Summary Briefing

February 2014

The EBRD in Egypt

An analysis of the Bank's first year of lending

The EBRD has been lending in Egypt for just over a year. The board has approved 8 loans worth up to $534 million to projects in Egypt.

$24.3m	Universal Whitegoods	Completion of a new washing machine factory
$25m	Egyptian German Company for Construction Industries	Expand factory in 6 October City and complete Turkish acquisitions
$40m	Kuwait Energy	Oil extraction in Egypt and Ukraine
$50m	National Bank of Egypt	50% for trade finance and 50% for onlending to SMEs
$190m	Egyptian Electricity Holding Company	Convert two gas plants to CCGT plants
$135m	Juhayna	Dairy & Juice agribusiness expansion
$50m	IPR Transoil	Oil Extraction
$20m	Nestle	Expansion of icecream and confectionary factory

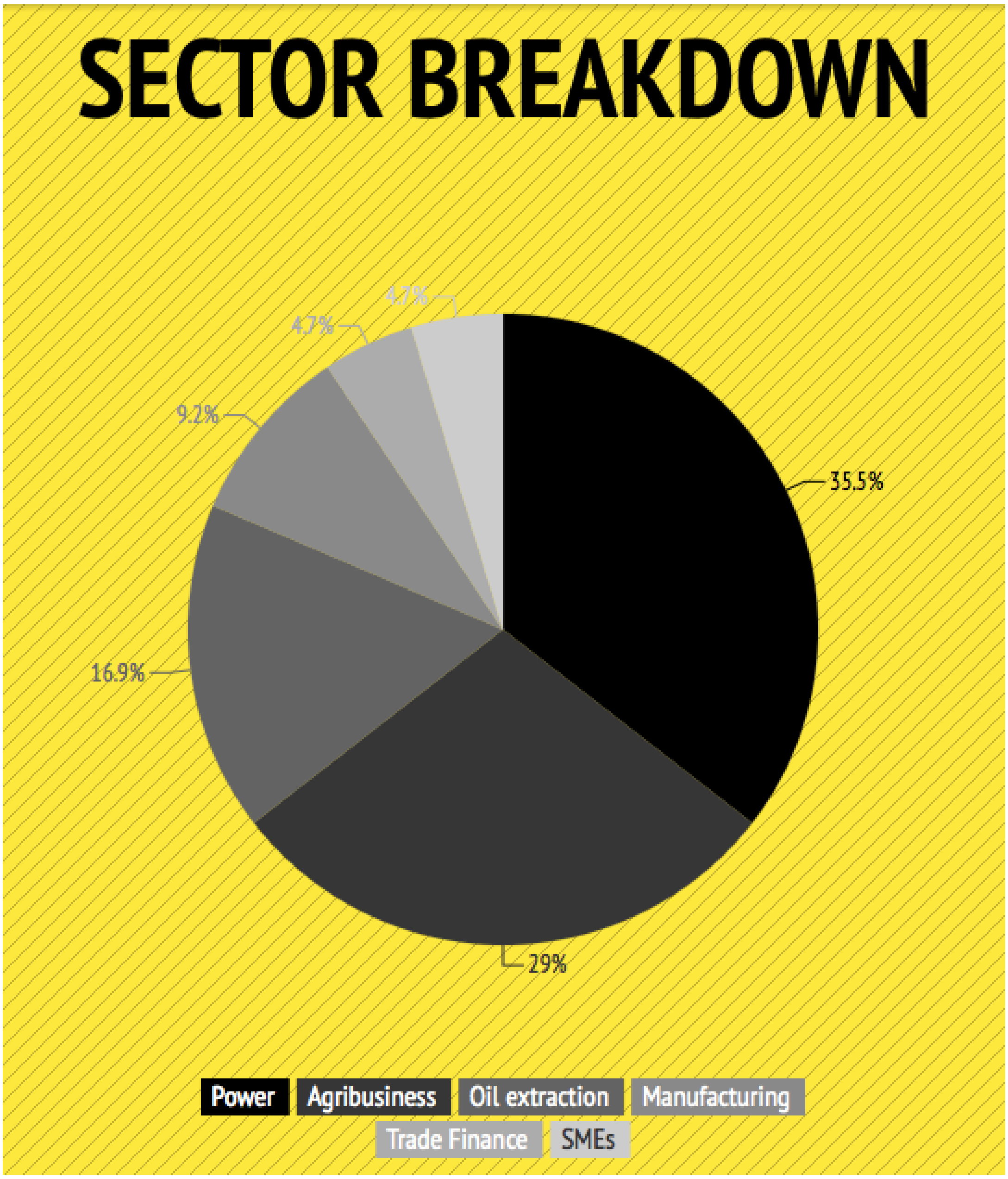
The bank has failed in its commitment to prioritise lending to SMEs, with a mere $25 million allocated out of $534 million possibly lent in Egypt so far.

The reality is that the EBRD has instead focused on multinationals, oil companies and agribusiness. Funds have been directed to sectors that don't need them, and that are not improving the developmental situation in Egypt.

There have been no public consultations over the funded projects, despite concerns regarding social and environmental impacts. This lack of oversight is exacerbated by the non-existence of a Parliament in Egypt throughout the period since lending began.

The two loans towards oil extraction make no sense as this sector has access to credit, and maintaining oil extraction will not contribute to resolving the existing power crisis in Egypt. The gas flaring reduction component highlighted by the bank in its PSDs is largely cosmetic. Both IPR and KEC had already committed to reducing gas flaring, and IPR had already achieved the reduction prior to the EBRD loan.

There has been no lending to renewable energy, despite the desperate need and significant opportunities for a shift to low-carbon power generation in Egypt.



Article 1 & Human Rights Concerns

During the EBRD's first year of lending in Egypt, the political situation has deteriorated dramatically. The regime in Egypt has been implementing policies inconsistent with the EBRD's purpose, in particular with the political aspects of its mandate. There were already major concerns while Morsi's Muslim Brotherhood government was in control.
Since the military takeover in July 2013, progress has been negative on most factors defined by the EBRD as “essential elements of multiparty democracy and pluralism”. The situation had become significantly worse in relation to 11 out of 14 measures:

Free, fair and competitive elections
Separation of powers and effective checks and balances
Scale and independence of civil society
Independent pluralistic media that operates without censorship
Freedom to form political parties and existence of organised opposition
Supremacy of the law
Independence of the judiciary
Government and citizens equally subject to the law
Effective policies and institutions to prevent corruption
Freedom of speech, information, religion, conscience, movement, association, assembly and private propery
Freedom from harassment, intimidation and torture

The current atmosphere of systematic torture, persecution and censorship of any public critics of the military and the military-appointed government highlights clear non-compliance with the EBRD's political mandate. There has been no Parliament throughout the period examined here.

Written by Mika Minio-Paluello for Platform London for presentation to the European Bank for Reconstruction & Development