EURO-MED PARTNERSHIP

EGYPT

National Indicative programme
2005-2006
I. SUMMARY

1. INTRODUCTION

The thread of the programming exercise for 2005-2006 is the Country Strategic Paper CSP) of the Commission for 2002-2006, as well as the recent political framework such as the New Neighbourhood Policy. The priorities of the new programming exercise have taken into account the agenda of reforms of the Egyptian authorities, the progress in the Association Agreement, and the experiences gained through the previous cooperation exercises. Considering that the timing for the Mid Term Review of the CSP corresponded with that of the programming for 2005-2006, it was decided to express the adjustments of the CSP directly through the National Indicative Programme (NIP) for 2005-2006. Therefore, the CSP 2002-2006, taking into account the recommendations of the Mid Term Review, continues to be valid for the period 2005-2006.

2. ORIENTATIONS OF THE COUNTRY STRATEGIC PAPER AND OF THE NIP 2002-2004

The Country Strategy Paper (CSP) for Egypt, adopted in 2001, supplied the strategic framework for EU co-operation in the period 2002-2006. The main objectives of EU assistance and the priority fields are to:

- Promote the effective implementation of the EU-Egypt Association Agreement which has been now ratified by the Egyptian authorities (emphasis on assistance to Egyptian enterprises to meet the challenge of competition on internal and external markets).
- Sustain the process of economic transition (from a command economy to a liberalised market economy, creating growth and employment).
- Support stability through a balanced and sustainable socio-economic development (matching economic liberalisation with social reform, good governance, rule of law, involvement of civil society, protection of environment).

On the basis of a global indicative budget of 351 M€, the National Indicative Programme for the period 2002-2004 attached to the CSP has translated these general priorities into a total of eight programmes for the period 2002-2004. They cover the following areas:

- Action on Promotion of the Association Agreement.
- Trade Enhancement Programme.
- Financial and Investment Sector Co-operation.
- Technical and Vocational Training Reform.
- Integrated Local Development Programme (South Sinai).
- Spinning and Weaving Industry Restructuring.
- Support to Social Development and Civil Society.
- Higher Education: Tempus participation.

The NIP 2002-2004 has already opened the way for Egypt to make progress towards common objectives. However, the challenge ahead for Egypt and the EU is to make the Association Agreement a vehicle for supporting Egypt's economic and legislative reforms.
3. MID TERM REVIEW

3.1 Preamble

Country Strategy Papers (CSPs) are intended as an instrument for guiding, managing and reviewing EU assistance programmes. They are essential management tools to ensure that external assistance reflects the EU's policy objectives and priorities. The completion of the "first generation" of CSPs/RSP for the MED region took place in December 2001.

With a view to the continuous improvement of the quality of the CSPs, the Council in March 2003 adopted conclusions on the use of the Common Framework for CSPs\(^1\). In these conclusions, the Council invites the Commission to undertake a Mid Term Review (MTR) of each CSP in accordance with existing rules and lays down key orientations for the CSP review. Four parameters have been identified as basic reference points for the review process: (i) new developments in the country, (ii) new EC/EU policy objectives and commitments, (iii) results and performance, and (iv) lessons learnt and potential improvement.

As far as the MED region is concerned, the general conclusion is that there is no need for an extended review, given the rather general content of the CSP/RSP 2002-2006 and their recent adoption. Minor revisions in the CSPs/RSP relate to already identified sectors corresponding to new EU/EC policy objectives and commitments (see infra). Since the MTR coincides with the 2005-2006 programming exercise, it was decided to express the CSPs/RSP adjustments through the national/regional indicative programmes.

3.2 Country's overall context since 2001

The economic reform and structural adjustment programme launched in 1991 brought about macro-economic stability, higher growth rates and progress on the structural front during the 1990s. However, since the end of the 1990s a combination of external shocks and weak policies weighed on overall economic developments. GDP growth decelerated to about 3.5% in 2000/2001 and further to 2% in 2001/02, comparing unfavourably with population growth of 1.9% a year.

Economic activity is expected to have recovered slightly in 2002/03, with real GDP growing by about 3%. While the war in Iraq is estimated to have cost the economy about 1% of GDP, growth in 2002/03 was supported by the rebound of exports following the depreciation of the Egyptian pound since its floating in January 2003, higher oil prices and the strong performance of the service sector (tourism and Suez Canal revenues). Together with administrative restrictions on public sector imports and difficulty to access foreign currency, this contributed to the narrowing of Egypt's substantial trade deficit (to about 8% of GDP) and to the emergence of a current account surplus of 2.4% of GDP.

On the other hand, domestic demand for investments and households consumption remained at low levels and actually decreased further. The sharp depreciation of the currency also contributed to a surge in inflation in 2003, eroding living standards. Problems in gaining access to foreign currency have continued after the float, as indicated by the persistence of a parallel market as of early 2004. Egypt's fiscal position has continuously deteriorated during

the last 5 years, although the pace of deterioration slowed down recently. The general government deficit widened to about 3.3% of GDP excluding grants (corresponding to over 7% of GDP at the more reliable level of central budget). Financing of the deficit was mainly ensured by the domestic banking sector, in the order of 5-6% of GDP, with possible crowding out effects on the private sector.

Social conditions are constantly improving, but Egypt still ranks 120 out of 175 according to the 2003 UNDP human development indicators. Literacy is low, at just 56% of the population. During 1990-2001, 44% of the population lived with less than 2 USD a day, although according to the national poverty line the share of poor people is lower at 17%. Poverty is especially acute in Upper Egypt. Labour market conditions have worsened in recent years, as Egypt's growth performance remained below potential. Official unemployment rose to 9.9% in 2002/03, up from 9.0% the previous fiscal year. About 500,000-700,000 new job seekers every year put additional pressure on unemployment figures. Growth rates of at least 5-6% a year are believed to be necessary to underpin employment creation and improve living standards. In this respect, it is noteworthy that these differentials are even higher when women are at stake.

Important challenges remain for future economic growth and social improvements. Growth may increase to 3-4% in 2003/2004, sustained by the increased price competitiveness of the export and service sectors in the aftermath of the currency devaluation as well as strong public sector demand. However, a more substantial and sustainable recovery, encompassing domestic demand and the non-oil sector and bringing about more significant improvement in living standards, requires consistent and coherent reforms. In particular, Egypt ought to put in place a macroeconomic framework to support the floatation of the currency and the introduction of a new monetary framework, and enhance structural reforms, notably in the area of business environment. On the fiscal front, the implementation of trade liberalisation in the framework of the EU-Egypt Association Agreement may require measures to compensate for the loss of customs revenues. Improvements of productivity as well as improvements of human capital and infrastructure are also essential to put growth on a high and sustainable path. Attention should also be given to poverty reduction and job creation, to ensure that the benefits of higher economic growth accrue to the Egyptian population. Egypt has already launched major reforms of the primary health care and basic education system, and social development is firmly on the policy agenda. However this political concern still needs to be translated into a coherent social development strategy.

In the area of regional dialogue and sub-regional co-operation, the EU welcomed the conclusion and initialling, in Amman in January 2003, of the Agadir Agreement, which provides for free trade between Jordan, Morocco, Tunisia and Egypt by 2006, as an important step towards the creation of a Euro-Mediterranean free trade area. The entry into force of this Agreement will strengthen the South-South dimension of the Euro-Mediterranean Partnership.

3.3 New EU policies/initiatives

In the course of 2002-2003, a number of policy orientations have been adopted by the Commission, which will have an impact on our relations with the Mediterranean partners in the near future. Most significantly, the communication on "Wider Europe and the New Framework for Relations with our Eastern and Southern Neighbours" sets out a new framework for relations over the coming decade with the Southern Mediterranean. The communication notes the growing interdependence between the EU and its neighbouring
partners in terms of stability, security and sustainable development. In the suggested new neighbourhood policy, the communication proposes that, over the coming decade, the EU should aim to work in partnership with its Southern neighbours to develop a zone of prosperity and a friendly neighbourhood - a "ring of friends" - with whom the EU enjoys close, peaceful and co-operative relations. This new policy aims at building upon the framework of co-operation provided by the Association Agreement with the aim of strengthening our partnership and bringing our neighbours closer to the EU. In return for concrete progress reflecting the shared values, and effective implementation of political, economic and institutional reforms, all the neighbouring countries can be offered the prospect of a stake in the EU's internal market. The new neighbourhood policy expands and develops the content of the specific objectives included in the Association Agreement provisions and could pave the way for further integration and liberalisation to promote the free movement of persons, goods, services and capital (four freedoms). In addition, for the period up to 2006, the countries of the south Mediterranean are invited to participate actively in MEDA neighbourhood programmes under preparation, aimed at strengthening the impact of trans-border co-operation with the Mediterranean EU Member States.

Other relevant policy orientations include: trade-related technical assistance and the Doha round, JAI related issues, better governance, human rights and democratisation in the MED region, and environmental initiatives agreed at the Johannesburg Summit on Sustainable Development.

The launch of the new WTO Round - the Doha Development Agenda - comprises both further market openings and additional rule making, underpinned by commitments to strengthen assistance to build capacity in developing countries. The main objective of the new round is to assist developing countries' integration into the world trade system in a way that will help them combat poverty.

The Council conclusions of Tampere (1999), Santa Maria da Feira (2000) and Sevilla (2002) defined a common policy regarding the integration of Justice and Home Affairs issues in EU external policy. The Action Plan adopted in Valencia (2002), in addition to the Barcelona Declaration, gave further orientations for reinforced co-operation in the MED region in three main sectors: migration, reform of the judiciary and the fight against criminality. Better governance, promotion of democracy and respect for human rights constitute core objectives of the EU's external policies. In line with the conclusions drawn up in the 2002 UNDP Arab Human Development Report, the Commission recently adopted a Communication on "Reinvigorating European Actions on Human Rights and Democratisation with Mediterranean Partners" which aims at maximising the effectiveness of the instruments at the disposal of the EU and its Mediterranean partners in the field of human rights and democracy. The communication sets out working guidelines to promote Human Rights and fundamental freedoms in co-operation with the Mediterranean partners. It proposes 10 concrete recommendations to improve the political dialogue between the EU and its Mediterranean partners, as well as EU financial co-operation on Human Rights issues. Their implementation will be enhanced by three levels of complementarity: between the political dialogue and financial assistance, between the MEDA programme and assistance under the European Initiative for Democracy and Human Rights (EIDHR), and finally between the national and regional dimensions.
A global commitment to the cause of **sustainable development** was restated at the Johannesburg Summit, through an ambitious action-oriented programme with clear and measurable objectives, demonstrating the increasing importance of **environmental issues** in achieving the Millennium Development Goals. The key areas for EU action are water and energy. In Johannesburg, the EU launched two partnerships, one on water and sanitation and one on energy for the poor. The **EU Water initiative** ("Water for Life") will help coordinate existing financing mechanisms with a focus on three parameters: supply, sanitation and integrated resources management. At the moment, concrete follow-up is expected for the Mediterranean countries in the framework of the existing financing instrument (MEDA). The programming for 2005-2006 foresees a specific operation in the environment sector, in particular linked to the water reform in Egypt.

On the basis of the above considerations, it can be said that the new EU policies have been considered in the programming exercise 2005-2006 and the all the areas mentioned are covered in the Country Strategic Paper 2002-2006.

### 3.4 Results and weaknesses/lessons learned/improvements

In 2003, an evaluation of the European Commission's Country Strategy for Egypt was undertaken. The objective of this evaluation was to provide key findings and lessons learned from the European Commission's past and current assistance to Egypt. The report evaluated the EC strategy from 1996-2006 and the corresponding National Indicative Programmes.

The evaluation consisted of:

- Identifying objectives of the EC strategy with respect to Egypt.
- Reconstructing the logic of the EC intervention.
- Raising the main questions regarding the strategy of implementation.
- Collecting information on the programmes and project implementation.
- Answering questions by measuring the degree of success of the strategy.

The EC strategy has, in broad terms, been relevant to the objectives of the Government of Egypt in that the EC has supported actions that have maintained economic, social and political stability. However, a major impediment to the success of EC activities has been the lack of overall appetite for reform in Egypt as well as low absorption capacity for large programmes. A number of lessons have been learned and since deconcentration of EU assistance to Egypt, the dialogue and consultation with Egyptian stakeholders has improved significantly, leading to the design of more focused activities. Moreover there has been an improvement in the overall donor coordination effort from the EC and the Member States which is now more effectively targeted, and has measurable outcomes.

The EC has supported the Government of Egypt's gradualist short term objective of maintaining stability by supporting job creation and moderate reforms. The EC also provided assistance to the private sector of the economy.

Thus, in looking at the future, the EC must consider whether it should give proactive support to more dynamic economic, social and political reforms in Egypt. The EC has provided until now some valuable "bottom up" support to private sector development, but the main achievement towards supporting economic reform has been the
Association Agreement, which has the potential of being the catalyst for wider economic and trade reform.

The promotion of balanced social development and social protection is an integral part of the Association Agreement. The evaluation report recommends that future EC assistance to Egypt better defines a clear set of objectives in support of social development and develops programmes with a focus on policy reform.

With regard to the strategic objective of democracy, human rights and the building of civil society, the evaluation report recommends that the EC intervention should strengthen the dialogue with the Egyptian government in close cooperation with Member States. In addition, human rights, governance and democracy should be mainstreamed in the future programming exercise.

4. PROGRESS OF THE ASSOCIATION AGREEMENT

The EU-Egypt Association Agreement was signed in June 2001 and was ratified by the Egyptian Parliament on 7 April 2003. The Association Agreement is expected to enter into force in 2004 after ratification by the Member States. Pending completion of the procedures required for the entry into force of the Association Agreement, the European Community and Egypt have decided to provide for the provisional application of the trade and trade related provisions of the Association Agreement from January 2004.

5. PRIORITIES OF THE NIP FOR 2005-2006

The global allocation to Egypt for this exercise is 243 €M.

The National Indicative Programme (NIP) for 2005-2006 represents a complement to the previous NIP. The Country Strategy Paper 2002-2006 and recent political developments provide the strategic framework for financial co-operation with Egypt. These developments concern in particular, the new communication of the European Commission on the "New Neighbourhood policy (Wider Europe)"; the UNDP report on human development in the Arab world; the report of the World Bank on better governance in Middle East and North Africa, the communication of the European Commission on "strengthening human rights and democracy" in MEDA countries, the issues of migrations and justice and home affairs, the outcomes of the Doha agenda on sustainable development and the Johannesburg Summit on environment issues.

5.1 FEMIP (EIB)

Moreover, in the framework of the Barcelona Process, the EIB has strengthened its financial partnership with the Mediterranean Partner Countries (MPC) through the creation of a specialised instrument, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP - October 2002). At the end of 2003, it was decided to reinforce the FEMIP, by adding new financial instruments and changing some organisational features in order to increase activities in favour of the private sector and cooperation with Partner Countries.

Under FEMIP on the annual volume of EIB lending in all partner countries will gradually increase from € 1,4 to € 2 billion in 2006. These resources are to support a much-broadened activity range, with a priority for private sector development. Of particular importance are
those projects in the areas of Environment, Human Capital and which are of mutual interest to the Union and Mediterranean Partner Countries or reinforcing "South-South" cooperation. Financing on own resources will be complemented with EU budgetary resources for technical assistance, both upstream and downstream. This will help with the preparation and implementation of investment projects. In addition, the EIB continues to avail of considerable amounts of risk capital resources for private sector development.

Amongst those priorities, the EIB and the Commission have decided specific objectives regarding:

- The reduction of the negative impact of human activity on the environment.
- The alignment of environmental norms with international agreements and treaties (European directives, Kyoto, etc.).
- The private sector development.

In those areas, EIB loans on own resources may be supported by interest rate subsidies (financed through EC budgetary funds).

II. CONTENT OF THE NATIONAL INDICATIVE PROGRAMME

There is a strong interest in Egypt to pursue economic and social reforms in order to achieve more ambitious objectives in the partnership with the European Community.

In this context, financial co-operation between the EC and Egypt plays an important role in supporting activities that contribute to the achievement of our common objectives. The regulatory liberalisation and legislative reform requested by the provisions of the recent Association Agreement should be thoroughly pursued, as a friendly environment for investment and trade is a prerequisite for healthy economic development. Moreover, the skills of the Egyptian labour force will benefit from being upgraded in their technological capacity by helping increase the competitiveness of industrial sectors that will need to compete on the European and World stage. The EU can gradually offer to Egypt better access to the European Research Area within the context of the New Neighbourhood policy through the 6th Research Development and Technology Programme (RDT). Industry, better equipped from the technological point of view, together with a friendlier legislative environment will be more attractive to foreign investment. Basic research should not be neglected and in particular its applications to the industrial sector.

However economic development cannot be successful if it does not benefit the Egyptian population. This can only be achieved by a national strategy of poverty reduction and job creation.

Finally, all these efforts will only achieve the required results if political reform is carried forward with determination. It is impossible to achieve a prosperous society without the full participation of women and youth in the economic and political life of the country. This requires the respect of democratic principles and fundamental human rights as set out in the Universal Declaration on Human Rights in social and economic areas.

Considering all these elements, the Commission has identified, in consultation with the Egyptian authorities, the following priority sectors for future EC financial assistance.
Priority 1: Support to the preparation of the new neighbourhood policy/Promoting the EU-Egypt Association Agreement

- Support to the Association Agreement.
- Support to the sector reform facility.

Priority 2: Support to the process of economic transition

- Support to the water sector reform.
- Development of Research and Innovation.
- Tempus (extension of the programme).

Priority 3: Supporting sustainable socio-economic development

- Support to social reforms.
- Reform of the Health sector.
- Support to democratisation, human rights, civil society, good governance.

1. PRIORITY I - SUPPORT TO THE PREPARATION OF THE NEW NEIGHBOURHOOD POLICY / PROMOTING THE EU-EGYPT ASSOCIATION AGREEMENT

Context and justification of the priority

A central objective of the Country Strategy Paper 2002-2006 is to promote the implementation of the EU-Egypt Association Agreement (AA) which has now been ratified by the Egyptian parliament. This involves modernisation of the legislative, institutional and regulatory framework, as well as the creation and/or strengthening of institutions involved in the implementation of the AA. It is a core interest of the EU and Egypt to carry forward this process.

In order to facilitate the successful implementation of the Association Agreement, a number of adjustments are therefore necessary. The role of relevant public authorities as trade facilitators should be enhanced and instruments at their disposal should be improved to support operators in their trading activities. An environment conducive to greater and fairer trade should be created. Both exports and imports should benefit from mechanisms designed to create more dynamism and encourage trade flows.

The support of the European Community shall be in the form of financial and technical assistance, notably:

- An integrated "technical assistance project".
- A "sector reform facility".

1.1 The technical assistance activities

a) Justification

The EU-Egypt Association Agreement was ratified by the Egyptian Parliament on 7 April 2003 and will enter into force in 2004. Pending completion of the procedures required for the
entry into force of the AA, the European Community and Egypt have decided to provide for the provisional application of the trade and trade-related provisions of the AA from January 2004. In parallel, in May 2001, Egypt decided, together with Jordan, Morocco, and Tunisia to create a regional free-trade area ("Agadir" process).

Along with strict trade commitments, the Association Agreement entails a comprehensive upgrading of legislation and the regulatory framework and the creation and/or strengthening of institutions involved in the implementation of the AA. It is a core interest of EU and Egypt to implement and sustain this process. More specifically this should lead to a Free Trade Area between the partner countries within twelve years after the entry into force of the AA, assuring the trade-related aspects of the AA, such as liberalisation of services and right of establishment, rules on competition and state aid, intellectual property protection, as well as public procurement.

Furthermore, a number of areas are referred to in the AA under the chapter of economic cooperation. These include education and training; scientific, technical and technological cooperation; environment; industrial co-operation; promotion and protection of investment, standardisation and conformity assessment; approximation of legislation; financial services; agriculture and fisheries; transport; information society and telecommunications; energy; tourism; customs; co-operation on statistics; money laundering and fight against drugs. Also, co-operation on social and cultural matters is provided for.

b) Specific objectives

The specific objective of the programme is to support Egyptian public entities concerned by the implementation of the Association Agreement, in preparing and implementing legislative, administrative and institutional measures to fully reap the benefits of the Agreement, with a view to:

- Approximating Egyptian legislative and legal framework with that of the EU ("acquis communautaire") in order to facilitate the implementation of the Association Agreement and strengthening the institutional and administrative framework for its effective implementation.
- Improving the capacity of the Egyptian Government and national administrations to comply with obligations of the EU-Egypt AA.
- Facilitating the adaptation of companies to the legal framework of the future free-trade area.

c) Description of the programme

The support for the implementation of the Association Agreement will consist of short and medium term technical assistance, training, the exchange of know-how with counterparts in the EU, including possibly cooperation with European institutes and through the exchange of equipment (software). Within the perspective of a reinforced EU good neighbourhood policy, particular importance will be given to twinning. Twinning will reinforce the administrative capacity of Egypt through partnership co-operation programmes between Egyptian public administrations and those of EU Member States.
d) Expected results

Given the wide range of activities, the focus should be on identifying needs together with the Egyptian authorities with a view to upgrading the capacity of the public administration to implement the AA. Activities foreseen under this programme will build on the experience gained through previous EC-funded programme and projects such as the Industrial Modernisation Programme, the Trade Enhancement Programme, and the Financial and Investment Sector Co-operation.

In particular, actions in the following areas could be of interest:

- **On the trade front**: progress towards more transparency and simplification of technical legislation and standards, and compatibility with international standards; strengthening of accredited testing laboratories; standardisation and certification to facilitate trade in goods; improvement of food industry standards regarding phytosanitary requirements for Egyptian exports and technical help in addressing niche markets; alignment, if necessary, with WTO rules in these fields (Technical Barriers to Trade, and Sanitary and Phyto-Sanitary Agreements); plan for alignment with European systems. Customs cooperation and the implementation of the EUROMED rules of origin could also be addressed.

- **Concerning agriculture**: the knowledge and awareness of EC CAP mechanisms could be broadened by creating a focal point in the relevant Egyptian administration that could advise operators on tariff quotas, minimum prices and, more generally on concessions on agriculture and processed agricultural products.

- **In the field of services**: where Egypt is conducting negotiations in the WTO/GATS, emphasis could be put on the modalities and sectors of further bilateral services liberalisation in particular on the right of establishment and liberalisation of services supplies and transport.

- **In the area of competition**: implementation of the new competition law (under discussion in the People's Assembly). It would be beneficial to address the whole issue of competition legislation - and the related issue of state aid - bilaterally to enable a correct implementation of the AA and its smooth functioning.

- **In the sectors of energy and transports**: acceleration of the reforms are essential. For the energy sector, reform of the electricity sector is of particular importance, as well as the promotion of a more efficient energy demand management and a harmonisation of the energy sector rules and standards with those of the EU. For the transport sector, reforms will need to cover all transportation modes as well and the harmonisation of standards as well as safety and security measures.

- **On intellectual property**: mechanisms to review implementation and WTO compatibility of the new IPR law of 2002 with international conventions, including TRIPS Agreement (Agreement on trade-related aspects of intellectual property rights of WTO) as well as the Berne Convention (Paris Act 1971) and the Paris Convention (Stockholm Act 1967, preventing counterfeit in patent, copyright, trade marks, industrial design) could be looked at in the framework of the co-operation/consultations provided for under the AA.

- **In areas such as scientific, technical/technological, co-operation, and industrial co-operation**: support for setting up a suitable regulatory framework for the development of the information society (electronic communications, e-commerce, etc.) and for the successful participation of Egypt in the Scientific and Technological Cooperation Agreement under the 6th Research and Development framework programme.
Emphasis could be also put on the necessary mechanisms to pursue co-operation on social and immigration matters, for example on questions related to illegal immigration (capacity building, awareness campaign, facilitating the returning migrant integration and labour migration), on issues related to border management, combating drug trafficking, trafficking of human beings and measures for controlling money laundering and corruption. Judicial co-operation both in civil and criminal matters is another area in which action might be taken.

Support to the revision, update and the enforcement of legislation related to democratisation and human rights, in particular in the field of equality between men and women could be considered in order to comply with the provisions of international conventions and the reforms undertaken by the Egyptian authorities.

Both parties should attach sufficient attention to the co-operation on cultural matters fostering dialogue among civilisations for their better mutual understanding.

e) Performance indicators

Generally:

- Legislation and regulatory framework foreseen by, or related to, the Association Agreement and WTO adopted and applied.
- Administrative bodies/ institutions to implement and monitor this legislation and regulation created and operational.
- Administration and Judiciary trained and equipped to implement new legislation and regulation.

f) Indicative budget

25 M€.

1.2 The sector reform facility

a) Justification

This support will allow Egypt to pursue its fiscal, financial and regulatory reforms, which are core issues of the economic chapter of the Euro-Mediterranean partnership. Egypt will need to continue budget consolidation and to review the policy constraints (legal and regulatory framework including fiscal policy, trade and business environment) with the aim of improving the business environment in Egypt and assuring the best success in the implementation of the Association Agreement.

The priorities should be identified taking the ongoing EC support into consideration, mainly under the "Trade Enhancement Programme", the "Industrial Modernisation Programme", and the Financial and Investment Cooperation.

b) Specific objectives

- Improved services to the private sector through increased efficiency of the financial sector.
- Facilitate an effective modernisation of the legal and regulatory framework in which Egyptian economic actors operate.
- Reduce transactions costs for the operators.
• Increase efficiency and competitiveness of the Egyptian economy.
• Support fiscal consolidation and the improvement of the efficiency and quality of public finances.

c) Description of the programme

The funds made available by the EC under this second pillar project will be disbursed in support of the authorities' fiscal, financial and regulatory reforms being prepared with a view to improving the business environment.

d) Expected results and performance indicators

Expected results and performance indicators will need to be added after analysis of the EC ongoing projects under the "trade Enhancement Programme", the "Industrial Modernisation Programme" and the Financial Investment Cooperation.

e) Indicative budget

15 M€.

2. PRIORITY II - SUPPORT TO THE PROCESS OF ECONOMIC TRANSITION

2.1 Support to the Water Sector

a) Context and grounds

Like other countries in the region, increasing water consumption in Egypt requires careful management. The main concern is to increase the management of the water resources and to supply the population with drinking water, balanced against the conflicting needs of industry and agriculture. The Egyptian government has embarked on an overall reform of the water sector aiming, inter alia, at:

• Reforming the role of the Ministry of Water Resources and Irrigation with a view to promoting economic and sustainable water use.
• Promoting decentralised management at operational level.
• Providing a favourable framework for private sector participation in the water sector.

In line with these orientations, a National Water Resources Plan is being finalised and should become an important instrument for water resources management policy. Decentralisation of water management is one of the core issues of the reform for future water management in Egypt. However, due to the nature of the water system, with an almost single water resource (the River Nile), central water management will continue to be part of the overall water management. The reform also involves participation of stakeholders in the decentralised process.

The reform is still in its first steps of development, and needs further refinement and integration of sub-sectors (potable water, wastewater, sanitation, industrial water, water reuse, water treatment etc.) falling under the responsibility of other Ministries.
The European Commission proposes to support the authorities' reform in the water sector, for more efficiency in the management of water resources and/or drinking water and sanitation.

The sector of water represents a high strategic interest for Egypt and for the European Union in the context of the "European Initiative on Water" launched at the Johannesburg summit in 2002. The integrated management of water resources is one of the three components of the initiative which foresees integrated management plans for water resources in all countries by the end of 2005.

Moreover, support to the Nile Basin, initiated several years ago by the World Bank and UNDP, has resulted in the Nile Basin Initiative (financially supported by mostly EU Member States) and the preparation of action programmes in the different parts of the basin. This is an issue where water management is the entry point for an overall process of regional integration, in all its dimensions, as well as an important case of building confidence, peace and security in a region subject to many turbulences. In the framework of this initiative, the Commission has proposed to allocate extra funding to support transboundary river basin management in Africa.

b) Specific objectives

- Design of institutional reform with a view to an integrated, sector-wide approach to water management.
- Enhanced cost efficiency and more optimal use of water through private participation in the water sector.
- Improved management of water resources taking into account conflicting interests of water users.
- Transfer process from central and Government controlled water management at all levels of the distribution system.

c) Description of the programme

Considering the Egyptian authorities' commitment to address a sector-wide institutional reform of the water sector, future EC assistance should support the National Water Resources Plan and, more generally, the authorities' reforms with a view to promoting economic and sustainable water use; promoting decentralised management at operational level; and advancing private participation in the water sector. If a significant package of reforms is prepared in time then the Commission's assistance will take the form of a budgetary support operation.

The reforms should also include a way of strengthening truly participatory methods including the participation of civil society.

Interest subsidies to the European Investment Bank (EIB) for projects to be defined in the water sector can also be envisaged.

d) Expected results

- Implementation of the National plan.
- Decentralisation of management.
- Stakeholder participation in water resource management.
e) Performance indicators

- Productivity indicators of water use.
- Quality parameters of water supply.
- Number of private operators and management schemes operational in the water sector.
- Scope of tariff amendments and complementary measures to increase cost efficiency.

f) Conditions

The Commission, after consultation with the Egyptian authorities, will reallocate the indicated amount to other programmes if a significant package of reforms in the water sector is not ready to be supported in due time.

g) Indicative budget

80 M€.

2.2 Research, Development and Innovation

a) Background and justification

The Country Strategy Paper 2002-2006 stresses that an innovation culture is essential for the development of competitive products and services by Egyptian enterprises. No such programme has been included in the National Indicative Programme 2002-2004. With a view to speeding up the implementation of the Association Agreement, and in particular the implementation of Article 43 on the scientific and technological co-operation, the programming exercise presents an opportunity to revisit this issue.

A programme to support the knowledge-society and innovation in Egypt is essential to underpin socio-economic development by contributing to high added-value export earnings.

The EU-Egypt scientific co-operation agreement provides a useful context for this priority. More importantly, the 6th Research Development and Technology Programme (RDT), covering the period 2002-2006, provides for the participation of organisations in Egypt, the EU and other Mediterranean partner countries, in all instruments supporting a wide range of activities, whereas in the past, their participation was limited to specific activities.

Because of the many EC programmes already opened to Egypt, there is a compelling need for a coherent and integrated strategic approach for the development of Egyptian participation in the field of research and innovation. The competitiveness of companies and the employment they can provide depend to a great extent on RDT. RDT is also essential for the support of other policies, such as consumer protection.

b) Specific objectives

- Increased participation of Egyptian researchers in European research and development projects.
- Absorption of highly educated scientific/technical graduates, thus addressing a specific unemployment black spot.
• Improvement in Egypt's image abroad as a competitive production centre for technologically advanced products.

c) Description of the programme

The support shall be in the form of technical assistance, including twinning activities, and financial support in the following areas:

• Developing a structured national centre acting as a contact point and responsible for diffusing information on community activities and projects opened in the field of research and development. The Centre would be responsible for delivering information to the Egyptian scientific community.

• Providing adequate awareness and guidance for potential participants through a network of help desks which could be established to help foster participation of Egyptian industry and technology centres in the 6th RDT.

• Training of science policy makers and research administrators in the management of international contracts in the research area.

• Encouraging movement of Egyptian researchers to the Member States research organisations through participation in the Marie Curie Actions foreseen in the 6th RD FP on mobility, training, knowledge transfer and excellence recognition. The reintegration of those researchers in their country of origin will be included in the allocated fellowships in order to encourage the researchers to plan the period of their stay in Europe and thus to build up the research capacity of their country of origin.

• Identifying, together with the Egyptian Government, specific downstream needs to support innovation in the private sector aimed at benefiting more fully from the 6th RDT and its successor. Identification should first build on practical lessons learned through actual participation in the 6th RDT and Industrial Modernisation Programme (IMP) technology related activities.

As a first step, it is envisaged to cover gaps such as the financing of targeted twinning activities between European high technology enterprises and Egyptian manufacturing SME by including financial support to:

• Training costs for the understanding /use of technology and sophisticated instruments used in the actual (or foreseen) production processes of the venture in Egypt.

• Partly cover the cost of the salaries of recent graduates employed by the venture for a limited period.

• Licensing, specific marketing initiatives and missions to EU countries, including participation in relevant trade fairs.

• Support for a national initiative to attract highly qualified scientific personnel back to Egypt could be envisaged.

• Support the roll-out of broadband infrastructure between universities and research centres, possibly by completing the trans-European network.

d) Expected results

• Increased participation of Egyptian researchers and laboratories in the 6th RTD programme as well other European programmes in the research area.

• Increased participation in the Marie Curie Actions on mobility of researchers.
• Strengthening scientific cooperation with European countries.

e) Performance indicators

• Number of Egyptian researchers and laboratories in the 6th RTD programme.
• Number of projects presented under other European programmes in the research area.

f) Indicative budget

11 M€.

2.3 Higher Education Co-operation: TEMPUS IV programme

a) Background and justification

In recognition of the important role of higher education in developing human resources and occupation skills and of exchange in promoting understanding between cultures, there is a need for closer EU-Egypt co-operation in the field of higher education. Moreover, the development of training leading to qualifications is needed in the context of economic reforms to help increase the competitiveness of industrial sectors. Considering the success of the TEMPUS programme in the previous programming exercise, it is proposed to extend the programme.

b) Specific objectives

The extension of the TEMPUS programme aims at strengthening and deepening the whole fabric of relations between eligible countries through its emphasis on co-operation in higher education. This will contribute significantly to the achievement of the social and cultural goals of the Barcelona Process and will assist the Egyptian higher education system, and the teachers and students in the mobility of higher education.

c) Programme description

The extension of TEMPUS will allow Egyptian access to the Tempus IV programme. This covers participation in joint European projects (joint education and training actions; measures for the reform and development of higher education; the promotion of co-operation between universities, industry and institutions; higher education staff and student mobility). Teachers, researchers, trainers, university administrators, senior ministerial officials, educational planners and other experts may use study grants to finance visits that promote the quality, development and restructuring of higher education and training. Specific imbalances affecting female students and teachers will also be addressed.

d) Expected results

• Continuation of the support to the reform and development of higher education structures and establishments and their management.
• Development of training leading to qualifications needed in the context of economic reform.
• Improvement in links between the higher educational system and industry.
• Enhancement of collaboration between the EU-Egyptian academic communities and between the higher education sector and the wider world.
• The joint development of common curricula and qualifications in priority areas.
• Better access of women to research programmes and mobility.

e) Performance indicators

• Participation of Egyptians in TEMPUS and in particular of women.
• Application of skills and integration in the education system or industry at return (follow-up of beneficiaries of EU programmes).

f) Indicative budget

12 M€.

3. PRIORITY III - SUPPORTING SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT

3.1 Support to social reforms

a) Context and grounds

Despite successful economic reforms in Egypt, poverty is still widespread in urban areas and particularly severe in rural areas. In recent years, the poverty pattern has changed from an urban-rural divide to a regional divergence between Lower and Upper Egypt even though pockets of poverty in other regions are still present.

In addressing this issue, various donors started a process of consultation with the GoE which eventually led to the design of the national Poverty Reduction Action Plan (PRAP). However, despite the government's acknowledgement that the alleviation of poverty is a prerequisite for attaining sustainable human development in Egypt, and although poverty alleviation has been on the agenda of the GoE for some years now, the PRAP has not yet been approved.

In the past, in an attempt to address the situation of poverty in Egypt, the EC allocated substantial support through the Social Fund for Development. In 2003, with the programme on Social Development and Civil Society (20 M€), EC assistance will concentrate on the social protection of the most economically vulnerable and socially marginalised groups in Egyptian society such as the children at risk, and will enhance the capacity of the non-governmental sector to contribute effectively to social development.

b) Specific objectives

• Formulate comprehensive social development policies aimed at the development of society and ensuring the provision of quality services to enhance and improve the quality of life of families and individuals.
• Enhance the living standards of citizens, in particular in the geographic areas of major concentrations of poverty, through sustainable social development.
• Ensure social protection of the vulnerable (persons living below the poverty line and the near-poor) and the situation of poor women.
c) Description of the programme

Given the structural nature of poverty in Egypt, new EC assistance in this field should ideally support government reforms within a broader national strategy aimed at reducing poverty in Egypt. The PRAP has the potential of becoming such a framework and the EC could play a role in the implementation and overall follow-up of this action plan. Moreover, the EC could provide support to specific reforms that are essential for Egypt's longer term success in the fight against poverty and to the development of innovative and effective strategies for social development.

Preparatory work in relation to the PRAP, indicates that good governance and decentralisation, including strengthening truly participatory methods could be keys for successful structural reforms. Next to the public sector, civil society organisations are important agents for social and political development.

Considering the major concentration of poverty in Upper Egypt, the EC's contribution to the national poverty reduction strategy could, if appropriate, contain incentives to help the government's efforts on Upper Egypt. Linked to such reforms, developing a regional dimension, based on specific sectors could constitute a way of demonstrating potential impact. Priority areas will need to be identified with the Egyptian authorities. The reform of the social protection schemes and decentralisation of decision-making and delivery of financial services to the poor could be of interest in an overall national strategy to reduce poverty.

d) Expected results

- Support for the establishment and implementation of a comprehensive social development/poverty alleviation strategy.
- A comprehensive, long-term framework for poverty alleviation established.
- Availability of well-targeted support instruments to address different needs of the poor and near-poor.
- Availability of quality services and social protection for the most vulnerable.

e) Performance indicators

- Proper staffing and equipping of agencies involved in the design and implementation of the poverty alleviation strategy.
- Number of people (distinguished by gender) covered by poverty alleviation mechanisms, in particular in high poverty zones.
- Improvements of social indicators (disaggregated by sex) in rural areas by comparison with the indicators in the urban areas.
- Number of job creations (disaggregated by sex), in particular in small and medium enterprises.
- Coverage of services, efficiency of provision.

f) Indicative budget

15 M€.
3.2 Reform of the health sector

a) Context and grounds

The EC-funded Health Sector Reform Programme (HSRP - 110 €M) will end in June 2005. Assuming that the Egyptian Government pursues its reform of the health sector, the EC will consider a second phase of its support in order to secure these sector reforms, as they are very relevant for the reduction of poverty and the social protection improvement. The core of the current reform is the implementation of the "Family Health Model", which consists of measures to improve quality and coverage by a comprehensive basic package of care. The government's approach is supported by several major donors (including the World Bank, ADB and USAID) and is implemented in several pilot Governorates.

b) Specific objectives

This programme aims at providing for the institutional strengthening of regulatory improvement at central, governorate and district level to support comprehensive and integrated district and governorate health plans.

c) Description of the programme

The envisaged HSRP-II could take the form of a sector adjustment facility providing support to a series of legislative and institutional reforms to be negotiated with the Egyptian authorities. Progress with respect to the reform of public administration and the modernisation of budget management - both of key importance to the success of the health sector reform - should also be taken into consideration in designing the programme.

Technical assistance and regular monitoring of the technical performance of the programme, and of public expenditure management in the sector, shall support the government in extending coverage and in ensuring sustainability of the reform.

d) Expected results

- Expansion of the Family Health Model beyond the geographical areas presently covered.
- Human resources development requirements that accompany increased coverage by Family Health Model.
- Regular review and adaptation of the basic benefit package delivered through the Family Health Model as epidemiological, technical and economic developments require, or as increased funding permits to include additional essential services.
- Further development of financing of health care, that allows a sustainable increase in coverage while ensuring equitable access to the basic benefit package.

f) Performance indicators

- Proportion of population having effective access to treatment for selected indicator diseases inside the basic benefit package.
- Increase of proportion of poor (in particular women) having access to effective coverage for prevention and care of selected health conditions.
e) **Conditions**

The Commission, after consultation with the Egyptian authorities, will reallocate the indicated amount to other programmes if a significant package of reforms in the health sector is not ready to be supported in due time.

g) **Indicative budget**

80 M€.

### 3.3 Democratisation, human rights, civil society, good governance

a) **Context and grounds**

Since the adoption of the Barcelona Declaration in 1995, there has been a growing recognition of the key role of civil society, democratisation, human rights and good governance in the process of turning the Mediterranean basin into an area of peace and prosperity and in allowing people to share the benefits of political and economic growth.

The new neighbourhood policy recently designed by the Commission sets out the framework for our policy building upon the Association Agreement, and outlines the importance of the dialogue on Human Rights as part of the political dialogue with Mediterranean partners.

It is acknowledged that economic development cannot flourish without the full participation of its citizens in the political and economic life, and good governance practices that allow a level playing field for all economic actors and protects the individual economic and political rights of each human being.

b) **Specific objectives**

- Raising public awareness of public enforcement bodies, media and opinion makers about democratic principles and human rights.
- Promoting freedom of expression, opinion, association.
- Increasing quality of media to operate according to international standards.
- Strengthening women's rights and women's participation in political, social, administrative and economic life, as well as in the judiciary.
- Fostering the effective protection of the rights of children and youth, in the line with relevant international Conventions in the field.
- Strengthening the capacity of civil society and facilitating the dialogue among all the actors involved.

c) **Description of the programme**

The programme should develop activities at three levels: the institutional level, the national centres and national Council, and the civil society actors' level itself.

The programme should be based on experience gained by other donors, in particular the UNDP and explore all the possibilities of coordinating activities.
The programme foresees decentralised, flexible grant funding and technical assistance and twinning support activities for the authorities where appropriate, based upon mutual agreement with the Government of Egypt.

The EC is willing to support and build on the national efforts undertaken for actions aiming at increasing governance in the broad sense, based upon mutual agreement with the Government of Egypt. The support could concentrate on actions in the following areas:

- In the field of human rights and civil society, support to the National Council for human rights. The EC looks forward to an effective and successful role of the Centre by increasing public awareness and protection of human rights, supporting the formulation of a National Action Plan and the establishment of the capacity to receive and follow up complaints.
- The EC would support measures to promote freedom of association, aiming, for example, at increasing capacity-building of NGOs; developing a networking system of NGOs; promoting dialogue with the institutions; increasing public awareness of the role of civil society and of their own rights as citizens; involvement of community-based organisations operating in more remote areas of the country to raise awareness of human rights and democratisation issues.
- Regarding the protection of the rights of children and youth: protection of children against violence (for example family violence and broken families), awareness of children and youth rights in society (school, living conditions in general), creation of youth courts and youth judges as well as an ombudsman in charge of children's rights.
- Strengthening of women's rights and women's participation in political, social, administrative and economic life, including the judiciary: awareness of citizen rights to help women become economically and legally independent.
- Support to the rule of law and the administration of justice (e.g. by co-operation in the preparation of laws, speeding mechanisms, improving the access of all citizens to justice, supporting the family courts and youth courts, providing training to judges, law enforcement officials).
- Other actions in the area of enforcement of legislation in the area of democratisation and human rights could also be considered under the programme on supporting the Association Agreement.

In addition, for a whole range of sectors, the EC’s willingness to support ongoing national efforts in the areas of good governance, democratisation and the strategic dialogue with civil society, as well as the respect and continuous promotion of gender issues, should be taken into consideration during the process of identification, appraisal and implementation of the various projects/programmes. EC co-operation should always be built on these principles.

d) Expected results

- Improved mechanisms available and operational to protect human rights, including women's rights.
- More effective involvement of civil society in promoting social development.
- Improvement of awareness in the areas of good governance and human rights in public opinion.
- Participation in democratic practices.
e) **Performance indicators**

- Number of women representatives in local and national parliaments; number of women entrepreneurs and women representatives in professional associations/chambers; number of women in top administrative posts including the judiciary.
- Creation of mechanisms and adequate national legislation to protect human rights.
- Number of complaints of citizens to the National Council for Human rights.
- Increasing access of citizens to justice.
- Creation of mechanism of legal aid to foster access to justice.
- Mechanisms of involvement of civil society.

f) **Indicative budget**

5 M\(\text{€}\).

4. **CROSSCUTTING ISSUES**

As in previous programming exercises, reducing gender disparities in all EC-funded programmes will need to be addressed with a special attention to women's rights, to their special needs to enhance their role in economic life and to benefit from appropriate social support. Environmental protection should also be taken into consideration when designing the projects.
**Budget and Phasing of the Programme**

<table>
<thead>
<tr>
<th>STRATEGIC PRIORITIES/PROGRAMME</th>
<th>INDICATIVE AMOUNT</th>
<th>COMMITMENTS 2005</th>
<th>COMMITMENTS 2006</th>
<th>% BUDGET</th>
</tr>
</thead>
</table>
| Priority 1: Promoting the EU-Egypt Association Agreement/Support to the preparation of the Neighbourhood Policy:  
  • Support to the Association Agreement.  
  • Support to the Sector reform facility | 40 M€ | 25 M€ | 15 M€ | 17% |
| Priority 2: Support to the process of economic transition  
  • Support to the Water sector reform²  
  • Support to Research and Innovation  
  • Extension of TEMPUS | 103 M€ | 80 M€³ | 11 M€ | 6 M€ | 42% |
| Priority 3: Supporting sustainable socio-economic development  
  • Support to the social sector  
  • Support to the health sector⁴  
  • Strengthening democracy and human rights/governance | 100 M€ | 80 M€ | 15 M€ | 5 M€ | 41% |
| TOTAL | 243 M€ | 116 M€ | 127 M€ | 100% |

² A final decision on this programme will be taken at a later stage on the basis of the reforms proposed in this area by the Authorities. In case of a negative decision, the indicated amount will be reallocated to other programmes, after consultation with the Egyptian Authorities.

Including a possible amount of around 10 M€ in interest subsidies on EIB loans, provided a reform component of the programme goes ahead.

⁴ Same as footnote 2.
**Indicators related to the Millennium Declaration**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1995</th>
<th>2001</th>
<th>2002</th>
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</thead>
<tbody>
<tr>
<td>1. Proportion of population on less than $1 per day</td>
<td>na</td>
<td>3.1</td>
<td>na</td>
</tr>
<tr>
<td>2. Prevalence of child malnutrition (% of children under 5)</td>
<td>16.81</td>
<td>4.0</td>
<td>na</td>
</tr>
<tr>
<td>3. Under-five mortality rate (per 1,000)</td>
<td>71.0</td>
<td>41.0</td>
<td>na</td>
</tr>
<tr>
<td>4. Net enrolment ratio in primary education</td>
<td>93.0</td>
<td>92.6</td>
<td>na</td>
</tr>
<tr>
<td>5. Percentage of cohort reaching grade 5</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>6. Ratio of girls to boys in primary and secondary education</td>
<td>76.9</td>
<td>93.8</td>
<td>na</td>
</tr>
<tr>
<td>7. Proportion of births attended by skilled health personnel</td>
<td>46.3</td>
<td>60.9</td>
<td>na</td>
</tr>
<tr>
<td>8. Proportion of 1 year old children immunised against measles</td>
<td>89.0</td>
<td>97.0</td>
<td>na</td>
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<tr>
<td>9. HIV prevalence among women 15-24 year old</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>10. Proportion of population with sustainable access to an improved water source</td>
<td>Rural:</td>
<td>na</td>
<td>97.0</td>
</tr>
<tr>
<td></td>
<td>Urban:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Sources: World Bank/MDG.*
### Economic situation

**Egypt - Selected Economic Indicators, 1997-2002**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth (in %)</td>
<td>5,30</td>
<td>5,70</td>
<td>6,30</td>
<td>5,10</td>
<td>3,50</td>
<td>2,00</td>
<td>2,50</td>
</tr>
<tr>
<td>Unemployment rate (ILO definition)</td>
<td>8,40</td>
<td>8,20</td>
<td>8,10</td>
<td>9,00</td>
<td>9,20</td>
<td>9,00</td>
<td>9,90</td>
</tr>
<tr>
<td>CPI inflation (average, in %)</td>
<td>6,20</td>
<td>4,70</td>
<td>3,80</td>
<td>2,83</td>
<td>2,37</td>
<td>2,50</td>
<td>3,20</td>
</tr>
<tr>
<td>Broad money (end of year; % change)</td>
<td>---</td>
<td>---</td>
<td>11,50</td>
<td>8,80</td>
<td>11,60</td>
<td>15,60</td>
<td>16,70</td>
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<tr>
<td>Consolidated government balance (% of GDP)</td>
<td>---</td>
<td>---</td>
<td>-0,62</td>
<td>-1,75</td>
<td>-2,65</td>
<td>-3,50</td>
<td>-3,30</td>
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<tr>
<td>Current account balance (% of GDP)</td>
<td>0,20</td>
<td>-2,90</td>
<td>-1,90</td>
<td>-1,20</td>
<td>-0,04</td>
<td>0,70</td>
<td>2,40</td>
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<tr>
<td>Official net international reserves (end of year)</td>
<td>---</td>
<td>---</td>
<td>17,711</td>
<td>15,399</td>
<td>14,964</td>
<td>16,474</td>
<td></td>
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<tr>
<td>In millions of US dollars</td>
<td>---</td>
<td>10,80</td>
<td>9,80</td>
<td>7,70</td>
<td>7,60</td>
<td>8,30</td>
<td>8,10</td>
</tr>
<tr>
<td>In months of imports of G&amp;NFS</td>
<td>---</td>
<td>10,80</td>
<td>9,80</td>
<td>7,70</td>
<td>7,60</td>
<td>8,30</td>
<td>8,10</td>
</tr>
<tr>
<td>Public external debt (% of GDP) (end of year)</td>
<td>36,70</td>
<td>---</td>
<td>---</td>
<td>28,30</td>
<td>28,50</td>
<td>33,70</td>
<td>42,40</td>
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<tr>
<td>Debt service (in % of exports of GNFS)</td>
<td>8,20</td>
<td>8,50</td>
<td>7,20</td>
<td>8,00</td>
<td>7,40</td>
<td>9,50</td>
<td>10,50</td>
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<tr>
<td>Exchange rate (Egyptian pound/EUR) (end of year)</td>
<td>---</td>
<td>---</td>
<td>3,56</td>
<td>3,34</td>
<td>3,32</td>
<td>4,40</td>
<td>6,95</td>
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<tr>
<td>Real effective exchange rate (1994/95=100)</td>
<td>114,87</td>
<td>124,70</td>
<td>126,96</td>
<td>134,19</td>
<td>123,10</td>
<td>104,60</td>
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<tr>
<td>GDP per capita, in USD</td>
<td>1.100</td>
<td>1.200</td>
<td>1.280</td>
<td>1.380</td>
<td>1.490</td>
<td>1.384</td>
<td>1.276</td>
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Source: National sources, WB, IMF.
## EC and Member States co-operation with Egypt - Planned disbursements for 2003 (€ thousand)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>OECD code</th>
<th>EC</th>
<th>A</th>
<th>BEL</th>
<th>DK</th>
<th>FI</th>
<th>FR</th>
<th>GER</th>
<th>GR</th>
<th>IR</th>
<th>IT</th>
<th>NL</th>
<th>P</th>
<th>SP</th>
<th>S</th>
<th>UK</th>
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<tr>
<td>Education</td>
<td>110</td>
<td>20 900</td>
<td>4 250</td>
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<td>28662</td>
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<tr>
<td>Health</td>
<td>120</td>
<td>36 870</td>
<td>35 781 250</td>
<td>5 206</td>
<td>900</td>
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<tr>
<td>Population Policy/Prog. &amp; Reproductive Health</td>
<td>130</td>
<td>1 100</td>
<td>1 455</td>
<td>1 592</td>
<td>7 150</td>
<td></td>
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<td></td>
<td>1 200</td>
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<td>Water supply &amp; sanitation</td>
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<td>20 000</td>
<td>1 455</td>
<td>1 592</td>
<td>7 150</td>
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<td>Government &amp; Civil Society</td>
<td>150</td>
<td>88 613</td>
<td>359 175</td>
<td>300</td>
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<td>Other Social infrastructure and services</td>
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<tr>
<td>Transport &amp; storage</td>
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<td>30 000</td>
<td>17 810</td>
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<td>Banking &amp; financial services</td>
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<td>350</td>
<td></td>
<td>27</td>
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<td>Business/Private Sector</td>
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<td>46 450</td>
<td>15 000</td>
<td>1 984</td>
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<td>Energy</td>
<td>230</td>
<td>70 000</td>
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*This figure represents the total amount to be disbursed in 2003 for individual sectorial projects through the debt swap. This amount is already included in the sectors and therefore the figure in this cell is not included in the total amount.*