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THE EUROPEAN UNION**

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Subject: Council Conclusions on the Special Report No 4/2013 of the Court of Auditors concerning EU cooperation with Egypt in the field of Governance

Delegations will find attached the Council conclusions on the Special Report No 4/2013 of the Court of Auditors concerning EU cooperation with Egypt in the field of Governance, as adopted by the Council on 21 October 2013.

**COUNCIL CONCLUSIONS ON
THE SPECIAL REPORT NO 4/2013 OF THE COURT OF AUDITORS
CONCERNING EU COOPERATION WITH EGYPT
IN THE FIELD OF GOVERNANCE**

1. The Council thanks the European Court of Auditors for the publication of their Special Report n°4/2013: *EU Cooperation with Egypt in the field of Governance* on 18 June 2013, which it has attentively studied. The Council welcomes the Court's efforts to assess the European Commission's and European External Action Services' (EEAS) work to promote good governance in Egypt before and after the events of 2011 (reporting period 2007-2012). The constructive participation of the European Commission and EEAS throughout the process is likewise noted and appreciated.

2. The Council shares the Court's acknowledgement that the Commission, before the 2011 uprising, managed to include a number of human rights and democracy issues in the European Neighbourhood Policy (ENP) EU–Egypt Action Plan for reforms and also made this area one of its priorities for ENPI assistance. The Council also concurs with the Court's appreciation that the ENP review in 2011 marked a significant effort by the Commission and EEAS to improve the effectiveness of EU support. The review's focus on promoting deep and sustainable democracy, inclusive economic development and strengthened relations between the EU and partner countries remains very relevant to Egypt. As the Court pointed out, women's and minorities' rights are key issues in Egypt.

3. In considering the Court's observations, the Council stresses the importance of recognising the complex political and institutional context in Egypt during the whole reporting period, while stressing that also in such conditions effectiveness remains key. However, the effectiveness of EU actions also depends on the local and regional political environment and comes in combination with the authorities' commitment in the area. In this regard, the Council commends the EU's continuous efforts to establish and maintain a dialogue and cooperation on the difficult issues of governance, democracy and human rights, including rights for women and minorities. It also notes with satisfaction the strengthening of the partnership with civil society, including through the launch of the Neighbourhood Civil Society Facility. The Council encourages the EEAS and the Commission to further develop the political dialogue in order to ensure the implementation of jointly agreed reform objectives. In this regard, the personal engagement of the High Representative/Vice President Catherine Ashton and the EU Special Representative for the Southern Mediterranean Bernardino Leon should be emphasised.
4. The Council notes that the Court's report raises concerns about shortcomings with regard to Public Finance Management. It also contains valuable recommendations, in particular those aiming at improving the effectiveness of EU policy dialogue on governance and strengthening the management of the budget support instrument in Egypt.
5. The Council acknowledges that a majority of these recommendations have already been acted upon since the reporting period, most notably that the Commission has significantly strengthened its internal rules for granting budget support and that the new rules are effective since 1 January 2013.

6. In line with relevant Council conclusions and principles of the renewed ENP, the Council encourages the EEAS and the Commission to continue their efforts in applying the incentive-based approach, with countries making greater efforts towards democratic reforms receiving more support. Furthermore, the Council underlines the importance for the EEAS and the Commission to place more emphasis on Public Finance Management and the fight against corruption in the negotiations for a new Action Plan, in particular in relation to guaranteeing budgetary transparency and fully independent external auditing.

 7. Mindful of the socioeconomic needs of the Egyptian people, the Council underlines the importance of continued assessment of EU assistance to Egypt in line with the Court's recommendations, in order to ensure that this assistance is fully effective.
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