

European Parliament

2024-2029



Committee on Budgets

2024/0071(COD)

30.1.2025

BUDGETARY ASSESSMENT

of the Committee on Budgets

for the Committee on International Trade

on the 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)0461 – C10-0009/2024 – 2024/0071(COD))

Rapporteur for budgetary assessment: Matjaž Nemeč

PA_LegEvaluation

BUDGETARY ASSESSMENT

for the Committee on International Trade on the 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)0461 – C10-0009/2024 – 2024/0071(COD))

The Committee on Budgets has carried out a budgetary assessment of the proposal under Rule 58 of the Rules of Procedure and has reached the following conclusions:

- having regard to Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union¹ (Financial Regulation),
 - having regard to Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027²,
 - having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council of the European Union and the European Commission (IIA) on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources³,
- A. whereas Egypt continues to face sizeable and unmet financing needs, with an external financing gap estimated by the International Monetary Fund (IMF) programme at around USD 17.7 billion for 2024-2027, requiring substantial international support to maintain economic stability and implement crucial reforms;
- B. whereas recently, Egypt's macro-fiscal situation has deteriorated noticeably, with intensified external pressures and increased debt, reflecting both domestic challenges and external shocks, including the repercussions of Russia's war against Ukraine and regional instability;
- C. whereas the destructive and ongoing conflict in Gaza and the attacks in the Red Sea have severely impacted Egypt's key sources of foreign currency earnings, particularly tourism revenues and Suez Canal proceeds, while persistent capital outflows and lower services exports have further strained the country's external position; whereas Egypt's socio-economic situation, including poverty rates and the Human Development Index, are also expected to be negatively impacted⁴;
- D. whereas the severe deterioration of external accounts and the strategic importance of regional stability conditionally justify this comprehensive support package, while stressing the need for the EU to work towards a lasting long-term peace solution in the

¹ OJ L, 2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>.

² OJ L 433 I, 22.12.2020, p. 11, ELI: <http://data.europa.eu/eli/reg/2020/2093/oj>.

³ OJ L 433 I, 22.12.2020, p. 28, ELI: http://data.europa.eu/eli/agree_interinst/2020/1222/oj.

⁴ UN Development Programme, 'Potential Socioeconomic Impacts of the Gaza War on Egypt: A rapid assessment', p. 54-60, May 2024.

Middle East, which will help alleviate the reasons behind Egypt's financial struggles;

- E. whereas Egypt's public debt burden had increased substantially to 95.9 % of GDP at the end of the 2022/2023 fiscal year, up from 88.5 % the previous fiscal year, reaching its highest level since 2017 and raising concerns about long-term debt sustainability;
- F. whereas Egypt's real GDP growth declined to 2.4 % in the 2023/2024 fiscal year due to inflation and external pressures, with food price inflation remaining a strain, especially on vulnerable households;
- G. whereas all major rating agencies have downgraded Egypt's sovereign credit ratings to below-investment grade following the outbreak of the conflict in Gaza, reflecting increased regional risks and deteriorating humanitarian and economic conditions; whereas this has further complicated the country's access to international financial markets;
- H. whereas the proposed macro-financial assistance (MFA) of up to EUR 4 billion would help Egypt address its external financing needs while supporting the implementation of structural reforms aimed at improving the macroeconomic situation, strengthening economic governance and transparency, and enhancing conditions for sustainable and inclusive growth;
- I. whereas on 12 April 2024, the Council adopted Decision (EU) 2024/1144 providing EUR 1 billion in short-term macro-financial assistance to the Arab Republic of Egypt⁵, pursuant to the urgency procedure provided under Article 213 of the Treaty on the Functioning of the European Union (TFEU), bypassing Parliament entirely; whereas the Commission adopted a decision on 20 December 2024 to release this single instalment to Egypt;
- J. whereas the IMF has confirmed Egypt's implementation of key reforms that have contributed to preserving macroeconomic stability despite the challenging environment;
- K. whereas the short-term macro-financial assistance was subject to conditions set out in the Memorandum of Understanding (MoU) agreed on and signed by the Commission and the Egyptian authorities on 29 June 2024, including the implementation of economic reforms, concrete and credible steps towards respecting democratic principles, and an on-track IMF programme; whereas the Commission and the European External Action Service undertook a review mission to Cairo in October 2024 and subsequently evaluated the Egyptian authorities' written compliance reporting, with an overall positive assessment of Egypt's progress in fulfilling these conditions;
- L. whereas Parliament, as one arm of the EU's budgetary authority, was not involved in the negotiation and drafting of the MoU, which sets out the structural reform measures associated with the proposed MFA operation, including aspects of timing and sequencing for the disbursement of the initial assistance of EUR 1 billion;
- M. whereas the MoU to be concluded with the Egyptian authorities for the remainder of the

⁵ Council Decision (EU) 2024/1144 of 12 April 2024 providing short-term macro-financial assistance to the Arab Republic of Egypt, OJ L, 2024/1144, 15.4.2024, ELI: <http://data.europa.eu/eli/dec/2024/1144/oj>.

MFA is an essential part of the assistance itself; whereas Parliament's lack of involvement in this process severely hinders its budgetary scrutiny; whereas it is necessary to find an appropriate way to involve Parliament when such memorandums with non-EU countries are negotiated by the Commission;

- N. whereas the MoU should crucially provide the Commission with a mechanism to monitor progress as regards the implementation of structural reforms, notably the specific conditions for disbursement of the assistance;
1. Recalls that while MFA is meant to be an exceptional crisis response instrument and should not serve as a substitute for structural development aid, its increasing use to address structural economic challenges in partner countries risks diluting its emergency nature;
 2. Highlights the importance of MFA in urgently addressing the situation in Egypt, taking into account Egypt's critical economic and financial situation and its role as an important stabilising actor in an increasingly volatile region;
 3. Regrets the fact that the first proposal of this package bypassed the co-decision rights of Parliament and undermined its democratic oversight role by using Article 213 TFEU instead of Article 212 TFEU; insists that this should not set a precedent and that Parliament's rights and role should be respected in future proposals; emphasises that MFA is an instrument requiring proper parliamentary and budgetary scrutiny;
 4. Notes that the Commission proposal of EUR 4 billion in MFA requires EUR 360 million in provisioning under the External Action Guarantee from the Neighbourhood, Development and International Cooperation Instrument – Global Europe, which represents a significant allocation of limited resources;
 5. Recalls its previous concerns about the effectiveness of MFA in driving sustainable reforms; acknowledges, however, that linking this assistance to the broader strategic partnership framework can, when properly implemented, provide stronger leverage for implementing the agreed reform agenda; recalls that the partnership priorities cover three broad areas, namely sustainable modern economy and social development, partnering in foreign policy, and enhancing stability;
 6. Takes note of Egypt's overall compliance with reform implementation under the previous MFA; reiterates its calls for transparent and timely reporting of assistance implementation; calls for adequate monitoring mechanisms with clear benchmarks and outcomes to be established in the MoU, and for regular reporting to the budgetary authority on developments related to the assistance, given the unprecedented size of this MFA package;
 7. Notes that while the MFA loan structure spreads repayments over a longer period, this creates extended contingent liabilities for the EU budget that require careful monitoring over multiple financial frameworks;
 8. Emphasises that the MFA constitutes a general budgetary support instrument for the benefit of Egypt and that the EU has no control over how the funds are actually spent; nevertheless encourages the Egyptian authorities and counterparties to disclose

information on spending at the Commission's request;

9. Recalls that Article 6 of the Financial Regulation establishes the obligation for the Commission to ensure compliance with the Charter of Fundamental Rights of the EU and to respect the values enshrined in Article 2 of the Treaty on European Union when implementing the EU budget; stresses that such a budgetary principle constitutes a core legal requirement for any form of EU financial assistance; underscores, therefore, the fact that the proposal lacks sufficient safeguards and clear benchmarks to measure progress towards compliance, particularly regarding respect for human dignity, freedom, democracy, equality, the rule of law and human rights, including the rights of persons belonging to minorities and freedom of belief, in order to protect the EU's financial interests and ensure the MFA's implementation in accordance with the Regulation;
10. Recalls that a pre-condition for granting MFA involves respecting effective democratic mechanisms, including a multiparty parliamentary system and the rule of law, and guaranteeing respect for human rights; highlights that, in this case, Egypt should continue to make concrete and credible steps towards respecting these criteria; emphasises the need to ensure their robust implementation;
11. Emphasises that strict adherence to democratic principles, the rule of law and fundamental freedoms should remain non-negotiable prerequisites for accessing EU financial support; calls on the Commission to withhold disbursements in the absence of credible progress on these fronts; notes that the Commission's decision to disburse the short-term macro-financial assistance reflects Egypt's progress in implementing reforms and the EU's commitment to supporting Egypt's economic stabilisation and reform agenda under the strategic and comprehensive partnership, while noting that human rights challenges in Egypt remain significant; stresses, in this respect, the importance of Egypt's stability and its crucial role in the region, particularly in the current geopolitical context;
12. Regrets Parliament's lack of involvement in and scrutiny of the MoU concluded between the Commission and the Egyptian authorities, which, among other things, includes important budgetary provisions that fall within the remit of Parliament, will determine clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, and will include a time frame for achieving those reforms, which are linked to loan disbursement;
13. Concludes that the proposal for a decision of the European Parliament and of the Council on providing macro-financial assistance to the Arab Republic of Egypt is compatible with the elements referred to in Rule 58(3) of the Rules of Procedure.

As part of its budgetary assessment, the Committee on Budgets also submits the following amendments to the proposal:

Amendment 1

Proposal for a decision
Recital 1 a (new)

Text proposed by the Commission

Amendment

(1a) This Decision has implications for the Union budget. Accordingly, the European Parliament's Committee on Budgets adopted a budgetary assessment, which forms an integral part of Parliament's mandate for negotiations.

Amendment 38

Proposal for a decision
Article 5 – paragraph 1

Text proposed by the Commission

Amendment

(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**.

(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 **223** of Regulation (EU, Euratom) **2024/2509**.

Amendment 39

Proposal for a decision
Article 5 – paragraph 2

Text proposed by the Commission

Amendment

(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

(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 **223** 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, including a possible grace period. The maximum duration of the loans shall be 35 years. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraph 3.

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, including a possible grace period. The maximum duration of the loans shall be 35 years. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraph 3.

Amendment 40

Proposal for a decision

Article 6 – paragraph 1

Text proposed by the Commission

(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 Council⁷.

⁷ 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).

Amendment

(1) The Union’s macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) **No 2024/2509** of the European Parliament and of the Council⁷.

⁷ Regulation (EU, Euratom) **2024/2509** of the European Parliament and of the Council of **23 September 2024** on the financial rules applicable to the general budget of the Union (**recast**) (OJ L, **2024/2509, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>**).

Amendment 41

Proposal for a decision

Article 8 – paragraph 1 – point b

Text proposed by the Commission

(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);

Amendment

(b) assess the economic situation and prospects of Egypt, as well as progress made in implementing the policy measures referred to in **Articles 2 and 3**(1);

**ANNEX: ENTITIES OR PERSONS
FROM WHOM THE RAPPORTEUR FOR BUDGETARY ASSESSMENT HAS
RECEIVED INPUT**

Pursuant to Article 8 of Annex I to the Rules of Procedure, the rapporteur for budgetary assessment declares that he received input from the following entities or persons in the preparation of the budgetary assessment, prior to the adoption thereof in committee:

Entity and/or person
European Commission Ambassador of Egypt to the EU Head of delegation of the European Union to Egypt The Minister of Foreign Affairs of the Arab Republic of Egypt

The list is drawn up under the exclusive responsibility of the rapporteur for budgetary assessment.

Where natural persons are identified in the list by their name, by their function or by both, the rapporteur for budgetary assessment declares that he has submitted to the natural persons concerned the European Parliament's Data Protection Notice No 484 (<https://www.europarl.europa.eu/data-protect/index.do>), which sets out the conditions applicable to the processing of their personal data and the rights linked to that processing.

PROCEDURE – COMMITTEE ASKED FOR BUDGETARY ASSESSMENT

Title	Macro-financial assistance to the Arab Republic of Egypt
References	COM(2024)0461 – C10-0009/2024 – 2024/0071(COD)
Committee(s) responsible	INTA
Date announced in plenary	BUDG 13.11.2024
Rapporteur for budgetary assessment Date appointed	Matjaž Nemeč 24.10.2024
Discussed in committee	16.1.2025
Date adopted	29.1.2025
Result of final vote	+: 32 –: 5 0: 1
Members present for the final vote	Georgios Aftias, Rasmus Andresen, Isabel Benjumea Benjumea, Tobiasz Bocheński, Olivier Chastel, Tamás Deutsch, Angéline Furet, Jens Geier, Thomas Geisel, Jean-Marc Germain, Sandra Gómez López, Monika Hohlmeier, Alexander Jungbluth, Janusz Lewandowski, Giuseppe Lupo, Siegfried Mureşan, Matjaž Nemeč, Danuše Nerudová, João Oliveira, Ruggero Razza, Karlo Ressler, Julien Sanchez, Hélder Sousa Silva, Joachim Streit, Carla Tavares, Nils Ušakovs, Lucia Yar, Auke Zijlstra
Substitutes present for the final vote	Damian Boeselager, Michalis Hadjipantela, Moritz Körner, Tiago Moreira de Sá, Rasmus Nordqvist, Michele Picaro, Jacek Protas, Beata Szydło
Members under Rule 216(7) present for the final vote	Thierry Mariani, Aodhán Ó Riordáin

**FINAL VOTE BY ROLL CALL
IN COMMITTEE ASKED FOR BUDGETARY ASSESSMENT**

32	+
ECR	Tobiasz Bocheński, Michele Picaro, Ruggero Razza, Beata Szydło
NI	Thomas Geisel
PPE	Georgios Aftias, Isabel Benjumea Benjumea, Michalis Hadjipantela, Monika Hohlmeier, Janusz Lewandowski, Siegfried Mureşan, Danuše Nerudová, Jacek Protas, Karlo Ressler, Hélder Sousa Silva
PfE	Tamás Deutsch, Angéline Furet, Thierry Mariani, Tiago Moreira de Sá, Julien Sanchez
Renew	Olivier Chastel, Moritz Körner, Joachim Streit, Lucia Yar
S&D	Jens Geier, Jean-Marc Germain, Sandra Gómez López, Giuseppe Lupo, Matjaž Nemeč, Aodhán Ó Riordáin, Carla Tavares, Nils Ušakovs

5	-
PfE	Auke Zijlstra
The Left	João Oliveira
Verts/ALE	Rasmus Andresen, Damian Boeselager, Rasmus Nordqvist

1	0
ESN	Alexander Jungbluth

Key to symbols:

+ : in favour

- : against

0 : abstention