

Macro-financial assistance to Egypt

2024/0071(COD) - 15/03/2024 - Legislative proposal

PURPOSE: to provide macro-financial assistance (MFA) to the Arab Republic of Egypt.

PROPOSED ACT: Decision of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: relations between the European Union and the Arab Republic of Egypt are developed within the framework of the EU-Egypt Association Agreement, in force since 2004. The EU and Egypt adopted the latest EU-Egypt Partnership Priorities (2021-2027) at the ninth EU-Egypt Association Council on 19 June 2022. The Partnership Priorities reconfirm the joint aim to address common challenges facing the EU and Egypt, promote joint interests and guarantee long-term stability and sustainable development on both sides of the Mediterranean.

The Strategic and Comprehensive Partnership will cover 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 implementation of cooperation in these areas will unleash the full potential of the EU-Egypt relationship.

Underpinning the partnership will be 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.

This financial package will be provided in a challenging economic situation where Egypt continues to have sizeable and unmet financing needs. In this context, the Egyptian authorities requested support through macro-financial assistance ('MFA') from the EU on 12 March 2024 after an International Monetary Fund ('IMF') staff level agreement on an augmented Extended Fund Facility of USD 8 billion was announced on 6 March 2024.

After showing some resilience during the pandemic, partly thanks to reforms in the context of successive IMF programmes since 2016, Egypt's macro-fiscal situation has deteriorated noticeably over recent months.

CONTENT: against the backdrop of the deteriorating regional stability and Egypt's important role in the region, the Commission is submitting to the European Parliament and the Council a proposal to provide a new MFA of up to EUR 4 billion to the benefit of Egypt, as part of an overall MFA package of up to EUR 5 billion in loans. The proposed MFA would help Egypt cover part of its overall external financing gap, which is estimated at around USD 17.7 billion in the context of the new IMF programme over the period of 2024-2027.

The disbursement would take place in three instalments, with the release of each instalment, including the first one, strictly linked to satisfactory progress with the implementation of both the IMF programme and in relation to a number of additional policy measures to be agreed between the Commission and the Egyptian authorities and listed in a Memorandum of Understanding ('MoU').

The MoU could, in principle, include reforms to promote the role of the private sector in the economy, monetary and exchange rate policy reforms, continued Public Finance Management reforms and social support mechanism enhancements.

It should be noted that provisions will be provided under the External Action Guarantee at a provisioning of 9%, which will be programmed under the NDICI-GE, for a total amount of EUR 360 million (budget line 14 02 01 70 “NDICI – Global Europe - Provisioning of the Common Provisioning Fund”).