



2024/0071(COD)

19.12.2024

*****I**

DRAFT REPORT

on the proposal for a decision of the European Parliament and of the Council
on providing macro-financial assistance to the Arab Republic of Egypt

(COM(2024)0461 – C10-0009/2024 – 2024/0071(COD))

Committee on International Trade

Rapporteur: Céline Imart

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a decision of the European Parliament and of the Council on providing macro-financial assistance to the Arab Republic of Egypt (COM(2024)0461 – C10-0009/2024 – 2024/0071(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2024)0461),
 - having regard to Article 294(2) and Article 212 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C10-0009/2024),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the budgetary assessment by the Committee on Budgets,
 - having regard to Rule 60 of its Rules of Procedure,
 - having regard to the opinion of the Committee on Foreign Affairs,
 - having regard to the report of the Committee on International Trade (A10-0000/2024),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a decision

Recital 3

Text proposed by the Commission

(3) In line with the Partnership Priorities, the EU and Egypt are committed to ensuring accountability, the rule of law, the full respect of human rights, fundamental freedoms, promoting

Amendment

(3) In line with the Partnership Priorities, the EU and Egypt are committed to ensuring accountability, the rule of law, the full respect of human rights, fundamental freedoms, promoting

democracy, gender equality and equal opportunities as constitutional rights of all their citizens. These commitments contribute to the advancement of the partnership and to Egypt's sustainable development and stability. The increased and constructive engagement between the EU and Egypt in the last period has opened the path to more meaningful dialogue on human rights related issues. The subcommittee on Political Matters, Human Rights and Democracy, International and Regional issues of December 2022 and the Association Committee of May 2023 provided the institutional platforms to exchange on an array of human rights issues, which the EU would like to continue and build on. The improvement of the human rights situation in Egypt will have a positive impact on EU-Egypt relations.

democracy, gender equality and equal opportunities as constitutional rights of all their citizens. These commitments contribute to the advancement of the partnership and to Egypt's sustainable development and stability. The increased and constructive engagement between the EU and Egypt in the last period has opened the path to more meaningful dialogue on human rights related issues. The subcommittee on Political Matters, Human Rights and Democracy, International and Regional issues of December 2022 and the Association Committee of May 2023 provided the institutional platforms to exchange on an array of human rights issues, which the EU would like to continue and build on. The improvement of the human rights situation **and women's rights** in Egypt will have a positive impact on EU-Egypt relations.

Or. en

Amendment 2

Proposal for a decision Recital 6

Text proposed by the Commission

(6) Recalling the geo-political challenges, such as the consequences of Hamas terrorist attacks across Israel on 7 October 2023 as well as the **conflict in Sudan**, and the strategic importance of Egypt as the largest country in the region and a pillar of stability for the whole Middle East, the Union is embarking on concluding a Strategic and Comprehensive partnership with Egypt as outlined in the Joint Declaration.

Amendment

(6) Recalling the geo-political challenges, such as the **far-reaching consequences in the Middle East, resulting from the aftermath of the** Hamas terrorist attacks across Israel on 7 October 2023, **the escalating tensions in the Horn of Africa and in the Red Sea with an impact in the Suez Canal**, as well as **migratory pressure**, and the strategic importance of Egypt as the largest country in the region and a pillar of stability for the whole Middle East, the Union is embarking on concluding a Strategic and Comprehensive partnership with Egypt as outlined in the Joint Declaration.

Or. en

Amendment 3

Proposal for a decision

Recital 22

Text proposed by the Commission

(22) A pre-condition for granting the Union's macro-financial assistance to Egypt should be that the country continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems, the governance and supervision of the financial sector in Egypt and promote structural reforms aimed at supporting sustainable and inclusive growth, decent employment creation and fiscal consolidation. The fulfillment of the pre-condition and the achievement of the specific objectives should be regularly monitored by the Commission services and the European External Action Service.

Amendment

(22) ***Macro-financial assistance should remain an economic instrument.***

However, a pre-condition for granting the Union's macro-financial assistance to Egypt should be that the country continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems, the governance and supervision of the financial sector in Egypt and promote structural reforms aimed at supporting sustainable and inclusive growth, decent employment creation and fiscal consolidation. The fulfillment of the pre-condition and the achievement of the specific objectives should be regularly monitored by the Commission services and the European External Action Service.

Or. en

Amendment 4

Proposal for a decision

Recital 23

Text proposed by the Commission

(23) In order to ensure that the Union's financial interests linked to the Union's macro-financial assistance are protected efficiently, Egypt should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. In addition, a loan agreement to be

Amendment

(23) ***It is essential to underline that Egypt has to meet the necessary economic pre-condition for eligibility. Egypt has demonstrated its solvency and financial stability, which have been verified by the Commission. However,*** in order to ensure that the Union's financial interests linked to the Union's macro-financial assistance

concluded between the Commission and the Egyptian authorities should contain provisions authorising European Anti-Fraud Office (OLAF) to carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council³ and Council Regulation (Euratom, EC) No 2185/96⁴, the Commission and the Court of Auditors to carry out audits and the European Public Prosecutor's Office to exercise its competences with regard to the provision of the Union's macro-financial assistance during and after its availability period.

³ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

⁴ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

are protected efficiently. Egypt should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. In addition, a loan agreement to be concluded between the Commission and the Egyptian authorities should contain provisions authorising European Anti-Fraud Office (OLAF) to carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council³ and Council Regulation (Euratom, EC) No 2185/96⁴, the Commission and the Court of Auditors to carry out audits and the European Public Prosecutor's Office to exercise its competences with regard to the provision of the Union's macro-financial assistance during and after its availability period.

³ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

⁴ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

Or. en

Amendment 5

Proposal for a decision

Recital 28

Text proposed by the Commission

(28) The Union's macro-financial assistance should be subject to economic policy **conditions**, to be laid down in a Memorandum of Understanding. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Egyptian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure be used for operations above that threshold. Considering the amount of the Union's macro-financial assistance to Egypt, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance.

Amendment

(28) The Union's macro-financial assistance should be subject to economic policy **reforms**, to be laid down in a Memorandum of Understanding. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Egyptian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure be used for operations above that threshold. Considering the amount of the Union's macro-financial assistance to Egypt, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance.

Or. en

Amendment 6

**Proposal for a decision
Article 2 – paragraph 1**

Text proposed by the Commission

1. A pre-condition for granting the Union's macro-financial assistance shall be that Egypt continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for

Amendment

1. A pre-condition for granting the Union's macro-financial assistance shall be that Egypt continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and **continues to make efforts in order to** guarantees respect for human

human rights.

rights.

Or. en

Amendment 7

Proposal for a decision Article 2 – paragraph 2

Text proposed by the Commission

2. The Commission services and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance.

Amendment

2. The Commission services and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance ***and report, regularly and in writing, to the European Parliament on the fulfilment of the economic policy and financial conditions set out in the Memorandum Of Understanding.***

Or. en

Amendment 8

Proposal for a decision Article 3 – paragraph 1

Text proposed by the Commission

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Egyptian authorities on clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding ("the Memorandum of Understanding") which shall include a timeframe for the achievement of those reforms. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(3), including the macroeconomic adjustment

Amendment

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Egyptian authorities on clearly defined economic policy and financial conditions, focusing on structural reforms, ***such as the new Criminal Procedure reform,*** and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding ("the Memorandum of Understanding") which shall include a timeframe for the achievement of those reforms. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(3),

and structural reform programmes implemented by Egypt with the support of the IMF.

including the macroeconomic adjustment and structural reform programmes implemented by Egypt with the support of the IMF.

Or. en

Amendment 9

Proposal for a decision Article 3 – paragraph 2

Text proposed by the Commission

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in Egypt, including for the use of the Union's macro-financial assistance. Progress in mutual market opening, the development of rules-based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

Amendment

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in Egypt, including for the use of the Union's macro-financial assistance. Progress in mutual market opening, **including for SMEs**, the development of rules-based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

Or. en

Amendment 10

Proposal for a decision Article 3 – paragraph 4

Text proposed by the Commission

4. The Commission shall verify, at regular intervals, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of Egypt are in accordance with the objectives of the Union's macro-financial assistance. For that verification, the Commission shall coordinate closely with the IMF and the World Bank, and, **where necessary**, with the European

Amendment

4. The Commission shall verify, at regular intervals, **and provide assistance to ensure**, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of Egypt are in accordance with the objectives of the Union's macro-financial assistance. For that verification, the Commission shall coordinate closely with the IMF and the World Bank, and with the European

Amendment 11

Proposal for a decision

Article 4 – paragraph 4

Text proposed by the Commission

4. Where the conditions in paragraph 3 are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such cases, it shall inform the European Parliament and the Council of the reasons for that suspension or cancellation.

Amendment

4. Where the conditions in paragraph 3 are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such cases, it shall inform the European Parliament and the Council ***without delay*** of the reasons for that suspension or cancellation.

Amendment 12

Proposal for a decision

Article 5 – paragraph 2

Text proposed by the Commission

(2) The Commission shall enter into a loan agreement with Egypt in respect of the amount referred to in Article 1. The detailed terms of the support under the MFA in the form of loans shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, to be concluded between the Commission and the Egyptian authorities. The loan agreement shall lay down the availability period and the detailed terms of the support under the macro-financial assistance in the form of loans, including in relation to the internal control systems. ***The loans*** shall be granted at terms that allow ***Egypt to repay the loan*** over a long period, including a possible grace period. The maximum duration of the loans shall be 35 years. The Commission shall inform the European Parliament and the Council of

Amendment

(2) The Commission shall enter into a loan agreement with Egypt in respect of the amount referred to in Article 1. The detailed terms of the support under the MFA in the form of loans shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, to be concluded between the Commission and the Egyptian authorities. The loan agreement shall lay down the availability period and the detailed terms of the support under the macro-financial assistance in the form of loans, including in relation to the internal control systems. ***Egypt shall reimburse the loan which shall be granted at terms that allow its repayment over a long period, including, after a formal notification to the European Parliament and the Council, a possible grace period. The maximum***

developments in the operations referred to in paragraph 3.

duration of the loans shall be 35 years. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraph 3.

Or. en

Amendment 13

Proposal for a decision

Article 8 – paragraph 1 – point c

Text proposed by the Commission

(c) indicate the connection between ***the economic policy reform measures laid down in*** the Memorandum of Understanding, ***Egypt's on-going economic and*** fiscal performance and the ***Commission's decisions to release the instalments of the Union's*** macro-financial assistance.

Amendment

(c) indicate the connection between ***Egypt's economic policy reforms under*** the Memorandum of Understanding, ***its*** fiscal performance, and the release ***of Union*** macro-financial assistance, ***while outlining steps taken towards democratic mechanisms, rule of law and human rights.***

Or. en

EXPLANATORY STATEMENT

Political dialogue between Egypt and the EU was suspended after the revolution in 2011, and remained frozen through 2015. However, following Sisi's election as president in May 2014, a rapprochement between Europe and Egypt gradually began to take place. The stability of the country became defining characteristics of European policy towards the Egypt. In 2024 the European Union ('EU') and Egypt have agreed to deepen their relationship and develop a strategic and comprehensive partnership for shared prosperity, stability and security, based on joint interest and mutual trust and building on the already existing positive agenda in EU-Egypt relations. The Strategic and Comprehensive Partnership covers specific areas of cooperation outlined in the Joint Declaration, clustered across six pillars of intervention, namely: political relations; economic stability; investment and trade; migration; security and law enforcement cooperation; demography and human capital.

The partnership is based on a financial package consisting of short- and longer-term support for the necessary macro-fiscal and socio-economic reform agenda, as well as increased amounts available to support investments in Egypt and targeted support for the implementation of the different strategic priorities.

Given Egypt's critical economic and financial situation and Egypt's role as an important stabilising factor amid geopolitical tensions in an increasingly volatile region, the Commission proposed on 15 March 2024 to support Egypt with macro-financial assistance ('MFA') of up to EUR 5 billion in loans as part of the EUR 7.4 billion financial package, divided into a short-term MFA operation of up to EUR 1 billion to be disbursed in one instalment, and a regular MFA operation of up to EUR 4 billion to be disbursed in three instalments.

The short-term MFA was agreed without involvement of the European Parliament for urgency reasons. The rapporteur highlights that this can only be an exception and European Parliament should not be bypassed in the future.

The amount of the proposed two new MFA operations corresponds to 56.7% of the estimated residual financing gap for the period FY24/25-FY26/27. This is consistent with standard practices on burden-sharing for MFA operations (for a country with an Association Agreement, the upper limit would be 60% according to the Council conclusions of 8 October 2002), taking into account the assistance pledged to Egypt by other bilateral and multilateral donors.

The rapporteur would like to point out that the EU's cooperation with Egypt does not begin with this MFA which is just a piece of the puzzle and in fact consequence of a longstanding cooperation with Egypt on human rights and security highlighted by the Association Agreement/Euro-Mediterranean Agreement (2004), the EU's new Agenda for the Mediterranean (2021), the Partnership Priorities (2022) and the Joint Declaration launching a new Strategic and Comprehensive partnership (2024). Moreover, Egypt is a strategic, economic, military and geopolitical partner of the EU and the EU is the leading investor in Egypt.

Given the instability in the region, Egypt remains a stable partner that engages in constructive dialogue with its partners. The EU need allies like that in the Middle East, and we need to emphasise their importance.

But Egypt is also hit by a series of external shocks.

A migratory shock first and foremost, with almost 10 million migrants and 800 000 registered refugees. Egypt is also committed to providing access to education for children, access to health services, help in finding housing and help in finding employment, with the support of NGOs. These commitments, if they are to be carried out properly, come at a cost.

A geopolitical shock with the uncertainty of developments in Israel / Palestine and Syria.

An economic shock, because Egypt, like many other countries, is seeing the cost of debt repayment and civil service salaries rise, thus limiting investment capacity.

This MFA is based on strict pre-conditions requiring Egypt to continue to make concrete and credible steps towards democratic mechanism, rule of law and human rights. The rapporteur believes that those pre-conditions embedded in the long-term cooperation with Egypt will lead to reforms and long-term improvements in the country.

Moreover, it is important to underline that Egypt already made big improvements in several areas.

Firstly, on human rights, with a major plan launched in 2021 underlining the country's commitment to this path. Some may feel that things are not moving fast enough, but it is hard to deny that the country is on the right track.

Then there is the question of the place of women in society, which is very often a thermometer of democracy in a country. Wearing the veil is not compulsory. Women have access to public jobs and elected office (27% of women elected to the House, 13% to the Senate). Although Egyptian society is seen as patriarchal, the position of women has changed considerably in recent years.

This is a financial instrument designed to support our partner in the face of the challenges it faces, but also to help it pursue change. The European Parliament will be closely monitoring progress and the rapporteur is asking the Commission to keep the European Parliament duly informed at all stages of the process. After all, the MFA is a loan and the grants are subject to reimbursement.

To conclude the rapporteur would like to highlight that the MFA is an emergency instrument that has to be granted as soon as possible. The rapporteur is convinced that the MFA will be an effective incentive for - political and financial reforms in the country that will ensure a sustainable partnership between the EU and Egypt.

**ANNEX: ENTITIES OR PERSONS
FROM WHOM THE RAPPORTEUR HAS RECEIVED INPUT**

Pursuant to Article 8 of Annex I to the Rules of Procedure, the rapporteur declares that she has received input from the following entities or persons in the preparation of the draft report:

Entity and/or person
European Commission - DG ECFIN
European Commission - DG NEAR
EEAS
Embassy of Egypt
Members of the Egyptian Parliament
Amnesty International
Human Rights Watch

The list above is drawn up under the exclusive responsibility of the rapporteur.

Where natural persons are identified in the list by their name, by their function or by both, the rapporteur declares that she has submitted to the concerned natural persons the European Parliament's Data Protection Notice No 484 (<https://www.europarl.europa.eu/data-protect/index.do>), which sets out the conditions applicable to the processing of their personal data and the rights linked to that processing.