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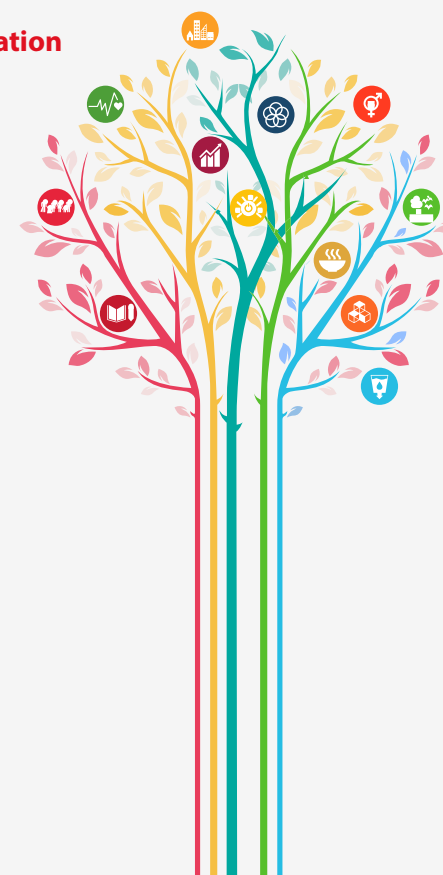
EGYPTIAN- GERMAN PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

JOINT PROCEDURAL MANUAL



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ACRONYMS

BMZ	Federal Ministry for Economic Cooperation and Development
CBE	Central Bank of Egypt
FC	Financial Cooperation
FA	Financial Agreement
GIZ	Gesellschaft für Internationale Zusammenarbeit – German Technical Cooperation
KfW	Kreditanstalt für Wiederaufbau – German Development Bank
MoFA	Ministry of Foreign Affairs
MoIC	Ministry of International Cooperation
ODA	Official Development Assistance
PIC	Project Implementation Contract
SDGs	Sustainable Development Goals
SDS	Sustainable Development Strategy (Vision of Egypt 2030)
SOPs	Standard Operating Procedures
TC	Technical Cooperation

GERMAN COOPERATION ENTITIES

- The German Government is represented by the Federal Ministry for Economic Cooperation and Development (BMZ)
- The main implementing organisations are the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Kreditanstalt für Wiederaufbau (KfW)

PRIORITIES IN THE ARAB REPUBLIC OF EGYPT

The German Cooperation works to support Egypt in three focal areas and sub-sectors:

- Climate and Energy
- The Environment and Natural Resources
- Training and Sustainable Growth for Decent Jobs

In addition to these focal areas, further cooperation takes place on:

- Public Administration and E-Government and Equal Opportunities and Social Development



German Cooperation

POLITICAL DIALOGUE

Development cooperation takes place within the framework of Governmental Negotiations, which are annual meetings, where agreements regarding technical and financial cooperation are reached and documented in the Summary Record.

PREPARATION PHASE

Technical Cooperation:

- Technical Cooperation Agreement
- Appraisal Mission
- Project Implementation Contract

Financial Cooperation:

- Financial Cooperation Agreement
- Appraisal Mission
- Loan project and on-lending agreements and legal opinion
- Separate Agreement



1. INTRODUCTION TO THE JOINT PROCEDURAL MANUAL FOR THE EGYPTIAN-GERMAN DEVELOPMENT COOPERATION

It was agreed to organise a workshop series between MoIC, BMZ – followed by the Egyptian line ministries at a second stage – to assess and improve the procedural framework of cooperation between both sides in order to facilitate the implementation of projects of the Egyptian-German Development Cooperation. The key question along this process was: “How can the procedural modalities on both sides be synchronised in order to streamline the development cooperation between the Arab Republic of Egypt and the Federal Republic of Germany?”. The workshops were set up with the expectation to increase the efficiency and effectiveness of the Egyptian-German Development Cooperation.

As a result of these workshops, it was agreed to work on a Joint Procedural Manual for the Egyptian-German Development Cooperation, which would serve as an explanatory guide for the stakeholders from both sides involved in projects of the Egyptian-German Development Cooperation that are implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Kreditanstalt für Wiederaufbau (KfW) in Egypt. In March 2020, both sides met to discuss the framework, content and process of drafting the manual.

OBJECTIVES

OBJECTIVE (1)

Define Standard Operating Procedures (SOPs), including all relevant procedures and steps on each side, to streamline Egyptian-German Development Cooperation



OBJECTIVE (2)

Share knowledge and raise awareness among other stakeholders about the rules, regulations and procedures that govern Egyptian-German Development Cooperation

The manual comprehensively covers all necessary information on Egyptian-German Development Cooperation and is presented in an interactive and user-friendly way geared to the needs of the target groups.



2. BACKGROUND ON THE EGYPTIAN-GERMAN DEVELOPMENT COOPERATION

Due to its regional political significance, Egypt is an important partner for Germany in the field of international cooperation. Since 1956, Egypt and Germany worked closely together in the field of development cooperation. The ongoing portfolio of the Egyptian-German cooperation is estimated at 1.7 billion Euro (2019) in loans, financial contributions, grants and technical cooperation. The development cooperation in this field is based on a profound joint interest to improve the livelihoods of the Egyptian people and to foster relations between both countries.

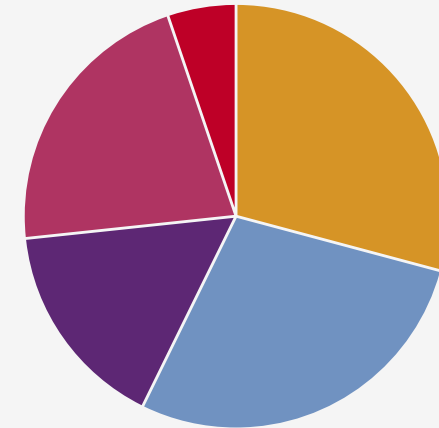
2.1 FOCAL AREAS OF THE EGYPTIAN-GERMAN DEVELOPMENT COOPERATION

The mutually agreed on 'focus of the cooperation' is currently based on three designated areas:

- (1) Climate and Energy
- (2) The Environment and Natural Resources
- (3) Training and Sustainable Development Growth

In addition to these focal areas, further cooperation takes place on:

- (4) Public Administration and E-Government in addition to Equal Opportunities and Social Development

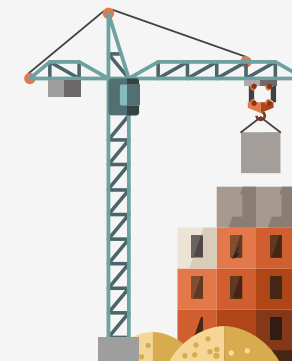


CLIMATE AND ENERGY

Solar, wind, and hydropower energy are a big opportunity for Egypt's development. The demand for energy is increasing and the Egyptian government has set ambitious targets to increase the share of renewables in the energy sector and to reach 20% in its electricity production by 2022. At the same time, this energy transition goes along with a decrease of subsidies to allow the private sector to get active and avoid interferences in the market in the future. Low tariffs for industry and private households do not encourage capital intensive energy-saving investments yet.

The German Federal Government supports the promotion of energy efficiency and renewable energy and provides consultation to the Egyptian Government on implementing the energy transition. The cooperation in the sector supports the increase of energy efficiency in the electricity grids, the expansion and grid integration of renewable energies and the creation of regulatory and institutional frameworks for energy efficiency. In the field of renewable energies, Germany cooperates particularly in the construction and rehabilitation of wind farms, hydropower plants, and solar parks.

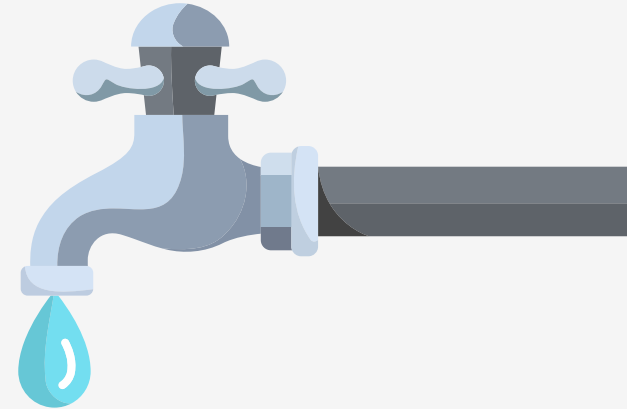
In the area of urban development, the German Cooperation conducts joint infrastructure measures with the governorates to improve the living conditions in nine informal areas in the Greater Cairo Region. The aim is to strengthen the capacities of the public entities at the local level to support integrated and participatory development. These participatory concepts are applied in the selection and design of measures to ensure that the wishes and needs of the residents are adequately taken into account. The developed informal areas consequently benefit from improved access to services such as schools, hospitals, or transport.



THE ENVIRONMENT AND NATURAL RESOURCES

The Nile is the lifeline of Egypt. Most of the drinking water is supplied by treated Nile water. While almost the whole country is connected to drinking water, only about half of it is connected to the sewage network, so there is still need to avoid contamination of the groundwater, water channels, and agricultural fields.

The German Government is financing the construction of water treatment and sewage treatment plants and at the same time training the staff responsible to operate and maintain the plants sustainably. German experts are also advising the Egyptian authorities on how to increase agricultural production through better use of scarce water resources. To this end, irrigation channels in the countryside are being repaired and modern pumps and drainage systems installed to irrigate the fields. The farmers are also being trained on new cultivation methods, for example, to increase crop yields.



TRAINING AND SUSTAINABLE DEVELOPMENT GROWTH

In view of the rapidly growing population, thousands of young people are entering the Egyptian labour market every year, resulting in a high unemployment and underemployment rates among young people. An overall shortage of competent career guidance and employment services as well as technical and vocational education that does not always meet the needs of the private sector are only some reasons causing this situation. At the same time, small and medium-sized companies, which have the highest potential of creating many jobs in Egypt, are finding it difficult to enter the Egyptian market. They lack access to financing and a supportive institutional environment.

Since the beginning of 1994, BMZ has therefore supported Egypt in improving the quality of vocational education and dual education in particular by further developing in-company and school-based training and creating new training venues. This helps prepare young Egyptians for the demands of the labour market. By shaping framework conditions that are conducive to private sector development, the climate for investment is improved. At the same time, small and medium-sized enterprises are being promoted, which leads to the creation of new jobs and subsequently economic growth. Lastly, the German engagement in the sector focuses on improving the placement structures, thereby bringing together labour demand and labour supply.



COOPERATION OUTSIDE THE FOCAL AREAS

Activities outside the three agreed priority areas complement and are integral parts of the portfolio of the cooperation between Egypt and Germany. They accentuate important areas in governance, population development, youth and gender, as well as administrative reform and digitalisation.

In the area of governance, the German Cooperation supports administrative reform initiatives. On one hand, it aims at improving public services and making them more efficient and accessible to a broad range of the population and capacitating the civil servants who are providing the service to citizens. On the other hand, Germany is supporting ministries in introducing efficient human resources management and digital tools so that they can better respond to the needs of Egypt's citizens. With regards to equal opportunities and social development, the German cooperation works on improving the inclusion and participation of youth, especially young women and young people with disabilities. Together with the Egyptian partners and civil society, the German Government supports the promotion of women's rights, and the rights of people with disabilities.



2.2 IMPLEMENTATION OF THE DEVELOPMENT COOPERATION

The Federal Ministry for Economic Cooperation and Development (BMZ) provides financial and technical assistance to Egypt through its two main implementing organisations, as shown in **Figure 1**: the Kreditanstalt für Wiederaufbau (KfW) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). In some cases, BMZ commissions other German implementing organisations to implement projects in specific fields such as, the National Metrology Institute of Germany (PTB).

The implementation of the agreed projects and activities take place through Financial Cooperation (FC) and Technical Cooperation (TC):

FINANCIAL COOPERATION:

KfW is the German entity responsible for fostering Financial Cooperation through loans or financial contributions allocated to the beneficiaries (line ministries and their implementing organisations) at concessional conditions for investments into the infrastructure of Egypt.

Concessional Conditions of Financial Cooperation	
Currency	Euro
Commitment Fees	0.25% per annum on undisbursed loan amounts
Interest Rate	2% per annum
Repayment Terms	A final maturity of 30 years with a 10-year grace period

TECHNICAL COOPERATION:

GIZ provides technical assistance by advising ministries and public entities on policy-making and implementation, facilitating expert exchanges, and providing capacity building as well as research and expert studies.

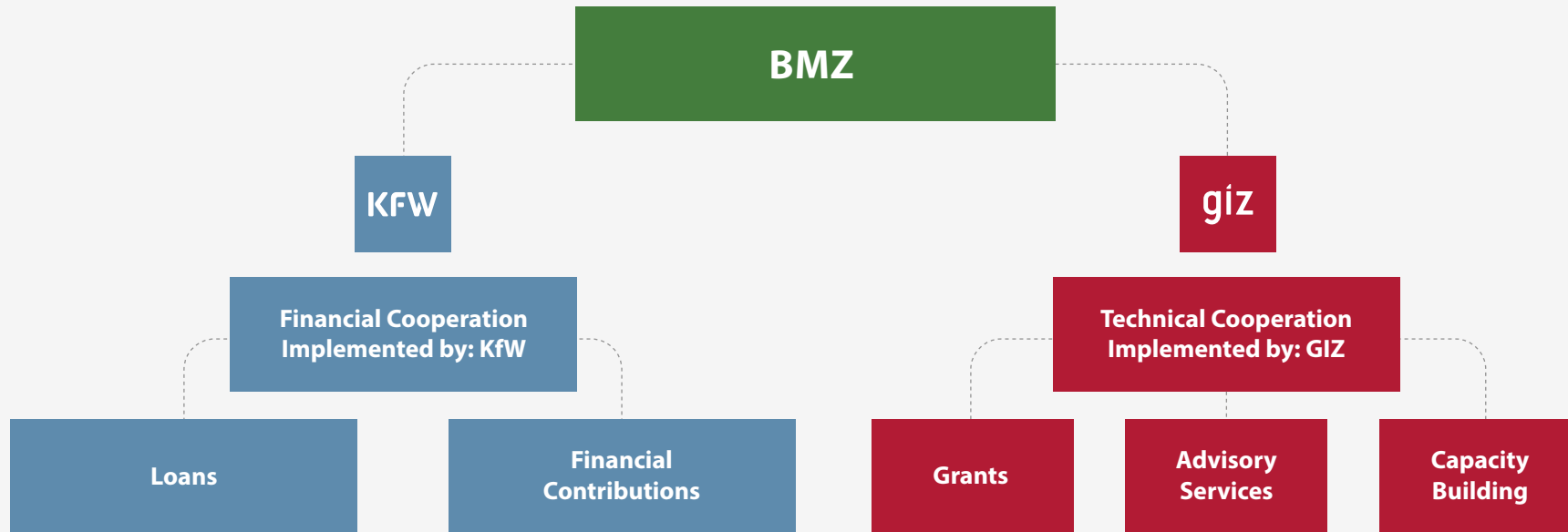


Figure 1: German Development Cooperation Funding Channels and Type of Finance



3. STEERING STRUCTURES, STAKEHOLDERS AND ECO-SYSTEM MAPPING

3.1 STAKEHOLDERS OF THE EGYPTIAN-GERMAN COOPERATION

Federal Ministry for Economic Cooperation and Development (BMZ)

BMZ carries out a variety of tasks including planning and programming German Development Cooperation, cooperating with civil society and the private sector, cooperating with partner countries and with multilateral organisations, and carrying out development information and education work. For the execution of its projects, BMZ commissions what are known as implementing organisations (such as KfW and GIZ and others) to work with concerned and implementing entities in partner countries concerned. BMZ on behalf of the German Federal Government, is in charge of the political dialogue (governmental consultations and negotiations) with the respective partner country.

The Development Cooperation at the German Embassy in Cairo represents the Federal Republic of Germany and is in charge of the political dialogue with the Egyptian Government as well as steering projects implemented by KfW and GIZ.



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giz Deutsche Gesellschaft
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Zusammenarbeit (GIZ) GmbH

KfW



Ministry of International Cooperation (MoIC)

The vision of the Ministry of International Cooperation is to strengthen Egypt's inclusive multilateral engagement with development partners, governments, global policy makers, private sector and civil society to efficiently deliver the 2030 National Agenda consistent with the United Nations Sustainable Development Goals aimed at achieving a circular economy. The Ministry of International Cooperation is the National Coordinator for the overall process within the Egyptian-German collaboration including the framework agreements and the follow-up on the current projects.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Since 1956, GIZ has been implementing projects in Egypt on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). GIZ also works as an implementing organisation on behalf of the European Union and other development partners. Capacity development has been one of the key services delivered by GIZ as they advise people and organisations on learning and change processes. Examples of support provided by GIZ include experts, technical advice and training. GIZ currently works in collaboration with the Government of Egypt to achieve the Egypt Vision 2030 in the priority areas Climate and Energy, the Environment and National Resources as well as Training and Sustainable Development Growth. In addition, further projects are implemented in the areas of Public Administration and E-Government as well as Equal Opportunities and Social Development.

Kreditanstalt für Wiederaufbau (KfW)

Since 1963, KfW has been implementing projects in Egypt on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). KfW is responsible for managing and implementing the Financial Cooperation (FC) through loans and financial contributions. The sovereign loans are primarily provided from the German budget at standard conditions, and in some cases other type of loans are provided by KfW and partially guaranteed by the German Government. Financial contributions are always provided from the German budget and their use is limited to studies for projects' preparation or consultancy services measures that accompany the implementation of investment projects.

KfW has been working with the Egyptian Government since 1963 to support the following priority areas: Climate and Energy, the Environment and National Resources as well as Training and Sustainable Development Growth including MSME Finance, TVET, and Education.

3.2. STEERING STRUCTURES: GOVERNING BODIES AND MECHANISMS OF THE COOPERATION



Mandate

Monitor existing projects
Discuss ideas of new project proposals

Representation

Chair: MoIC/ German Embassy – Development Cooperation Department
Implementation partners (Line Ministries, GIZ, KfW)

Outcome

Basis for Government Consultations

Mandate

Align views on project proposals

Representation

Chair: MoIC/ BMZ
Line Ministries/ German Embassy - Development Cooperation Department/ Implementation Partners (GIZ, KfW)

Outcome

First Draft of Summary Record

3.2. STEERING STRUCTURES: GOVERNING BODIES AND MECHANISMS OF THE COOPERATION



Mandate

Finalise proposals for summary record

Representation

Chair: MoIC/ German Embassy - Development Cooperation Department
 Implementation partners (Line Ministries, GIZ, KfW)

Outcome

Minutes of meeting for each sector/ Project briefs and project proposals from Line Ministries

Mandate

Agree on commitments

Representation

Chair: MoIC/ BMZ
 Line ministries/ German Embassy - Development Cooperation Department / Implementation Partners (GIZ, KfW)

Outcome

Signing Summary Record

3.2. STEERING STRUCTURES: GOVERNING BODIES AND MECHANISMS OF THE COOPERATION

Mandate

Discussing German-Egyptian bilateral cooperation

Representation

Headed by Federal Minister of Economic Cooperation and Development and Egyptian Minister of Int'l Cooperation

Outcome

No legal obligation but opportunity for political endorsement on ministerial level

Mandate

Follow up and monitor the implementation of different projects

Representation

MolC, German Embassy - Development Cooperation Department, GIZ, KfW

Outcome

Progress of projects, address bottlenecks which might face the implementation of projects and follow-up on framework agreements

Representation

MolC, BMZ, GIZ, KfW;
Line Ministries (partially)

Outcome

Updated processes/ procedural manual

The steering structure encompasses translating high-level agreements into planning processes in the fields of technical and financial cooperation. This is done through implementing the agreed and commissioned projects through the respective implementing organisations (KfW and GIZ on the German side, the line ministries and other partners on the Egyptian side).

Clear assessment and evaluation of implementation in order to ensure lessons learned are extracted as well as reflecting on ideas for future projects.

The efficiency of the steering structure relies on the following elements:

Proper selection of the participants that represent the implementing partners on the Egyptian and German sides with clearly defined mandates.

SECTOR DIALOGUES

Sector Dialogues follow up on the ongoing projects and negotiations between the German development partners (GIZ and KfW) and the line ministries and explore future cooperation opportunities. The Sector Dialogues are held during the first quarter of the year and chaired by the Head of German Development Cooperation at the German Embassy, and MoIC. All stakeholders are aware that an additional sector dialogue could take place, if needed, in order to finalise the proposals from the line ministries (beneficiaries) during the third quarter of the year. Given their pivotal role, ensuring that the sector dialogues work is a crucial element of the Egyptian-German cooperation process.

GOVERNMENTAL CONSULTATIONS

Governmental Consultations aim to discuss the proposed projects that have initially been considered by BMZ to support. In addition to this, ongoing cooperation in each sector is discussed, along with challenges and bottlenecks that need immediate action from both sides. The Governmental Consultations, together with the sector dialogues, serve as a base for Governmental Negotiations producing a first draft of the Summary Record. The Governmental Consultations are headed by Ministry of International Cooperation from the Egyptian side, and the Federal Ministry for Economic Cooperation and Development from the German side.

GOVERNMENT NEGOTIATIONS

Government Negotiations aim to finalise the Summary Record as it includes the agreed projects with the amount allocated for each of the main four sectors. It is followed by a ministerial-level/head of experts-level meeting to discuss the priorities of both countries for the coming year and to sign the Summary Record with the agreed projects and allocations. The Government Negotiations are held in the fourth quarter of the year and are headed by Ministry of International Cooperation from the Egyptian side, and the Federal Ministry for Economic Cooperation and Development from the German side. Based on the Summary Record, the Egyptian and the German sides start preparing the FC and the TC projects of the respective year.

REGULAR MEETINGS

MoIC and the German side hold monthly meetings to follow up on the ongoing projects as well as any challenges they are facing. Meetings on specific topics may be held as required or delegated to working groups.

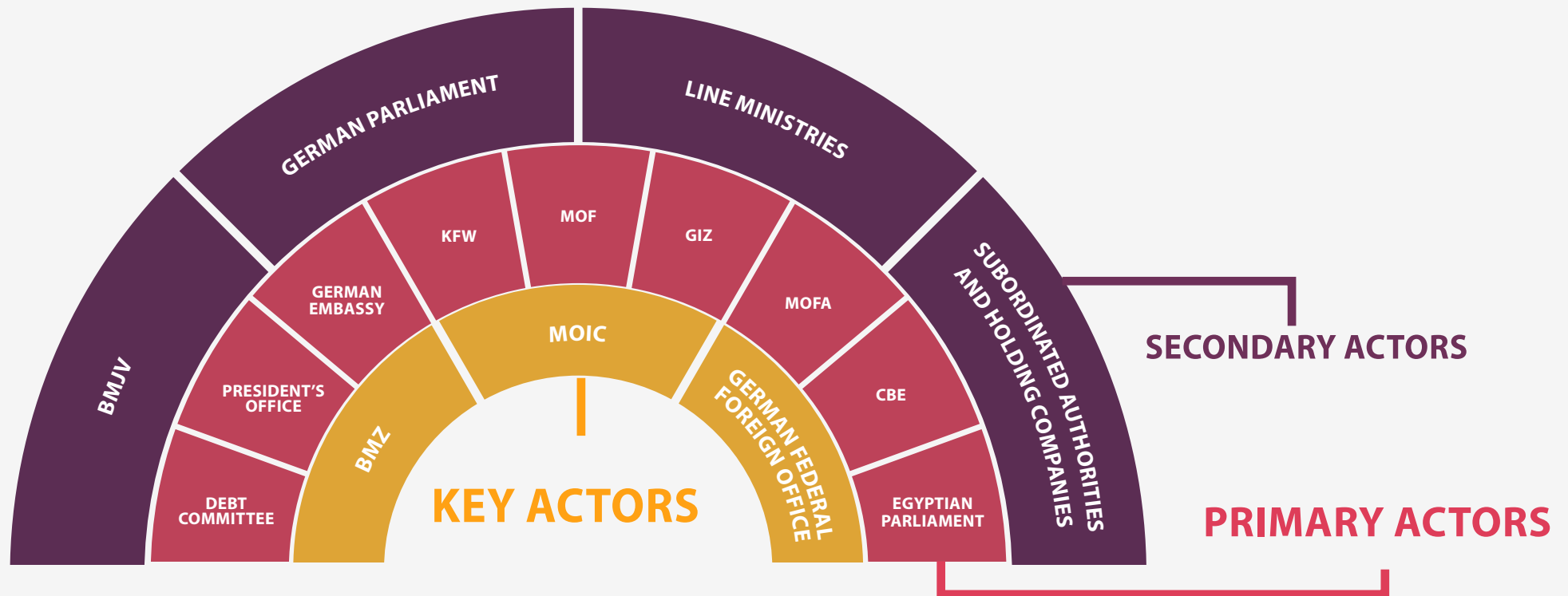
PROCEDURAL WORKSHOPS

Workshops held between the Egyptian and German stakeholders explain the framework of political framework of German development cooperation, including procedures and processes. Those workshops aim to clarify and explain questions raised by stakeholders on both sides.



3.3. ECO-SYSTEM MAPPING

The eco-system of Egyptian-German Development Cooperation reflects the wider stakeholder map and framework, in which the bilateral cooperation is embedded.





4. MAPPING OF THE PROCESSES AND MODALITIES OF COOPERATION AND COMMISSION MANAGEMENT

Based on the outcomes of the procedural workshops and the review of the existing procedures, the following section will address the procedures in detail.

Each section will be divided into the following content items:

- (1) Visualised overview of cooperation and coordination management
- (2) Written explanation on the cooperation and coordination management
- (3) Section addressing the challenges and open questions which arose during the 2019 review process

1.4. COOPERATION BETWEEN MOIC AND BMZ

Technical and Financial Cooperation Agreements

1 Sharing draft agreement with MOIC

After the signature of the summary record and agreeing on the projects, the Development Cooperation Department at the German Embassy in Cairo sends the draft Technical and Financial Cooperation Agreements to the Ministry of International Cooperation. If the projects will be financed through loans or financial contributions, it will be included in the Financial Cooperation Agreement and if the projects will be financed through grants, it will be included in Technical Cooperation Agreement. The Ministry of International Cooperation reviews the draft Technical and Financial Cooperation Agreements, then sends its initial comments on both drafts to the Development Cooperation Department at the German Embassy in Cairo.

2 MOIC shares the draft agreement with the political and financial authorities

After receiving the amended drafts from the Development Cooperation Department at the German Embassy in Cairo, the Ministry of International Cooperation sends the drafts to several authorities to get their feedback on the agreements (Relevant Political Authorities, Egyptian Customs Authority, Egyptian Tax Authority, Central Bank of Egypt, Ministry of Finance as well as the beneficiaries of the projects included in the Technical and Financial Cooperation Agreements).

3 MOIC receives comments, and shares them with the German Embassy

After getting the feedback and comments of all authorities, the Ministry of International Cooperation sends those comments to the Development Cooperation Department at the German Embassy to forward them to the German Foreign Office for review.

4 Receiving draft agreement from Germany

After receiving the feedback of the German side on the comments of different political authorities, both Egyptian and German sides renegotiate the drafts of the Technical and Financial Cooperation Agreements until an agreement is reached on the final drafts.

4.1. COOPERATION BETWEEN MOIC AND BMZ

Technical and Financial Cooperation Agreements

5

Once both reach an agreement, it is sent to MOFA's Review Committee

The final drafts of both Agreements are reviewed by the Committee of International Agreements and Loans at the Ministry of Foreign Affairs. Once approved by the Committee, agreements are ready for signature by both governments.

6

Signing of the agreement

After the signature of the Financial and Technical Cooperation Agreements, the Ministry of International Cooperation sends the signed copies to the Ministry of Foreign Affairs to set the national constitutional procedures in motion for the agreements to enter into force. The Ministry of Foreign Affairs submits the Technical and Financial Cooperation Agreements to the Egyptian Cabinet of Ministers, then it is submitted to the Presidency and will be signed on condition of approval by the Parliament. The Presidential Decrees are sent to the Parliament to be discussed at the relevant committee before being discussed during the public session of the Parliament. After being approved by the public session of the Parliament, the Presidential Decrees are sent back to the President.

7

Ratification of the Agreement

The ratification documents are issued by the Ministry of Foreign Affairs and the Ministry informs the Development Cooperation Department at the German Embassy in Cairo that both Agreements have entered into force. After the ratification of the Technical and Financial Agreements, the German side is informed that the national constitutional for entry into force of the Agreements have been concluded:

- 1- The beneficiaries and GIZ work on drafting the Project Implementation Contract (PIC) for projects financed through technical assistance.
- 2- KfW sends the Financing Agreements of projects to be financed through loans to the Central Bank of Egypt for review.

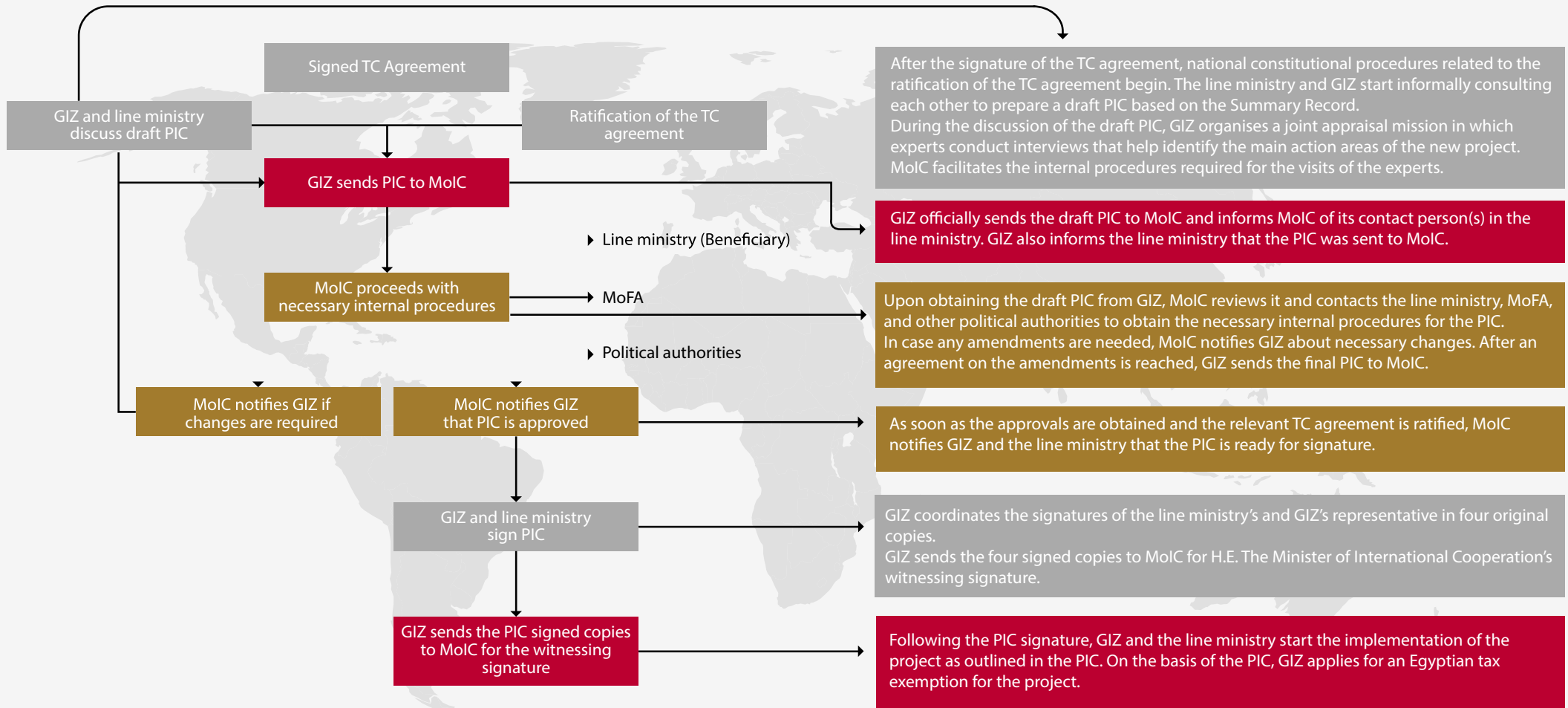
4.2. COMMISSION MANAGEMENT OF MOIC AND GIZ

DESCRIPTION OF PROCESS

The signed and ratified Technical Cooperation (TC) Agreement is the basis for any TC project. While national constitutional procedures related to the ratification of the TC Agreement begin, GIZ and the concerned line ministry start preparing the draft Project Implementation Contract (PIC).

The PIC is an agreement between the implementers on the technical level that details the contributions of the German and Egyptian side to the project. The contributions from the German side might include experts, studies, supply of equipment and materials, among others. The contributions from the Egyptian side usually include public staff expenses, provision of working sites, buildings and premises.





After the signature of the TC agreement, national constitutional procedures related to the ratification of the TC agreement begin. The line ministry and GIZ start informally consulting each other to prepare a draft PIC based on the Summary Record. During the discussion of the draft PIC, GIZ organises a joint appraisal mission in which experts conduct interviews that help identify the main action areas of the new project. MoIC facilitates the internal procedures required for the visits of the experts.

GIZ officially sends the draft PIC to MoIC and informs MoIC of its contact person(s) in the line ministry. GIZ also informs the line ministry that the PIC was sent to MoIC.

Upon obtaining the draft PIC from GIZ, MoIC reviews it and contacts the line ministry, MoFA, and other political authorities to obtain the necessary internal procedures for the PIC. In case any amendments are needed, MoIC notifies GIZ about necessary changes. After an agreement on the amendments is reached, GIZ sends the final PIC to MoIC.

As soon as the approvals are obtained and the relevant TC agreement is ratified, MoIC notifies GIZ and the line ministry that the PIC is ready for signature.

GIZ coordinates the signatures of the line ministry's and GIZ's representative in four original copies. GIZ sends the four signed copies to MoIC for H.E. The Minister of International Cooperation's witnessing signature.

Following the PIC signature, GIZ and the line ministry start the implementation of the project as outlined in the PIC. On the basis of the PIC, GIZ applies for an Egyptian tax exemption for the project.



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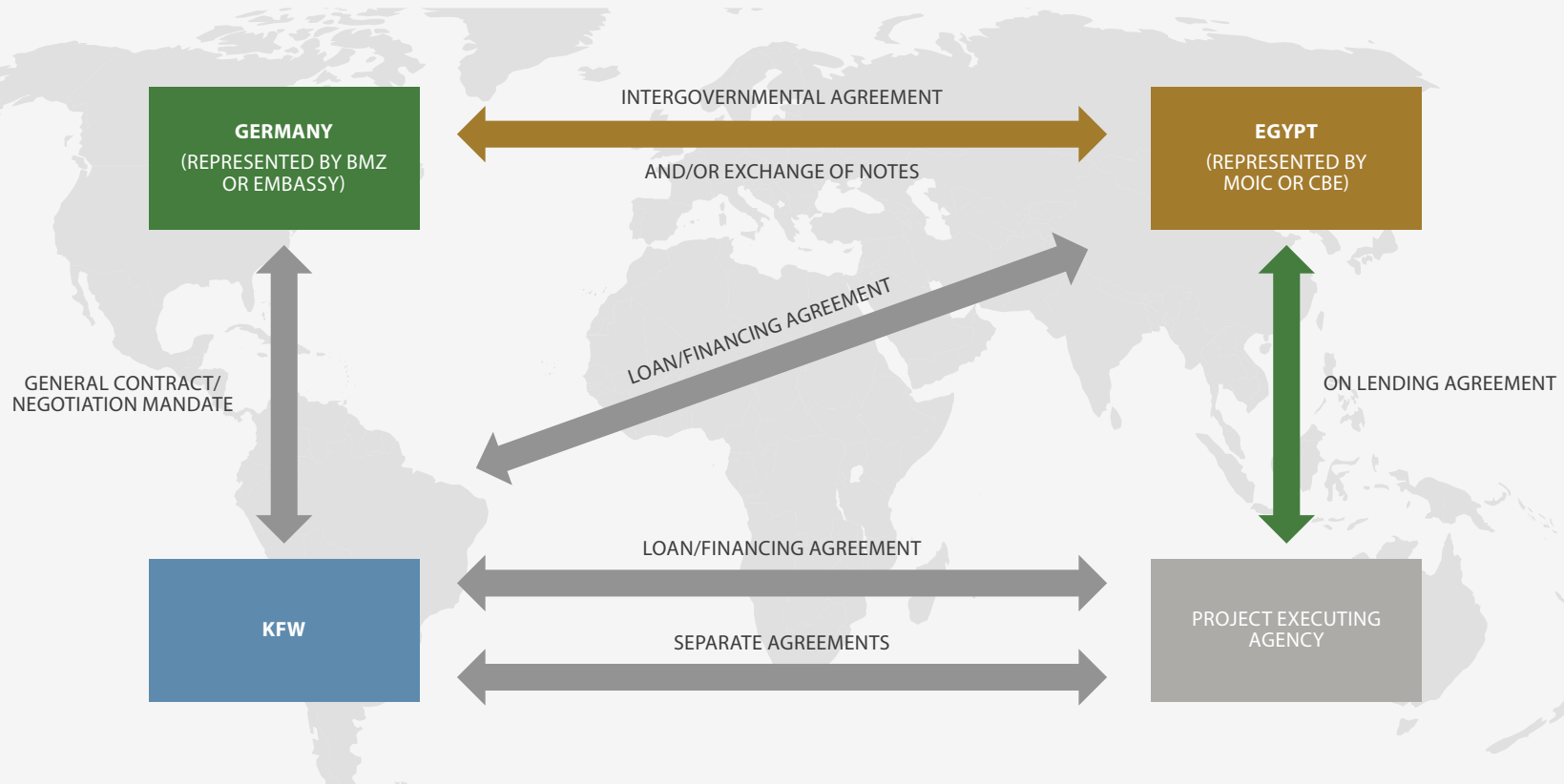
4.3. COMMISSION MANAGEMENT OF MOIC AND KfW

DESCRIPTION OF PROCESS

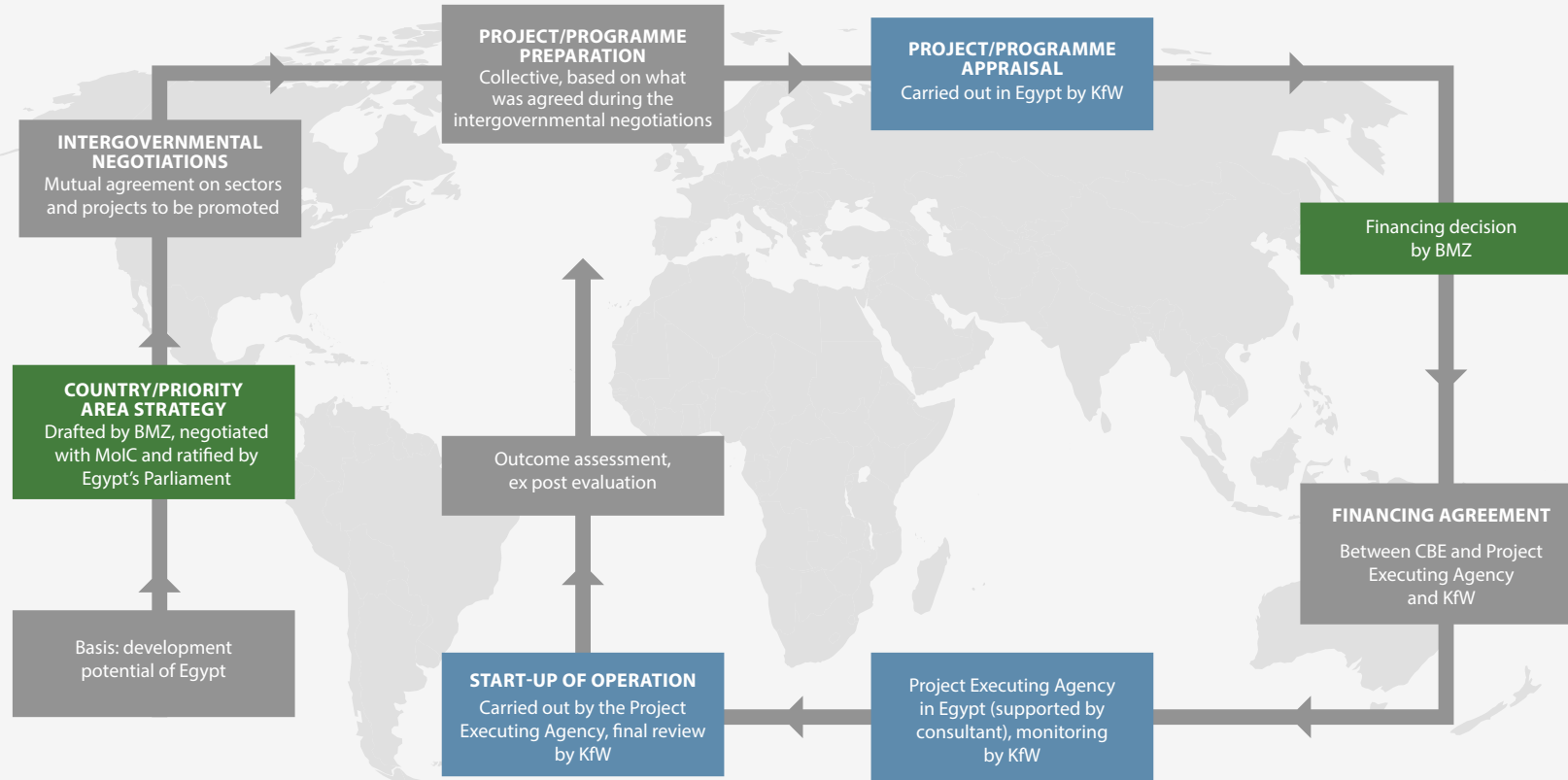
Based on a special mandate from the German government, KfW prepares appraisal reports for the defined projects to assess the possibility of implementing projects and present them to BMZ. Based on the results of each report, BMZ may grant KfW the permission to negotiate the loan or financing agreement by presenting a draft to CBE. CBE sends the Financing Agreement to MoIC, MoF, and the beneficiaries for commenting / approval. MoIC, MOF,

and CBE review the draft financing agreement and after approving it, MoIC sends the Delegation Decree to CBE to sign the Financing Agreement on behalf of the Egyptian government while MoIC acts as the witnessing signatory. The financing agreement usually contains the financial conditions and their details and refers to a separate agreement where the project's implementation details are defined. The CBE signs an on-lending / on-channelling agreement with the beneficiary. At the end CBE issues a legal opinion that states that the followed process is in conformity with the Egyptian legal system.

Maturity	30 years	Including the grace period
Grace period	10 years	During which, only the interest and the commitment fees are repaid, and after which the payment of the principle is also repaid.
Interest rate	2.00% p.a.	Paid every six months for withdrawn/disbursed amounts
Commitment fee	0.25% p.a.	Paid every six months for unwithdrawn/undisbursed amounts

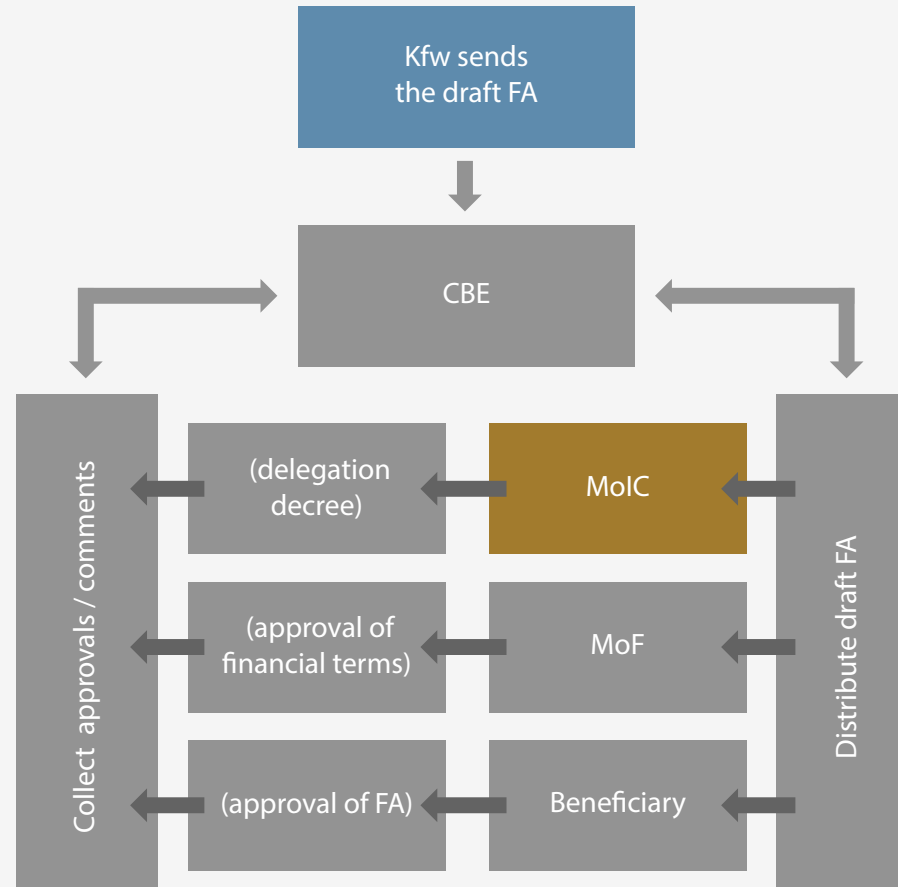


PROCESS MAP (1) OF MOIC-KFW COOPERATION



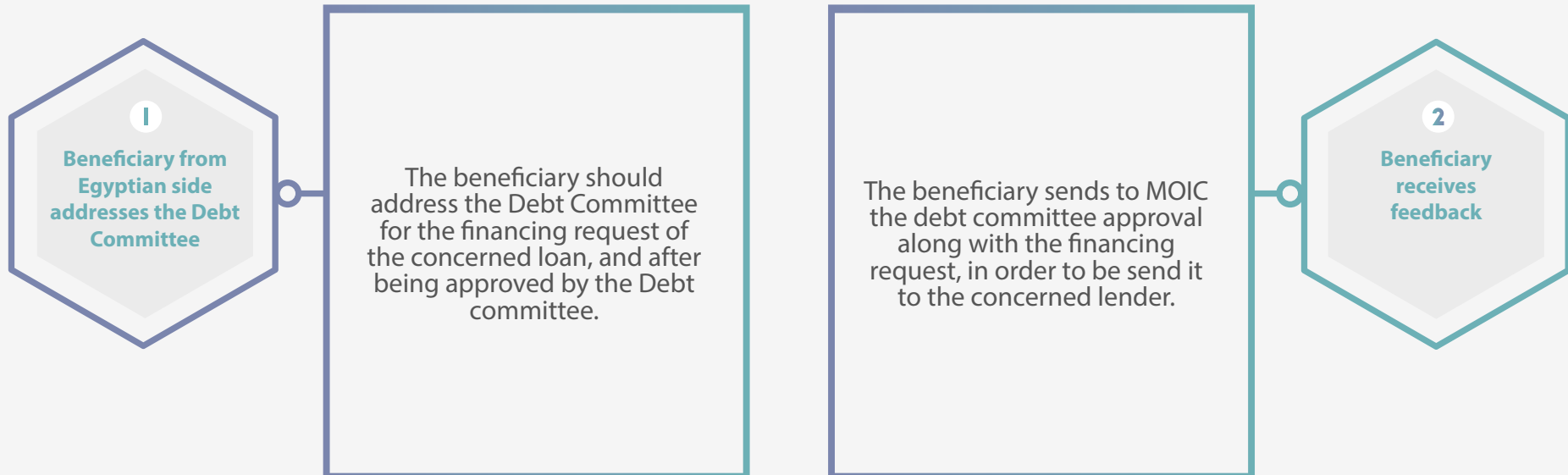
PROCESS MAP (2) OF MOIC-KfW COOPERATION

PROCESS TO GET THE NECESSARY APPROVALS TO SIGN THE FINANCIAL AGREEMENT



DEBT COMMITTEE

According to the Ministerial Decree number 2003 for the year 2018, and in reference to the Cabinet of Ministries' Directive n. 5-33893 for the year 2019, the Debt Committee is mandated to discuss Egypt's future loans and ensure debt sustainability. The purpose of establishing the Committee is to coordinate the process of external borrowing, optimise the benefits from the utilisation of new development loans in compliance with the national priorities and Egypt Vision 2030. The Debt Committee is an Inter-Ministerial Committee headed by H.E. the Prime Minister with the membership of MoIC, MOFA and CBE.





5. THE DEBT SWAP INSTRUMENT

The Debt Swap Instrument is one of Germany's instruments that aims at swapping Egypt's debts to the German Government for development projects that will be executed in Egypt. In summary, debt swap means that Germany agrees to write off certain amount of debts (in EUR), and Egypt uses an equivalent amount (in EGP) to finance development project(s) instead of paying back the debt services requested in June and December every year.



**THE DEBT
SWAP
PROGRAM**

- 1 The Egyptian entity should submit the proposal (based on KfW requirements) to MoIC. MoIC may receive many proposals from different entities which are assessed and prioritised.
- 2 The Ministry of International Cooperation evaluates the proposal(s) and obtains the necessary internal procedures.
- 3 Once the proposal is approved from the Egyptian Government to be financed from the Debt Swap Instrument, MoIC sends the proposal to the Development Cooperation Department at the German Embassy in Egypt.
- 4 The German Embassy's Development Cooperation Department in Egypt forwards to KfW the proposal to review and provide its technical opinion.
- 5 Once the proposal is assessed from a technical point of view, KfW sends its review result to BMZ for final approval.
- 6 Once it is approved from the German side, the German Embassy's Development Cooperation Department in Egypt informs MoIC, who in consequence informs the beneficiary (the respective Egyptian entity).
- 7 KfW and the beneficiary start the technical discussions and complement any needed documents.
- 8 KfW sends the draft Debt Swap agreement to CBE.
- 9 CBE gets the necessary approval from the Egyptian side on the draft Debt Swap agreement (Ministry of Finance, Ministry of International Cooperation and the beneficiary).
- 10 Once CBE gets all the necessary approvals, KfW, CBE, and the beneficiary proceed with the signature in order to start the implementation of the project.
- 11 After signing the agreement, CBE transfers the entire amount to the beneficiary's account and informs KfW.
- 12 KfW proceeds with the cancellation of Egypt's debt.



6. FREQUENTLY ASKED QUESTIONS

1

Does GIZ provide financial contributions to its partners?

Most of the services that GIZ provides are technical assistance related services and not financial grants or loans. This means that the total project volume mentioned in the PIC quantifies the value of the expertise provided by GIZ to the project through experts, training courses, workshops, equipment, and material. In some cases, GIZ provides a limited financial grant to a ministry, organisation, or civil society to support project implementation in the respective entity. In this case, the beneficiary must report the grant budget spending to GIZ based on the agreed terms.

2

Can GZ report budget expenditure to the line ministry directly?

No, both GIZ and the line ministry only report to their respective ministry in charge of international cooperation. Budget figures are shared once a year between MoIC and BMZ.

3

How can I propose a new technical cooperation project as a line ministry?

If your project falls into one of the areas of cooperation between Egypt and Germany, you can present your project idea to BMZ through MoIC at a sector dialogue, for example. If your project does not fall into one of those areas, you can still present it, but it will only be considered in case the main areas of cooperation are changed in the future.



6. FREQUENTLY ASKED QUESTIONS

4

How long does it take for a new TC project to begin implementation?

The prerequisite for project start is the ratification of the TC agreement relevant to the new project and a signed Project Implementation Contract. Therefore, it can take between up to two years from the first mention of a new project during the sector dialogues or governmental consultations until the start of the project. Currently, this duration is shortened by proceeding in parallel with PIC approvals and the ratification of TC agreements.



5

What documents are needed for the ratification of the TC agreement in Parliament?

MolC ensures that the Egyptian Parliament has enough information to ratify the TC agreements. If the PIC is not ready, GIZ would provide MolC with project briefs for each project that include the main objective, commitment volume, partner institution(s) and main work areas (see template).



6. FREQUENTLY ASKED QUESTIONS

6

How can both sides reduce the duration of the procedures for the implementation of the projects financed through loans?

Being quite a complex process, it starts with the proposal of the project in addition to its feasibility study, followed by requesting the opinion of the Debt Committee in the proposal of the project. After obtaining the approval of the Debt Committee, the financing request of the project proposal should be sent to Ministry of International Cooperation, who sends it to the German side. Once the German side approves financing the project, the summarized scope and amount of finance allocated for the project will be included in the summary record of the Bilateral Negotiations. The project, including the amount of finance allocated for the project, will be included in the financial agreement and the implementation of the project will not start unless the financial agreement is signed and ratified.



7

What kind of opportunities may be available for capacity building and other sectors or areas?

Capacity building is related to technical cooperation, however interested ministries can send their proposals of projects (including the amount of finance needed, the mechanism, as well loan or grant) to Ministry of International Cooperation to be discussed in the first round of sector dialogues.

8

Can the line ministry send the PIC draft directly to MoIC to obtain the approvals?

As per the agreement between MoIC and GIZ, the first official draft must be sent by GIZ to MoIC. Following this step, MoIC contacts the line ministry and other relevant entities to obtain approvals.



6. FREQUENTLY ASKED QUESTIONS

9

Can a line ministry choose a specific service provider/expert in the framework of cooperation with GIZ or KfW?

For GIZ: Due to European tender regulations, GIZ conducts technical and financial assessments as part of a competitive selection process of service providers that are financed from the German contribution. In the framework of the steering structure, GIZ consults with the line ministry on the selection criteria for the service providers.

For KfW: The same regulations as GIZ apply. However, the tendering and contractual partner is the beneficiary and not KfW. Based on mutually agreed upon Terms of Reference (ToR), the tender process is carried out by the beneficiary including a joint evaluation of the offers of the consultants. Later on, the beneficiary signs the consulting contract with the awarded firm or consortium.



10

Can TC projects be extended? And what happens with the PIC in that case?

The regular TC project duration is three years. If there is a need for an extension in duration or volume, based on the agreements between the two governments, a PIC amendment is drafted. The PIC amendment follows the same process as the regular PIC. It references the original PIC and only includes the articles that are subject to change.



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7. CONCLUSION, RECOMMENDATIONS AND REVISION OF THE MANUAL

This manual is to be updated on an annual basis through a workshop, where representatives of the drafting committee are to be present.

For dissemination, the manual is meant to be shared on the websites of all stakeholders and distributed amongst all line ministries to ensure information is received.



8. GLOSSARY



Financial Cooperation (FC) Agreement

is a governmental agreement between Egypt and Germany that is concluded after the signature of the summary record in the governmental negotiations. The FC agreement is signed by the Ministry of International Cooperation from the Egyptian side, witness signatory for MOIC the Minister, and the Federal Ministry for Economic Cooperation and Development (BMZ) from the German side, usually the German Ambassador. The FC agreement includes the financial assistance projects agreed upon in the Summary Record that will be financed through committed sovereign loans and grants and implemented by KfW. Before the agreement enters into force, it has to be ratified by the Egyptian Parliament.



Financing Agreement

is the agreement, by which KfW commits to provide funds for a particular project. The agreement can take different names according to the type of financing (e.g. loan, grant, or debt swap). The agreement usually focuses on the financial part of the commitment and refers the technical details of implementation to a separate agreement. It states the amount of financing, its nature, including the maturity and interest rate in case of a loan, and the means and conditions of channeling the funds to the PEA through an "on-channeling agreement". The agreement is signed by CBE and PEA, and MoIC acts as the witnessing signatory on the Egyptian side, and by KfW on the German side. It is possible to make amendments to the agreement with only the CBE, but the approval of the PEA is sometimes required.



Project Implementation Contract (PIC)

is a contract between GIZ and the respective line ministry concerning a particular TC project. It details the contributions to the project from the German and the Egyptian sides and provides some technical details about the project. In case any changes on the original project implementation contract are needed (i.e. changes in duration or financial contribution), a PIC Amendment will be added. The PIC amendment follows the same process as the regular PIC. It references the original PIC and only includes the articles that are subject to change.



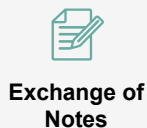
is a governmental agreement between Egypt and Germany that is concluded after the signature of the summary record in Governmental Negotiations. The TC agreement is signed by the Ministry of International Cooperation from the Egyptian side, and the Federal Ministry for Economic Cooperation and Development (BMZ) from the German side. The TC agreement includes the technical assistance projects agreed upon in the Summary Record that will be financed through grants and implemented by GIZ. Before the agreement enters into force, it must be ratified by the Egyptian Parliament.



is the year when the annual negotiations and the commitments are fixed in the summary record. It is important because the stated commitments for FC laps in case a financing agreement is not signed within a period specified in the summary record. This period is currently four years starting December of the year of commitment.



is a task that both GIZ and KfW carry out to assess the main action areas of a new project, its plausibility and sustainability, as well as the risks associated with its implementation. The Appraisal Mission is performed jointly by the partners and consists of interviews with different stakeholders. In the end, a common document is produced (e.g. minutes or presentation) which outlines the outcomes and recommendations of the Appraisal Mission and is also used by GIZ and KfW to inform BMZ.



is a governmental agreement where two countries show interest in cooperating together on a particular project. The agreement is written in form of a letter that is signed by a designated official of the German Government (usually the German Ambassador in Egypt), and in exchange, replied to by the Minister of International Cooperation of the Egyptian Government. The reply, as well as the ratification of the exchange of notes, form a governmental agreement between the two countries.



On-Channelling Agreement

is an agreement mentioned in the financing which describes how and under which conditions the funds will be channelled to the PEA during the implementation of the project. The agreement is signed by PEA and CBE and can be amended by both entities with prior 'no-objection' from KfW.



Separate Agreement

is an agreement mentioned in the financing agreement and contains all the technical details regarding the implementation of a financial cooperation project. The agreement is signed by PEA and KfW and can be amended by both entities.



Summary Record

is the minutes of meeting of the yearly governmental negotiations, and includes all commitments of a certain year and forms the basis for the yearly governmental agreements.



Note Verbale

is a written communication between the embassies/ministries of two countries. A 'note verbale' is not subject to ratification.

9. ANNEXES

PIC TEMPLATE

This template is used by GIZ and the line ministry to prepare a project implementation contract (PIC).
Please contact the portfolio management team in GIZ to provide you with the most up to date PIC template.

 		
DURCHFÜHRUNGSVERTRAG	IMPLEMENTATION CONTRACT	العقد التنفيذي
Zwischen	between	بين
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Dag-Hammarskjöld-Weg 1-5 65760 Eschborn/Deutschland	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH Dag-Hammarskjöld-Weg 1-5 65760 Eschborn/Germany	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH القاعدة الألمانية للتعاون الدولي (جي إز) بناح هامرسكولد 1-5 65760 إيشبورن/جمهورية ألمانيا الاتحادية
- nachfolgend „GIZ“ genannt - Und dem Ministerium für	- hereinafter referred to as "GIZ" - And the Ministry of	- ويشتر إليها فيما بعد "جي إز" - و وزارة
- nachfolgend „Mo__“ genannt - für das Projekt - - - nachfolgend „Projekt“ genannt - Laufzeit von TT.MM.JJJJ bis TT.MM.JJJJ	- hereinafter referred to as "Mo__" - concerning the project - - - hereinafter referred to as "Project" - Duration from DD/MM/YYYY to DD/MM/YYYY	- ويشتر إليها فيما بعد "موزارة__" - بموضوع مشروع - - - ويشتر إليه فيما بعد "المشروع" - العدة من DD/MM/YYYY إلى DD/MM/YYYY
GIZ-Projektnummer _____	GIZ project number _____	رقم مشروع جي إز _____
Form 21-10-19	Implementation Contract " _____ " (_____)	1



Implemented by: **giz** Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH



PIC AMENDED TEMPLATE

This template is used by GIZ and the line ministry to prepare a project implementation contract (PIC). Please contact the portfolio management team in GIZ to provide you with the most up to date PIC template.



PROJECT BRIEF FOR RATIFICATION OF TC AGREEMENTS

This template is used by GIZ and MoIC to inform the parliament about new projects before it ratifies the TC agreement.

Name of the Project (Abbreviation)

<u>Main Objective(s) and Target Group(s) of the Project</u>
The objective of the project is ... The target group of the project is...
<u>Relevance to Egyptian Strategies and SDGs</u>
The project contributes to ...
<u>Funding</u>
The German Government provided a technical cooperation grant of EUR XX mio. in TC agreement YYYY as a new commitment/top-up.
<u>Expected Project Duration</u>
MM/YYYY – MM/YYYY
<u>Partner Institution(s) in Egypt</u>
The Ministry of XX is the main political partner of the project. Other cooperation partners include ...
<u>Targeted Governorates</u>
The project will implement activities in the Governorate(s) of ...
<u>Main Areas of Action and Activities</u>
1) XX 2) XX 3) XX 4) XX

MISSION NOTIFICATION TEMPLATE TO MOIC

This template is used by GIZ to notify MoIC about international experts visiting Egypt in the framework of an appraisal mission (see chapter 4.2).


Mission notification template to MoIC

Project name	
Reference to Governmental protocol	Bilateral Commission ..., Article ..., Page ...
Reference to TC Agreement (if applicable)	201... dated .../.../..., ratified by the Presidential Decree No. .../...
Relation of project to Sustainable Development Goals / SDS: Egypt Vision 2030	Project contributing to SDG No. (Title), etc.
Purpose of the mission	
Name of participant(s)	
Duration of the mission	From Click or tap to enter a date. until Click or tap to enter a date.

In addition, the project should provide (1) the most recent project factsheet, (2) brief resumes of the participants, as well as (3) scanned passports of the participants

NOTIFICATION LETTER TO POLITICAL PARTNER

This template is used by GIZ to notify the line ministry about a new BMZ commission. On the basis of this letter, the project can be exempted from German taxes.



Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

GIZ Postfach 5180 • 65726 Eschborn • Germany

<p>Your reference Our reference Email</p>	<p>Telephone Fax Date</p>
---	-----------------------------------

[Project/programme title]
PN

Dear Sir / Madam,

It is our pleasure to inform you that [Name of client/commissioning party] has charged us, in its correspondence dated [] with implementing the German contribution to the above-mentioned project/programme. This means that in principle you are entitled to the services set out in our contract with the [Name of client/commissioning party]. Please find enclosed a draft implementation agreement which is to be the basis for agreeing the implementation of the project/programme with you.

Yours truly,

Enc.:
Draft implementation agreement

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As at

November 2021

In Cooperation with:

On behalf of the

German Federal Ministry for Economic Cooperation and Development (BMZ)