementation	Probability	Effect	Environmental and Social Implications
<ul style="list-style-type: none"> A prolonged COVID-19 crisis could undermine macroeconomic stability, as disruptions to global value chains, weaker demand from trading partners and sustained downturn in the tourism industry could all delay the economic recovery and deter longer term investment 	●	●	<ul style="list-style-type: none"> Assessment and Management of E&S Impacts: Ensure that direct, indirect, cumulative and transboundary E&S impacts of projects are appropriately assessed and mitigated. TC support to regulators with E&S impact and strategic assessments may be needed, as well as to clients for implementing E&S management systems according to international standards. Labour and Working Conditions: Ensure that clients' labour practices comply with EBRD's PR2, particularly in respect of labour terms and conditions, contractor management and promotion of equal opportunities. The Bank will pay particular attention to preventing gender-based violence on projects through supporting clients in developing and implementing policies and mechanisms that address sexual exploitation, harassment and abuse. Resource Efficiency and Pollution Prevention and Control: Identify and develop waste and water resource efficiency projects and ensure alternatives are considered to identify investments that support circular economy and use of non-conventional water resources. Support transition to a low carbon and resource efficient economy (such as wind and solar energy), and strengthen resilience to climate change. Health and Safety: Aim to improve standards across all sectors. Construction and road and traffic safety are priority areas and engagement with clients and other key stakeholders may be required. TC funds to support these activities may be needed. Land Acquisition, Involuntary Resettlement and Economic Displacement: Ensure that any projects requiring acquisition of land comply with compensation and livelihood restoration requirements of the Bank, with special attention on informal land users and vulnerable groups. Biodiversity Conservation and Sustainable Management of Living Natural Resources: Support clients with assessments to ensure species and habitats of conservation importance are protected. Support in the identification of protected areas through TC funds may be required. Cultural Heritage: Work with clients to ensure appropriate assessment processes to identify and consult with key stakeholders to protect tangible and intangible cultural heritage. Financial Intermediaries: Ensure that FI partners have adequate E&S capacity and risk management procedures in place. Stakeholder Engagement: Support clients in developing and implementing stakeholder engagement plans to ensure meaningful public disclosure and consultation is carried out throughout the project lifecycle.
<ul style="list-style-type: none"> Political risk from regional instability could negatively impact economic reforms and exacerbate socio-economic pressures, hampering Egypt's ability to attract foreign investment 	●	●	
<ul style="list-style-type: none"> Insufficient structural support for an increased private sector role in the economy, especially in delivery of public infrastructure (e.g., PPPs) and privatisation of state-owned assets, will inhibit the Bank's ability to develop relevant projects 	●	●	
<ul style="list-style-type: none"> Weak administrative capacity, including from domestic developments, could affect project preparation and implementation, particularly for large-scale infrastructure projects 	●	●	
<ul style="list-style-type: none"> Challenge of forecasting energy demand to optimise planning and integrate more intermittent energy generation into the grid, namely solar 	●	●	
<ul style="list-style-type: none"> Vulnerability to climate change may negatively affect the Bank's ability to invest in private sector projects, including agribusiness 	●	●	
<ul style="list-style-type: none"> Limited progress on the business environment, which is of paramount importance to investor sentiment, could dampen investment flows 	●	●	

8. Donor Co-Financing Assessment

8.1. Needs Assessment for the New Country Strategy Period

Donor funding will be required to achieve the strategic objectives of the Country Strategy, including for:

- Legal and regulatory reforms to bolster the investment environment and capital market development, and enhance corporate governance in SOEs.
- Risk participation and capacity building advisory support to enable broader access to finance for underserved segments (women, youth, regional SMEs).
- Consultancy to promote work-based training and other skills-enhancing solutions, including digital.
- Institutional and financial support for resource efficiency and climate resilience via dedicated GET products (e.g., GEFF, VCCP, GVC).
- Concessional financing to increase renewable energy capacity and diversify the energy mix, and technical support to improve infrastructure quality and sustainability.

Selected Affordability Indicators

		EBRD regional percentile rank ¹
GDP per capita (PPP, current. \$) ²	12,283.8	22nd
ODA Country	Yes	N/A
ODA as share of Gross National Income (%) ³	0.6	20 th
ODA per capita (\$ - current prices) ³	17	24th

1. Simple percentile rank reported as the share of EBRD economies that are represented below Egypt.

2. Source: WDI (2019 or most recent year)

3. Source: OECD (2019)

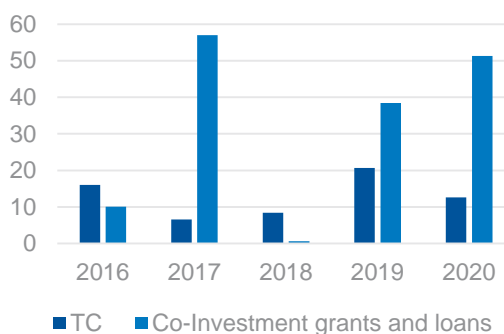
4. 2016-2020 TC data is based on earmarks at the project level. Co-investment grants and loans amounts are based on client signings.

5. Based on the primary Transition Quality of grants earmarked (for TC grants) or signed with clients (for co-investment grants and loans) over 2018-2020.

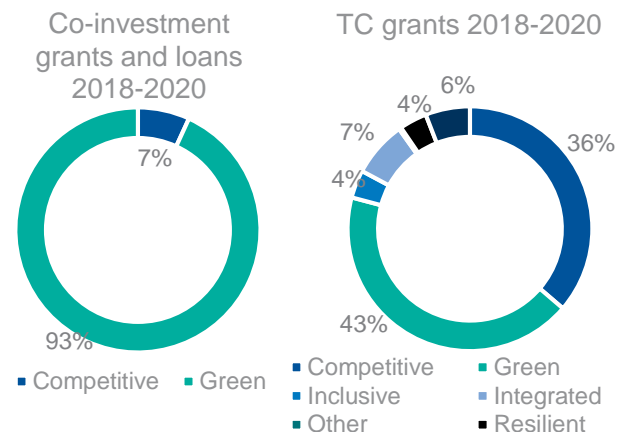
8.2. Potential Sources of Donor Funds

- The **SEMED Multi-Donor Account** will continue to provide vital support to small and medium sized enterprises in Egypt through the Advice for Small Businesses programme.
- Funding from **bilateral donors** will also continue to be pursued.
- Funding from the EU Multiannual Indicative Programme (MIP) for 2021-2027 will be channelled from the **NDICI – Global Europe instrument** via the **Neighbourhood Investment Platform (NIP)**, received bi-laterally from the **EU Delegation** and deployed via **EFSD+ unfunded guarantees**. It will enhance political and economic stability, promote energy sustainability, water and food security, bolster SMEs and support youth/ vulnerable groups.
- Funding in the form of concessional loans is available under the **Green Climate Fund (GCF)** Renewable Energy Financing Framework, the **Global Environment Facility (GEF)** funded green logistics and renewable energy programmes, and **Clean Technology Fund (CTF)** programmes for renewable energy, energy efficiency and sustainable transport.
- Funding for further GET 2.1 priorities may be available under **the High Impact Partnership on Climate Action Fund**.
- The **EBRD Shareholder Special Fund** can also serve as a vital complementary source of funding by helping bridge gaps between unmet needs and available support from donors.

Donor finance during last strategy (€m)⁴



Grant Funding Needs⁵



Annexes



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Annex 1 – Political Assessment in the Context of Article 1

Egypt's commitment to and application of the political principles stated in Article 1 of the Agreement Establishing the Bank has been marked by concerns of relevant international organisations. Positive steps in selected legislative and policy areas were recognised and further implementation encouraged.

Free Elections and Representative Government

Free, fair and competitive elections

The Constitution and legal framework provide Egyptian citizens with the right to free elections.

In 2020 Egypt undertook elections for the Lower House of Parliament, as well as for the reintroduced Upper House after it was abolished in the political transition process that culminated in the 2014 Constitution.

The election of the Lower House took place over six weeks from October to December 2020. Several coalitions contested the elections, the biggest of which was the National Unified Coalition, which comprised among other parties, the Nation's Future Party and the Republican People Party, and that won over 60 per cent of the house's seats. The official turn out ratio was 28.8 per cent of registered voters. Thirteen parties entered the lower House, most of which are strong supporters of the executive.

Different groups boycotted the elections, alleging lack of fair competition. Some candidates alleged irregularities as well as paying voters for their votes, and filed complaints to the National Election Authority, comprised of judges, which supervised the election and referenda.

The Upper House, which was re-established after a referendum in 2019, is composed of 300 members, a third of them appointed by the President. 796 candidates, independents and belonging to party lists, ran for the 200 seats open for competition. A number of political parties boycotted the election. Among the 100 members appointed by the President are 19 former military and police officers, 12 political parties' members, six members of leading professional and labour syndicates, two former judges, in addition to six of the country's leading artists¹.

Several relevant domestic and international interlocutors charged that the authorities exerted influence on the composition of party lists. The elections were undertaken under state of emergency² and during the COVID pandemic. In both elections, the National Election Authority launched awareness-raising campaigns to encourage turn out, and emphasised that boycotting the election could carry a monetary fine.

Separation of powers and checks and balances

Egypt has a presidential system of government, in which the President nominates the Prime Minister who forms the Government. The 2014 Constitution emphasises the separation of powers, with significantly broadened prerogatives to the Parliament. Parliament is bicameral, in which the Lower House, the legislature, grants confidence to the Government. If the Parliament votes against the Government, the President has to mandate the party with the largest number of seats in Parliament to select a Prime Minister, who would have to secure approval for the Government within thirty days. Failing that, new legislative election should take place. The Constitution restricts the President's right to dismiss

¹ *Ahram Online, 18 October 2020. "List of 100 senators appointed to Parliament Upper House published in official gazette."*

² *The state of emergency started in April 2017 and ended in October 2021.*

Annex 1 – Political Assessment in the Context of Article 1

Parliament by requiring a public referendum on such a proposal. The Parliament has the right to remove and/or prosecute the President, as well as withdraw confidence from the President and call for a referendum on early presidential elections, if they attain a two-thirds majority in the Lower House.

In April 2019, a majority in the Lower House of Parliament approved amendments to the 2014 Constitution, which were later ratified in a national referendum in the same year. The amendments extend the presidential term from four to six years, and allow the incumbent President to contest one additional presidential election. As such, the amendments allow the incumbent President to re-run for one presidential election after the current term expires in 2024.

The amendments also stipulate that the Armed Forces have the responsibility of “safeguarding the Constitution and democracy, maintaining the foundations of the state and its civilian nature, the gains of the people, and the rights and freedoms of the people.”

The Constitution asserts Parliament’s supervision over Government. In addition to parliamentary inquiries and demands for hearings from ministers, the Constitution mandates that state budget must be approved on an itemised basis by Parliament, without exception. The Parliament does vote on each budget chapter, including the budget of the Ministry of Defence, and not only on the budget in its entirety as was the case prior to the latest Constitution.

The Upper House of parliament has no legislative mandate, but has traditionally acted as a consultative body.

Effective power to govern of elected officials

The Constitution vests the power to govern with elected bodies in the executive and the legislative, checked by the judiciary. Elected officials have the power to govern, not withstanding the President’s prerogative to dismiss all high officials.

The Constitution designates the President as the Supreme Commander of the Armed Forces, yet mandates that any military operation receives parliamentary approbation with a two-thirds majority. In the absence of the Lower House of Parliament, the President must obtain the approval of the Government and the National Defence Council, half of whose members are the most senior offices of the Armed Forces. The 2014 Constitution reserved for the Supreme Council of the Armed Forces the right to approve the President’s choice for the position of defence minister. The Egyptian Government maintained that the rationale behind reserving this right for the Supreme Council of the Armed Forces is anchored in its constitutional role as the guardian of the secular nature of the State.

Civil Society, Media and Participation

Scale and independence of civil society

Egypt has a sizeable and active civil society. Over 57,000 NGOs operate in the country, active in addressing problems in education, healthcare, access to services, among other social concerns. Civil society plays a prominent role in cultural activities, and increasingly many operate in

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environmental domains, including resources and waste management, nature protection, and others. Egyptian labour unions and professional syndicates have for decades been prominent civil society actors with strong contributions to the political and socio-economic agendas. The elections of their leaderships receive major public attention.

The civil society landscape in Egypt includes international participants as well. Some international NGOs have been operating in the country in various developmental areas for decades. And there have been recent examples, such as in urban development – a strategic priority for the State in the past few years – in which local and international collaboration was noted³.

The Constitution establishes the independence of several national councils, for example the National Council of Human Rights (the national human rights institution), the National Council for Childhood and Motherhood, and the National Council for Disabilities Affairs. It empowers them with the prerogative to report on violations pertaining to their respective mandates to the Public Prosecutor and to join alleged human right violations victims in legal claims for redress.

However, several relevant international reference points have raised major concerns about the legal framework (particularly the 2017 NGOs Law) as well as the environment in which CSOs operate in the country. Indeed, the United Nations High Commissioner for Human Rights expressed concerns about that law and considered it “tightening the noose” round NGOs⁴. Also the EU Spokesperson considered it “a burden and a restriction on the space of debate”⁵.

In 2019, after consultations with domestic and international stakeholders, the Ministry of Social Solidarity proposed a new law which was approved by the House of Representatives and was later ratified by the President. The Government issued the bylaws for its implementation in January 2021. Relative to the previous law, the new one introduces many facilitations in setting up and operating CSOs. It also abolishes the regulatory agency on the work of foreign NGOs, as well as abolishes many penalties included in the previous one. The law establishes a process through which organisations in the civil society can notify about receipt of funds, and deems the funding approved if the recipients does not receive a response within 60 days. The law also abolishes deprivation of liberty (jail-time) unless a crime punishable by the penal law is committed, and so violations of the new law are punishable by fines only. And importantly, the law designates the Ministry of Social Solidarity, and not any security service, as the sole regulator for NGOs.

However many relevant local and international interlocutors stated that the new law does not meet their expectations. Criticisms included that multiple provisions in the law define the purpose of NGOs narrowly, primarily for “societal development”; that the law retains many operational restrictions such as the inability to open bank accounts unless the Ministry of Social Solidarity communicates first with the relevant bank; that foreign entities must receive the approval of the Government before being able to engage in activities in the country; that there remain prohibitions on activities that breach vaguely worded notions such as “public order and morals”; and that some of the accusations previously made against workers in NGOs in the country were based on the Counter-Terrorism Law. The Egyptian government considers that the wording of the law is consistent with Article 22 of the International Covenant on Civil and Political Rights and that claims to the contrary are misinterpretations.

³ EC. Commission Implementation Decision 18.12.2020. On the Annual Action Programme for 2020 in Favour of Egypt. Annex III. P.13.

⁴ Statement of the UN High Commissioner for Human Rights on 1 June 2017.

⁵ Statement by the Spokesperson for the European External Action Service. 31 May 2017.

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A number of organisations deemed the environment too difficult to be able to continue to operate in Egypt. The EU has noted that the environment in the past decade “has not been conducive to the development of an open society”⁶. Before the issuance of the 2019 law, the EU noted that many organisations continued to register as companies to circumvent the difficulties to operate under the then existing law.

In 2018, all defendants in one of the most prominent NGO legal cases in the country (Case number-173) were acquitted. In that case, over 40 workers in foreign NGOs were accused of operating illegally in the country and receiving foreign funding. However, the case remains open against several domestic NGO workers. There have also been several legal questionings by judicial orders of workers in CSOs, that the Egyptian Government inform have not been registered, with tens were subjected to asset freezes and travel-bans. There are currently court cases in which the remaining defendants challenge the bans and freezes.

Concerns with regard to the environment for CSOs persist. In November 2020, following the arrest of three activists, the spokesperson for the United Nations High Commissioner for Human Rights and a number of relevant NGOs and interlocutors issued statements emphasising strong concerns about developments concerning the civil society in the country⁷. The Egyptian authorities maintained that the three, who were later released but the legal case continues, were working for an entity registering as a company and were arrested due to violations of laws different from the new NGO law, and stressed the country’s respect for the rule of law.

There have also been cases in which the judicial system ruled against the Government and in favour of approving significant foreign funding (of over USD1.5m) for CSOs that challenged the executive’s refusal of approving foreign funding.

Independent pluralistic media that operate without censorship

The Constitution provides that the press will be free and operate without censorship. It prohibits the executive from censoring, confiscating, suspending, or shutting down any media outlet. It also specifies that no jail time would be imposed as a result of published material. The Constitution also allows for the issuance of publications after only notification, as opposed to requiring governmental approval. And, it has also given several powers to the independent Supreme Council for the Regulation of the Media, which is composed of media professionals.

Egypt has a long tradition of diverse media. Over two hundred newspapers, magazines, and tv stations operate in the country, where a wide range of views on social, political, and economic issues are aired, and where the government is normally criticised.

However, limitations on media freedom persist. Several relevant organisations have raised concerns about vague wordings in relevant laws. For example the Press Law prohibits publishing and broadcasting “false news” without explicitly defining it. The Law incorporates social media accounts with more than 5000 followers as subject to its oversight. The Law also authorises the Supreme Council for the Regulation of the Media to block content that is deemed to violate “public order or morals”. The Law provides for the right to appeal before the Administrative Court. And the penal code and Counter-Terrorism Law have clauses that impose criminal liability for vague terms such as inciting violence and reporting that is deemed “threats to public order” or that are “intended to weaken financial confidence in the state” without giving precise definitions of such acts. There were cases in which journalists were arrested and were detained on pre-trial charges for extended periods, including on charges

⁶ EC. Commission Implementation Decision 18.12.2020. On the Annual Action Programme for 2020 in Favour of Egypt. Annex II. P.8 .

⁷ Statement by the Spokesperson for the UN High Commissioner for Human Rights. 20 November 2020.

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of “joining a terrorist organisation”. Several relevant domestic and international interlocutors report that the restrictions have contributed to a climate of self-censorship. In response the Egyptian authorities maintained that “no one is detained in the country for expressing their opinions or for publishing them and that the Penal Code and Counter-Terrorism Law and their implementation are in line with Egypt’s obligations under the relevant provisions of international law”⁸.

After consultations in which the Journalists Syndicate took a notable role, several laws were enacted which pertain that newspapers and media outlets could be established with notification only, that guarantees the anonymity of journalistic sources, and that deem censorship, confiscation and closure of newspapers impermissible.

Multiple channels of civic and political participation

In 2020 Egypt held elections for both the Lower and Upper Houses of Parliament. As stated above, the National Election Authority launched awareness-raising campaigns to stir up turn out, and emphasised that not casting vote in the election could entail a monetary fine.

Civil and political participation take other forms. Labour unions and professional syndicates actively participate in debates on key policies, and there have recently been significant participation in relevant legislative consultations. Student Union elections have a long history in Egypt of being major grounds for political and ideological debates on campuses.

A number of proposed laws with wide ranging effects, such as one on real estate taxes, were debated then rejected, and others were amended, by the Parliament, often as a result of public debates and campaigns that called for such changes in the proposed laws.

Freedom to form political parties and existence of organised opposition

The Constitution ensures the right to form political parties, and candidates can freely declare their candidacy and run for election. The Constitution allows that parties be established by notification without requiring the approval of the executive. It has made it unlawful to dissolve a political party except by way of a judicial ruling. The Law of Exercising Political Rights empowers the Elections Authority with supervising all aspects of elections, from setting dates, to the process of registration, to the decision of disqualifying candidates.

Reports of relevant domestic and international NGOs and interlocutors allege that political activists and opponents that challenge the Government face the potentiality of arrests. In its response, the Egyptian authorities maintain that all legal due processes were respected and stressed that no one is arrested except on charges of committing an act criminalised by the law and not linked to political views.

⁸ The Authorities specifically stated the International Covenant on Civil and Political Rights, relevant UN Security Council Resolutions, and the standards set out by the International Financial Task Force.

Rule of Law and Access to Justice

Supremacy of the Law

The Constitution defines Egypt as a state governed by the rule of law. It guarantees citizens right to free trial. The Constitution places limits on the powers of the executive in legal processes. The Constitution has also strengthened the powers of Parliament, as the legislature, in overseeing, questioning, and withholding confidence from the executive, whether the Government or the President.

However, Egypt was under state of emergency from April 2017 to October 2021. State of Emergency endows the executive with exceptionally wide powers, as well as allows the Public Prosecutor and the State Security Prosecution to refer cases to the Emergency State Security Courts. The Constitution states that the declaration of state of emergency must be presented to Parliament for approval, and the same for any extensions. The Egyptian Authorities reminded that the state of emergency was enacted in 2017 following terrorist attacks against churches and mosques which resulted in over 300 casualties.

The Constitution also allows for cases in which civilians are to be tried before military courts, when there are attacks on military personnel or buildings, or on installations or premises guarded by the military. The Egyptian Authorities maintain that this is consistent with the country's obligations under International Human Rights Law and that judges in military courts enjoy the same entitlements and immunities to safeguard their independence as those in non-military courts.

In the 2019 United National Universal Periodic Review before the UN Human Rights Council, several serious concerns were raised about legal due process in Egypt, and described some proceedings to be in violation of human rights. The Office of the High Commissioner for Human Rights has also stated that there were “significant cause for concern that fair trial guarantees might not have been followed” in some cases in the country⁹. In its response the Egyptian Government rejected these allegations affirming “its respect for the rule of law and that all due process guarantees are in place in line with international standards and are supervised by the independent judiciary”.¹⁰

The independence of the judiciary

The Constitution establishes the independence of the judiciary. It widened the self-governing powers from only the Supreme Constitutional Court to the Cassation and Appeals Courts. The Supreme Constitutional Court has exclusive jurisdiction over the constitutionality of all laws and regulations. The Constitution confirms that judges cannot be fired or dismissed except by the judiciary bodies themselves. And the authority of conducting investigations in the judiciary now resides at the Higher Judicial Council.

The 2017 Judicial Authorities Law endows the President with the right to choose the heads of key judicial bodies, including the Court of Cassation, the Administrative Prosecution Authority, and the State Council, from among three candidates presented to him by the Higher Judicial Council. This is different from the previous situation in which the President approved or rejected the single candidate put by the judiciary for each position.

⁹ Report of the Office of the United Nations High Commissioner for Human Rights to the Human Rights Council Working Group, concerning The Universal Periodic Review, 34th session compilation on Egypt. November 2019.

¹⁰ Response provided by the Egyptian Government at the Universal Periodic Review, 34th session compilation on Egypt. November 2019.

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The Egyptian Government maintains that this change aims to avoid a possible stagnation should the President reject the sole name proposed by one of these judicial bodies, hence the notion of presenting three candidates chosen by each body. The 2019 constitutional amendments designate the President the Chairman of the Supreme Council for Judicial Bodies and Entities.

Government and citizens equally subject to the law

The Constitution establishes equality before the law. However, relevant organisations including domestic and international reference points have raised concerns regarding proceedings under state of emergency, and strong reservations concerning the broad scope of the Terrorist Entities Law, in-which the definition of a terrorist entity includes any group “practicing or intending to advocate by any means to disturb public order or endanger the safety of the community and its interests or risk its security or harm national unity”. The Egyptian authorities emphasise that the definition of terrorist in the law “rests on the impact of harming individuals, terrifying them, putting their lives, freedoms, rights, or security at risk.” The Law tasked the prosecution with creating a list of the names of terrorist entities and a list of the names of people in or associated with terrorist entities. The lists are considered by the Court of Appeals, and any entity or individual listed on either can protest their inclusion to the Court of Cassation.

In 2018, legislation was adopted endowing the executive with the right to grant the highest ranking officers of the Armed Forces lifelong immunity for violations committed in the exercise of their functions during the period of the suspension of the constitution, unless authorised by the Supreme Council of the Armed Forces. These legislations came in the wake of several attacks on military personnel and assets and on civilian buildings in which hundreds were murdered.

The Egyptian National Council for Human Rights informed of over four hundred complaints it had received alleging enforced or involuntary disappearances. They have also reported that the Ministry of Interior and the Office of the Public Prosecutor invalidated more half of the received allegations as persons in custody or on trial¹¹. The Egyptian Government stated that “some of the reported names were found among dead terrorists in Syria or having been living abroad for years.”

Effective policies and institutions to prevent corruption

In the period since the last country strategy, Egypt implemented its first national strategy to combat corruption, which received significant praise in United Nations references. The second strategy, covering the period 2019-2022 has been launched. As a result, Egypt has undertaken notable steps to prevent corruption and abuse of power. The mandate of the Central Authority for Accounts has been strengthened, and Parliament exercised its constitutional power of reviewing and voting on the Authority’s annual reports. Also the mandate of the Administrative Control Authority was extended in terms of scope and powers. The Penal Code was amended to strengthen the process of investigating and punishing embezzlement of public funds or bribery. Also new sections were introduced in the Civil Service Act to strengthen professional conduct and impose stricter disciplinary proceedings in cases of abuse of public office. A number of state entities were placed directly under the supervision of the Office of the Prime Minister.

¹¹ Summary of the Stakeholders’ Submissions. Working Group on the Universal Periodic Review on Egypt. Report of the Office of the High Commissioner for Human Rights, United Nations, November 2019.

Several high profile cases of misuse of power and appropriation of state funds and corruption were brought on to the justice system. A number have resulted in convictions and custodial sentences. The Government is increasingly migrating state services, of different scales, including in the judicial system, to digital formats, which increase citizens' direct access to services and significantly tightens governance mechanisms. The Government has also launched several public awareness campaigns to strengthen efforts against corruption. Egypt has also submitted to different countries requests for repatriation of assets abroad, deemed illegal as per judicial cases.

However relevant international interlocutors have stated that there are challenges in the implementation of existing legislations, in private sector's involvement in decisions affecting the business environment, and in procurement processes. There were also concerns relating to enforcing contracts, compliance with international standards in cross border trading, and dealing with insolvencies. The World Bank "Doing Business 2020" ranked Egypt 114th among 190 countries – including ranking the country 166 in enforcing contracts, 171 in cross border trading, and 104 in dealing with insolvencies¹². The EBRD Diagnostics Report on Egypt put a score of 4.95 out of 10 corresponding to the "Well-Governed" transition quality.

Civil and Political Rights

Freedom of Speech, information, religion, conscience, movement, association, assembly and private property

The Constitution devotes an entire chapter specifying and codifying citizens' human rights. This includes rights that no previous Egyptian legal charter has ever enshrined, for example freedom of thought, opinion, expression, scientific research, and artistic creativity. The Constitution also binds the State to international human rights treaties and ratified covenants.

The Egyptian Authorities informed that a "Supreme Standing Committee on Human Rights has been established in 2018, which was tasked to draft a comprehensive human rights strategy after undertaking several rounds of consultations with Parliament and CSOs, and taking into account recommendations from national, regional, and international human rights instruments." The official implementation of the Strategy has begun in September 2021.

The National Council for Human Rights has been active in soliciting and reporting on complaints, and has actively participated in the United Nations Universal Periodic Review on Egypt in November 2019. It has also organised, for the first time ever in February 2020, a conference with the Venice Commission centred on several human rights issues as well as the role of the judiciary.

However, a number of international observers have expressed deep concerns about the conditions of human rights in the country. In November 2020, the Spokesperson for the United Nations Human Rights Commissioner for Human Rights issued a statement expressing concerns about "the extreme vulnerability of civil society activists in the country", and stated that the "targeting of activists as well as restrictions on freedom of expression, association, and peaceful assembly imposed in the country, are having a profound chilling effect on a weakened civil society."

¹² *Doing Business 2020. Egypt. World Bank Group*

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The statement also noted that “the use of sweeping counter-terrorism laws and vague charges are inconsistent with Egypt’s obligations under international human rights law¹³ .”

The authorities deem the Counter-Terrorism law compliant with Egypt’s international obligations¹⁴ and refer to amendments recently introduced to the Labour Unions Law, on the recommendations of the International Labour Organisation, and maintain that establishing NGOs, newspapers, and media outlets, as well as holding demonstrations and processions is by notification only.

In March 2021, at the 46th session of the UN Human Rights Council, 31 countries made a statement in which after recognising Egypt’s role in strengthening regional stability, managing migration, and fighting terrorism, and commending the new NGO law, they expressed deep concerns on the conditions of human rights in the country, and said they wanted to “draw attention to restrictions on freedom of expression and the right to peaceful assembly, and the constrained space for civil society and political opposition.” They called on Egypt to “lift restrictions on media and digital freedom and to end the practice of blocking the websites of independent media outlets, and to release all journalists who have been arrested in the course of practising their profession”¹⁵. The statement also highlighted deep concerns regarding due process, extended pre-trial detentions, and the application of the Counter-Terrorism Law against political opposition and workers in the civil society.

The Egyptian authorities stated that “such statements that do not take into account the comprehensive Egyptian human rights efforts are unacceptable, anchored on misleading information, and neglects what has been accomplished during the past years across all domains of human rights, either in political, economic or social aspects.”¹⁶ Egypt also affirmed that its “human rights efforts are inspired by home-grown conviction, bearing in mind that promoting human rights is a continuous and cumulative process”.¹⁷

Political inclusiveness for women, ethnic and other minorities

The Constitution for the first time ever mandates the State to eliminate all forms of discrimination. It establishes equal political and economic rights for individuals with disabilities and the elderly. It mandated the establishment of an independent commission to combat discrimination. In addition, the Penal Code now criminalises any form of discrimination.

¹³ Statement by the Spokesperson for the UN High Commissioner for Human Rights. 20 November 2020.

¹⁴ The Authorities specifically stated the International Covenant on Civil and Political Rights, relevant UN Security Council Resolutions, and the standards set out by the International Financial Task Force.

¹⁵ Statement made at the 46th session of the UN Human Rights Council, on 12 March 2021.

¹⁶ Statement made at the 46th session of the UN Human Rights Council, on 12 March 2021.

¹⁷ Based on a statement of the Arab Republic of Egypt at the 46th Session of the UN Human Rights Council, Geneva, 15 March 2021. Additionally, as indicated earlier in the Assessment, the Authorities have emphasised that the amendments to the laws combating terrorism and financing terrorist entities were adopted in response to the recommendations made by the Financial Action Task Force after its consultations with the authorities in September 2019 and that continuous efforts are being taken in this domain, including Egypt’s agreement with the Office of the High Commissioner for Human Rights, in November 2017, to support in capacity building within law enforcement agencies.

In the past decade there has been a notable increase in women’s participation in politics, as well as senior executive positions. Women representation in parliament is now at 28 per cent of representatives, 25 per cent of the current cabinet, 25 per cent in municipal councils, two Governors, and 31 per cent in Deputy Governor positions, in addition to the appointment of a female for the first time as the national security advisor to the president of the republic. In 2021, the Supreme Judicial Council decided that women could join in the Office of the Public Prosecutor and the State Council as judges.

There has also been a notable improvement concerning women’s social and economic security. Child marriage, below the legal age of 18 years, has become illegal. The National Council for Women has intensified its efforts in fighting violence against women, including by adopting digitally based reporting technologies. Recently several social media campaigns depicting crimes against women and minors led to investigations and the bringing about of criminal cases against the perpetrators of the crimes. The Penal Code has been amended to criminalise usurping or depriving women of their inheritance. The campaign in recent years to issue national identity cards for free to women and girls, already implemented in some of the most remote and rural regions in the country, has promoted women’s political participation and social and economic empowerment. Women’s literacy rates has increased from 43 per cent in 1996 to 65 per cent in 2017 ¹⁸.

However, relevant organisations including the National Council for Women maintain that more needs to be done in implementation as significant differences in the conditions of women remain between urban and rural parts of the country and across social segments.

There have also been efforts at social inclusiveness at the most deprived regions in the country. The most prominent example has been the “Decent Life Initiative” to identify and develop the neediest 45000 villages in Egypt, in which the Egyptian Government states, live 58 per cent of the population”.

Egypt has also been hosting over 250,000 refugees, in addition to, what the Egyptian authorities estimate to be circa 5million residents, most of whom fled conflicts in neighbouring countries and who prefer not to be identified as refugees. They live outside any forms of camps and have equal access to services available to Egyptians including all subsidies. The Egyptian Authorities emphasised adding that “despite Egypt being one of the least funded countries in the region in this area, Egypt continues to support the refugees in the country”.

Freedom from harassment, intimidation and torture

The constitution prohibits torture. This is reaffirmed in the Penal Code which stipulates different descriptions and penalties for such offences. The constitution states that there is no statute of limitation concerning crimes of torture.

¹⁸ Literacy Rate, Adult Female Statistics. World Bank Group DataBank.

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In a briefing note about Egypt in November 2020, the Spokesperson for the UN Commissioner for Human Rights stated that they have received allegations that some people arrested and charged with terrorism-related charges were tortured during interrogation.¹⁹ In February 2019, UN Human Rights experts reported on cases in which evidence was allegedly obtained under torture”²⁰. And in 2017, the UN Committee Against Torture raised concerns about the alleged practice of torture in the country.

A specific case has received major media attention for the past few years. In January 2016, the body of an Italian doctoral student was found in Egypt with signs indicating torture. The Italian Government has charged four Egyptian police officers for the abduction, torture, and murder of the scholar, and proceeded with a court trial against them. The Egyptian Government maintains that “a comprehensive investigation has been carried out and that the Italian doctoral student was never arrested by any of the competent authorities in the country”²¹.

The Egyptian Authorities stress that “torture is prohibited and that allegations of these cases are thoroughly investigated and acted upon”. Tens of police officers have been investigated in cases related to torture and ill treatment of people in custody. In addition, at least 70 investigations resulted in criminal convictions, and over 200 in disciplinary measures²².

¹⁹ Statement by the Spokesperson for the UN High Commissioner for Human Rights. 20 November 2020.

²⁰ Statement made by the Office of the High Commissioner for Human Rights on 25 February 2019.

²¹ The Egyptian authorities emphasised adding that “the Public Prosecution Office issued two press statements concerning this issue, averring in the latter that its requests for the evidence obtained by the Italian prosecution was unheeded.”

²² the Egyptian National report, submitted to the United Nations Universal Periodic Review, Egypt. November 2019.