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Proposal for a

COUNCIL DECISION

on providing short-term macro-financial assistance to the Arab Republic of Egypt

{SWD(2024) 461 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The European Union ('EU') and Egypt have agreed to deepen their relationship and develop a strategic and comprehensive partnership for shared prosperity, stability and security, based on joint interest and mutual trust and building on the already existing positive agenda in EU-Egypt relations. The Strategic and Comprehensive Partnership will cover specific areas of cooperation, as outlined in the Joint Declaration, clustered across six pillars of intervention, namely: political relations; economic stability; investment and trade; migration; security and law enforcement cooperation; demography and human capital. The implementation of cooperation in these areas will unleash the full potential of the EU-Egypt relationship.

Underpinning the partnership will be a financial package consisting of short- and longer-term support for the necessary macro-fiscal and socio-economic reform agenda, as well as increased amounts available to support investments in Egypt and targeted support for the implementation of the different strategic priorities.

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

After showing some resilience during the pandemic, partly thanks to reforms in the context of successive IMF programmes since 2016, Egypt's macro-fiscal situation has deteriorated noticeably over recent months. Over the past two years, external pressures have intensified and Egypt's debt has increased further, also reflecting a more sluggish implementation of reforms agreed on in the October 2022 Staff-Level Agreement with the IMF. The repercussions of Russia's war on Ukraine and the Hamas terrorist attacks across Israel on 7 October 2023 have led to protracted capital outflows and lower services exports, notably from tourism and Suez Canal proceeds. This is particularly challenging amid Egypt's difficult fiscal situation with growing public debt and persistent deficits, as well as a chronic current account deficit. The major rating agencies downgraded Egypt ratings since April 2023, eventually assigning below-investment grades to the country's sovereign debt after the outbreak of the Gaza war. Egypt continues to face very significant challenges, including high inflation, the state's entrenched economic footprint, inefficiencies in the foreign exchange market, and the spillovers from the conflict in Gaza, which further weakened Egypt's economic stability and put pressure on the country's external and fiscal position while increasing the country's overall vulnerability to external shocks.

Against the backdrop of the deteriorating regional stability and Egypt's important role in the region, the conclusion of a staff-level agreement on a new IMF programme and after an in-depth assessment of economic situation in Egypt and in the context of the Strategic and Comprehensive Partnership between Egypt and the EU, the Commission is submitting to the Council a proposal to provide a new short-term MFA of up to EUR 1 billion to the benefit of Egypt, as part of an overall MFA package of up to EUR 5 billion in loans.

The proposed MFA would help Egypt cover part of its overall external financing gap, which is estimated at around USD 17.7 billion in the context of the new IMF programme over the period of 2024-2027. Financing needs are particularly acute in the second half of 2024, with a substantial overall financing gap estimated by the IMF at USD 9.3 billion in the upcoming

fiscal year (FY, July-June) 2024/25. This makes it imperative to make sure that a first significant contribution via MFA could already be provided by the end of this year. This appears impossible if the decision was adopted in accordance with Article 212 of the Treaty on the Functioning of the European Union ('TFEU') under the ordinary legislative procedure, taking into account the constraints imposed by the upcoming end of the Parliament's legislative period in conjunction with the time still needed thereafter to fully enact the MFA, including for agreeing on a set of policy reforms to underpin the assistance. It is therefore justified to exceptionally use Article 213 TFEU providing for the adoption of the decision by the Council only for the present first part of the MFA package.

The disbursement would take place in one instalment, strictly linked to satisfactory progress with the implementation of both the IMF programme and in relation to a number of policy measures to be agreed between the Commission and the Egyptian authorities and listed in a Memorandum of Understanding ('MoU'). The MoU could, in principle, include reforms to promote the role of the private sector in the economy, monetary and exchange rate policy reforms, continued Public Finance Management (PFM) reforms and social support mechanism enhancements.

As further elaborated in the Commission Staff Working Document accompanying this proposal, the Commission considers, based also on the assessment of the political situation made by the European External Action Service, that the economic preconditions for the proposed MFA operation are satisfied, while progress in relation to the political pre-condition will be monitored continuously so as to ascertain that compliance with the criteria moves in a satisfactory direction.

- **General context**

Growth slowed down on the back of both domestic and external factors. Following a strong post-pandemic recovery of 6.7% during FY21/22, real GDP growth eased to 3.8% in FY22/23 and continued to ease to 2.6% year on year during the July-September 2023 quarter. High inflation, uncertainty surrounding the exchange rate and sluggish reform implementation weighed on consumption and investment. The previously strong services exports have come under pressure as the conflict in Gaza dampens tourism and the Houthi attacks in the Red Sea brought down Suez Canal proceeds. Non-oil private sector activity, gauged by the Purchasing Managers' Index, remained contractionary in January 2024 as order books weakened and output declined. Business expectations deteriorated under ailing client demand. By December 2023, unemployment receded slightly to 6.9%.

Inflation has remained high, amid a volatile parallel exchange rate, which diverged substantially from the virtually stable official exchange rate throughout most of 2023 and early 2024. Consumer price inflation stood at 29.8% year on year in January 2024, following an annual average of 33.8% in 2023. Importantly, food price increases moderated somewhat but were still high at 47.9% in January, where corresponding spending accounts for roughly one third of the consumer basket. Already before the current crisis, around 30% of the population was in poverty, thereby particularly affected by the higher food price inflation. While official reserves inched up slightly to USD 35.3 billion or around 7½ months of imports in January, and total net foreign assets of the financial system reached a negative position of USD 27.2 billion in December 2023, both are expected to improve on account of inflows from the USD 35 billion United Arab Emirates (UAE) investment announced on 23 February 2024 and the new flexible exchange rate regime. As the official exchange rate was fixed at around 31 Egyptian pounds per US dollar since the last devaluation in February 2023 until March 2024, foreign exchange shortfalls gave rise to an increasing parallel market with rates fluctuating between 50 and 70 EGP/USD. When the SLA with the IMF was signed on 6

March 2024, the authorities enacted a flexible currency regime and the EGP settled at around 50 EGP/USD. The Central Bank of Egypt (CBE) accompanied the move to a flexible exchange rate with a sizeable interest rate hike of 600 bps in an attempt to curb inflation.

The public finance situation remains very challenging. The fiscal deficit deteriorated over spiralling interest payments while public debt remains high. The overall budget deficit had remained broadly stable in FY22/23 at around 6% of GDP. However, the first half of FY23/24 (July-December 2023) has seen a 75.3% year-on-year increase in the deficit in nominal terms as expenditure growth outpaced revenue growth, notably owed to a doubling in interest payments which now eat up as much as 97.8% of total budget revenues during the same period. For FY23/24 as a whole, the IMF projects interest payments to reach 87.2% of total budget revenues. The overall budget deficit of 6.3% of GDP in FY23/24. Public debt stood at 95.9% of GDP at end-FY22/23, up from 88.5% the FY before and the highest since 2017, and is projected to rise to 96.4% this FY.

The current account improved but regional crises pose substantial risks. At the same time, the UAE investment deal will probably raise imports. Following a deficit of 3.5% in FY21/22, the current account deficit narrowed to 1.2% last FY and improved by another 12% year on year in nominal terms during the July-September quarter of 2023. While tourism and Suez Canal proceeds provided strong support, goods exports eased. Remittances declined strongly as Egyptians abroad avoided the overvalued official exchange rate. Strong import compression helped keeping the overall deficit contained. High-frequency data suggest that the usually strong income earners tourism and Suez Canal proceeds have since been hit particularly hard by the conflict in Gaza and the Red Sea attacks and corresponding downside risks remain substantial. The unification of the previously fragmented exchange rate system is likely to help lure remittances back into official channels. At the same time, implementing the UAE investment deal on the ground in early 2025 will probably push up imports.

In FY22/23, Egypt nearly reached its goal of USD 10 billion in FDI inflows, up by 12.3% over FY21/22. This included public asset sales under the new state ownership policy. The UAE investment deal will provide a further boost to FDI, although it remains unclear whether the state-directed investment by the Emirati sovereign fund will also induce market-driven investment from elsewhere. Portfolio investment flows, previously a significant although volatile source of hard currency, have not yet returned to Egypt after the massive outflow that started when Russia's war on Ukraine began, reflecting a key vulnerability for Egypt. The so far existing backlog of domestic reforms, including the long overdue exchange rate unification and, most recently, uncertainty due to the war in Gaza are likely to have deterred capital inflows further. Moody's lowered Egypt's sovereign credit outlook from stable to negative in mid-January 2024, citing the risks from growing interest service, the exchange rate rebalancing and mounting external pressures. Earlier in October 2023, Moody's, S&P and Fitch all downgraded Egypt's sovereign debt to below-investment grade due to record inflation, a chronic foreign currency shortage and the government's growing public debt.

- **Consistency with existing policy provisions in the policy area**

None

- **Consistency with other Union policies**

The EU and Egypt have developed a close political and economic relationship over the years, formalised through the conclusion of the Association Agreement, which entered fully into force in 2004. This relationship was recently given new impetus through the February 2021 adoption of the Renewed partnership with the Southern Neighbourhood 'A new Agenda for

the Mediterranean' and the subsequent adoption of the EU-Egypt Partnership priorities 2021-2027) in June 2022 at the 9th Association Council. The partnership priorities set the political framework until 2027 and cover three broad areas: (i) modernizing Egypt's economy in a sustainable way (ii) strengthening cooperation on foreign policy issues (iii) ensuring stability through cooperation on security and counterterrorism, migration and promotion of human rights. The EU-Egypt Multi-Annual Indicative Programme (2021-2027), the EU's programming document for Egypt, is also based on the Partnership Priorities.

Egypt's economic ties with the EU are also well developed. The EU remains Egypt's first trading partner in terms of both imports and exports and one of the biggest investors in Egypt. In 2022, Egypt reduced its trade deficit with the EU owing to stronger exports in particular of oil, gas and fertilisers. In line with the EU Trade Policy Review Communication of February 2021, the EU is open to working with Egypt on modernising bilateral trade and investment relations, including by ensuring the trade and competition provisions of the EU-Egypt Association Agreement are implemented in full, in a manner that enables it to reach its full potential.

Cooperation is set to deepen further under the Strategic and Comprehensive Partnership for shared prosperity, stability and security that was confirmed at the tenth meeting of the Association Council on 23 January 2024. It will cover specific areas of cooperation, including political relations, good governance, human rights and fundamental freedoms, macroeconomic stability, sustainable investment and trade, energy, water, food security and climate change, migration, security and human capital development.

Countries that are covered by the European Neighbourhood Policy are eligible for MFA (if fulfilling different conditions). The EU MFA would complement the grants mobilised under the Neighbourhood, Development and International Cooperation Instrument ('NDICI-GE') and other EU programmes. By supporting the adoption, by the Egyptian authorities, of an appropriate framework for macroeconomic policy and structural reforms, the EU's MFA would enhance the added value and effectiveness of the EU's overall financial interventions, including through other financial instruments.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis for this proposal is Article 213 of the Treaty on the Functioning of the European Union ('TFEU'). Egypt's financing needs are particularly acute in the second half of 2024, in view of the substantial overall financing gap estimated at USD 9.3 billion in the upcoming fiscal year 2024/25, making it imperative to be able to disburse MFA support by the end of the year. Ensuring this is impossible if the decision was adopted by the Parliament and the Council in accordance with Article 212 TFEU under the ordinary legislative procedure, taking into account the constraints imposed by the upcoming end of the Parliament's legislative period in conjunction with the time still needed thereafter to fully enact the MFA, including for agreeing on a set of policy reforms to underpin the assistance. It is therefore justified to use Article 213 TFEU providing for the adoption of the decision by the Council, without prejudice to future MFA operations.

- **Subsidiarity (for non-exclusive competence)**

The subsidiarity principle is respected as the objectives of restoring short-term macroeconomic stability in Egypt cannot be sufficiently achieved by the Member States alone and can be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectivenes of the assistance.

- **Proportionality**

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability and does not go beyond what is necessary for that purpose.

As mentioned above, the proposed MFA operation in this decision would be the first part of an MFA support package of overall up to EUR 5 billion, divided into the present MFA operation of up to EUR 1 billion, and a second regular MFA operation of up to EUR 4 billion.[1] As identified by the Commission based on the estimates of the IMF in the context of the Extended Fund Facility, the amount of the proposed two new MFA operations corresponds to 56.7% of the estimated residual financing gap for the period FY24/25-FY26/27. This is consistent with standard practices on burden-sharing for MFA operations (for a country with an Association Agreement, the upper limit would be 60% according to the Council conclusions of 8 October 2002), taking into account the assistance pledged to Egypt by other bilateral and multilateral donors.

- **Choice of the instrument**

Project finance or technical assistance would not be suitable or sufficient to address the macroeconomic objectives. The key value added of the MFA in comparison to other EU instruments would be to alleviate the external financial constraints and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for fostering broad-based structural reforms. By helping to put in place an appropriate overall policy framework, MFA can increase the effectiveness of the actions financed in Egypt under other, more narrowly-focused EU instruments.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

MFA is provided as an integral part of the international support for the economic stabilisation of Egypt. In the preparation of this proposal for MFA, the Commission services have consulted with the IMF and the World Bank, which have already put in place sizeable financing programmes and are preparing new ones. The Commission consulted the Alternate Economic and Financial Committee on 12 March 2024, where an endorsement for the draft proposal was provided. The Commission has also been in regular contact with the Egyptian authorities.

[1] Proposal for a Decision of the European Parliament and of the Council on providing macro-financial assistance to the Arab Republic of Egypt - COM(2024) 461

- **Collection and use of expertise**

In line with the requirements of Regulation (EU, Euratom) 2018/1046[2]('Financial Regulation'), the Commission services will carry out in time for the implementation of the assistance an Operational Assessment (OA) of the financial and administrative circuits of Egypt in order to ascertain that the procedures in place for the management of programme assistance, including MFA, provide adequate guarantees.

- **Impact assessment**

The EU's macro-financial assistance is an exceptional emergency instrument aimed at addressing severere balance-of-payment difficulties in third countries. Therefore, this MFA proposal is exempted from the requirement to carry out an Impact Assessment in accordance with the Commission's Better Regulation Guidelines (SWD(2015) 111 final) as there is a political imperative to move ahead quickly in a situation requiring a rapid response.

More generally, the Commission's MFA proposals build on lessons learned from ex-post evaluations carried out on past operations in the EU's neighbourhood. The present MFA operation, and the economic adjustment and reform programme attached to it, will help alleviate Egypt's short-term financing gap while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability and raising sustainable growth, thus complementing the augmented programme to be adopted by the IMF Executive Board. These policy conditions should address some of the fundamental weaknesses shown over the years by the Egyptian economy and economic governance system. Possible areas of policy reform measures could, in principle, include reforms on private sector empowerment, monetary and exchange rate policy reforms, continued Public Finance Management (PFM) reforms and social support mechanism enhancement, laying the foundation for the second part of the MFA package and complementing other efforts supported under the Comprehensive and Strategic Partnership.

- **Fundamental rights**

Countries that are covered by the ENP are eligible for MFA. A pre-condition for granting MFA is related to respecting effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights, where in the present case Egypt should continue to make concrete and credible steps towards respecting these criteria.

Human rights challenges in Egypt remain significant, particularly in relation to the protection of fundamental freedoms, governance and the rule of law. However, in the last few years, the political leadership in Egypt has taken several steps putting greater emphasis on the importance of the respect for human rights; it abolished the state of emergency (apart from areas in the Sinai), launched the first ever National Strategy for Human Rights, relaunched the Presidential Amnesty Committee, releasing over 1000 political prisoners and embarked on the National Dialogue. Further, Egypt has intensified its engagement on human rights with the EU, allowing for the first time the visit of the EUSR for Human Rights to Cairo in 2022. Egypt has also recently started engaging in international fora and it is cooperating with the UN OHCHR in an EU funded project that aims to establish an EU-UN partnership, joining synergies to reinforce a culture of human rights in Egypt. Egypt has further declared in its National Strategy for Human Rights its intention to reform the law on pre-trial detention, ameliorate detention conditions, limit the number of crimes punished by death and enhance

[2] OJ L 193, 30.7.2018, p. 1–222.

the culture of human rights across all government institutions. Effective implementation is needed, progress having so far been made in the institutional track.

In light of the above it can be assessed that Egypt has taken some relevant steps towards fulfilling the criteria. At the same time, effective progress on implementation needs to continue, notably in the framework of Egypt's own National Strategy for Human Rights. Progress will be monitored continuously throughout the implementation of the MFA so as to ascertain that compliance with the criteria moves in a satisfactory direction.

4. BUDGETARY IMPLICATIONS

Being the first part of an MFA package of overall up to EUR 5 billion in loans, the proposedMFA operation for Egypt of up to EUR 1 billion is foreseen to be disbursed in one instalment to be released in the second half of 2024. Provisions will be provided under the External Action Guarantee at a provisioning rate of 9% which will be programmed under NDICI-GE, for a total amount of EUR 90 million (budget line 14 02 01 70 "NDICI – Global Europe - Provisioning of the Common Provisioning Fund").

The loans shall be granted in the form of amortising loans with a grace period and subsequent capital repayments in equal tranches over a longer period. Such loan structure will be beneficial for both the beneficiary, in that it facilitates repayments, and the budget, by spreading contingent liabilities over a long time frame.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The European Union shall make the MFA available to Egypt for a total amount of up to EUR 1 billion, provided in the form of medium- to long-term loans, which will contribute to cover Egypt's residual financing needs in 2024. The assistance is planned to be disbursed in one instalment, provided that the policy measures have been implemented in a timely manner and that other relevant pre-conditions remain fulfilled.

The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

The Commission and the Egyptian authorities will agree on a Memorandum of Understanding setting out the structural reform measures associated with the proposed MFA operation, including aspects of timing and sequencing. Moreover, as is normally the case with MFA, the disbursements would inter alia be conditional on satisfactory reviews under the IMF programme. The Commission will work closely with the Egyptian authorities to monitor progress on the policy actions and the pre-conditions, as specified above.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 213 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Egypt has experienced heightened external financing pressure amid escalated regional tensions. In this context, it is of utmost importance to ensure swift and timely financial assistance in view of Egypt's particularly acute financing needs in the second half of 2024. In order to allow the financial assistance to reach Egypt still in 2024, the exceptional use of the urgency procedure under Article 213 TFEU is appropriate, also to allow the Egyptian authorities sufficient time to implement the accompanying reform measures which will need to be assessed by the European Commission before executing the disbursement.

(2) Relations between the European Union and the Arab Republic of Egypt ('Egypt') are developed within the framework of the EU-Egypt Association Agreement, in force since 2004. The EU and Egypt adopted the latest EU-Egypt Partnership Priorities (2021-2027) at the ninth EU-Egypt Association Council on 19 June 2022. The Partnership Priorities reconfirm the joint aim to address common challenges facing the EU and Egypt, promote joint interests and guarantee long-term stability and sustainable development on both sides of the Mediterranean. The shared commitment to the universal values of democracy, rule of law and respect for human rights continues to underpin the Partnership Priorities, as also reflected in the EU-Egypt Multi-Annual Indicative Programme for the period of 2021-2027.

(3) The Partnership Priorities reflect the shared commitment of the EU and Egypt to reinforce cooperation in support of Egypt's 'Sustainable Development Strategy Vision 2030' and the EU's determination to act on renewed impetus to strengthen the partnership with its Southern Neighbourhood. Namely, in the European Council Conclusions of 10-11 December 2020[3], the EU identified a democratic, more stable, greener and more prosperous Southern Neighbourhood as a strategic priority. The EU Agenda for the Mediterranean and its Economic and Investment Plan for the Southern Neighbours set out in the EU Joint Communication on the Southern Neighbourhood of 9 February 2021 present the EU's objectives to achieve long-term, sustainable

[3] European Council meeting, Brussels, 10-11 December 2022, EUCO 22/10, https://www.consilium.europa.eu/en/press/press-releases/2020/12/11/european-council-conclusions-10-11-december-2020/

socioeconomic recovery and resilience and to advance the twin green and digital transitions in the region.

(4) In line with the Partnership Priorities, the EU and Egypt are committed to ensuring accountability, the rule of law, the full respect of human rights, fundamental freedoms, promoting democracy, gender equality and equal opportunities as constitutional rights of all their citizens. These commitments contribute to the advancement of the partnership and to Egypt’s sustainable development and stability. The increased and constructive engagement between the EU and Egypt in the last period has opened the path to more meaningful dialogue on human rights related issues. The subcommittee on Political Matters, Human Rights and Democracy, International and Regional issues of December 2022 and the Association Committee of May 2023 provided the institutional platforms to exchange on an array of human rights issues, which the EU would like to continue and build on. The improvement of the human rights situation in Egypt will also have a positive impact on EU-Egypt relations.

(5) Assistance to Egypt is funded mainly through the new Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE). The Union's indicative allocation for Egypt under the NDICI-GE for the first period (2021-2024) of the Multiannual Indicative Programme (MIP) is EUR 240 million. This is in addition to the ongoing cooperation portfolio of EUR 1.3 billion and other budget support and emergency measures in response to the pandemic and Russia’s war on Ukraine amounting to EUR 307 million. The partnership priorities for 2021-2027 are set out in the EU-Egypt MIP, which has been prepared in close consultation with all relevant stakeholders, and cover three broad areas: i) Sustainable Modern Economy and Social Development; ii) Partnering in Foreign Policy, and iii) Enhancing Stability. The NDICI-GE instrument replaces the European Neighbourhood Instrument (ENI) under which the EU's bilateral assistance to Egypt for the period 2014 – 2020 amounted to EUR 756 million.

(6) The EU recognises Egypt's key role for regional security and stability. Terrorism, organised crime and conflicts are common threats against our security and the social fabric of nations across both sides of the Mediterranean. Therefore, the EU and Egypt have a common interest in strengthening cooperation highlighted in the Partnership Priorities, in full compliance with international law, including human rights and international humanitarian law.

(7) Recalling the geo-political challenges, where the consequences of Hamas terrorist attacks across Israel on 7 October 2023 as well as the conflict in Sudan, and the strategic importance of Egypt as the largest country in the region and a pillar of stability for the whole Middle East, the Union is embarking on concluding a Strategic and Comprehensive partnership with Egypt as outlined in the Joint Declaration.

(8) The objective of the Strategic and Comprehensive Partnership with Egypt is to elevate the EU-Egypt political relations to a strategic partnership and enable Egypt to fulfil its key role of providing stability in the region. The partnership aims to contribute to support Egypt’s macroeconomic resilience and enable the implementation of ambitious socio-economic reforms in a manner that complements and reinforces the reform process foreseen under the IMF programme for Egypt. As outlined in the Joint Declaration, the partnership will address a wide set of policy measures clustered across six pillars of intervention, namely: political relations; economic stability; investment and trade; migration; security and law enforcement cooperation; demography and human capital.

(9) Underpinning the partnership will be a financial package of EUR 7.4 billion consisting of short- and longer-term support for the necessary macro-fiscal and socio-economic reform agenda, as well as increased amounts available to support investments in Egypt and targeted support for the implementation of the different strategic priorities. Part of the support package is the EU MFA package of up to EUR 5 billion in loans, composed of two MFA operations, a short-term one for up to EUR 1 billion and a more medium-term one for up to EUR 4 billion, financial instruments, such as guarantees and blending instruments, aimed at mobilising public and private investments with the objective of generating substantial new investments. This will be complemented by programmes to support specific priorities under the Strategic and Comprehensive Partnership through individual projects and technical assistance implemented under the Neighbourhood, Development and International Cooperation Instrument[4].

(10) Egypt's macro-fiscal situation has faced significant challenges and deteriorated substantially over recent months, as external pressures have intensified and public debt has increased further, with substantial downside risks to the economic outlook persisting. The repercussions of Russia's war on Ukraine and of Hamas terrorist attacks against Israel have led to protracted capital outflows and lower foreign currency receipts, notably due to sharply falling income from tourism and Suez Canal proceeds. This is particularly challenging amid Egypt's difficult fiscal situation, which is characterised by constant fiscal deficits and high and growing debt to GDP ratios.

(11) Egypt made considerable reform efforts during its engagement with the IMF in 2016-2021. Reforms included a significant currency devaluation, accompanied by monetary policy reforms focused on an inflation target corridor. Fuel subsidy reform was coupled with a significant strengthening of a targeted social transfer system. Public finance management was strengthened by developing medium-term revenue and debt management strategies. The authorities also began improving the governance of state-owned enterprises (SOEs).

(12) After the adoption of a follow-up IMF programme in December 2022, reform progress was less noticeable, although Egypt has implemented steps to level the playing field between public and private companies through a law to abolish tax privileges of SOEs, albeit with exemptions on the basis of national security, and through the adoption of a state ownership policy, aiming at reducing the presence of the state in the economy, which remains large and distorting despite recent limited progress and clarifying the rationale of continued state involvement in certain strategic sectors. However, Egypt did not implement its commitment to make the currency durably flexible in 2023, leading to a largely stable official exchange rate and a substantial parallel currency market with a significantly depreciated and highly volatile exchange rate. This fragmentation weighed heavily on foreign investment and domestic business activity.

(13) Egypt re-engaged with the IMF in early 2024 and reached a staff-level agreement on 6 March 2024 on a revamped Extended Fund Facility programme scaled up to USD 8 billion. The new programme is expected to be adopted by IMF Executive Board decision in March 2024 and aims to address the areas of 1) credible exchange rate

[4] Established by Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1)

flexibility, 2) sustainable tightening of monetary policy, 3) fiscal consolidation to preserve debt sustainability, 4) a new framework to rein in infrastructure spending, 5) providing adequate levels of social spending to protect vulnerable groups, and 6) implementation of the State Ownership Policy and reforms to level the playing field. Together with the staff level agreement's signature, Egypt also enacted a flexibilisation of the exchange rate, and raised the central bank's key policy rate by a sizeable 600 basis points, in line with the IMF programme's priorities.

(14) In view of a worsening economic situation and outlook clouded by substantial downside risks in relation to ongoing external shocks, Egypt requested complementary macro-financial assistance from the Union on 12 March 2024.

(15) The current crisis in Egypt and the region have exacerbated the country's financing needs, with a substantial overall financing gap in the upcoming fiscal year (FY, July-June) 2024/25, in particular in the second half of 2024. This makes it imperative to make sure that a first significant contribution via MFA could already be provided by the end of 2024. This appears impossible if the decision was adopted in accordance with Article 212 TFEU under the ordinary legislative procedure, taking into account the constraints imposed by the upcoming end of the Parliament's legislative period in conjunction with the time still needed thereafter to fully enact the MFA, including for agreeing on a set of policy reforms to underpin the assistance. It is therefore justified to exceptionally use Article 213 TFEU providing for the adoption of the decision by the Council only for the present first part of the MFA package. The use of Art. 213 TFEU will remain exceptional and does not constitute a precedent for any future proposals of MFA, which will in principle continue to be based on Art. 212 TFEU.

(16) Given that Egypt is a country covered by the European Neighbourhood Policy, it should be considered to be eligible to receive macro-financial assistance from the Union.

(17) The Union's macro-financial assistance should be an exceptional instrument of untied and undesignated balance-of-payments support, which aims at addressing the beneficiary's immediate external financing needs and should underpin the implementation of a policy programme containing strong immediate adjustment and structural reform measures designed to improve the balance-of-payments position.

(18) Given that there is still a significant residual external financing gap in Egypt's balance of payments over and above the resources provided by the IMF and other multilateral institutions, the Union macro-financial assistance to be provided to Egypt is, under the current exceptional circumstances, considered to be an appropriate response to Egypt's request for support to the economic stabilisation, in conjunction with the IMF programme. The Union's macro-financial assistance package, including the MFA of up to EUR 1 billion under this proposal, would support the economic stabilisation and the structural reform agenda of Egypt, supplementing resources made available under the IMF's financial arrangement.

(19) The Union's macro-financial assistance should aim to support the restoration of a sustainable external financing situation for Egypt thereby supporting its economic and social development.

(20) The determination of the amount of the Union's macro-financial assistance is based on a complete quantitative assessment of Egypt's residual external financing needs and takes into account its capacity to finance itself with its own resources, in particular the international reserves at its disposal. The Union's macro-financial assistance is part of

an international joint effort, effectively complementing the programmes and resources provided by the IMF and the World Bank. The determination of the amount of the assistance also takes into account expected financial contributions from multilateral donors and the need to ensure fair burden sharing between the Union and other donors, as well as the pre-existing deployment of the Union's other external financing instruments in Egypt and the added value of the overall Union involvement.

(21) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in line with the key principles, objectives and measures taken within the different areas of external action and with other relevant Union policies.

(22) The Union's macro-financial assistance should support the Union's external policy towards Egypt. The Commission services and the European External Action Service (EEAS) should work closely together throughout the macro-financial assistance operation in order to coordinate and ensure the consistency of theUnion external policy.

(23) The Union's macro-financial assistance should support Egypt's commitment to foster values shared with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair trade.

(24) A pre-condition for granting the Union's macro-financial assistance to Egypt should be that the country continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems, the governance and supervision of the financial sector in Egypt and promote structural reforms aimed at supporting sustainable and inclusive growth, decent employment creation and fiscal consolidation. The fulfillment of the pre-condition and the achievement of the specific objectives should be regularly monitored by the Commission services and the European External Action Service.

(25) In order to ensure that the Union's financial interests linked to the Union's macro-financial assistance are protected efficiently, Egypt should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. In addition, a loan agreement to be concluded between the Commission and the Egyptian authorities should contain provisions authorising European Anti-Fraud Office (OLAF) to carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[5] and Council Regulation (Euratom, EC) No 2185/96[6], the Commission and the Court of Auditors to carry out audits and the European Public Prosecutor's Office to exercise its competences with regard to the provision of the Union's macro-financial assistance during and after its availability period.

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5 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

6 Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

(26) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council as budgetary authority.

(27) The amounts of the provision required for macro-financial assistance in the form of loans should be consistent with the budgetary appropriations provided for in the multiannual financial framework.

(28) The Union's macro-financial assistance should be managed by the Commission. In order to ensure that the European Parliament and the Council are able to follow the implementation of this Decision, the Commission should regularly inform them of developments relating to the assistance and provide them with relevant documents.

(29) In order to ensure uniform conditions for the implementation of this Decision, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[7].

(30) The Union's macro-financial assistance should be subject to economic policy conditions, to be laid down in a Memorandum of Understanding. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Egyptian authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure be used for operations above that threshold. Considering the amount of the Union's macro-financial assistance to Egypt, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance.

HAS ADOPTED THIS DECISION:

Article 1

1. The Union shall make macro-financial assistance of a maximum amount of up to EUR 1 billion available to Egypt ("the Union's macro-financial assistance"), with a view to supporting Egypt's economic stabilisation and a substantive reform agenda. The assistance shall contribute to covering Egypt's balance of payments needs as identified in the IMF programme.

2. In order to finance the Union's macro-financial assistance, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds in the capital markets or from financial institutions and to on-lend them to Egypt.

3. The release of the Union's macro-financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the IMF and Egypt, and with the key principles and objectives of economic reforms set out in the EU-Egypt Association Agreement.

[7] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

The Commission shall regularly inform the European Parliament and the Council of any developments regarding the Union's macro-financial assistance, including disbursements thereof, and shall provide those institutions with the relevant documents in due time.

4. The Union’s macro-financial assistance shall be made available starting on the first day after the entry into force of the Memorandum of Understanding referred to in Article 3(1) for a period of nine months.

5. Where the financing needs of Egypt decrease fundamentally during the period of the disbursement of the Union's macro-financial assistance compared to the initial projections, the Commission, acting in accordance with the examination procedure referred to in Article 7(2), shall reduce the amount of the assistance or suspend or cancel it.

Article 2

1. A pre-condition for granting the Union's macro-financial assistance shall be that Egypt continues to make concrete and credible steps towards respecting effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights.

2. The Commission services and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance.

3. Paragraphs 1 and 2 shall be applied in accordance with Council Decision 2010/427/EU[8].

Article 3

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Egyptian authorities on clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding ("the Memorandum of Understanding") which shall include a timeframe for the achievement of those reforms. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(3), including the macroeconomic adjustment and structural reform programmes implemented by Egypt with the support of the IMF.

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in Egypt, including for the use of the Union's macro-financial assistance. Progress in mutual market opening, the development of rules-based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

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8 Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

3. The detailed financial terms of the Union's macro-financial assistance shall be laid down in a loan agreement to be concluded between the Commission and the Egyptian authorities (the "Loan Agreement").

4. The Commission shall verify, at regular intervals, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of Egypt are in accordance with the objectives of the Union's macro-financial assistance. For that verification, the Commission shall coordinate closely with the IMF and the World Bank, and, where necessary, with the European Parliament and the Council.

Article 4

1. Subject to the requirements referred to in paragraph 3, the Union's macro-financial assistance shall be made available by the Commission in a single instalment, in the form of a loan. The Commission shall decide on the timeframe for the disbursement of the instalment. The instalment may be disbursed in one or more tranches.

2. The amounts of the Union's macro-financial assistance provided in the form of loans shall be provisioned, where required, in accordance with Regulation (EU) 2021/947 of the European Parliament and of the Council.

3. The Commission shall decide on the release of the instalment subject to the fulfilment of the following conditions:

(a) the pre-condition set out in Article 2(1);

(b) a continuous satisfactory track record of implementing a policy programme that contains strong adjustment and structural reform measures supported by a non-precautionary IMF credit arrangement;

(c) the satisfactory implementation of the economic policy conditions and financial conditions agreed in the Memorandum of Understanding.

4. Where the conditions in paragraph 3 are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such cases, it shall inform the European Parliament and the Council of the reasons for that suspension or cancellation.

5. The Union's macro-financial assistance shall be disbursed to the Central Bank of Egypt. Subject to the provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, the Union funds may be transferred by the Central Bank of Egypt to the Egyptian Ministry of Finance as the final beneficiary.

Article 5

1. In order to finance the support under the macro-financial assistance in the form of loans, the Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 220a of Regulation (EU, Euratom) 2018/1046.

2. The Commission shall enter into a loan agreement with Egypt in respect of the amount referred to in Article 1. The detailed terms of the support under the MFA in the form of loans shall be laid down in a loan agreement in accordance with Article 220 of the Financial Regulation, to be concluded between the Commission and the Egyptian authorities. The loan agreement shall lay down the availability period and

the detailed terms of the support under the macro-financial assistance in the form of loans, including in relation to the internal control systems. The loans shall be granted at terms that allow Egypt to repay the loan over a long period. The maximum duration of the loans shall be 35 years.

3. The Commission shall inform the European Parliament and the Council of any developments in the operations referred to in paragraph 2.

Article 6

1. The Union's macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council[9].

2. The implementation of the Union's macro-financial assistance shall be under direct management.

3. Before the implementation of the Union's macro-financial assistance, the Commission shall assess, by means of an operational assessment, the soundness of Egypt's financial arrangements, the administrative procedures, and the internal and external control mechanisms which are relevant to the assistance.

Article 7

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 8

1. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Decision in the preceding year, including an evaluation of that implementation. The report shall:

(a) examine the progress made in implementing the Union's macro-financial assistance;

(b) assess the economic situation and prospects of Egypt, as well as progress made in implementing the policy measures referred to in Article 3(1);

(c) indicate the connection between the economic policy reform measures laid down in the Memorandum of Understanding, Egypt’s on-going economic and fiscal performance and the Commission’s decisions to release the instalments of the Union's macro-financial assistance.

2. Not later than two years after the expiry of the availability period referred to in Article 1(4), the Commission shall submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the completed Union's macro-financial assistance and the extent to which it has contributed to the aims of the assistance.

[9] Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and repealing Regulation (EC, Euratom) No 966/2012 (OJ L 193, 30.07.2018, p. 1).

Article 9

This Decision shall enter into force on the day after its publication in the Official Journal of the European Union.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

1.2. Policy area(s) concerned

1.3. The proposal/initiative relates to:

1.4. Objective(s)

1.4.1. General objective(s)

1.4.2. Specific objective(s)

1.4.3. Expected result(s) and impact

1.4.4. Indicators of performance

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

1.5.3. Lessons learned from similar experiences in the past

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

1.5.5. Assessment of the different available financing options, including scope for redeployment

1.6. Duration and financial impact of the proposal/initiative

1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

3.2.2. Estimated output funded with operational appropriations

3.2.3. Summary of estimated impact on administrative appropriations

3.2.4. Compatibility with the current multiannual financial framework

3.2.5. Third-party contributions

3.3. Estimated impact on revenue

– **FRAMEWORK OF THE PROPOSAL/INITIATIVE**

– **1.1. Title of the proposal/initiative**

Proposal for a Decision of the European Parliament and of the Council providing Macro-financial assistance to the Republic of Egypt.

– **1.2. Policy area(s) concerned**

Policy area: Economic and Financial Affairs

Activity: International economic and financial affairs

– **1.3. The proposal/initiative relates to:**

X a new action

☐ a new action following a pilot project/preparatory action[10]

☐ the extension of an existing action

☐ a merger or redirection of one or more actions towards another/a new action

– **1.4. Objective(s)**

– *1.4.1. General objective(s)*

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

"An Economy that works for people"

"A stronger Europe in the world"

– *1.4.2. Specific objective(s)*

(a) Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including through regular economic dialogues with key partners and by providing macro-financial assistance.

– *1.4.3. Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

(1) Contribute to covering the external financing needs of Egypt in the context of a significant deterioration of their external accounts brought by recent geopolitical developments.

(2) Alleviate the partner's budgetary financing needs.

(3) Support the fiscal consolidation effort and external stabilisation in the context of the IMF programme.

(4) Support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth.

[10] As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

– *1.4.4. Indicators of performance*

Specify the indicators for monitoring progress and achievements.

The authorities of Egypt will be required to report on a set of economic indicators to the Commission services on a regular basis and provide a comprehensive report on the compliance with the agreed policy reforms ahead of the disbursement of the instalments of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Egypt. The EU Delegation in the partners will also provide regular reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their insights from their on-going activities in the respective partner.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, including an assessment of the implementation of this operation. An independent ex-post evaluation of the assistance will be carried out within two years after the expiry of the implementation period.

(a) Effectiveness and timeliness: indicators should allow to monitor performance by providing information on progress on a regular basis and on achievements along the programming period.

(b) Efficiency: processes should be optimized for collection and processing of data, avoiding unnecessary or duplicative requests for information

(c) Relevance of the indicators and the need to limit the associated administrative burden.

(d) Clarity: indicators should be delivered in a clear and understandable form, with supporting metadata and in a form that facilitates proper interpretation and meaningful communication.

– **1.5. Grounds for the proposal/initiative**

– *1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

The disbursement of the assistance will be subject to the fulfilment of the political pre-conditions and a satisfactory track record in the implementation of the economic programme between Egypt and the IMF, which Staff level agreement was reached on 6 March 2024, following implementation by the authorities of Egypt of a number of prior actions. In addition, the Commission shall agree with the authorities of Egypt on specific policy reforms, listed in a Memorandum of Understanding.

The assistance is planned to be disbursed in one instalment which is expected to take place in in late 2024.

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

– *1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention, which is additional to the value that would have been otherwise created by Member States alone.*

The instrument of macro-financial assistance is a policy-based instrument directed to alleviate short- and medium-term external financial needs. In the context of the ongoing regional crisis, MFA will help to provide economic and fiscal policy space for the authorities to mount an effective economic response to the crisis. By helping the partner overcome the economic difficulties amplified by the recent geopolitical developments and in particular the war in the Middle-East and the consequent red sea crisis, the proposed MFA will contribute to promoting macroeconomic and political stability in the partners. MFA will complement the resources made available by the international financial institutions, bilateral donors and other EU financial institutions. In doing so, it will contribute to the overall effectiveness of the financial support provided by the international community, as well as of other EU financial assistance, including budgetary support operations.

Furthermore, by providing long-term financing in highly concessional terms, usually lower than the rest of international or bilateral donors, the MFA programme is expected to help the government to execute its budget without fiscal deviations and to contribute to debt sustainability.

In addition to the financial impact of the MFA, the proposed programme will strengthen the government’s reform commitment. This result will be achieved, inter alia, through appropriate reform measures accompanying the disbursement of the assistance.

– *1.5.3. Lessons learned from similar experiences in the past*

Macro-financial assistance operations in partners are subject to ex-post evaluation. Evaluations conducted thus far (on completed MFA programmes), conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the partner. In most cases, MFA operations had a positive effect on the balance of payments of the partner and helped to relax their budgetary constraints. They also led to somewhat higher economic growth.

– *1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments*

Compatibility with the Multiannual Financial Framework

In the 2021-2027 multiannual financial framework, the provisioining of MFA loans will be covered by the External Action Guarantee within Global Europe (Neighbourhood, Development and International Cooperation Instrument). *Possible synergies with other appropriate instruments*

– *1.5.5. Assessment of the different available financing options, including scope for redeployment*

By using loans, this MFA operation increases the effectiveness of the EU budget through the leverage effect and provides for the best cost-efficient option.

The Commission is empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top credit status (AAA-rated by Fitch, Moody's and DBRS, AA by S&P, all with stable outlook) of the EU/Euratom and then on-lend them to eligible borrowers in the context of lending under the EFSM, BoP, MFA and to Euratom projects. Borrowing and lending is conducted as a back-to-back operation, ensuring that the EU budget does not take any interest rate or foreign exchange risk. The target of obtaining funds at the best available rates for borrowing and lending activities has been achieved because those rates are in line with peer institutions (EIB, EFSM, and ESM).

– **1.6. Duration and financial impact of the proposal/initiative**

X limited duration

- **X** In effect from year 2024 to year 2025
- ☐ Financial impact from YYYY to YYYY for commitment appropriations and from YYYY to YYYY for payment appropriations.

☐ **unlimited duration**

Implementation with a start-up period from YYYY to YYYY,

followed by full-scale operation.

– **1.7. Method(s) of budget implementation planned[11]**

X Direct management by the Commission

- **X** by its departments, including by its staff in the Union delegations;
- ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

- ☐ third countries or the bodies they have designated;
- ☐ international organisations and their agencies (to be specified);
- ☐ the EIB and the European Investment Fund;
- ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;
- ☐ public law bodies;
- ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees;
- ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees;
- ☐ bodies or persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

[11] Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the IMF arrangement and the implementation of specific reform measures to be agreed with the authorities of the partners in a Memorandum of Understanding with a frequency that is consistent with the number of instalments (See also point 1.4.4).

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

MFA disbursements are dependent on successful reviews, and tied to the fulfilment of reform measures accompanying each operation. The implementation of reforms is closely monitored by the Commission, in close coordination with the Union Delegations.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

To mitigate the risks of fraudulent use several measures have been and will be taken:

First, the Loan Agreement will comprise a set of provisions on inspection, fraud prevention, audits and recovery of funds in case of fraud or corruption. It is further envisaged that a number of specific policy reform measures will be attached to the

assistance, including in the area of public finance management, with a view to strengthening efficiency, transparency and accountability. Also, the assistance will be paid to a specific account of the Central Bank of the partner.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and the European Court of Auditors as foreseen by Article 129 of the Financial Regulation

– **3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE**

– **3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected**

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[12]	from EFTA countries [13]	from candidate countries and potential candidates [14]	fromother third countries	other assigned revenue
	14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG]	Diff.	NO	NO	NO	NO

- New budget lines requested – Not applicable

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries and potential candidates	from other third countries	other assigned revenue
	[XX.YY.YY.YY]		YES/NO	YES/NO	YES/NO	YES/NO

[12] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

[13] EFTA: European Free Trade Association.

[14] Candidate countries and, where applicable, potential candidates from the Western Balkans.

– **3.2. Estimated financial impact of the proposal on appropriations**

– *3.2.1. Summary of estimated impact on operational appropriations*

☐ The proposal/initiative does not require the use of operational appropriations

X The proposal/initiative requires the use of operational appropriations, as explained below:

EUR million (to three decimal places)

Heading of multiannual financial framework	6	**Heading 6 - 'Neighbourhood and the World'**

DG: ECFIN			Year **2024**	Year **2025**	Year **2026**	Year **2027**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
○ Operational appropriations										
Budget line[15] 14 02 01 70 NDICI — Global Europe — Provisioning of the common provisioning fund [MFA loans – EAG][16]	Commitments	(1a)	90							90
	Payments	(2a)	90							90
Appropriations of an administrative nature financed from the envelope of specific programmes[17]										
Budget line										

[15] According to the official budget nomenclature.

[16] To be reinforced from the NDICI Southern Neighbourhood, budget line 14 02 01 10.

[17] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

TOTAL appropriations for DG ECFIN	Commitments	=1a+1b +3	90							90
	Payments	=2a+2b +3	90							90

○ TOTAL operational appropriations	Commitments	(4)	90							90
	Payments	(5)	90							90
○ TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)								
TOTAL appropriations under HEADING 6 of the multiannual financial framework	Commitments	=4+ 6	90							90
	Payments	=5+ 6	90							90

If more than one operational heading is affected by the proposal / initiative, repeat the section above:

○ TOTAL operational appropriations (all operational headings)	Commitments	(4)								
	Payments	(5)								
TOTAL appropriations of an administrative nature financed from the envelope for specific programmes (all operational headings)		(6)								
TOTAL appropriations under HEADINGS 1 to 6 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework	**7**	'Administrative expenditure'

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex 5 to the Commission decision on the internal rules for the implementation of the Commission section of the general budget of the European Union), which is uploaded to DECIDE for interservice consultation purposes.

EUR million (to three decimal places)

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
DG:ECFIN						
○ Human resources		1.424	1.424	1.424	1.424	5.696
○ Other administrative expenditure		0.005	0.005	0.005	0.005	0.020
TOTAL DG ECFIN	Appropriations	1.429	1.429	1.429	1.429	5.716

TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	1.429	1.429	1.429	1.429	5.716

EUR million (to three decimal places)

		Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework	Commitments	91.429	1.429	1.429	1.429	95.716
	Payments	91.429	1.429	1.429	1.429	95.716

– *3.2.2. Estimated output funded with operational appropriations*

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩		Year **2024**		Year **2025**		Year **2026**		Year **2027**		**TOTAL**	
	Type[18]	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Total number	Total cost
- Output 1	Provisioning of the External Action Guarantee	1	90							1	90
- Output 2	Ex-post evaluation										
Subtotal for specific objective No 1		1	90	-	-	-	-			1	90
TOTAL COST		1	90	-	-	-	-			1	90

[18] Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

– *3.2.3. Summary of estimated impact on administrative appropriations*

X The proposal/initiative does not require the use of appropriations of an administrative nature

☐ The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
HEADING 7 of the multiannual financial framework					
Human resources	1.424	1.424	1.424	1.424	5.696
Other administrative expenditure	0.005	0.005	0.005	0.005	0.020
Subtotal HEADING 7 of the multiannual financial framework	1.429	1.429	1.429	1.429	5.716

Outside HEADING 7[19] **of the multiannual financial framework**					
Human resources					
Other expenditure of an administrative nature					
Subtotal outside HEADING 7 of the multiannual financial framework					

TOTAL	1.429	1.429	1.429	1.429	5.716

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[19] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

– 3.2.3.1. Estimated requirements of human resources

☐ The proposal/initiative does not require the use of human resources.

☐ The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

		Year **2024**	Year **2025**	Year **2026**	Year **2027**
20 01 02 01 (Headquarters and Commission's Representation Offices)		8	8	8	8
20 01 02 03 (Delegations)					
01 01 01 01 (Indirect research)					
01 01 01 11 (Direct research)					
Other budget lines (specify)					
20 02 01 (AC, END, INT from the 'global envelope')					
20 02 03 (AC, AL, END, INT and JPD in the delegations)					
XX 01 xx **yy zz** [20]	- at Headquarters				
	- in Delegations				
01 01 01 02 (AC, END, INT - Indirect research)					
01 01 01 12 (AC, END, INT - Direct research)					
Other budget lines (specify)					
TOTAL		8	8	8	8

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[20] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

Description of tasks to be carried out:

Officials and temporary staff	Director Dir. D: Supervise and manage the operation, liaise with Council and Parliament for the adoption of the Decision and the approval of the Memorandum of Understanding (MoU), negotiate the MoU with the authorities of Egypt, review reports, lead missions and assess progress with the implementation of reform measures. HoU/DHoU Dir. D: Assist the Director in managing the operation, liaising with Council and Parliament for the adoption of the Decision and the approval of the MoU, negotiating with the authorities of Egypt the MoU and Loan Agreement (together with DG BUDGET), reviewing reports and assessing progress with the implementation of reform measures. Desk economists, MFA Sector (Dir. D): Prepare the Decision and MoU, liaise with the authorities and the IFIs, conduct review missions, prepare Commission staff reports and Commission procedures related to the management of the assistance, liaise with external experts for the operational assessment and the ex-post evaluation. 5 AD, 1 AST will be covered with staff currently working on MFA activities and with desk economists currently working on Egypt. However, the overall workload of MFA activities will increase particularly to support the set up and management of a structured cooperation mechanism and to develop methodologies and tools for monitoring the implementation of reforms linked to MFA assistance. For this reason, 1 additional AD and 1 additional AST posts are required. DG BUDGET: Prepare the Loan Agreement, negotiate it with the authorities of Egypt and have it approved by the responsible Commission services and signed by both parties. Follow up the entry into force of the Loan Agreement. Prepare the Commission decision(s) on the borrowing transaction(s), follow up the submission of the Request(s) for Funds, select the banks, prepare and execute the funding transaction(s) and disburse the funds to the country. Carry out the back-office activities to follow up the reimbursement of the loan(s). Prepare the corresponding reports on these activities.
External staff	

– *3.2.4. Compatibility with the current multiannual financial framework*

The proposal/initiative:

X can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts. Please provide an excel table in the case of major reprogramming.

☐ requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation.

Explain what is required, specifying the headings and budget lines concerned, the corresponding amounts, and the instruments proposed to be used.

☐ requires a revision of the MFF.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

– *3.2.5. Third-party contributions*

The proposal/initiative:

X does not provide for co-financing by third parties

☐ provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year **N**[21]	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

[21] Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

– **3.3. Estimated impact on revenue**

X The proposal/initiative has no financial impact on revenue.

☐ The proposal/initiative has the following financial impact:

- ☐ on own resources
- ☐ on other revenue
- please indicate, if the revenue is assigned to expenditure lines ☐

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative[22]						
		Year **N**	Year **N+1**	Year **N+2**	Year **N+3**	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
Article …….								

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[22] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.

ANNEX
to the LEGISLATIVE FINANCIAL STATEMENT

Proposal for a Decision of the Council

On providing macro-financial assistance to Egypt

1. NUMBER and COST of HUMAN RESOURCES CONSIDERED NECESSARY
2. COST of OTHER ADMINISTRATIVE EXPENDITURE
3. TOTAL ADMINISTRATIVE COSTS
4. METHODS of CALCULATION USED for ESTIMATING COSTS

4.1. Human resources

4.2. Other administrative expenditure

This annex must accompany the legislative financial statement when the inter-services consultation is launched.

The data tables are used as a source for the tables contained in the legislative financial statement. They are strictly for internal use within the Commission.

1. Cost of human resources considered necessary

☐ The proposal/initiative does not require the use of human resources

X The proposal/initiative requires the use of human resources, as explained below:

EUR million (to three decimal places)

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

HEADING 7 of the multiannual financial framework		**Year 2024**		**Year 2025**		**Year 2026**		**Year 2027**		**-**		**-**		**-**		**TOTAL**	
		FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations
• Establishment plan posts (officials and temporary staff)																	
20 01 02 01 - Headquarters and Representation offices	AD	6	1.068	6	1.068	6	1.068	6	1.068							24	4.272
	AST	2	0.356	2	0.356	2	0.356	2	0.356							8	1.424
20 01 02 03 - Union Delegations	AD																
	AST																
• External staff [23]																	
20 02 01 and 20 02 02 – External personnel – Headquarters and	AC																
	END																
	INT																

[23] AC = Contract Staff; AL = Local Staff; END = Seconded National Expert; INT= agency staff; JPD= Junior Professionals in Delegations.

Representation offices																			
20 02 03 – External personnel - Union Delegations	AC																		
	AL																		
	END																		
	INT																		
	JPD																		
Other HR related budget lines (*specify*)																			
Subtotal HR – HEADING 7		8	1.424	8	1.424	8	1.424	8	1.424									24	5.696

EUR million (to three decimal places)

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Outside HEADING 7 of the multiannual financial framework		Year N[24]		Year N+1		Year N+2		Year N+3		Year N+4		Year N+5		Year N+7		TOTAL	
		FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations	FTE	Appropriations
• Establishment plan posts (officials and temporary staff)																	
01 01 01 01 Indirect Research[25] 01 01 01 11 Direct Research	AD																
	AST																

[24] Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

[25] Please choose the relevant budget line, or specify another if necessary; in case more budget lines are concerned, staff should be differentiated by each budget line concerned.

Other (please specify)																		
• **External staff** [26]																		
External staff from operational appropriations (former 'BA' lines).	- at Headquarters	AC																
		END																
		INT																
	- in Union delegations	AC																
		AL																
		END																
		INT																
		JPD																
01 01 01 02 Indirect Research		AC																
01 01 01 12 Direct research		END																
Other (please specify)[27]		INT																
Other budget lines HR related (*specify*)																		
Subtotal HR – Outside HEADING 7																		
Total HR (all MFF Headings)																		

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[26] AC = Contract Staff; AL = Local Staff; END = Seconded National Expert; INT= agency staff; JPD= Junior Professionals in Delegations.

[27] Please choose the relevant budget line, or specify another if necessary; in case more budget lines are concerned, staff should be differentiated by each budget line concerned.

2. Cost of other administrative expenditure

☐ The proposal/initiative does not require the use of administrative appropriations

☐ The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to three decimal places)

HEADING 7 of the multiannual financial framework	**2024**	**2025**	**2026**	**2027**	**-**	**-**	**-**	**Total**
At headquarters or within EU territory:								
20 02 06 01 - Mission and representation expenses	0.005	0.005	0.005	0.005				0.020
20 02 06 02 - Conference and meeting costs								
20 02 06 03 - Committees[28]								
20 02 06 04 Studies and consultations								
20 04 – IT expenditure (corporate)[29]								
Other budget lines non-HR related (*specify where necessary*)								
In Union delegations								
20 02 07 01 - Missions, conferences and representation expenses								
20 02 07 02 - Further training of staff								
20 03 05 – Infrastructure and logistics								
Other budget lines non-HR related (*specify where necessary*)								

[28] Specify the type of committee and the group to which it belongs.

[29] The opinion of DG DIGIT – IT Investments Team is required (see the Guidelines on Financing of IT, C(2020)6126 final of 10.9.2020, page 7).

Subtotal Other - HEADING 7 of the multiannual financial framework	0.005	0.005	0.005	0.005				0.020

EUR million (to three decimal places)

Outside HEADING 7 of the multiannual financial framework	**2024**	**2025**	**2026**	**2027**	**-**	**-**	**-**	**Total**
Expenditure on technical and administrative assistance (not including external staff) from operational appropriations (former 'BA' lines):								
- at Headquarters								
- in Union delegations								
Other management expenditure for research								
Policy IT expenditure on operational programmes[30]								
Corporate IT expenditure on operational programmes[31]								
Other budget lines non-HR related (*specify where necessary*)								
Sub-total Other – Outside HEADING 7 of the multiannual financial framework								
Total Other admin expenditure (all MFF Headings)	0.005	0.005	0.005	0.005				0.020

[30] The opinion of DG DIGIT – IT Investments Team is required (see the Guidelines on Financing of IT, C(2020)6126 final of 10.9.2020, page 7).

[31] This item includes local administrative systems and contributions to the co-financing of corporate IT systems (see the Guidelines on Financing of IT, C(2020)6126 final of 10.9.2020).

3. Total administrative costs (all Headings MFF)

EUR million (to three decimal places)

Summary	2024	2025	2026	2027	-	-	-	Total
Heading 7 - Human Resources	1,424	1,424	1,424	1,424				5.696
Heading 7 – Other administrative expenditure	0.005	0.005	0.005	0.005				0.020
Sub-total Heading 7	1.429	1.429	1,424	1,424				5.716
Outside Heading 7 – Human Resources								
Outside Heading 7 – Other administrative expenditure								
Sub-total Other Headings								
TOTAL HEADING 7 and Outside HEADING 7	1.429	1.429	1,424	1,424				5.706

The administrative appropriations required will be met by the appropriations which are already assigned to management of the action and/or which have been redeployed, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of existing budgetary constraints.

4. Methods of calculation used to estimate costs

4.1. Human resources

This part sets out the method of calculation used to estimate the human resources considered necessary (workload assumptions, including specific jobs (Sysper 2 work profiles), staff categories and the corresponding average costs)

HEADING 7 of the multiannual financial framework
NB: The average costs for each category of staff at Headquarters are available on BUDGpedia: https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/financial-statement.aspx
○ Officials and temporary staff
○ External staff

Outside HEADING 7 of the multiannual financial framework
○ Only posts financed from the research budget
○ External staff

4.2. Other administrative expenditure

Give details of the method of calculation used for each budget line

and in particular the underlying assumptions (e.g. number of meetings per year, average costs, etc.)

HEADING 7 of the multiannual financial framework
Mission costs relate to reviews in the beneficiary country, with the aim of assessing the progress made by the beneficiary country on the attached MFA conditionalities.

Outside HEADING 7 of the multiannual financial framework