



EUROPEAN COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 25.5.2011
SEC(2011) 647 final

JOINT STAFF WORKING PAPER

**Implementation of the European Neighbourhood Policy in 2010
Country Report: Egypt**

{COM(2011) 303 final}
{SEC(2011) 637 final}
{SEC(2011) 638 final}
{SEC(2011) 639 final}
{SEC(2011) 640 final}
{SEC(2011) 641 final}
{SEC(2011) 642 final}
{SEC(2011) 643 final}
{SEC(2011) 644 final}
{SEC(2011) 645 final}
{SEC(2011) 646 final}
{SEC(2011) 648 final}
{SEC(2011) 649 final}
{SEC(2011) 650 final}
{SEC(2011) 651 final}
{SEC(2011) 652 final}

JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010 Country Report: Egypt

1. OVERALL ASSESSMENT

Egypt and the European Community first established contractual relations in 1976 by the signing of a Cooperation Agreement. The EU-Egypt Association Agreement entered into force in June 2004 and constitutes the legal basis for EU-Egypt relations. On this basis, and in the framework of the European Neighbourhood Policy (ENP), the EU-Egypt ENP Action Plan was approved in March 2007 for a period of three to five years.

In 2008 Egypt expressed its interest in enhancing relations with the EU. The Association Council in April 2009 gave a political commitment to work in this direction. An *ad-hoc* group was established to discuss possible areas for deeper cooperation.

Assessment of progress during the reporting period

This document reports on progress made in the implementation of the EU-Egypt ENP Action Plan between 1 January and 31 December 2010. Developments outside this period are taken into consideration when deemed relevant. They concern in particular the popular demonstrations which started on 25 January 2011 and lead in February to the resignation of President Hosni Mubarak and the establishment of temporary rule by the army. This report does not present a general review of the political and economic situation in Egypt. For information on regional and multilateral sector processes, please refer to the sectoral report.

The Association Council, the Association Committee and seven of the eight sub-committees met in 2010 within the framework of the EU-Egypt Association Agreement. An Economic Dialogue took place and the Working Group on Migration, Social and Consular Affairs met. The *ad-hoc* group on enhancing relations held two meetings in the first half-year and the dialogue stalled towards the end of the year.

The lack of credibility of the results of the 2010 legislative elections engendered a deep sense of frustration and discontent among opposition groups and in much of the population. In the Shura Council elections (Upper Chamber) in June and the People's Assembly elections (Lower House) in November/December, the ruling National Democratic Party obtained more than 90% of the seats. Numerous cases of irregularities and vote rigging were reported throughout the country.

Egypt was subject to the Human Rights UN Universal Periodic Review in 2010. The Egyptian authorities accepted most of the recommendations made, and rejected some, but have yet to begin putting their commitments into practice. The Emergency law, which has been in force for 29 years, was extended in May 2010 for two years. Against this background, the state security apparatus continued to exercise unrestrained power over the population.

Egypt remained a key trading partner for the EU in the region. Trade integration advanced in June 2010 with the entry into force of the EU-Egypt agreement on further liberalisation of

trade in agricultural, processed agricultural products and fish and fishery products. However, the process towards liberalisation of trade in services stagnated.

Challenges remained in finding the right social policy mix that would enable the benefits of growth to be more evenly spread among various social groups and in providing access to education and health to the nearly 40% of the population who live in poverty.

During 2010 the economy had started to regain momentum through a pick-up in exports and investment as well as partly due to structural reforms. At the same time fiscal and monetary measures taken by the authorities in the past years have contributed positively to reduce both the budget and the current account deficit which helped to maintain macro-economic stability. Against this background, the objectives of the Action Plan – consolidating the progress made with a view to improving macroeconomic stability and to promoting growth and employment, and moving towards a functioning market economy – were reasonably well fulfilled in the period under examination.

On the whole, Egypt's progress in the implementation of the Action Plan was concentrated in the areas of trade and economic reform. There was no progress on political and social reforms.

Events following the 25th January protests

The democratic deficit, police brutality and impunity, corruption and poor living standards triggered popular discontent. Inspired by the Tunisian revolution, popular demonstrations in Egypt began on 25 January 2011, organised mainly by the youth movements. They started in Cairo but quickly spread to other major cities. Following 18 days of protests, President Hosni Mubarak resigned on 11 February 2011. The governance of the country was handed over to the Supreme Council of Armed Forces.

The military council suspended the constitution, dissolved parliament and declared rule for six months or until elections are held. The council has promised a democratic transition leading to open presidential and parliamentary elections. A new transitional government was sworn in on 7 March 2011

Following a referendum on constitutional amendments held on 19 March 2011, the date for new parliamentary elections was set to September 2011 and presidential elections two months later. The state of emergency is to be abolished prior to the elections. The conduct of the March referendum indicates more transparency and fairness in reflecting the people's vote.

The mass demonstrations of January 2011 and the ensuing departure of former President Mubarak have opened a period of deep change for Egypt. Commitments made by the temporary government established by the military have started addressing several of the political issues that have been a constant obstacle to deepening EU-Egypt relations. If these changes are consistently translated into action during and beyond the transition period, Egypt could go a long way towards meeting the objectives put forward in the Action Plan and implementing the values at the core of the 'advanced status' under the ENP and the principles laid out in the Partnership for Democracy and Shared Prosperity. Security sector reform and enhanced civilian control over enforcement agencies will be particularly critical.

As regards the Egyptian economy, the revolutionary events experienced at the beginning of 2011 have had immediate negative repercussions on the Egyptian economy by affecting tourism revenue and capital flows and by disrupting domestic economic activity. The precise

consequences are difficult to quantify at such an early stage but economic growth in 2011 is set to be lower than in 2010, while the budget deficit is expected to widen significantly.

2. POLITICAL DIALOGUE AND REFORM

Democracy and the rule of law

The year was marked by **legislative elections**; in the interim elections to the Shura Council (Upper Chamber) in June 2010, the ruling National Democratic Party (NDP) won 80 of the 88 seats. In the People's Assembly (Lower Chamber) elections, which were held in end November/early December, the NDP secured 420 seats out of 508. This figure rises to over 90% with the addition of independent deputies known to be NDP members. The women's quota of 64 seats was filled. The Muslim Brotherhood independent deputies lost all their 88 seats. After the first round the Muslim Brotherhood and Al Wafd withdrew from the elections, claiming voting and ballot box irregularities. The voter turn-out was remarkably low and varies between the official figure of 23% and civil society estimates of 5%.

Despite the government's stated commitment to transparency, local civil society organisations were largely prevented from observing the elections. The High Election Commission received numerous reports of irregularities, including limited access to polling stations for observers and candidates' representatives, media restrictions, vote rigging and violence. The EU High Representative for Foreign and Security Policy expressed disappointment over reported irregularities, asked for appropriate follow-up and reiterated the EU's offer for international observation of the elections. The Higher Election Commission ruled that only a handful of claims of irregularities were valid. Administrative Courts ruled that election results in a number of constituencies were invalid; the rulings were challenged by the state.

On 13 February 2011 the Supreme Council of Armed Forces dissolved both houses of parliament. New parliamentary elections are to be held in September 2011 and should be followed by presidential elections two months later.

The **state of emergency**, in force for 29 years, was extended by a Presidential Decree on 10 May 2010 for an additional two years until 31 May 2012, despite a previous commitment to remove the law once appropriate counter-terrorism legislation had been introduced. The application of the law has been limited to cases of terrorism and its financing, and drug trafficking. However, the government has retained a number of powers which include the restriction of all forms of public gathering, including public demonstrations, and the power to search any person or place without abiding by the Law on Criminal Procedures. The Supreme Council of Armed Forces undertook in February 2011 to remove the state of emergency "when the security situation allows". This was later changed to "before the elections are held".

No progress was made on the **independence of the judiciary**, which remained subject to the Emergency law. The State Security Emergency Courts and the military courts continue to exercise jurisdiction over cases related to national security, but not limited only to these. Civilians continue to be tried before these specialised courts whose judgements are not open to appeal.

Efforts were made to gradually improve the **administration of justice**, including the establishment of specialised child-friendly courts, training of judges and automation of justice. The EU approved financing of EUR 10 million in support of this effort.

The government continued the **reform of local administration** through the implementation of the national decentralisation strategy, testing pilot projects in several governorates nationwide.

Some efforts could be noted in the fight against **corruption**. The national Transparency and Integrity Committee (TIC) released its third report in February 2010 suggesting improvements in adopting new legislation, raising efficiency of the state administration, conducting field research, enhancing the role of the media and pursuing international cooperation. In October 2010 the Attorney General recommended the establishment of a national anti-corruption committee to work on implementing the UN Convention against Corruption, including cooperation with civil society. Development of e-government services, online publication of government procurement procedures and the active role of civil society contributed to enhancing transparency. An EU programme with UNODC will support implementation of the UN Convention.

In February 2011 the public prosecutor began investigating a growing list of former ministers and NDP officials on grounds of corruption, and formally sought the co-operation of the EU and other partners in freezing the assets of a number of those under investigation.

Human rights and fundamental freedoms

Egypt's human rights record was subject to the 2009-2010 **Universal Periodic Review** (UPR). Out of the recommendations made, Egypt agreed to speed up the adoption of anti-terrorism legislation, to consider lifting the state of emergency, change the definition of torture, strengthen its policy on the rights of the child, consult NGOs in drafting the new NGO law, fight against discrimination and violence against religious minorities, combat trafficking in human beings and promote the rights of migrants. Egypt rejected recommendations on discrimination, abolishing the death penalty, the NGO law and foreign funding, allowing independent trade unions, election monitoring, torture, and libel. Consultation between the government and civil society took place during the UPR process, although a number of those who participated were critical of the quality of the consultation. To date no steps have been taken towards implementing the recommendations. Many of these areas are being supported through a bilateral programme on human rights.

Concerning the **death penalty**, there are no official data available on the carrying out of death sentences. At the UN General Assembly, Egypt voted against the Resolution on a Moratorium on the Use of the Death Penalty.

Egypt has six pending mandatory periodic reports to UN treaty bodies. It has not extended an open invitation to UN Special Procedures. Egypt hosted the visit of the Special Rapporteur on Trafficking in persons, especially women and children.

Conditions in prisons and detention centres, as well as the estimated large number of administrative detainees, remain a cause for concern. Access to the places of detention is limited to the Public Prosecutor. Egypt did not grant access to the UN Special Rapporteur. The military leadership gradually began releasing political prisoners in February 2011, although a number of activists were detained by the military during the same period.

In the UPR process Egypt committed to reformulating the definition of **torture** in accordance with the UN Committee against Torture (CAT). Torture and ill treatment, mainly in police stations, State Security investigation centres and places of detention, remain a very serious human right abuse. Seven cases of death in detention are listed in the 2010 report of the United Nations High Commissioner for Human Rights (UNHCHR). Following the death of

blogger Khaled Said in Alexandria in June 2010, EU Heads of Mission issued a statement calling for the proper investigation of police abuse allegations and prosecution of offenders. The death caused widespread revulsion in Egypt and triggered a debate on torture and police impunity that subsequently merged into the popular demonstrations in January 2011 which, under the banner 'we are all Khaled Said', called for an end to police brutality and torture. In March 2011 the State Security Investigation Office, carrying most of the blame for the torture cases, was dissolved and is to be replaced by a new national security agency.

Egypt has not yet responded to the repeated requests made since 1996 (and echoed by the EU) for an invitation to be issued to the UN Rapporteur on Torture to visit Egypt. It is not a party to the Optional Protocol of the UN Convention Against Torture (OPCAT).

The scope for **freedom of expression** has expanded in recent years, as evidenced by the growing number of independent newspaper, television and internet news and media outlets in Egypt. However, the election period at the end of November 2010 witnessed a number of restrictive measures, limiting the work of journalists and media, restricting text message news services and satellite broadcasting. Human rights organisations reported an increase in the harassment and detention of internet bloggers and journalists.

At the end of January 2011, when the popular demonstrations intensified, the Egyptian authorities first blocked the access to the social networking websites, then ordered the switching off of all internet and e-mail services. The three mobile networks were shut down nation-wide, and subsequently in selected areas such as Cairo. Mobile phone text messaging was blocked for a longer period.

Freedom of association and freedom of assembly continue to be restricted by the Emergency law and the NGO law, and by trade union legislation. The registration, operation and funding of non-governmental organisations remain under the control of the Ministry of Social Solidarity, with the involvement of the Ministry of the Interior. There was no progress on the revision of the NGO law.

Despite the provisions of the Egyptian constitution on **freedom of belief**, Copts and other non-Muslims continue to face discrimination and inaction from the authorities to effectively ensure the equality of all citizens in law and in practice. Incidents of sectarian tension and violence between Christian and Muslim communities continued in 2010. The worst expression of violence took place on New Year's Day 2011, when a bomb was detonated outside a Coptic church in Alexandria, killing more than 20 people and injuring around 100. Two Coptic protestors, angered at a refusal to convert a community centre into a place of worship, were killed when confronted by police in Cairo in November.

The draft unified code on places of worship was withdrawn from parliament. The draft code was intended to establish equal rules for all religions on the construction and maintenance of places of worship. Copts have been pressing the authorities for several years to ease restrictions on permits for constructing churches.

Although Egypt is a signatory to the 1951 Refugee convention and to its 1967 Protocol, hosting some 41,000 registered refugees, violation of the **rights of migrants, refugees and asylum seekers** continue to be reported. Some migrants in need of international protection (in particular those fleeing from Eritrea) have difficulties to have access to asylum. In 2010, 34 unarmed refugees and asylum seekers were killed at the Israeli–Egyptian border. A number of Egyptian border police were killed in clashes with criminal gangs of human traffickers and smugglers in the frontier area with Israel. The EU, the United Nation High Commissioner for Refugees (UNHCR) and civil society organisations have all expressed concerns about

hundreds of refugees and asylum seekers from Sub-Saharan Africa being held hostage and mistreated by illegal traffickers in Sinai, a region where UNHCR is not permitted to carry out its mandate. Egypt has still not adopted adequate asylum legislation. Refugees registered with the UNHCR face great difficulties in finding jobs and meeting minimum survival needs. Unfortunately Egypt has not yet lifted the reservations which the country made when joining the Geneva Convention, and which prevent even refugees registered with UNHCR from having access to some forms of social assistance. Egypt has been designated for the implementation of the Regional Protection Programme (also covering Libya and Tunisia), which now needs to be developed.

The National Council for Women (NCW) continued promoting **rights of women**, combating discrimination and violence against them. A draft **personal status law** defining and regulating marriage and divorce, amending the Personal Status Law has not yet been put before the parliament. The law on sexual harassment has been withdrawn from parliament without any indications about future adoption. The strategy to combat violence against women is still under preparation.

Efforts to combat **female genital mutilation** continued, and positive results have been reported. Nonetheless, the practice remains widespread. Women's rights and the fight against FGM were supported through EU programmes. Egypt maintains its reservations on the provisions of the Convention on Elimination of all forms of Discrimination against Women (CEDAW). In the framework of the UPR process Egypt promised to lift its reservation to Article 2 on non-discriminatory policy measures and to consider lifting the reservation on provisions related to marriage and family life.

With regard to **rights of the child**, Egypt undertook in the UPR review to strengthen the legal framework to combat all crimes against children. Significant progress has been made on the right of identity. Amendments to the Child Law recognize the legal right to free birth registration and give the mother the right to obtain a birth certificate for her child under her name, even if the marriage relationship cannot be proven. The amended law also includes specific provisions for family financial assistance.

Revisions to the legislation (Law 126) introduced the prohibition of work for children under 15, and the obligation of medical checks before work. An ongoing project with the support of UNICEF and the US Department of Labour addresses the worst forms of child labour and occupations.

Egypt has not signed the Hague Convention on the Civil Aspects of International Child Abduction.

Limited progress was made as regards **fundamental social rights and core labour standards**. The Egyptian case was reviewed by the International Labour Organization (ILO) Committee on the Application of Standards at the ILO annual Labour Conference. Egyptian authorities undertook to review the labour legislation in order to comply with ILO Convention No. 87 on the Freedom of Association and Protection of the Right to Organise. No draft legislation was submitted to the parliament.

With regard to **rights of persons belonging to minorities**, relations between the Bedouins and the government remained tense. Several clashes occurred in the Sinai between Bedouins and the police. The situation in the Sinai is complicated by the government's security concerns for the area and the need to safeguard the borders and control smuggling activities.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

Egypt is an active partner on CFSP matters. Egypt has been part of the renewed efforts in 2010 to find ways for a comprehensive solution to the **Middle East Peace Process**. It contributed to the re-launch of the Israeli-Palestinian direct peace negotiations in September 2010 and hosted the second round in Sharm el Sheikh the same month.

Egypt has a strong engagement in **Africa** and played an active role in the Africa-EU political dialogue ahead of the Africa-EU Summit in Tripoli in November 2010. Egypt actively supported developments in Sudan, promoting reconstruction activities in Darfur and mediation between North and South Sudan ahead of the referendum on the secession of South Sudan. Egypt began to adopt a more conciliatory approach in its dialogue with Nile Basin states seeking a greater share of Nile river waters. However, Egypt and Sudan opposed the Cooperative Framework Agreement signed in May by Ethiopia, Kenya, Rwanda, Tanzania and Uganda.

Egypt continued in its role as co-president of the **Union for the Mediterranean** (UfM) throughout 2010 and co-chaired five Ministerial level meetings.

In February 2010 Egypt expressed its interest to participate in the EU **crisis management operations** in the framework of the European Security and Defence Policy. Egypt was included in the group of third countries with which the EU is ready to conclude a framework agreement on their participation in EU crisis management operations.

Since the political dialogue on **counter-terrorism** between the EU and Egypt which was held in Brussels in March 2009, Egypt has expressed a willingness to deepen the cooperation. Dialogue continued within the sub-committee on political matters and the sub-committee on justice and security. For several years Egypt has declared its intention to introduce a new anti-terrorism law in preparation for rescinding the Emergency law. The anti-terrorism legislation is still awaiting discussion by the parliament.

Egypt continued to play an active role on multilateral **non-proliferation and disarmament** fora, most notably in the Non-Proliferation Treaty (NPT) Review Conference in May 2010. Establishment of a Middle East zone free of nuclear weapons and all other weapons of mass destruction (WMD) remains a key security objective for Egypt. EU services continued close consultations with Egypt on the planned EU seminar in 2011 on Middle East security and WMD non-proliferation.

In 2010, the EU established a regular political dialogue with Egypt on non-proliferation and disarmament issues. The first meeting, held in Brussels in February 2010, focused on the preparations for the 2010 NPT Review Conference and the Arms Trade Treaty negotiation process.

Egypt has not yet signed the Ottawa Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction. It signed the Rome Statute of the International Criminal Court in 2000, but has not yet ratified it.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning market economy

In fiscal year 2010¹, the Egyptian economy outperformed expectations, with a very positive GDP growth of 5.1% – up from 4.7% in fiscal year 2009. This growth was driven mostly by private sector consumption, on the back of three government fiscal stimulus packages, each amounting to roughly 1% of GDP.

However, the global economic crisis did affect some key growth sectors in Egypt, such as the Suez Canal and remittances, which at the end of 2010 were still below their pre-crisis level. Foreign Direct Investment also remained at low levels, while exports suffered as a result of weak consumer demand from the main trading partners, such as the EU and USA.

Having peaked at an average of 18% in fiscal year 2008, inflation dropped to an estimated 11% in fiscal year 2010. The Central Bank of Egypt (CBE) started loosening monetary policy accordingly since the beginning of 2009 on the back of a negative external demand shock that gradually slowed inflation. The Central Bank intends to introduce an inflation targeting regime.

Although fiscal year 2010 was a difficult year, owing to tax reforms, the government deficit increased to 8 % of GDP from 6.6% of GDP in fiscal year 2009. The size of the fiscal deficit and the high public debt-to-GDP ratio of around 75% remain a constraint for Egypt's overall macroeconomic strategy. However, the government is committed to a gradual fiscal consolidation strategy that can be stepped up if the gains from the improved economic activity permit. Ongoing reforms, such as the introduction of VAT and the reduction of fuel subsidies for the industrial sector, are commendable and will help to keep the deficit under control.

During the global crisis, a widening trade deficit, lower tourism revenues, lower remittances and lower Suez Canal revenues served to push the current account into negative territory for the first time since the 1990s. A slight improvement was recorded in the current account deficit of the fiscal year 2010: it narrowed to 1.4% of GDP, compared to 1.6% of GDP in fiscal year 2009.

The Egyptian pound continued to largely track USD-EUR movements, although exchange rate flexibility appears to have increased. On the back of high inflation differentials with Egypt's trading partners and a relatively stable currency in nominal terms, the real exchange rate has appreciated in the recent past (the real effective exchange rate appreciated by around 21% in fiscal year 2009 and is estimated to have appreciated further in fiscal year 2010). Even though non-oil export performance has been good, suggesting that structural reforms have helped productivity, further real appreciation could have a negative impact on medium-term growth prospects.

Employment and social policy

In spite of a general upward trend recorded in human development over the past 20 years, geographical disparities remain, with extremely high **poverty** levels in upper Egypt (43.7%) and significant inequalities between rural and urban areas throughout the country. Egypt continued to implement the "1000 villages most in need" programme initiated in 2009 and there is a special programme to address urban areas. Living conditions remain very poor for the estimated 20% of Egyptians living on less than \$ 1 (EUR 0.76) per day. The Ministerial Committee for Social Development was enlarged by including the Minister of State for

¹ The fiscal year 2010 runs from July 2009 until June 2010.

Family and Population, the National Council for Youth, the National Council for Sports, the General Authority for Adult Education and the Post Authority.

Social dialogue continued to take place in an over-structured framework, and bilateral social dialogue remained underdeveloped. However, the establishment of a new trade union centre was announced on 31 January 2011. Egypt has yet to adapt the Labour Law and Trade Unions Act in compliance with the International Labour Agreements to which it is a party. The provisions on social dialogue, child labour, health and safety at work, sending labour abroad, training centres and collective bargaining are among the issues to be included in future legislative amendments.

There was no development towards establishing the Economic and Social Council.

Unemployment remains a major problem in Egypt, in particular for young people. After having risen to 9.4% in 2009 (from 8.7% the previous year), unemployment rose again in 2010 to 9.7% (around 2.37 million people). The Youth Action Plan to promote youth employment was revised to take account of the impact of the economic crisis and presented to the Cabinet of Ministers. There are three policy priorities: (i) Technical Vocational Education and Training (TVET) to increase youth employability; (ii) Enterprise development, to improve the success rate of micro, small and medium enterprises (SMEs); (iii) Labour market policies and programmes, to activate the minimum wage rule and its enforcement, and to upgrade employment offices and encourage the establishment of private recruitment agencies. The Ministry of Manpower and Immigration restructured some employment offices to lay the basis for developing a National Employment Agency but the approach to establish this Agency has yet to be developed.

An occupational health and safety Strategy was developed with the support of a Twinning project, which ended in July 2010 as well as pilot actions in one governorate.

Egypt prepared a new draft law on **social insurance and pensions**. The new law would add new social categories to the beneficiaries, ensure a better maintenance of the benefits' and pensions' real value in conditions of inflation, combat illiteracy, improve the income generating capacity of families and reinforce the partnership with NGOs.

The National Council for **Women** (NCW) has organised training courses for women community leaders and awareness campaigns to enhance the participation of women in political, economic and social life. NCW opened a Business Women Centre in Cairo and aims to establish similar centres in all governorates. An Ombudsman was established at the NCW. Three-quarters of women remain outside the labour force.

Some progress was achieved in the area of **agriculture**. During the reporting period the Ministry of Agriculture and Land Reclamation presented the Business Plan covering the period 2010 – 2017 that will implement the National Strategy's recommendations. The plan encompasses nine Development Programmes. They address *inter alia* agricultural human resource needs, sustainable development of natural resources – particularly land and water - improving production to meet food security needs and upgrading the livelihood of rural populations. The investments of approximately EGP 107 billion (around EUR 14.3 billion) over seven years will be shared between the private sector (approximately 54%) and the government (46%). Although the productivity of agriculture is increasing, Egypt is still dependent on imports, especially as far as cereals are concerned. The food trade deficit accounts for 17% of the total trade deficit. Furthermore, food insecurity and malnutrition remain an issue for the country, despite the large food safety net system which absorbs 7% of

the State budget's subsidies (1.8% of GDP). An EU Rural Development Programme implemented by the Ministry of Agriculture will support these reforms by improving water use, farming methods and income for farmers.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period, bilateral **trade** between Egypt and the EU regained its increasing trend and exceeded the trade volumes of 2008. In 2010 Egypt's exports to the EU increased by 14.5% and EU exports to Egypt increased by 16.6%. The dismantling of Egypt's tariffs applicable to imports of industrial goods originating in the EU proceeded as laid down in the Association Agreement. The EU-Egypt agreement on further liberalisation of trade in agricultural products, processed agricultural products and fish and fishery products entered into force in June 2010. Egypt did not adopt any new trade distortive measures, such as export taxes and export bans, during the reporting period. However, the Ministerial Decree of September 2010 extended the application of trade restrictive measures regarding Egyptian rice exports until 1st October 2011. The export ban on Portland cement and clinkers expired on 1st October 2010. In November 2010, the EU and Egypt signed the Protocol establishing a Dispute Settlement Mechanism applicable to disputes under the trade provisions of the EU-Egypt Association Agreement.

Limited progress was registered during the reporting period as far as the implementation of the **customs**-related sections of the Action Plan was concerned. The new customs law was still not approved by parliament. The interactive English version of the Egyptian Customs Authority website has been in operation since September 2010. Egypt participated in the "SIROCCO" operation carried out in June 2010. SIROCCO is a joint customs operation, coordinated by the European Commission Anti Fraud Office (OLAF) and carried out by the customs administration of the EU and 11 partner countries from the southern rim of the Mediterranean².

On **free movement of goods and technical regulations**, Egypt continued its active preparations for the negotiation of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA). Egypt selected the following priority sectors to be approximated with EU technical legislation: toys, gas appliances, construction products, electrical appliances, pressure equipment, medical devices, machinery and vehicles and their parts. Draft Egyptian legislation, aligning the new legislative framework (on accreditation, conformity assessment and market surveillance) was submitted to the European Commission for assessment. In October 2010, the Egyptian draft legislation on Liability for Defective Products was aligned to the relevant EU Directive. A memorandum of understanding and cooperation agreements were signed with European notified bodies in the priority sectors. Egypt also continued to adopt EU standards in the priority sectors.

Regarding **sanitary and phyto-sanitary (SPS)** issues, the draft law establishing a single food safety authority remains under discussion in parliament. The unified food law, aimed at introducing the 'farm to fork approach', is still in a preparatory phase. As Egypt provided sufficient guarantees regarding controls, the European Commission allowed potato exports also for the 2010/11 season. The European Commission's Food and Veterinary Office (FVO)

² SIROCCO focused on deep sea containers loaded in China or the United Arab Emirates and arriving in countries of the Union for the Mediterranean. Around 40 million cigarettes, 1243 kg of hand-rolled tobacco, 7038 litres of alcohol and 8 million other counterfeits were seized during the operation.

carried out three missions to Egypt on pesticide residues in fruit and vegetables, horses and the production of casings. Egypt started to address the deficiencies identified by FVO. Following the missions, the European Commission suspended Egyptian casings exports to the EU. It also suspended trade in horses, due the outbreak of a serious horse disease in the region. Egypt pursued the fight against animal diseases including avian influenza, which has had a serious impact on human beings and animals since its outbreak in 2006.

In the field of **establishment, business climate and company law**, there was no progress on the adoption of the draft Unified Company Law. The General Authority for Investments, which is the only institution responsible for company registration since July 2009, operated a one-stop-shop benefiting from an ISO 9001 certificate and worked on a system of electronic registration for companies. A new law on Public-Private Partnerships (PPP) was enacted in May 2010. It is expected that the law will facilitate foreign direct investments (FDI) as it eliminates the preference for Egyptian contractors and some performance requirements. The new law has the potential to contribute to the improvement of Egypt's infrastructure in areas such as hospitals, roads, railways, ports and wastewater treatment. However, caution is needed in relation to the associated potential increase in contingent liabilities. The Ministry of Housing has already planned a PPP tender for a major wastewater facility west of Cairo, and other PPP tenders are under preparation.

In March 2010, the Egyptian Corporate Responsibility Centre launched an index for social and environmental corporate governance: Egypt Stock Exchange Economic Social and Governance Index based on a Standard and Poor's methodology.

Egypt's strategy for regulatory reform and administrative simplification started to bear fruit: from March 2009 to July 2010, more than 34,000 regulations that affect the business environment in Egypt were identified and introduced into an electronic database; about 30% of the inventoried regulations have been reviewed and streamlined since 2009.

Bilateral negotiations for the liberalisation of **services** and establishment made no progress.

On **financial services**, Egypt weathered the global financial crisis relatively well, as the level of financial intermediation is low and the state maintains a strong presence in the financial sector. Thanks also to progress in reforming the government debt management and pensions Egypt's creditworthiness was never in doubt. The Central Bank of Egypt strengthened banking supervision by enforcing minimum capital requirements, improving assessment of state owned banks, providing resolution to non-performing loans and working towards introducing the Basel II framework. The Egyptian Financial Supervisory Authority (EFSA) continued supervising all non-banking financial transactions and markets. Several draft laws, e.g. on mortgages, licensing for non banking companies, and pension funds are under preparation. A regulation aimed at separating life and non-life insurance services is also under consideration. A draft law on micro-finance companies is before Parliament.

Other key areas

There was limited progress in the implementation of the priorities of the Action Plan related to **tax**. The 2010/11 budget included an across-the-board tax increase of 40% for cigarettes and 100% for tobacco.

In the area of **competition policy**, the most recent amendments to the Competition Law are awaiting approval by the parliament. They mainly address the issue of full leniency, and

possibly mergers and acquisitions. The Egyptian Competition Authority (ECA) and the Regulator for Telecommunications are currently discussing a memorandum of understanding that would clarify the respective competences and establish a coordination mechanism between them. In 2010, the ECA published three decisions and pursued their investigations. The ECA also worked on a number of market studies. ECA was active in awareness raising and dissemination of information; it regularly organizes training events and seminars in the field of competition. On **state aid**, ECA is working on a paper that would help provide a better understanding of state aids, including in reference to WTO and EU law, to be disseminated among various stakeholders.

In the area of **Intellectual property rights**, Egypt made no progress in the ratification of the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, the International Convention for Protection of New Varieties of Plants (UPOV) and the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedures. There is an ongoing reduction of software piracy, and piracy rates as measured in a study by an independent organisation have declined since 2006 to 59% in the 2010 edition.

Egypt drafted executive regulations for the implementation of the law governing **public procurement**, based on the 2009 gap analysis conducted by the Organisation for Economic Co-operation and Development (OECD). The Ministry of State for Administrative Reform developed the platform for e-procurement, which is divided into three parts: publishing, bidding and evaluation. The first part is expected to be operational and made mandatory at the end of 2010. The Ministry of Finance amended the executive regulations on public bids and tenders in September 2010. The new guidelines prescribe the publication of a full list of all specifications, a copy of the draft contract to be signed, noting the rights and obligation of the contracting parties, and the timeline for the tender. Contractors will also be required to identify all deliveries provided under the advance payment, with the possibility of seizure of the contractor's letter of guarantee as a penalty.

During the first half of the year the Central Agency for Public Mobilization and Statistics (CAPMAS) developed a draft national **statistics** law with the assistance of the EU Twinning project.

Egypt finalised the revision of its **accounting**, broadly in compliance with the International Financial Reporting Standards. A new authority, the Audit Oversight Board - which is a member of the International Forum of Independent Audit Regulators - began supervising the quality of the work of registered auditors on the basis of the new **auditing** standards, which fully reflect international standards.

With regard to **public financial management**, the Ministry of Finance created a fiscal decentralisation committee in February 2010 which was responsible for overseeing all public finance reforms, including internal audit. The pace of reform remains slow and there remains a need to develop the internal audit function for overall budgetary expenditure. Greater transparency is needed in external audit.

On **enterprise policy**, Egypt continued to participate in the industrial cooperation activities, including the implementation of the Euro-Mediterranean Charter for Enterprise at national level. Particular efforts were also made to improve SMEs' access to finance and to information, notably via training in corporate governance, the creation of an SME web portal and capital injected by the Social Fund for Development into microfinance institutions. In

June 2010, the Ministry of Investment announced a set of new laws and amendments aimed at developing the legal framework governing investment in Egypt. This includes modernising non-banking financial services, with a focus on SMEs and microfinance, and adapting legislation.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

No progress was reported on **border management**. Egypt had declined to enter into dialogue on this issue.

Egypt has bilateral **migration** agreements in place, including provisions on the economic and social rights of migrants. No major developments were noted in the reporting period (*see also section 2*).

In March 2010, the European Commission and the UN launched the Joint Migration and Development Initiative in cooperation with the Egyptian Ministry of Foreign Affairs to help small scale actors to contribute more fully to linking **migration** and development. Egypt is rapidly becoming a key transit country for migrants and refugees from sub-Saharan Africa (to Europe and other neighbouring countries), placing strains on public services and leading to localized tensions. Migrants and refugees are also vulnerable to organized crime and exploitation, particularly smuggling and trafficking networks.

On **asylum**, Egypt remains committed to the principle of *non-refoulement*, hosting some 41,000 registered refugees. However, it has no domestic procedures and institutions for asylum, opting to cooperate with UNHCR through a Memorandum of Understanding. In the **fight against organised crime**, the parliament adopted the Organ Transplant Law in March 2010, regularising organ transplants within Egypt and banning their commercial trade abroad in order to curb illicit trade in human organs. In April 2010, it adopted a Law on Human Trafficking, which criminalised all forms of **human trafficking** including prostitution, slavery, child exploitation in pornography and forced labour. This important law is predicated on a comprehensive approach of prevention, legal protection and assistance to victims, while providing for rehabilitation and education programmes, including cooperation with non-governmental organizations. The National Coordinating Committee to Combat and Prevent Human Trafficking took several support measures, including the establishment of a victim hotline and an intensive media campaign. Egypt made no progress on ratification of the Third Additional Protocol to the 2003 United Nations Convention against Transnational Organised Crime on the Illicit Manufacturing of and Trafficking in Firearms, Their Parts, Components and Ammunition.

Regarding the **fight against drugs**, limiting the drug supply and trafficking continued to be Egypt's priority, with particular attention being paid to eradicating drug cultivation, trade networks and precursors. The Ministry of the Family and Population oversaw the implementation of preventive and harm reduction programmes through schools, youth networks and higher education institutions in cooperation with civil society. As was the case in 2009, there is still a need for a greater exchange of information between all agencies involved, with renewed attention to developing drug-abuse and harm-reduction programmes in prisons. Egypt participated in the ENP regional seminar on the EU drug monitoring system organised by EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) and by the Commission in Brussels in October 2010. Egypt participated in the work of the Council of Europe's Pompidou Group from June 2010 onwards.

In the area of the fight against **money laundering**, as was the case in 2009, the relevant supervisory authorities continued to implement the national control regime based upon the ‘40 plus 9’ Special Recommendations by the Financial Action Task Force (FATF). The financial services industry pursued the application of ‘Know Your Customer’ (KYC) and ‘Know Your Business’ (KYB) practices. Egypt pursued regional cooperation within the Middle East and North Africa Financial Action Task Force (MENAFATF) and Egmont Groups.

With regard to international **police and judicial cooperation**, Egypt continued to work on the signature and ratification of the various instruments to which it is party under the Hague Conference on Private International Law. International police and judicial cooperation was successfully pursued, particularly in the area of cross-frontier family disputes, with Egypt showing an interest in capacity building in forensic medicine.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

The implementation of the ambitious **transport** reform programme suffered considerable delays. The Ministry of Transport (MoT) approved a new organisation chart, which includes the creation of a Strategic Environmental Assessment (SEA) unit and a Public Private Partnership (PPP) unit. The new chart should be implemented in early 2011. In March 2010, the unified transport law was presented to the Parliament.

Egypt completed the first phase of the rail sector reform. This led to a thorough restructuring and, most importantly, to the introduction of a new safety culture.

In the field of civil aviation, negotiations between the European Commission and Egypt on the horizontal agreement were not completed. The EU encourages Egypt to conclude the negotiations speedily.

As regards Inland Waterways, the Prime Minister decided, in March, to start restructuring the inland waterway sector with the aim of transferring river ports and barge operations to the private sector.

In the Maritime Sector, the Minister of Transport’s decree of October 2009, stating that the Egyptian ‘partner share’ in all companies in the maritime services must be not less than 51%, creates a barrier to the liberalization of services. Despite discussions with EU Member States, Egypt has shown no sign that it intends to amend the decree. The Egyptian flag remained on the black list of the Paris Memorandum of Understanding on Port State Control.

In October 2010, the EU and Egypt, through **energy** dialogue, took forward the implementation of their 2008 Memorandum of Understanding on a strategic partnership on energy. The parties agreed, inter alia, to cooperate on preparing an Energy White Paper. The paper is to be based on the Egyptian energy strategy – 2030, which was adopted by the Supreme Council for Energy in February 2010. The strategy aims, inter alia, to open up the energy sector, which includes the establishment of a gas and oil regulator and the gradual elimination of price distortions.

Egypt continued with studies on the future use of domestic oil shale and uranium. It wishes to become an energy bridge for the region and the EU. With a view to its rapidly growing energy needs, Egypt continued the construction of new electricity generators. The country faced electricity shortages and reduced gas exports. The draft acts on the reform of the electricity

and petroleum sectors are still in a preparatory phase. In July 2010, Egypt adopted new electricity tariffs. Egypt further developed its electricity and gas networks and prepared electricity interconnections with its neighbours.

Egypt worked towards a renewable energy master plan. It commissioned a solar power plant and further developed additional solar plants. It made advances on wind power plants, which are expected to become the mainstay of green power production. These projects, jointly financed by European Development Banks and EU grant funds, contribute, inter alia, to the development of the Mediterranean Solar Plan. Egypt continued implementing energy efficiency measures, including on efficient lightning.

Egypt further pursued work for the construction of a nuclear power plant, which is expected to be located on the Mediterranean coast in the El-Dabaa area. In May 2010, it adopted a comprehensive nuclear energy and radiation law, which provides, inter alia, for the establishment of an independent nuclear regulator. The EU and Egypt continued cooperation regarding the Egyptian nuclear regulator under the Nuclear Safety Cooperation Instrument.

In the field of **climate change**, Egypt submitted its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory, mitigation and adaptation measures. Egypt prepared and approved further Clean Development Mechanism (CDM) projects. Two new such projects were registered at the UN level, bringing the overall number of registered projects to seven. Egypt is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement. Regarding the **environment**, Egypt continued to implement the national environmental action plan (2002-2017). Actions are underway in fields such as reducing vehicle emissions and strengthening of the air quality monitoring network. The legislative framework continues to require further development, in particular with regard to implementing legislation. New legislation on water and wastewater, as well as on waste management, is still under preparation. Egypt introduced a gradual ban on the transport of hazardous and toxic substances on the River Nile. A national solid waste management strategy and an integrated coastal zone management strategy are still under preparation. A waste management master plan for Cairo was designed as a model for the rest of the country. Continuing attention is required in order to implement existing strategies and plans and to further enhance monitoring and enforcement.

Egypt took some steps to enhance administrative capacities with regard to integrated coastal zone management and marine pollution. However, strengthening administrative implementation capacity at all levels of the country, including coordination between authorities, remains a major challenge. Steps were taken to integrate environment considerations in other policy areas, such as transport.

Egypt continued to publish environmental information on a regular basis, and carried out some activities to inform and involve the public. Public consultation is still not mandatory for certain environmental impact assessment studies.

Egypt took some further steps towards acceding to the Integrated Coastal Zone Management Protocol to the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean. There were no significant developments as regards ratifying the amendments to its Land-Based Sources Protocol and its Emergency Protocol. The implementation of already ratified agreements requires particular attention.

Egypt continued to participate in the Horizon 2020 Initiative and the EU Water Initiative. Cooperation and information exchange took place between the European Commission and Egypt, including on water, waste management, de-pollution and management of environmental information.

In the field of **civil protection**, Egypt was actively involved in the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to natural and man-made Disasters.

The Ministry of Communications and **Information Technology** launched the first worldwide internet domain name using Arabic letters. As part of Egypt's "Green ICT Strategy", the ministers for Communications and Information Technology and for Environmental Affairs signed a Memorandum of Understanding regarding a Green Information and Communication Technology (ICT) Strategy, which aims to reduce the adverse environmental impacts resulting from the expanding use of ICT devices.

The National Telecommunications Regulatory Authority (NTRA) announced its new numbering plan, and the board of directors of NTRA awarded two licences for the construction and operation of (fibre-based) access telecommunications networks in closed compounds. There are no new developments or plans regarding the introduction of a second fixed telephony licence. Consequently, this market remains a *de facto* monopoly.

Egypt established a national institution (CERT) to support early discovery and containment of information on security attacks and incidents. It is also developing a new framework for licensing new triple play services for voice data and video. There were a number of developments in Egypt in the field of e-Learning: inauguration of new projects in schools as part of the Smart Schools Network Project and the organisation of a workshop on technological infrastructure in schools. During 2010, Egypt also launched new projects in the field of e-government at local level.

There is no progress to report on **audiovisual** issues.

In the area of **research and innovation**, the Egyptian Ministry of Higher Education and Scientific Research continued to implement its reform strategy (2007-2012). Egypt significantly increased the participation of Egyptian researchers in the European framework programme for research (FP7), also thanks to the setting up of a network of thematic National Contact Points. Three new thematic contact points were appointed for Energy, Environment and Science in Society, bringing the total number of contact points to 42. Up to March 2011 Egypt had a very high number of applicants, 790, of which 109 were successful in submitting a proposal, receiving a total contribution of about EUR 10 million. The thematic areas which provoke the main interest are Health, Environment, Food, Agriculture & Biotechnologies and ICT. In September 2010, a high-level Delegation from Egyptian Research Centres visited the JRC-Ispra site; five Egyptian research organisations have four collaborative ventures with the Joint Research Centre. Egypt strengthened its co-operation with the Enterprise Europe Network.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

Egypt pursued **education** reforms on the basis of the National Strategic Plan for pre-university education 2007-12, with EU financial support, with advances on fiscal decentralisation, school-based, curricular and textbook reforms, as well as use of ICT. Implementation of the first two phases of the Teachers' Cadre was achieved in the context of

public service reform, but challenges still remain for early-childhood, girls and out-of-school education, as well as on special educational needs. A key unaddressed aspect of reform is the permeability between secondary education streams and student progression from secondary-technical to tertiary education. The reform of university admission (*Thanawiya Amma*) will be crucial in this context. The General Authority for Literacy and Adult Education continued implementing the National Plan for Adult Literacy, focusing on integrating literacy, adult education and measures to prevent school drop-out, in cooperation with civil society

The Government approved the third phase (2012-17) of the Higher Education Master Plan in October 2010 which provides for the establishment of a Supreme Council of Education, compatibility of higher education with international reference points, including on credit transfer (ECTS), reform of vocational training within higher education institutions and adoption of a national qualifications framework (NQF). Quality assurance is prioritised with additional resources to improve quality and ensure institutional accreditation. In this respect, the work of the National Authority for Quality Assurance and Accreditation in Education (NAQAEE) made good progress, completing the development of quality standards and accreditation manuals for all education branches while establishing links with European accreditation bodies. It is also tasked with NQF development. The Ministry of Higher Education showed growing interest in the development of technological training centres, as well as in reforms under the Bologna Process. Higher education would benefit from further decentralisation and the use of performance-based funding as a means to improve cost-effectiveness

In the field of **technical vocational education and training**, the Inter-Ministerial Committee on Human Resources Development initiated discussions on the implementation of the 25-year strategy to reform the whole system, with attention to the realignment and definition of mandates as well as the NQF. Immediate attention is required to address the serious mismatch between training content and delivery and labour-market needs. The EU-funded TVET programme served as a catalyst in securing consensus on the policy choices ahead. Its establishment of 12 sector-based enterprise training partnerships laid the foundation for future reform work. The Ministries of Education, Industry, Manpower and Migration participated actively in the self-assessment analysis under the Torino Process and its linked Education and Business Study. This led to the discussion and validation of its finding in a national dissemination workshop in October, co-organised by the European Training Foundation (ETF) and the Egyptian Observatory for Education, Training and Employment. In December, the Ministry of Higher Education approved a proposal for the design of a national career guidance and counselling system, developed by the National Task Force on Career Guidance with ETF support.

Egyptian universities and higher education institutions participated actively in the third call for proposals under **Tempus IV**, resulting in the selection of four projects contributing to staff capacity building and innovative curriculum development. Eight Egyptian students were awarded **Erasmus Mundus** Masters scholarships, while student and academic mobility will be further enhanced with the expected award of 108 grants under Erasmus Mundus Action 2 for the academic year 2010-11. In addition, one Egyptian organisation is taking part in a project to promote European higher education in sustainable development under Action 3. In 2010 a **Jean Monnet** module and a Chair in Euro-Mediterranean relations were awarded to Cairo University for the first time.

The National Council for **Youth** (NCY) continued implementing youth empowerment programmes in line with its four year plan (2006-10), in coordination with national

stakeholders and civil society. Egyptian young people and youth organisations continued to benefit from the opportunities offered by the **Youth in Action** Programme, which supports exchanges, voluntary service and cooperation in the field of youth and non-formal education. Egypt confirmed its participation in the Euro Med Youth IV programme.

In the area of **culture**, the Parliament adopted a new Law on Antiquities. Work proceeded on the ratification of the UNESCO Convention on Underwater Cultural Heritage. Investment in capacity to ensure full implementation remains a challenge, as does coordination between all of the actors concerned. In June 2010, the Ministry of Culture engaged in a positive dialogue with cultural operators in the framework of the first Conference on Cultural Policies in the Arab region to be held in Beirut. Four Egyptian cultural organizations participated in projects selected as part of the 2010 ENP Special Action under the Culture Programme. In the context of EU bilateral cooperation, work proceeded on a project to enhance creativity and access to culture as a means of development. Egypt also continued to play an active part in the regional Euro-Med Heritage IV programme.

Egypt, with considerable EU assistance, continued the reform of the **health** sector, particularly by further implementing its “Family health model”. The model aims at universal coverage, financial sustainability and better quality. For example, Egypt established additional primary health care facilities and made progress with the renovation of hospitals. In June 2010, the draft health insurance law was submitted to Parliament, although negotiations on the future financial sustainability of the health system have been difficult. Egypt completed a first pilot project on health insurance management in Suez and launched additional pilot projects. Egypt continued to monitor influenza A (H1N1). The EU and Egypt enhanced the health sector dialogue through the health reform programmes financed by the EU as well as, inter alia, by Egypt’s participation in the EU’s global health conference of June 2010. Egypt continued to take part in the ‘Episouth’ network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with Egypt. The new National Indicative Programme (NIP) 2011-13 for Egypt was adopted in March 2010 and has a budget of EUR 449.3 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Egypt ENP Action Plan and pursues three priorities: (1) political reform and good governance, (2) competitiveness and productivity of the economy, and (3) socio-economic sustainability of the development process.

Implementation

Implementation of the measures covered by the previous NIP (2007–2010) is underway. In the Education Sector, the National Strategic Plan is being rolled out to improve the quality of and access to education, with most of the major system reforms and particularly those targeting school-based reform, advancing the reform of the civil service and modernisation of schooling. In the transport sector, the reform programme has regained momentum and it is improving in the areas of institutional and regulatory structures, as well as the planning of inland waterways, railways and roads. The support to social development has had an impact

in deprived rural areas of Egypt, including the generation of 1,651 permanent and 251 temporary job opportunities, 2,260 new drinking water connections, 30 health care units and 795 medical mobile clinics. Women are being empowered through literacy and vocational training.

In 2010, the EU continued to support the national reform efforts in Egypt and committed assistance for a total amount of EUR 192 million under the bilateral envelope of the European Neighbourhood and Partnership Instrument (ENPI). The new 2010 Annual Action programme (AAP) focused on sustainable development and improving the competitiveness and productivity of the Egyptian economy. Within this envelope, a EUR 120 million reform support programme in the water sector will help strengthen institutional structures and promote more efficient use of water resources, while also protecting public health and the environment. Cooperating with other EU donors, a EUR 20 million contribution was made to a EUR 300 million Wind Farm project that will produce clean renewable energy, limiting greenhouse gas and other emissions. An additional EUR 20 million to the ongoing Research, Development and Innovation programme will help to facilitate Egypt's move towards a knowledge-based economy, while a EUR 10 million Justice Reform Programme will target the juvenile justice system and the fight against trafficking in human beings. The successful twinning programmes receive a further EUR 10 million, while EUR 9 million is provided to support the efficiency and transparency of public administration. Finally, EUR 3 million was allocated to a cultural programme to broaden access to cultural activities across the country.

The 2010 AAP also included a sector budget support operation in the water sector and twinning projects for a value of around EUR 5 million in support to the Egyptian Water and Electricity Regulators, as well as Consumer Protection and Real Estate Taxation. Twinning operations were being implemented, among others, in the areas of maritime safety, water quality management, postal management and tourism. Other programmes from 2007 and 2008 include a Waste Water project, as well as support to Good Governance, Human Rights and Civil Society.

In addition to the bilateral allocation, Egypt also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. Egypt participates in the Cross-Border Cooperation (CBC) Mediterranean Sea Basin programme (EUR 173.6 million for the whole programme in the period 2007-13). The main priorities of the Programme are four-fold (i) promotion of socio-economic development and enhancement of territories, (ii) promotion of environmental sustainability at the basin level, (iii) promotion of better conditions and modalities for ensuring the mobility of persons, goods and capitals and (iv) promotion of cultural dialogue and local governance.

Under the ENPI-financed Neighbourhood Investment Facility (NIF) contributions, four projects in Egypt were approved in 2010, committing EUR 34 million in grants and technical assistance, expected to leverage broadly EUR 1.6 billion in loans from European Finance Institutions in the water, energy and power sector.

Other EU Instruments supplement the ENPI assistance package. Egypt benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Co-operation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA) and Investing in People (IIP). Egypt also benefited from other instruments such as the Instrument for Nuclear Safety Cooperation (INSC), strengthening the capabilities of Egypt's

Atomic Energy Authority and its National Centre for Nuclear Safety and Radiation Control by linking it to EU nuclear regulatory authorities.

The European Investment Bank has signed finance contracts in 2010 for an amount of EUR 906 million in the Energy and Refinery sectors in Egypt, aimed at improving electricity supply and distribution and increasing refining capacity.

Donor coordination

In 2010, the EU Delegation in Egypt ensured the coordination of assistance activities to support the Egyptian authorities who are dedicated to implementing the aid effectiveness agenda. In 2010 progress was made in setting up a mutual accountability mechanism between the Egyptian authorities and the donor community. This is taking place in the context of the 'Cairo Agenda for Action' and the drafting of a 'Situation Analysis' that summarises Egypt's key development challenges. From this analysis a number of core areas have been selected to enable donors to focus their financial support.