

# National Indicative Programme 2011-2013 for Egypt

## Concept Note

In 2007 Egypt and the EU agreed on a joint **Action Plan**<sup>1</sup> (AP), negotiated within the framework of the European Neighbourhood Policy<sup>2</sup> (ENP). The AP is based on joint ownership, common interests, reciprocal commitments and shared values. It sets ambitious objectives for political, economic and sector cooperation, and its implementation is expected to contribute to an increasingly close relationship between Egypt and the EU.

To support the implementation of the Action Plan, the European Union (EU) provides financial assistance to Egypt through the European Neighbourhood Partnership Instrument (ENPI). This assistance is channelled through a multi-annual **National Indicative Programme (NIP)**, managed by the European Commission (EC). The aim of this concept note is to stimulate a discussion amongst the Egyptian Government, civil society organisations, EU Member States, international financial institutions and other donors on the priorities which should be supported by the NIP during **2011-2013**.

Importantly, the proposals presented in this note do not predetermine the final allocation of funding to particular sectors or projects, and will be discussed in detail with all stakeholders over the coming months.

### **1. What are the strategic objectives for EU-Egypt cooperation during 2011-2013?**

The EU's cooperation goals with Egypt are set out in its **Country Strategy Paper**<sup>3</sup> (CSP), which focuses on the following objectives for the period 2007-2013:

- A. Supporting Egypt's reforms in the areas of democracy, human rights, good governance and justice**
- B. Developing the competitiveness and productivity of the Egyptian economy**
- C. Ensuring the sustainability of the development process with effective social, economic and environmental policies and better management of natural resources**

The NIP for 2011-2013 will be drawn up with reference to these objectives. Consideration will also be given to issues that have taken on increasing importance in recent years, such as climate change, migration or the economic crisis. The NIP will be closely aligned with and supportive of national development strategies and programmes, and in particular with Egypt's 6<sup>th</sup> Five-Year Plan for 2008-2012, which concentrates upon:

- fostering economic growth and improving citizens' standard of living
- community participation
- preserving natural wealth and rationalizing its usage
- developing the competitiveness of the Egyptian economy
- political reform, deepening democracy, achieving social stability and improving the investment climate

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<sup>1</sup> [http://www.eu-delegation.org.eg/en/eu\\_and\\_country/Action%20Plan.doc](http://www.eu-delegation.org.eg/en/eu_and_country/Action%20Plan.doc)

<sup>2</sup> [http://ec.europa.eu/world/enp/index\\_en.htm](http://ec.europa.eu/world/enp/index_en.htm)

<sup>3</sup> [http://ec.europa.eu/world/enp/pdf/country/enpi\\_csp\\_egypt\\_en.pdf](http://ec.europa.eu/world/enp/pdf/country/enpi_csp_egypt_en.pdf)

## **2. What are the main challenges or obstacles to achieving these objectives?**

Egypt's national government remains committed to an ambitious reform agenda. While some progress has already been achieved in implementing the joint Action Plan, several areas of EU-Egypt cooperation continue to present challenges and could potentially be addressed under the 2011-2013 programme.

### **A. Democracy, human rights, good governance and justice**

- full enjoyment of **human rights and fundamental freedoms** such as the freedom of association, expression or religion
- strengthening **democratic institutions and processes**
- protection of **migrants and asylum seekers**
- decentralisation and modernisation of the **national administration**
- independence of the **judiciary**
- improving conditions in **police detention** and in **prisons**

### **B. Competitiveness and productivity of the Egyptian economy**

- reversing **slowing economic growth** and **rising unemployment**
- further developing regional and global **trade** links
- ensuring **transport** and **energy** networks meet growing demand

### **C. Sustainability of the development process through effective social, economic and environmental policies and better management of natural resources**

- reducing **poverty** levels
- adapting the **education** system to meet the demands of the labour market
- protecting the **rights of workers**
- reversing **environmental degradation** and **climate change**

## **3. How can the European Commission help to address these challenges?**

The NIP funds will support national efforts to address the abovementioned challenges within the framework of the joint Action Plan. To maximise their impact, the NIP should **focus on a limited number of sectors** in which the EC can best leverage its strategic positioning, unique skills or experience.

The EC has some experience with assisting Egypt in the areas of democracy, human rights, good governance and justice through programmes that include administrative reform, decentralisation, fighting corruption, training of the judiciary as well as police and prison reform. Continued deepening of the relationship between the two sides is dependent upon progress in this domain keeping pace with advancement in the rest of the AP, and the EC will continue to offer support for the implementation of key capacity building and legislative initiatives in these areas.

The EC also has a demonstrated comparative advantage in supporting comprehensive reform programmes that address sector-wide challenges. In the past, NIP funding has had a significant catalytic effect and has helped the Egyptian authorities to advance

their reform agenda in areas such as education, healthcare, transport, and textile manufacturing. The EC's preferred mechanism of aid delivery for such sectoral programmes is through direct budget support, which promotes national ownership of the reform process.

The EC's major sectoral programmes are complemented with a range of project-based initiatives that aim to encourage broad-based sustainable development, balancing economic growth with social and environmental priorities. EC funding has in the past supported initiatives in areas such as information society, innovation, rural and local development, small and medium-sized enterprise (SME) development as well as environmental protection.

To ensure its assistance remains coherent and effective, the EC frequently matches its reform programmes with targeted technical assistance. This is usually provided via the Twinning instrument for institution building, which is an efficient mechanism of transferring EU public administration best practices and facilitating legislative and procedural harmonisation between Egypt and the EU in a wide range of sectors.

A number of sectors related to Egypt's development priorities have also benefitted from infrastructure financing from European development banks. NIP funding has been used in the past to offset interest payments for infrastructure development loans from institutions such as the European Investment Bank and the KfW Entwicklungsbank. Although this type of support is not the main focus of EC funding, it has proven to be useful in helping to mobilize resources for projects requiring large-scale investment, including water supply and energy infrastructure.

#### ***4. What priorities should be addressed under the NIP 2011-2013?***

The areas of support and the financing figures proposed below are preliminary. The annual bilateral allocation for Egypt for 2011-2013 is expected to at least match the amount allocated during 2007-2010, i.e. €142 million (annual average). This figure will be confirmed in the course of 2009.

##### **A. Supporting Egypt's reforms in the areas of democracy, human rights, good governance and justice**

In the period 2007-2010, 7% of the bilateral envelope was allocated to this priority. For the following period, the envelope for this priority should be in the range of 5-10% of the budget.

- Support institutions, policies and reform programmes that help to **entrench fundamental human rights and freedoms**, including the rights of women and minorities.
- Support the holding of **free and fair elections** and assist civil society to actively participate in political processes, including contributing to the **legislative process**.
- Promote the **protection of asylum seekers** and vulnerable categories of migrants.
- Support rationalisation and capacity building in the **public administration** and promote greater devolution of powers to the local level by supporting **decentralisation** reform.
- Assist in the ongoing reform of the **judiciary** and promote a culture of respect of human rights in the **police and prison services**.

## **B. Developing the competitiveness and productivity of the Egyptian economy**

In the period 2007-2010, 39% of the bilateral envelope was allocated to this priority. For the following period, the envelope for this priority should be approximately 40% of the budget.

- Support the establishment of a **business-friendly institutional and regulatory environment** that encourages innovation and the development of SMEs.
- Help strengthen **productivity and quality standards in the agricultural sector** as part of a policy of sustainable rural development.
- Promote the development of **export capacity** by supporting trade-related market and regulatory reform and encouraging regional trade links.
- Continue to support ongoing reforms in the **transport** sector to achieve greater mobility of persons and goods, promote safety in transport and promote greater integration of Egypt into the Euro-Mediterranean transport system and connections with the trans-European transport network.
- Support the implementation of the EU-Egypt MoU on energy through the establishment of a national **energy** strategy, assisting reform of the legislative framework and enhancing regional energy cooperation.

## **C. Ensuring the sustainability of the development process with effective social, economic and environmental policies and better management of natural resources**

In the period 2007-2010, 54% of the bilateral envelope was allocated to this priority. For the following period, the envelope for this priority should be in the range of 50-55% of the budget.

- Emphasize pro-poor measures in reform programmes to help further **reduce poverty** levels, including support to regional and rural development.
  - Continue to support **education** reform, focusing in particular on primary education and support to life-long **entrepreneurial learning** and **training programmes** that help job seekers adapt their skill set to better match the needs of the labour market.
  - Support the development of the labour market to favour **formal employment**, “quality jobs” and adequate **social protection** systems.
  - Encourage **sustainable development** by supporting policies and investments that ensure a rational use of resources, promote environmental protection and help to address climate change.
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