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Accompanying the

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
Taking stock of the European Neighbourhood Policy (ENP)**

*Implementation of the European Neighbourhood Policy in 2009:
Progress Report Egypt*

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1. BACKGROUND AND OVERALL ASSESSMENT

Egypt and the European Community first established contractual relations in 1976 by signing a Cooperation Agreement. An EU- Egypt Association Agreement entered into force in June 2004. It sets out in more detail the specific areas that can be developed bilaterally. On this basis, the EU-Egypt ENP Action Plan was approved in March 2007 for a period of three to five years. The framework for regional co-operation is the Euro-Mediterranean Partnership, inaugurated in 1995 and reinforced in 2008 with the creation of the Union for the Mediterranean (UfM), which establishes a policy with ambitious and long-term objectives.

EU-Egypt meetings took place at the level of the Association Council, the Association Committee, and seven of the eight subcommittees. An Economic Dialogue took place and the Working Group on Migration, Social and Consular Affairs met.

This document reports on progress made on the implementation of the EU-Egypt ENP Action Plan between 1 January and 31 December 2009, although developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Egypt. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

In April 2009, Egypt and the EU jointly decided to work towards enhancing relations, as proposed by Egypt in 2008. It was agreed that an *ad hoc* group would be created to consider ways for enhancing relations, present policy options for strengthening bilateral relations, and explore possibilities for incorporating the results of reflections into the ENP Action Plan. A first meeting of the *Ad hoc* Group took place in July 2009. Ideas for enhancing relations were also discussed by the different technical sub-committees.

Egypt continues to show commitment to its ENP Action Plan and to be active in the different sectoral sub-committee meetings, enabling wide-ranging and fruitful discussions to take place on the implementation of priorities set down in the Association Agreement and the Action Plan. In many technical areas progress is encouraging, while much work still lies ahead.

2009 was a year marked by Egypt's commitment to continue its reforms, despite the slowdown of the economy as a result of the international financial crisis. Economic growth was at an overall 4.7%, outperforming expectations, yet not enough to cope with the combined challenges of poverty, inflation and unemployment.

Concerns remain on the pace of the implementation of reforms in the field of democratisation and human rights, although the Government seems increasingly convinced of the need to tackle governance issues as part of its domestic reform agenda.

Egypt remained an important trading partner for the EU despite the slowdown of bilateral trade in 2009. With the free trade agreement in the field of agricultural products adopted in 2009, there are good prospects that the economy will move up quickly to take advantage of the new opportunities offered by this agreement. Negotiations on the liberalisation of trade in services continued through 2009.

Overall progress on the implementation of the Action Plan in 2009 can be summarised as encouraging, with a strong commitment to social, economic and sector reforms, and to a lesser extent to political reform. Moving towards enhanced relations is a shared objective of

both Egypt and the EU. Continued and consolidated progress in areas related to human rights and democracy will be an important foundation for these.

2. POLITICAL DIALOGUE AND REFORM

Democracy and rule of law

The **state of emergency**, instituted in 1981, continued to be in force, having been extended in May 2008 for a further two year period, or until new anti-terrorism legislation is passed. A draft counter-terrorism law is still under preparation. The further extension of the state of emergency is cause of concern and disappointment. While its lifting as soon as possible is important, it will be equally important that the counter-terrorism legislation adopted is in line with international standards, thus striking an effective balance between security and individual rights.

Amendments to the Electoral Law in advance of the 2010 parliamentary **elections** had been anticipated, but are now unlikely. Such amendments, which would be in accordance with the last constitutional amendments, would allow for parties and candidates' lists to coexist with the current individual candidacy system. Egyptian NGOs will be permitted to monitor the 2010 parliamentary elections. The EU reiterated its offer for technical assistance to improve the electoral framework including voter registration, but this was not taken up.

No progress was made on the independence of the **judiciary** which remains subject to the Emergency Law. Special courts, such as the emergency state security courts and military courts, continue to exercise jurisdiction over security offences. Civilians, especially in cases involving national security or terrorism, continue to be tried before such courts. No amendments to the law of judicial authority aiming at enhancing judicial independence were presented to Parliament. The Ministry of Justice is still capable of influencing the career of the judges. There have been continuous calls by a growing number of judges to move the judicial inspection to the Supreme Council of Judiciary in order to minimise the possibilities of the executive intervention in the judicial affairs. With regard to the reform of the **administration of justice**, Egypt continues to strive to improve efficiency, working on training and capacity building for legal professionals and moving into a second stage of court modernisation and making progress towards automation in the seven main Governorates. All courts of appeal and all primary courts now have some level of automation. A legal assistance programme was launched within some family courts, and literature is available to inform the public about legal provisions in place for domestic and international family disputes. A performance evaluation programme for primary courts, based on a decree passed in 2009, was introduced, and a permanent committee for economic courts was established, charged with monitoring the performance of such courts.

Egypt has still not adopted legislative amendments in the area of pre-trial detention, already announced in its 2007 voluntary pledges to the UN Human Rights Council.

During the first quarter of 2009 the national Transparency and Integrity Committee (TIC) on corruption held three meetings aimed at maintaining, developing and implementing anti-**corruption** policies. The TIC is currently working to develop a national anti-corruption strategy. Egypt's position improved in terms of perceived corruption in international comparison.

With regard to **local administration reform**, the Government is finalising a National Decentralisation Strategy and a decision was taken to roll out nationwide a pilot project in three governorates, designed to strengthen the local authorities' financial and administrative competences especially in key sectors such as education.

The EU-Egypt subcommittee on Political Matters, Human rights and democracy, international and regional issues met for the second time in July 2009. Dialogue was constructive.

Human rights and fundamental freedoms

Egypt was among a number of countries for which a Universal Periodic Review (UPR) under the UN **Human Rights** Council took place in February 2010. Considerable preparatory work was carried out by the Government in 2009, through, for instance consultations with civil society organisations and other stakeholders. The Government issued a National Report with voluntary pledges. Several civil society organisations submitted their own reports in preparation for the UPR. The Government agreed to accept 119 of the 165 recommendations made during the review, covering *inter alia* such issues as release of administrative detainees, amending the definition of torture, investigating and prosecuting torture cases, lifting the state of emergency, ensuring compliance of any new anti-terror law with international human rights standards, and protecting the rights of human rights defenders. Fourteen recommendations were rejected, seven considered factually incorrect, and 25 were deferred to later.

The application of the Emergency Law continues to represent a major obstacle to the full enjoyment of human rights and fundamental freedoms. Provisions allow for, in particular, the imposition of administrative detention for 45 days without trial, which is renewable indefinitely. The state of emergency also provides for the curtailing of the right to assembly at any moment, for the lawfulness of the use of force by the police being judged by the executive only, and for administrative detention cases being tried by State Security (military) courts. Court rulings under the Emergency Law often circumvent constitutional and international safeguards such as the guarantee for a fair and impartial trial.

The National Council for Human Rights (NCHR) continued to become more active, for example by working, together with the Human Rights Ombudsman's Office, to resolve complaints made against the police in remote areas through the use of mobile units. The NCHR has also increasingly made its voice heard, for instance in its report in advance of the UPR, and could still be further empowered.

Egypt is party to the main international and regional human rights instruments¹, but still not to most of their optional protocols. Egypt has lodged special or general reservations when ratifying treaties when they were judged incompatible with Islamic law.

Egypt is currently late in submitting a total of six mandatory periodic reports to five UN treaty bodies. In 2009, Egypt accepted for the first time a visit of a UN Special Rapporteur, on the Protection and Promotion of Human Rights and Fundamental Freedoms while Countering Terrorism (April), and hosted a visit of the Independent Expert on Water and Sanitation.

¹ e.g. The International Convention on the Elimination of All Forms of Racial Discrimination (ICERD), the International Covenant on Economic Social and Cultural Rights (ICESCR), the International Covenant on Civil and Political Rights (ICCPR), the Convention on the Elimination of Discrimination against Women (CEDAW), the Convention against Torture (CAT), the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (ICRMW), and the Convention on the Rights of Persons with Disabilities (CPRD).

Egypt retains the **death penalty** for 29 crimes and uses it as a deterrent. Death sentences are regularly handed down, including for less serious crimes, but the number of executions is not known. There are no reliable statistics on the death penalty.

Although the problem is acknowledged by the authorities, limited progress was made in tackling the practice of **torture and ill treatment**, mainly in police stations and premises of the State Security Investigations. This remains one of the most serious human rights issues. The definition of torture as a criminal offence does not yet fully comply with the UN Convention Against Torture. Egypt has not yet responded to repeated requests made since 1996 (and echoed by the EU) for an invitation to the UN Rapporteur on Torture to visit Egypt. It is not a party to the Optional Protocol of the UN Convention Against Torture.

The Egyptian authorities made efforts in 2009 to improve **prison conditions** and to respect prisoners' rights. A human rights department was established within the Prisons Sector at the Ministry of the Interior with the mandate of examining any ill-treatment allegations and ensuring prisoner protection. There was some progress in 2009 as regards access of international human rights observers to prisons and detention centres, as both the Executive Director of the UN Office on Drugs and Crime and the deputy Head of the African Committee on Human Rights were able to visit prisons. The National Council for Human Rights, the National Council for Women and some local independent organisations were also allowed to carry out prison inspections. However, most prisons continue to suffer from overcrowding and poor sanitation, and conditions in police stations and temporary detention centres are a further cause for concern. The ICRC and the Special rapporteur on terrorism has not been granted prison access.

Freedom of expression is guaranteed by the Egyptian constitution and protected by law. The number and readership of independent newspapers continued to grow in 2009, generally adopting a critical line on Government and State policy. The number of court actions against internet bloggers and activists increased in 2009, with several tried under emergency rather than civil law and sentenced to prison. A draft broadcast law under preparation in 2008 was not finalised for submission to the People's Assembly in 2009. Under the draft law a national authority for broadcasting regulation is to be established, vested with powers to regulate both broadcasting and trade in broadcasting equipment, including licensing of broadcasters and the issue of permits. It also provides for the regulation of broadcast content and the imposition of fines or imprisonment in certain circumstances. A draft law on the regulation of audiovisual and the internet has been under preparation for some time.

With regard to **freedom of association and assembly**, although these are guaranteed by the constitution, they are restricted by the provisions of the Emergency Law and the NGO law. Associations face restrictive registration processes, require prior clearance of foreign funds, are required to work within a narrow scope of activities, face repeated security and audit inspections and are vulnerable to closure by ministerial decision.

With regard to **freedom of religion**, the Egyptian constitution provides for freedom of belief and the free practice of religion. Islam is the official religion and the Islamic Sharia law the primary source of legislation. In March 2009 the Minister of the Interior issued a decree recognising the right of adherents of non-recognised religions to obtain identification documents without having to declare themselves as Christian, Jews, or Muslims. Two Bahá'ís had their first national identity cards issued in August 2009 that did not specify a religious affiliation. A unified code on places of worship was to be presented to the National Assembly in November 2009, but was withdrawn. Acts of discrimination and sectarian violence continue to be reported.

Although Egypt is a signatory to the 1951 Refugee Convention and to its 1967 Protocol, there continue to be reports of violations of **rights of migrants, refugees and asylum seekers**. According to official reports, 28 illegal migrants of sub-Saharan origin were killed at the Egyptian-Israeli border in 2009, and in June 2009 up to 1,200 Eritrean asylum-seekers were forcibly returned to their country of origin. Migrants and refugees are subject to arbitrary arrest and detention, trials before military courts, and forcible deportation without the opportunity to make asylum claims. It is estimated that several hundred were arrested in 2009.

Although Egypt continued to enhance the participation of women in political, economic and social life (see also "Employment and Social policy"), limited progress can be reported in the promotion of **women's rights**. Egypt maintains reservations on the provisions of the Convention on the Elimination of all forms of Discrimination against Women (CEDAW) on marriage and divorce and is not party to its optional protocol. The Government pledged to enact legislation on violence against women before its UPR. A draft law on sexual harassment, including amendments to the Penal Code, is currently under review by the People's Assembly Legislative Committee. The National Council for Women is currently working on a strategy to combat violence against women and is expected to produce the document in 2010.

The Government, including the Ministry of State for Family and Population established in March 2009, made continued progress in its efforts to combat Female Genital Mutilation (FGM). Following the legal proscription of FGM in 2008, the first person was charged for performing it in 2009.

Good progress continues to be made to consolidate the **rights of the child**, following the introduction of new legislation in 2008 in line with the UN Convention on the Rights of the Child. The National Council for Childhood and Motherhood carries out a number of programmes to protect and enhance children's rights. However, school drop-out rates, especially among girls, are high and child labour, despite the existence of legislation banning it, continues, especially in agriculture. In January 2009, Egypt launched its National Child Rights Observatory. It aims at promoting child rights-based and evidence-based legislation and programmes by carrying out surveys on children rights and managing a dedicated database.

No progress was made in 2009 as regards **fundamental social rights and core labour standards**, including guaranteeing the independence of trade unions. The Unified Labour Law of 2002 continues to govern trade union rights and excludes the establishment of new trade unions that are not federated in the General Federation of Trade Unions, thus does not allow for trade union pluralism. Effective implementation of the Conventions of the International Labour Organisation (ILO) on the right to organise and collective bargaining as well as on the freedom of association and the right to organise is still not ensured. A union of Real Estate Tax Authority tax collectors was formed in 2009, initially tolerated by the Government, but their activities have since met with resistance, placing in doubt the legal status of the independent union (not registered with the Egyptian Trade Union Federation – existence of trade unions outside this entity is prohibited.) A Memorandum of Understanding was signed in April 2009 at the occasion of an ILO technical cooperation mission. It includes a number of commitments, including an organisation of a workshop with the ILO on exchanges of best practices in the field of labour rights. This workshop, initially foreseen for July 2009, was postponed twice *sine die* during the reporting period at the request of Egypt.

With regards to rights of **minorities**, relations between the Bedouin and the Egyptian authorities remain tense, especially over land issues.

Cooperation on foreign and security policy

Egypt is an active partner on **CFSP** matters. Egypt continued to explore ways for a comprehensive solution to the MEPP, in particular through its mediation efforts between the Palestinian factions, although these did not achieve success during the reporting period. Egypt hosted a Pledging Conference for the occupied Palestinian territory in March 2009 following the Gaza conflict. Egypt is also actively engaged in Africa, and continues to play an active role in the Africa-EU political dialogue taking place in the framework of the Joint Africa-EU partnership, in particular through its role of lead country in the implementation of the partnership on Democratic Governance and Human Rights and in the partnership on Migration, Mobility and Employment.

Egypt actively supported the continued unification of Sudan and backed Arab League and African Union moves to foster peace in Darfur, providing humanitarian assistance and contributions to peace-keeping forces. It invited rebel movements to Cairo for peace talks. Egypt backs anti-piracy efforts in the Horn of Africa, and continues negotiations with Nile Basin states who seek a greater share of Nile river waters. Egypt was co-president of the Union for the Mediterranean (UfM) throughout 2009 (its two year term ends in mid-2010).

Egypt continued to work with the EU to identify opportunities for tri-lateral co-operation, in the context of which Egypt and the EU would join forces as donors to provide support to Sub-Saharan African countries consistent with the joint Africa-EU Strategic Partnership.

Discussions between the EU and Egypt on **counter-terrorism** took place in March 2009, concluding with a call for further cooperation of a concrete/operational nature. The UN Special Rapporteur on the protection of human rights while countering terrorism made his first ever visit to Egypt in April 2009, albeit under a limited mandate (only to discuss Egypt's draft anti-terror law). A request to make a follow-up visit to Egypt was not accepted. Egypt seeks EU and international backing for its initiative to combat the use of internet for terrorist purposes (such as recruitment, incitement, training and production of weapons and explosives), arguing that greater effectiveness could be achieved on controlling and monitoring internet sites with international cooperation, without sacrificing freedom of expression.

Egypt continues to actively pursue a regional policy of disarmament and **non-proliferation of weapons of mass destruction**, in particular in the Middle East. Bilaterally and in its capacity as chair of the Non-Aligned Movement, Egypt is pressing for a NPT review in 2010 which includes the issue of a nuclear-free Middle East. Dialogue between the EU and Egypt on disarmament issues continued in 2009, with the EU agreeing in January 2010 to putting the dialogue on a regular basis.

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, thus hindering possible EU support for mines clearance in Sinai and El Alamein.

The Rome Statute of the International Criminal Court was signed by Egypt in 2000, but it has not been ratified.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

The Egyptian economy fared quite well during the global economic and financial crisis in 2009. GDP growth decelerated to 4.7% in fiscal year 2009 that runs from July 2008 until June 2009, after growth of around 7% in the years before. Meanwhile the Government has been stimulating economic activity by monetary easing and the implementation of three fiscal packages.

In February 2009, despite high inflation, the Central Bank of Egypt lowered its policy rate from 11.5% to 8.25% in order to support economic growth. In June 2009 the fiscal authorities launched a second fiscal stimulus package (after the first package of EGP 15 billion in October 2008) that amounted to EGP 8 billion and in October 2009 a third one of EGP 10 billion.

Although the gross debt is still high at 73% of GDP, public finances deteriorated only slightly. The Government kept to its commitment of a deficit of around 7% of GDP in fiscal year 2010 and seems on track for further fiscal consolidation, which initially would imply a gradual reduction of the deficit to 3% of GDP by fiscal year 2011.

The current account became negative in fiscal year 2009, after several years of surplus. Revenues from tourism, private transfers, remittances and the Suez Canal no longer counter-balanced the trade deficit. The negative current account and lower foreign direct investments also pushed the balance of payment into deficit.

The Central Bank pursued an inflation targeting policy, but started to manage the float more strictly when the global crisis started, by intervening occasionally in the foreign exchange market. Nonetheless, official foreign exchange reserves remain stable, at more than 15% of GDP.

As already reported last year, the drying up of liquidity in the banking sector of developed countries hampered the process of privatisation in the Egyptian banking sector. Strengthening of the financial regulatory framework is in progress, in agreement with international arrangements and current reforms of the international framework (the Basel II principles for effective banking supervision), in order to maintain financial stability. Broadening and deepening of the financial sector is however needed to develop an efficient and well-functioning market sector.

Major reforms are still ongoing in the pension and health insurance systems. The National Investment Bank and Social Insurance Funds are being restructured with the result that the Government no longer borrows from these institutions.

The Egyptian economy remains vulnerable. While the main risk for the economy has changed in the aftermath of the economic and financial crisis, it is still essentially fiscal sustainability that is most at stake.

Employment and social policy

In 2009, Egypt faced set-backs in terms of human development. It is still committed to reduce **poverty** to 6% of the population by 2022. However, the international food crisis and the rise in oil prices hampered the Government's efforts to combat poverty: living conditions remain

poor for the estimated 20% of Egyptians living under the national poverty line. Getting the right social policy mix to provide access to education and health remains challenging. The Government's food subsidy programme covered up to 63 million people (compared to 38 million in 2008). Poverty is particularly widespread in the South of the country and in rural areas.

Social dialogue remains over-structured and bilateral social dialogue is underdeveloped. The Economic and Social Council has still not been established and the draft decree on its establishment, currently under the President's review, was not consulted with the social partners. Criteria for the distribution of seats remain unclear. The global crisis exacerbated social tensions and led to workers' strikes.

In October 2009, Egypt hosted the Euro-Mediterranean Summit of Economic and Social Councils and Similar Institutions. Egypt continued to work with the International Labour Organisation on a Decent Work Country Programme.

The labour market was hit hard by the financial crisis with the return of many Egyptian workers from Gulf countries (approximately 500,000 migrant workers). Official **unemployment** remains estimated at 9% with a substantial gender gap: around 5.5% for men and 18% for women. Youth unemployment is still high and job creation for newcomers remains a key challenge (around 600,000 young workers per year). In May 2009, Egypt launched the National Action Plan dedicated to youth employment for 2010-2015. It aims to increase youth employability, promoting decent work and vocational training and easing recruitment in SMEs. A national employment agency is yet to be established. The Ministry of Manpower and Migration benefits currently from a twinning project in the field of health and safety at work.

Concerning **social inclusion and social protection**, a special support scheme already exists for those not covered by existing funds and the very poor. The new system of pensions and social insurance was not yet introduced. Egypt also worked over the reporting period on a new law for a comprehensive social assistance system (a safety net).

Egypt continued to enhance participation by **women** in political, economic and social life. A limited Cabinet reshuffle took place in March 2009 with the appointment of Egypt's third female Minister in charge of the new Ministry for Family and Population Affairs, created in March 2009, to supervise e.g. the National Council for Childhood and Motherhood, the National Council for Population as well as the Anti-Narcotics General Administration. The Law on the People's Assembly was amended in June 2009 to add an additional 64 seats reserved solely for women to the total 454 seats in the People's Assembly, bringing their total number to 518 with a 12% allocation for women.

The Egyptian Environmental Affairs Agency under the aegis of the Ministry of State for Environmental Affairs continued to develop of a national strategy on **sustainable development**, which is expected to be finalised in 2010.

A new Strategy for the Sustainable Agricultural Development (SADS) towards 2030 was finalised during the reporting period with the support of the Food and Agriculture Organisation (FAO), and inputs from the International Fund for Agricultural Development (IFAD) and the World Bank. The aim is to modernise Egyptian **agriculture** based on achieving food security and improving the livelihood of rural inhabitants through the efficient use of development resources, the utilisation of geopolitical and environmental advantages, and the comparative advantages of the different agro-ecological regions. The strategy pursues

several strategic objectives, among them the sustainable use of agricultural natural resources, the improvement of the competitiveness of the agricultural products in local and foreign markets, higher rates of food security in strategic goods, better opportunities for agricultural investment and the improvement of the living standards of rural inhabitants. The proposed implementation mechanisms for achieving these strategic objectives include institutional reform and support of the Ministry of Agriculture and Land Reclamation, of the civil society organisations engaged in rural development as well as of agricultural cooperatives. Consequently they will also require the review and development of all policies related to the above-mentioned objectives.

Despite the existing incentives, including the signature of the agreement on liberalisation of trade in agricultural, processed agricultural and fisheries products with the EU (*see section 4*), the share of investments in agriculture fell from 4% in 2008/9 to 3% in 2009/10.

In June 2009, the Government decided to abolish the right to acquire land under the jurisdiction of the General Authority for Construction and Agricultural Development, known as the Agricultural Development Authority, in all national projects such as Toshka, Sinai, Western Delta and East Oweinat. This right is to be replaced by the right of usufruct for a period of between 49 and 90 years, especially with regard to the lands that will be open for agricultural investment.

The General Authority for Fish Resources Development implements its strategy covering **fisheries** resources development as well as marine and freshwater aquaculture. During 2009 the Authority was working on amendments to the existing fishing law in order to make it compatible with the recommendations and resolutions of the main international fishing organisations, such as the General Fisheries Commission for the Mediterranean. These include measures against illegal unreported and unregulated fishing, as well as monitoring of vessels fishing in the Mediterranean by creation of the Vessel Monitoring System.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

During the reporting period **bilateral trade** between Egypt and the EU slowed down compared with 2009: Egypt's exports to the EU contracted by 26.2% and EU exports to Egypt in the same period decreased by 0.9%. The total volume of trade with the EU was EUR 18.7 billion in 2009. The EU remained the first trading partner of Egypt in 2009. The agreement on further liberalisation of bilateral trade in agricultural, processed agricultural products and fish and fishery products, was signed by the two parties in October 2009 and following the approval by the Egyptian Parliament, is expected to enter into force in June 2010. The agreement provides for the dismantling of tariffs applied to the trade of agricultural, processed agricultural and fish and fishery products, leaving only a very limited number of sensitive products subject to certain protections on both sides.

During the reporting period the dismantling of industrial tariffs proceeded in line with the Association Agreement. However, for a limited number of industrial and agricultural products the Ministry of Trade and Industry adopted trade-distortive measures aiming either at protecting some sectors from international competition or at supplying the domestic market with low priced products. In October 2009, the ban applicable to exports of rice was modified: export is currently allowed only for holders of export licences, which may be obtained after a procedure of a public tender and may not be transferred from one company to another. In January 2009, the Egyptian Government imposed a duty of EGP 500 per tonne on imports of

white sugar to protect the local sugar industry. In August 2009, all import duties on sugar (whether on raw or refined sugar) were lifted until the end of December 2009. In December 2009, the exemption of duties on sugar was extended until the end of June 2010. The measure aims at lowering domestic prices for sugar, in line with the policy of subsidising basic foodstuffs for citizens, especially those of the low income segment.

In April 2009, Egypt re-established an export ban on cement and clinker, as a measure to reduce prices on the local market. In July 2009, Egypt decided to extend this export ban.

No progress was registered in the negotiations on the establishment of a dispute settlement mechanism. An action plan to set up a customs union with Jordan was adopted in December 2009. The two countries have agreed to aim for a unified customs law and common external tariff and to harmonise other relevant laws.

The new **customs** law which was expected to be adopted during the reporting period has yet to be approved by Parliament. The interactive English version of the website of the Egyptian Customs Authority is still not operational.

On **free movement of goods and technical regulations**, Egypt speeded up preparations for negotiations of an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) and requested opening of the negotiations soon. In December 2009, an EU expert mission reviewed the progress of Egypt's ACAA preparations. A new harmonisation strategy was adopted by the Egyptian Organisation for Standardisation. The Egyptian Accreditation Council was recognised as an associate member of European Cooperation for Accreditation and as a full member of both International Laboratory Accreditation Cooperation and the International Accreditation Forum in October 2009. Sector legislation in harmonisation with EU directives was issued for toys and electric appliances. EU standards were adopted as Egyptian standards, and conflicting norms were abolished for toys, vehicles and vehicle parts, low voltage equipment as well as milk and milk products. The Consumer Protection Agency became fully operational in 2009. Egypt signed cooperation agreements with some European laboratories which could provide services directly to Egyptian companies in 2009.

In the **sanitary and phyto-sanitary** field, the Government submitted to Parliament a draft law aiming to establish a single food safety authority. A unified food law is also in preparation. Due to the interception of brown-rot infested potatoes from Egypt during the 2008/2009 import season, the European Commission banned, as from August 2009, imports into the EU of Egyptian ware potatoes. Thanks to Egyptian guarantees, trade has resumed for the 2009/2010 season. In April 2009, the European Commission's Food and Veterinary Office carried out a mission to Egypt on the control of fishery products. Egypt subsequently provided an action plan to address the deficiencies identified.

Egypt continued to combat, on the basis of the National Integrated Plan for Avian and Human Influenza, the serious avian influenza outbreak of 2006, which continues to cause human fatalities. Referring to the outbreak of A (H1N1) influenza ('swine flu'), Egypt decided to slaughter pigs raised in the country. It is however noted that international organisations (WHO, FAO, Codex Alimentarius, OIE) stated that pork and pork products, handled in accordance with good hygienic practices will not be a source of infection for human beings (*see also the section on health*). In 2009, Egypt linked up to the external window of the EU's Rapid Alert System for Food and Feed.

Limited progress can be reported in the field of **establishment, business climate and company law**. The draft Unified Company Law is under deliberation and is expected to be passed to Parliament for possible adoption by mid-2010. Its aim is to unify the rules on corporate governance, transparency, limits of commitments of boards of directors and on internal and external audit. It also addresses problems concerning legal forms, individual project systems, mergers and acquisition as well as exit rules and liquidation. Since July 2009, the General Authority for Investments has been the only institution responsible for company registration. It is working on a system of electronic registration for companies.

Bilateral negotiations on liberalisation of services and establishment continued in 2009.

On **financial services**, banking supervision reforms are on-going. Since 2009, they have been focusing on restructuring specialised banks, sustaining operational structures of state owned banks, developing access to finance and enforcing corporate governance in the banks. Draft regulations are under preparation. Banks continued to prepare for adoption of International Financial Reporting Standards (IFRS) by the end of 2010. A project on the adoption of the Basel II principles for effective banking supervision started in January 2009. The initial phase is focusing on strategic issues. Roll-out of the system is expected by 2011. A unified financial supervision authority, the Egyptian Financial Supervisory Authority, was established in July 2009 on the basis of the February 2009 law. The new Authority replaced the Capital Market Authority, the Egyptian Insurance Supervisory Authority and the Mortgage Finance Authority, and will supervise all non-banking financial transactions and markets including capital markets, derivative markets on financial assets and commodities, insurance contracts and services, mortgage finance, financial leasing, factoring and securitisation. Amendments to the mortgage law are underway. In October 2009, in order to develop the micro-finance sector, the Ministry of Investment finalised the preparation of a law on micro-finance companies.

Other key areas

Modernisation and simplification of the **tax** administration continued during 2009, including external assistance. The average time necessary needed by businesses to prepare and file tax returns and to pay taxes decreased considerably.

The Egyptian Competition Authority (ECA) continued to pursue violations of **competition** rules on the basis of its strengthened powers, granted by the 2008 amendments to the competition law. The law addresses three types of violations: horizontal agreements, vertical agreements and abuse of dominance. Criminal cases are dealt by the Economic Courts which have been operational since 2008. In 2009, the ECA organised several training courses, conducted research and advocacy activities, and coordinated with regulatory bodies. ECA staff have law enforcement powers and may seize documents. ECA also participates actively in the working groups of the International Competition Network (ICN). With regard to **state aid**, the Egyptian authorities expressed interest in developing legal provisions for state aid based on the EU model and in conducting a technical dialogue on the subject with the European Commission.

Limited progress was made on **intellectual property rights**. In September 2009, Egypt ratified the Madrid Protocol relating to the Madrid Agreement concerning the International Registration of Marks. It is also in the final stage of acceding to the International Convention for the Protection of New Varieties of Plants (UPOV). In order to fulfil its Action Plan commitments, Egypt still needs to accede to the Rome Convention for the Protection of

Performers, Producers of Phonograms and Broadcasting Organisations and to the Budapest Treaty on the International Recognition of the Deposit of Micro-organisms for the Purposes of Patent Procedures; as well as to ensure sound enforcement of intellectual property rights.

A **public procurement** gap analysis was completed in September 2009 with a view to amending the legislation by May 2010. The Government continued to work closely with the OECD to prepare a public procurement assessment of the country. A number of measures are also on-going to strengthen the capacities of the procurement operators in the public and private sectors. Provisions for e-bidding and e-evaluation are under preparation. In the area of **statistics**, Egypt cooperated fully over the reporting period in the regional working group bringing together representatives of the statistical offices of Israel, Jordan, the Palestinian Authority and Egypt which aims in particular at defining a work programme to reduce asymmetries in the future. Egypt worked over the reporting period on a draft national statistics law. Draft action plans were also developed with a view to improving input data to national accounts and to enhancing the quality of domestic trade statistics.

As regards **accounting**, translation of international financial reporting standards into Arabic was completed over the reporting period and Egypt worked on the revision of its accounting law. Discussions about inter-Arab auditing and accounting standards are on-going. A new authority, the Audit Oversight Board, is now responsible for supervising the quality of the work of registered auditors.

With regard to **public internal financial control**, the Ministry of Finance received an IMF mission in June 2009 to advise on fiscal decentralisation and on the public finance management measures necessary to implement it, including the priority areas of internal audit and control. In addition, a public expenditure financial accountability assessment carried out by the European Commission and the World Bank in December 2009 raised the need to put in place an effective internal audit and financial control system. However, the pace of reform remains slow with no internal audit function established for overall budgetary expenditure.

On **enterprise policy**, Egypt continued to implement the Euro-Mediterranean Charter for Enterprise. As part of wider banking reforms, access to finance for SMEs has been facilitated since the end of 2008. In 2009, Technology and Innovation Centres also expanded their range of services, increased a number of industrial sectors, and enhanced innovation capacity in existing priority sectors. There is now better geographical coverage of services in greater Cairo and beyond. Egypt also participated in a pilot project on entrepreneurial skills development in higher education and established a National Entrepreneurship Committee whose mandate includes lifelong entrepreneurial learning. Preliminary results of a joint study on business climate conducted under the Business Climate Development Strategy (BCDS) were presented in October 2009.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The third meetings of the EU-Egypt subcommittee on Justice and Security and the Working Group on Migration, Social and Consular Affairs took place in May 2009.

No progress was reported on **border management**. Egypt has 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 further chapter 2*).

In the **fight against organised crime**, in June 2009 the National Committee to Combat and Prevent Trafficking in Persons prepared comprehensive anti-trafficking legislation covering penalties, measures to assist victims, establishment of a special assistance fund and international cooperation. The legislation adopts a victim-based approach, emphasising decriminalisation of illegal acts committed by victims in line with international standards and practice. In this context, the Ministry of the Interior established special anti-trafficking units for illegal migration, women and children. In addition, separate draft legislation to control transfers of human organs was prepared.

Egypt co-chaired the first comprehensive world report on trafficking in persons in February 2009 and continued negotiations, initiated in 2008, on the adoption of a Global Action Plan to combat trafficking in human beings in the context of the UN and the African Union. In April 2009, members of the National Committee and representatives of relevant line ministries participated in a TAIEX study visit on border control and organised crime organised by the Serious Organised Crime Agency in the UK. Moreover, the National Committee cooperated with the National Centre for Social and Criminological Research on a survey of human trafficking including forced marriages and trafficking of children for labour exploitation. To combat cybercrime, the National Centre for Judicial Studies organised a specialized training for judges and prosecutors in cooperation with the Ministry of the Interior. Egypt made no progress with 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.

In the **fight against drugs**, limiting drug supply and trafficking remained Egypt's priority with particular attention to eradicating drug cultivation, trade networks and precursors. Cooperation with EU and international counterparts and with authorities in neighbouring ENP and Arab countries yielded positive results in terms of increased seizures. The Fund for Drug Control and Treatment of Addiction and the National Council on Addiction Control and Treatment were placed under the authority of the Ministry of the Family and Population, now vested with overall responsibility for implementation of the National Drugs Strategy. In this respect, preventive and harm reduction programmes were implemented via schools, youth networks, family empowerment initiatives and higher education institutions. Cooperation with civil society groups on implementation of the strategy continued. However, to fulfil the ENP Action Plan commitment, a greater flow and exchange of information is needed between all agencies involved, with renewed attention to developing drug-abuse and harm-reduction programmes in prisons.

With regard to the fight against **money laundering**, 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) while the financial services industry pursued application of KYC ('know your customer') and KYB ('know your business') practices. The National Centre for Judicial Studies added basic training on anti-money laundering for both prosecutors and judges to its curriculum in 2009. 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 participated in the Hague Conference on Private International Law and continued work on the signature and ratification of the various instruments to which it is party. Legal jurisdiction issues may possibly hinder Egypt's accession to instruments such as the 1996 Hague Convention on Protection of Children and the 1980 Hague Convention on Child Abduction. However, international police

and judicial cooperation was successfully pursued particularly in the area of cross-frontier family disputes.

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

In the field of **transport**, Egypt's reform agenda is supported by the EU under a EUR 80 million transport sector policy support programme, signed in March 2009. These reforms aim to establish an institutional and regulatory framework best suited for an efficient, competitive, safe and sustainable multimodal land ("rail & road") and inland waterway freight transport system. This target will be achieved through establishing an appropriate legal framework and institutional set-up for policy making and planning, improving the efficiency of state-owned and private operators, preparing for independent market regulators and applying adequate safety and environmental rules and standards. The reforms also encourage effective investment planning and appropriate budget allocation for the necessary transport infrastructure and through facilitating public private partnerships. Three ongoing twinning projects on road safety, railway safety and maritime safety are complementing this reform.

In the road sector, Egypt took steps to establish a transparent regulatory process for issuing road freight transport operator licenses and granting access to the profession in line with EU standards. Egypt is also preparing a law and relevant regulations which will make road safety audits (RSA) and road safety inspections mandatory for all public roads.

In the rail sector, a number of structural reforms (such as on safety, customer service and freight transport) are being implemented in three phases over five years (until 2011) albeit at a somewhat slower pace in 2009.

In the field of civil aviation, Egypt made efforts to reform the sector and upgrade the existing infrastructures. In April 2009, the third terminal was officially opened at Cairo international airport. It is now fully operational. Negotiations between the European Commission and the Egyptian authorities on the horizontal agreement continued in 2009 and the two parties agreed to hold a final round of negotiations by July 2010. As regards aviation safety, certain Egyptian air carriers had difficulties complying with international safety standards in 2009. This led to the introduction and implementation of corrective actions under the supervision of the Civil Aviation Authority of Egypt.

In 2009 the Egyptian Government continued to promote inland waterways as an alternative mode of transport. Dredging and setting of navigation aids for some routes were completed during the reporting period.

In the maritime sector, Egypt continued to strengthen its administrative capacity, in particular regarding the training of Port State surveyors and the setting up of an accident investigation bureau. A maritime framework law, bringing Egypt's maritime legislation closer to international and EU standards, was sent to the Cabinet for approval. However, the October 2009 decree stating that the Egyptian 'partner share' in all companies in the maritime services must be not less than 51% creates a barrier to liberalization of services. Foreign companies have one year to make the necessary adaptations. Although Egypt took steps to improve flag state implementation, the Egyptian flag is still on the black list of the Paris Memorandum of Understanding on Port State Control.

Egypt and the EU further strengthened **energy** relations *inter alia* in the context of the 2008 Memorandum of Understanding on a strategic partnership on energy. Egypt, a major hydrocarbons producer and consumer, recalled that it wished to play a role in the EU's energy security and to become an energy bridge connecting the Mashraq countries, Iraq, the Middle East, Africa and the EU. In this context, Egypt supported the development of the Southern gas corridor *inter alia* by participating, in May 2009, in the Prague Summit on the Southern Corridor. Egypt also promoted completion of the Arab Gas Pipeline, which currently reaches Syria and should - via Turkey - connect with the EU. Egypt also supported the establishment of Mediterranean electricity and gas interconnections and the Mediterranean Solar Plan, which, once realised, could be a basis for electricity exports to the EU.

During 2009 Egypt moved forward with the preparation of a new energy strategy until 2030. The strategy should become the framework for energy sector liberalisation including reform of the current system of energy subsidies. Egypt continued its preparations for necessary reforms in the electricity, gas and petroleum sectors. The reforms would include the establishment of a gas and oil regulator. Egypt pursued studies to assess potential use of domestic oil shale and uranium reserves.

Egypt further constructed domestic gas pipelines and completed the Gizah-Aswan pipe with a view to expand the number of households connected. It pursued work on gas interconnection options with the occupied Palestinian territory (Gaza), Libya and Sudan.

In 2009, Egypt upgraded and extended domestic electricity networks including in rural areas, which contributed to reducing network losses. It continued to promote electricity interconnections between Mashraq and Maghreb countries and to study interconnections with the occupied Palestinian territory (Gaza) and other neighbours. Egypt started to export electricity to Lebanon, through Jordan and Syria. Plans were made to upgrade the undersea cable to Jordan.

Egypt continued working towards increased use of renewable energies with a view to reach its objective to meet 20 % of electricity demand by renewable energy by 2020. A renewable energy plan is being prepared. Regarding energy efficiency, it created a special unit directly attached to the Prime Minister's office. Egypt continued to implement a package of measures in this area such as on labelling of domestic appliances and on the development of major wind farms and solar projects.

Egypt prepared the future construction of nuclear power plants including by advancing the draft nuclear energy law. This law provides, *inter alia*, for the establishment of an independent nuclear regulator. The EU and Egypt started a project, under the Nuclear Safety Cooperation Instrument, aiming at developing and strengthening Egyptian nuclear institutions.

The National Steering Committee for **Climate Change** started operations focusing on adaptation. Egypt continued to prepare its Second National Communication to the UN Framework Convention on Climate Change, including a greenhouse gas inventory, an assessment of climate impacts and adaptation measures. Egypt also took some steps to prepare a national strategy on adaptation to climate change. Egypt adopted guidelines on Clean Development Mechanism Projects (CDM) and took steps to prepare and approve further CDM projects. One new such project was registered at UN level, bringing the overall number of registered projects to five. Egypt did not yet associate itself with the Copenhagen

Accord and is therefore encouraged to do so as soon as possible and to provide information on the targets or actions that it will implement.

In the field of **environment**, implementation of the national environmental action plan (2002-2017) continued during 2009. The legislative framework continues to require further development, in particular with regard to implementing legislation. In this respect, amendments to the Law for the Protection of the Environment were adopted, *inter alia* strengthening requirements with regard to environmental impact assessments.

Existing implementing legislation was modified and new legislation adopted to further strengthen the protection of the Nile River and waterways from pollution. New legislation on water and wastewater as well as on waste management is under preparation. A national master plan for water and wastewater was approved. A national solid waste management strategy and an integrated coastal zone management strategy are under preparation. Steps were taken to provide training and capacity building on air quality issues and to increase the number of air pollution monitoring stations. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement.

Training was provided to judges to enable their participation in the specialised courts (Green Courts) for environment-related cases. Some steps were taken to enhance the capacities of the regional administration with regard to environment issues, but a major challenge is still to strengthen administrative implementation capacity at all levels of the country, including coordination between authorities. Some actions were taken promote the integration of environmental considerations into other policy sectors such as energy and transport.

Egypt continued to publish environmental information on a regular basis, such as reports on the state of the environment, and carried out some activities to inform and involve the public. Steps were taken to implement the communication strategy which addresses, *inter alia*, environmental education and public participation. Requirements for conducting environmental impact assessments (EIA) were strengthened. However, public consultation continues not to be mandatory for all EIA studies. Some preparatory steps were taken to strengthen the capacity of the administration to undertake strategic environment assessments, such as with regard to the Gulf El Zeit wind park.

Egypt took steps towards ratifying the amendments to the Land-Based Sources Protocol to the Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean, and took some steps towards acceding to its Integrated Coastal Zone Management Protocol and its Emergency Protocol. However, the implementation of already ratified agreements requires particular attention. Egypt continued to participate in the Horizon 2020 Initiative and the Mediterranean Action Plan. Egypt has contributed to the preparation of a strategy for water in the Mediterranean (which failed to get approval at the recent ministerial meeting of the Union for the Mediterranean), and the EU Water Initiative, including a national policy dialogue. Cooperation and information exchange took place between the European Commission and Egypt, including on water, pollution reduction in the Mediterranean region and environmental reporting.

In the field of **civil protection**, Egypt took part in a new phase of activities of the Euro-Mediterranean Programme for the Prevention, Preparedness and Response to Natural and Man-Made Disasters that started in 2009, continuing the process of strengthening civil protection activities in the region, enhancing capacities at regional, national and local levels, and promoting institutional cooperation. Hereby, further steps were taken to bring Egypt

closer to the European Civil Protection Mechanism, contributing at the same time to the development in the region of a civil protection culture based on an integrated approach covering disaster prevention, preparedness and response.

In the field of the **information society**, the Ministry of Communications and Information Technology continued in 2009 to advance its "Strategic Plan of Information Technology" promoting the application of ICT to various sectors, such as the health sector through the e-Health, which includes initiatives such as remote diagnosis possibilities. Egypt continued to improve access to ICT throughout its school network, through the provision of hardware, teacher training, and community involvement in school management.

In order to promote access for all to high-quality digital content, including Arabic language content, and the safe use of internet for children, including raising awareness of the risk of child pornography, a draft law on data protection, privacy and cyber crime is being prepared. Egypt announced in November 2009 that it would open the world's first Arabic language Internet domain, called ".masr".

The National Telecommunication Regulatory Authority continued to align the regulatory framework with that of the EU, in 2009 notably to enhance licensing and competition, regulate interconnection and local loop unbundling. A public consultation took place on the framework for assessing dominance in cooperation with the national competition authority. The Authority issued a decision to tender the provision of triple play services (cable, voice and internet) in 'closed residential compounds' of up to 5,000 residential units per compound. The deadline for submitting applications is March 2010 and the two licences will be granted after evaluation.

The procedure to grant a second fixed license was postponed due to the financial crisis and a new deadline has not been set yet.

In the **audiovisual** sector, the draft broadcasting law has yet to be agreed by the Cabinet of Ministers for presentation to the Government (*see chapter 2*).

In the area of **research and innovation**, the Egyptian Ministry of Higher Education and Scientific Research continued to implement its reform strategy (2007-2012). In October 2009 the Ministry launched the Innovation investment initiative, which focuses on marketing products that emerge from research, building on the EU-Egypt Innovation Fund. This Initiative is a new funding instrument with a total budget of some EUR 2 million to exploit opportunities for investment in innovative R&D-based products or services by Egyptian Research Centres affiliated to the Ministry of Scientific Research.

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 National Contact Points. Three new thematic National Contact Points were appointed for Energy, Environment and Science in Society, bringing the total number of Focal Points to 42.

The total number of Mediterranean partner countries' applicants in FP7 since its start until end 2009, was some 1,600. Egypt is the Mediterranean country with the highest number of applicants - 464, of which 59 were successful in submitting a proposal, receiving a total contribution of about EUR 3.4 million. Health, Environment, Food, Agriculture & Biotechnologies and ICT are the thematic areas of main interest. A project to further enhance the participation of Egyptian R&D stakeholders started in December 2007.

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

Egypt continued **education** reforms in line with the National Strategic Plan 2007-12 increasing budgetary resources for its implementation, in particular for the modernisation of the three-level schooling system (early childhood, basic and secondary education). In this respect, policy commitments to the reorganisation of education as well to its fiscal decentralisation on a pilot basis remained consistent and solid. The Ministry of Education implemented specific measures to address the quantitative gap between teacher supply and demand, definition of teacher quality and performance standards coupled with a corresponding reform of the salary structure (implementation of the teachers' *cadre*). New curricula and the revised textbooks apply active learning methods and integrate education technology into teaching and learning processes. In terms of inclusion of vulnerable groups, the enrolment rate of children with special needs increased as well as that of special schools providing services for students with learning difficulties. Similar advances were noted in the area of enrolment ratios for girls and out-of-school children. However, significant challenges remain in terms of expanding institutional capacity, availability of adequate human and financial resources and retaining stakeholder support and consensus.

The Ministry of **Higher Education** updated the Master Plan for a reform vision until 2022 identifying amongst others, lifelong learning, equity and access, human resource development and quality assurance as well as accreditation as the main *foci* for the period 2009-13. Egypt's reforms were implemented with reference to relevant aspects of the Bologna Process, in particular the development of student and academic mobility, quality assurance and to lesser extent, the system of comparable degrees. The Ministry of Higher Education adopted the legal framework for university autonomy predicated on a gradual approach to increase flexibility and effectiveness in higher education provision. Work continued on enhancing equity and transparency by developing standard approaches for university admission tests including the planning of e-tests by 2014. Work on a national qualifications' framework with references to the European Qualifications Framework made progress but would benefit from enhanced cooperation with all main sector stakeholders.

The General Authority for Literacy and Adult Education implemented the National Plan for Adult Literacy focusing on integrating literacy, adult education and school drop-out prevention measures in a comprehensive and flexible approach in cooperation with civil society and community-based organisations. Illiteracy has been reduced to only 7% in Damietta governorate, serving as a viable model in this regard. Retaining active community participation will be key to securing success of anti-illiteracy programmes.

In the area of technical education and **vocational training**, an Inter-Ministerial Group including representatives from six Ministries launched a 25 year strategy to reform the whole system. The strategy will be implemented over five stages until 2032, the first of which covers the years 2009-12 and through its respective 'pillars' will address among other priorities, systemic reorganisation and clarification of mandates, development of a job-market information system, quality enhancement and public awareness. In this respect, added efforts will be required to begin addressing the serious mismatch between training content and delivery and labour-market needs. The TEVT programme is a key catalyst in promoting sector reform. In July 2009, the European Training Foundation published a study on women and work in Egypt, examining the barriers and opportunities for women's training and employment with a focus on the tourism and information technology sectors.

Egyptian students and scholars continued to benefit from Erasmus Mundus scholarships, including 139 mobility grants. Egyptian universities and higher education institutions participated actively in second Call for Proposals under Tempus IV, resulting in the selection of six projects. Through the introduction of different concepts and themes of the Bologna Process, Tempus acted as one of the main catalysts for the modernisation and reform of higher education. Egyptian universities are encouraged to participate in the Jean Monnet programme.

The National Council for **Youth** (NCY) implemented a series of empowerment programmes across all governorates on civic education and participation, youth parliament and dialogue, youth camp development and volunteering as well as targeted actions in support of family planning and against female genital mutilation in remote areas. In 2009, particular focus was placed on developing ‘digital citizenship’ for young people through working with NGOs to provide improved and safer youth internet content as well as on outreach activities to rural areas. Egyptian young people benefitted from exchanges and voluntary service actions under the Euro-Med Youth III programme as well as under Youth in Action.

In the area of **culture**, Egypt participated actively at regional level in the new Euro-Med Heritage IV programme with involvement in three projects covering areas such as the preservation of the diversity of written heritage, promotion of intangible cultural heritage in the context of the 2003 UNESCO Convention on the Safeguarding of Cultural Heritage and sustainable development of the cultural specificity of the Siwa oasis. In the context of cooperation with the EU, work began inter alia on a project to enhance the cultural action of Bibliotheca Alexandrina, focusing on increasing access to culture and cultural activities as a means of development. Egyptian cultural organisations participated in the Call for Proposals of the 2009 ENP Special Action under the Culture Programme.

Egypt continued reform in the **health** sector by further rolling out the “Family health model”. The EU continued providing substantial assistance to underpin the reform. The aim of the reform remained universal coverage, financial sustainability and enhanced quality of healthcare. Egypt further expanded, on the basis of the above model, the number of primary care “Family health units” in the governorates. The country worked further on a draft health insurance law and launched a pilot project on health insurance management in the Suez governorate. In April 2009, the Parliament adopted the Law for the care of mental patients. Egypt set up an Inter-ministerial Committee to coordinate and monitor the implementation of the National Preparedness Plan for Pandemic Influenza. On this basis, Egypt took several measures to combat influenza A (H1N1) including by increasing surveillance, quarantine measures and drugs stockpiling. In the context of the influenza A (H1N1) epidemic, the European Commission proposed, in June 2009, to establish communication channels with Egypt for the exchange of epidemiological information in the case of health crisis situations. In October 2009, Egypt participated in the newly established EU enlarged health information committee. Egypt pursued participation in the ‘Episouth’ network on communicable diseases for the EU, Mediterranean and Balkan countries.

8. FINANCIAL COOPERATION – 2009 KEY FACTS AND FIGURES

The ENPI envelope for Egypt under the National Indicative Programme 2007-2010 is EUR 558 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Egypt Action Plan and pursues three priorities: political reform and good governance; competitiveness and productivity of the economy, and socio-economic sustainability of the development process.

The implementation of the measures covered by the 2007 and 2008 Annual Action Programmes is underway. In the Education Sector, the National Strategic Plan is being rolled-out to improve the quality and access to education with most of the major system reforms advancing, particularly those targeting school-based reform, reform of the civil service and modernisation of schooling. In the transport sector the reform programme is at an early stage with many steps aimed at benchmarking and analysing the existing situation. Twinning operations are proceeding in the areas of maritime safety, postal management and tourism among others. Other programmes from 2007 and 2008 include a Waste Water project, as well as support to Good Governance, Human Rights and Civil Society which are now just commencing.

In 2009, the European Commission continued to support Egypt with EUR 140 million of assistance. The 2009 Annual Action Programme (AAP) focused on supporting reforms in health sector, in particular by improving primary health care for the poorest members of society through a EUR 110 million reform support programme. In addition, an environmentally sustainable rural development programme (EUR 10 million) and further twinning projects (EUR 20 million) are planned.

An indicative financial envelope of EUR 449.3 million will be available to support co-operation activities in Egypt in period 2011-2013, based on a European Commission decision of March 2010.

In addition to the bilateral allocation, Egypt also benefited from cooperation activities financed under the ENPI multi-country and regional programmes, as well as horizontal thematic programmes such as the European Instrument for Democracy and Human Rights (EIDHR) and the Non-State Actors and Local Authorities in Development (NSA/LA).

Egypt also 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 priorities of the programme are: social-economic development; renewable energy; cultural dialogue and local development.

Under the Neighbourhood Investment Facility (NIF), two projects in Egypt were being implemented in 2009, respectively in the environment and energy sectors. These projects are expected to leverage around EUR 440 million in loans from the European Finance Institutions. The European Investment Bank signed lending operations in 2009 for EUR 130 million, of which EUR 120 million are being linked to NIF projects.

Other EU Instruments complement the ENPI assistance package, such as the NSCI (Nuclear Safety Cooperation Instrument) strengthening the capabilities of Egypt Atomic Energy Authority (EAEA) and its National Centre for Nuclear Safety and Radiation Control (NCNSRC) by linking it to EU nuclear regulatory authorities (please see also chapter on energy).

In 2009, the EU Delegation ensured the coordination of assistance activities within the Development Partners Group (DPG) and took an active part in the "Cairo Agenda for Action on Aid Effectiveness" focusing on Accra and Paris principles. Within the ENP framework, the EU Delegation is also strengthening coordination and division of labour between Member States through careful monitoring of aid projects and regular updates of the ENP Action Plan matrix, and already implements NIF projects together with other important donors: *Agence Française de Développement*, *KfW Bankengruppe* and the EIB.