



**Ministry of Investment
and International Cooperation**

The Minister



*November 3, 2019
Cairo, Egypt*

H.E. Giampaolo Cantini
Ambassador of Italy in Cairo
Cairo, Egypt

**Subject: Debt Swap Agreement between the Government of the Arab Republic of Egypt and
the Government of the Italian Republic.**

Excellency,

I have the honor to refer to the Agreement on Debt-for-Development Swap between the Government of the Arab Republic of Egypt and the Government of the Italian Republic, done at Cairo on June 3, 2007 and ended on December 31, 2017, hereinafter referred to as the "Second Phase Agreement".

I also have the honor to refer to the Agreement on Debt-for-Development Swap between the Government of the Arab Republic of Egypt and the Government of the Italian Republic, done at Cairo on May 10, 2012, hereinafter referred to as the "Third Phase Agreement", and in specific to article 8 that states: "*The Agreement and its Annexes can be amended through exchange of letters*".

Considering that the aforementioned Agreement has been amended through the exchange of letters- Letter addressing Your Excellency on August 15, 2017 and Your Excellency's reply on September 2, 2018- in order to modify the article 3.1 (Utilization of the CPF Funds), subparagraphs b) and e).

Considering the decision taken by the Parties during the Management Committee meeting of the Italian- Egyptian Debt Swap Programme (IEDS) held on January 24, 2017 and formalized at the Management Committee meeting held in Cairo on January 21, 2018, to transfer all uncanceled residual amounts at the end of the Second Phase Agreement (USD 5,222,138.84 corresponding to EGP 31,436,026.63) in addition to the balance of the cancelled amounts refunded from the projects (amounting, on the date of December 31, 2018, to USD 1.2 million circa in today's exchange rate, corresponding to EGP 19,758,275.19), to the Counterpart Fund of the Third Phase Agreement. On behalf of the Government of the Arab Republic of Egypt, I have the honor to propose:



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I. To amend article 1.2 of the Third Phase Agreement (Scope of the Agreement) as follows:

“2. The maximum amount of debt subject to swap operations under this Agreement is the equivalent of US\$ 100 million, namely the sum of the instalment (principal and interest) due starting from the date of 1st of April 2012 on the loans listed in the Annex 1, the latter being an integral part of this Agreement.

In addition, all remaining funds from Debt-for-Development Swap Intergovernmental Agreement done at Cairo on the 3rd of June 2007 – including the funds considered formally cancelled according to the provisions of the aforementioned Agreement, but not utilized – shall be transferred to the Counterpart Fund of the Third Phase Agreement, and will be governed and administered within the legal and financial framework set within it.”

II. To amend article 3.1 of the Third Phase Agreement (Utilization of CPF Fund) as follows:

“1. Funds resulting from debt-swap operations and deposited into the CPF, including accrued interests if any, shall be used to finance projects already identified for financing in the relevant Egyptian Annual State budget approved by law by the Egyptian Parliament and will be allocated as follows:

- a) Food and nutrition: 45% of total funds to the Ministry of Supply and Internal Trade;
- b) Education: 13% of total funds to the Ministry of Education and / or to the Ministry of Higher Education. *Additionally, to this allocation, the proportion allocated to the Ministry of Antiquities for the amount of EGP 42 million is reallocated to the World Food Programme for conducting a new School Feeding initiative;*
- c) Agriculture: 15% of total funds to the Ministry of Agriculture;
- d) Civil Society: 10% of total funds to finance Egyptian and Italian NGO's projects to be selected by the Management Committee through a call for proposals procedure, in accordance with Egyptian laws and regulations;
- e) Environment and Cultural Heritage: 15% of total funds to finance the Ministry for Environmental Affairs and the Ministry of State for Antiquities Affairs follow-ups of the ongoing environmental and Cultural Heritage programmes financed by the Italian Cooperation.
Within this allocation, the proportion allocated to the Ministry of Antiquities for the amount of EGP 42 million is reallocated to the World Food Programme for conducting a new School Feeding initiative;
- f) Operational costs: up to 2% of the total funds shall be allocated to cover the costs of technical support and assistance borne by the Ministry of Planning and International Cooperation, as described in article 5 and 6. A detailed break-down of costs, including temporary experts' contracts, will be provided yearly to the Management Committee.



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Funds transferred from the CPF of the Agreement of 2007 to the CPF of this Agreement shall be used according to the decisions of the Management Committee.”

If the Italian Government agrees on the abovementioned proposals, this letter and your Excellency's reply will constitute an agreement between our two governments that shall enter into force on the date of the receipt of the last of the two notifications by which the Parties shall formally have communicated to each other that their respective internal procedures have been completed.

We look forward to receiving your positive feedback in this regard. I avail myself of this opportunity to renew the assurances of my highest consideration.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Sahar Nasr', written in a cursive style.

Sahar Nasr

Minister of Investment and International Cooperation



*L'Ambasciatore d'Italia
in Egitto*

29 Jan 2020

Prot. n. 398

Excellency,

I have the honor to refer to the letter dated November 3, 2019, protocol n. 15839.

I also refer the Agreement on Debt-for-Development Swap between the Government of the Italian Republic and the Government of the Arab Republic of Egypt, done at Cairo on June 3, 2007 and ended on December 31, 2017, hereinafter referred to as the "Second Phase Agreement", and to the Agreement on Debt-for-Development Swap between the Government of the Italian Republic and the Government of the Arab Republic of Egypt, done at Cairo on May 10, 2012, hereinafter referred to as the "Third Phase Agreement", and in specific to article 8 that states: "The Agreement and its Annexes can be amended through exchange of letters".

Considering that the aforementioned Agreement has been amended through the exchange of letters – Letter of Your Excellency on August 15th, 2017 and my reply on September 2nd, 2018 – in order to modify the article 3.1 (Utilization of the CPF Funds), sub-paragraphs b) and e).

Considering the decision taken by the Parties during the Management Committee meeting of the Italian-Egyptian Debt Swap Programme (IEDS) held on January 24th, 2017 and formalized at the Management Committee meeting held in Cairo on January 21st, 2018, to transfer all uncanceled residual amounts at the end of the Second Phase Agreement (USD 5,222,138.84 corresponding to EGP 31,436,026.63) in addition to the balance of the cancelled amounts refunded from the projects (amounting, on the date of December 31st, 2018, to USD 1.2 million circa in today's exchange rate, corresponding to EGP 19,758,275.19.), to the Counterpart Fund of the Third Phase Agreement. On behalf of the Government of the Italian Republic, I have the honor to accept the proposed amendment as follows:

- I. To amend article 1.2 of the Third Phase Agreement (Scope of the Agreement) as follows:

H.E. DR. RANIA EL MASHAT
MINISTER OF INTERNATIONAL COOPERATION
8, ADLY STR.
CAIRO

“2. The maximum amount of debt subject to swap operations under this Agreement is the equivalent of US\$ 100 million, namely the sum of the instalment (principal and interest) due starting from the date of 1st of April 2012 on the loans listed in the Annex 1, the latter being an integral part of this Agreement.

In addition, all remaining funds from Debt-for-Development Swap Intergovernmental Agreement done at Cairo on the 3rd of June 2007 –including the funds considered formally cancelled according to the provisions of the aforementioned Agreement, but not utilized, – shall be transferred to the Counterpart Fund of the Third Phase of this Agreement, and will be governed and administered within the legal and financial framework set within it.”

II. To amend article 3.1 of the Third Phase Agreement (Utilization of CPF Fund) as follows:

“1. Funds resulting from debt-swap operations and deposited into the CPF, including accrued interests if any, shall be used to finance projects already identified for financing in the relevant Egyptian Annual State budget approved by law by the Egyptian Parliament and will be allocated as follows:

- a) Food and nutrition: 45% of total funds to the Ministry of Supply and Internal Trade;
- b) Education: 13% of total funds to the Ministry of Education and / or to the Ministry of Higher Education. *Additionally to this allocation, the proportion allocated to the Ministry of Antiquities for the amount of EGP 42 million is reallocated to the World Food Programme for conducting a new School Feeding initiative;*
- c) Agriculture: 15% of total funds to the Ministry of Agriculture;
- d) Civil Society: 10% of total funds to finance Egyptian and Italian NGO's projects to be selected by the Management Committee through a call for proposals procedure, in accordance with Egyptian laws and regulations;

- e) Environment and Cultural Heritage: 15% of total funds to finance the Ministry for Environmental Affairs and the Ministry of State for Antiquities Affairs follow-ups of the ongoing environmental and Cultural Heritage programmes financed by the Italian Cooperation. *Within this allocation, the proportion allocated to the Ministry of Antiquities for the amount of EGP 42 million is reallocated to the World Food Programme for conducting a new School Feeding initiative;*
- f) Operational costs: up to 2% of the total funds shall be allocated to cover the costs of technical support and assistance borne by the Ministry of Planning and International Cooperation, as described in article 5 and 6. A detailed break-down of costs, including temporary experts' contracts, will be provided yearly to the Management Committee.

Funds transferred from the CPF of the Agreement of 2007 to the CPF of this Agreement shall be used according to the decisions of the Management Committee."

Your Excellency's letter and this reply will constitute an agreement between our two Governments that shall enter into force on the date of the receipt of the last of the two notifications by which the Parties shall formally have communicated to each other that their respective internal procedures have been completed.

Please accept the assurances of my highest consideration.

Sincerely
Ambassador Giampaolo Cantini

Embassy of Italy in Cairo



Agenzia Italiana di Cooperazione allo Sviluppo

Nota informativa per S.E. L'Ambasciatore

OGGETTO Programma di Conversione del Debito - Terza Fase – Emendamento mediante scambio di lettere sul trasferimento dei fondi residui dal Fondo di Contropartita dell'Accordo di Conversione del 2007 (scaduto il 31.12.17) al Fondo di Contropartita dell'Accordo del 2012, attualmente in vigore.

DATA 12.01.2020

In seguito ad una decisione presa dal Comitato di Gestione del Programma durante la riunione del 24 gennaio 2017, i fondi residui (cancellati e non) a valere sul secondo Accordo di Conversione del Debito firmato nel 2007 saranno trasferiti al Fondo di Contropartita dell'Accordo del 2012, attualmente in corso.

Si ricorda che al 31/12/2017, data di fine della validità dell'Accordo in materia di conversione del debito del 2007 (seconda fase), rimaneva convertita e non cancellata una quota pari a 31.436.026,63 LE. Inoltre, nei mesi successivi, a conclusione della rendicontazione contabile e amministrativa finale dei progetti finanziati nell'ambito della seconda fase, si sono registrati dei fondi residui inutilizzati e per questo restituiti al Fondo di Contropartita del terzo Accordo da diversi progetti. Si tratta in quest'ultimo caso di fondi relativi a quote di debito già cancellate. Il processo di restituzione di tali fondi, tuttora in corso, ha portato ad una giacenza di 19.758.275,19 LE. Rispetto a quest'ultimo importo va segnalato che la restituzione di fondi residui è ancora in corso e detto importo potrebbe aumentare.

Con lo scopo di modificare l'Accordo, questa TSU ha preparato le bozze delle lettere emendative dell'Accordo, che sono state inviate al Ministero per revisione da parte dell'Ufficio del Contenzioso.

Tuttavia, tale procedura – che comporta l'emendamento dell'Articolo 3 dell'Accordo del 2012 - è stata avviata in parallelo alla procedura del primo emendamento che consente l'utilizzo delle risorse mai erogate per un progetto cancellato in materia di patrimonio culturale (42 milioni LE) per contribuire al finanziamento di un'iniziativa promossa dal Programma Alimentare Mondiale nelle scuole.

Ne consegue che l'AICS Roma ha richiesto ulteriori modifiche ai testi delle lettere che costituiranno l'emendamento, così da includere il dettato del primo emendamento, che è entrato in vigore in data 02.04.2019.

Con MSG n.142769 del 14.08.2019, l'Ufficio IV della DGCS ha inviato la versione finale della lettera per richiedere il secondo emendamento dell'Accordo Intergovernativo in materia di conversione del debito firmato il 10 maggio 2012.

Questa Sede AICS ha provveduto ad inoltrare tale bozza al Ministero degli Investimenti e della Cooperazione Internazionale, il quale non ha apportato modifiche e ha proceduto ad inviare la lettera di richiesta dell'emendamento a firma di S.E. la Ministra Sahar Nasr in data 03.11.2019.

Con Msg MAE0214945 dell'11/12/2019, sono stati concessi i pieni poteri alla S.V. Codesta Ambasciata è, dunque, autorizzata a procedere all'invio della lettera di risposta con la quale si accetterà ufficialmente l'emendamento.

Ad ogni buon fine si allegano la lettera di riferimento e una bozza di risposta.