



**Macro-financial assistance to the Arab Republic of Egypt
of up to EUR 1 billion**

MEMORANDUM OF UNDERSTANDING

between

**The European Union
as Lender**

and

**The Arab Republic of Egypt
as Borrower**

MEMORANDUM OF UNDERSTANDING BETWEEN THE EUROPEAN UNION AND THE ARAB REPUBLIC OF EGYPT

1. On 12 April 2024, the Council of the European Union adopted a decision (Decision (EU) 2024/1144)¹ on providing short-term macro-financial assistance to the Arab Republic of Egypt (hereafter referred to as “the Country”). The Decision makes available to the Country macro-financial assistance (hereafter referred to as “assistance”) of up to EUR 1 billion in the form of a loan. The assistance shall be made available for a period of nine months starting from the first day after the entry into force of this Memorandum of Understanding (hereafter referred to as “the MoU”).
2. The objective of this assistance is to ease the Country’s external financing constraints, alleviate its balance of payments and budgetary needs, strengthen its foreign exchange reserve position and help the Country address the current external and financial vulnerabilities. This assistance from the European Union is complementary to the resources provided to the Country by the IMF, in support of the authorities’ economic stabilisation and reform programme.
3. The assistance shall be disbursed in one instalment of up to EUR 1 billion.
4. The instalment shall be released upon the signature and entry into force of this MoU and the accompanying Loan Facility Agreement, and in accordance with Council Decision (EU) 2024/1144 of 12 April 2024.
5. Before the release of this assistance, the Commission will verify that the structural reform policy measures attached to this assistance have been adequately respected or new understandings reached. To that end, the Egyptian authorities shall provide the Commission with a Compliance Statement on the fulfilment of the measures. Upon receipt of the compliance statement, the Commission will evaluate, based on consultations with the authorities of the Country, progress made with respect to the fulfilment of the structural reform policy measures. In this evaluation, particular attention will be paid to reforms to ensure macroeconomic stability and resilience, improve competitiveness and the business environment, and strengthen the green transition. The concrete policy measures and frame of reference for this evaluation are made explicit in Annex I. If necessary, Annex I may be amended upon mutual agreement.
6. The Commission will also continuously verify the financing needs of the Country and may reduce, suspend or cancel the assistance in case the financing needs of the Country have decreased fundamentally during the period of disbursement compared to the initial projections.
7. The Commission shall transfer the instalment to a euro account of the Ministry of Finance of the Arab Republic of Egypt (hereafter referred to as “the Recipient”) at the Central Bank of Egypt (hereafter referred to as “the Agent”). Given the substantial budgetary and

¹ OJ L 2024/1144, 15.4.2024, ELI: <http://data.europa.eu/eli/dec/2024/1144/oj>.

external debt financing needs faced by the Country, the proceeds of the loan will be used to finance the Country's budget and for refinancing existing external debt.

8. During the implementation of the assistance, the Country's authorities shall supply the Commission with all information that is relevant for the monitoring of its economic and financial situation and for the assessment of progress in structural reforms. In particular, the authorities will supply to the Commission on a timely basis the relevant information as set out in Annex II.
9. With a view to preventing irregularities and fraud related to the use of the assistance and ensuring the protection of the EU's financial interests, the relevant provisions of the Loan Facility Agreement will apply, notably those regarding regular checks by the Country on the use of European Union assistance, and checks, audits and investigations performed by the Commission, including the European Anti-Fraud Office, and the European Court of Auditors and the European Public Prosecutor's Office. Also, the provisions of the Loan Facility Agreement on early repayment will apply in case it has been established that the Country has engaged, in relation to the management of this assistance, in any act of fraud, corruption or any other illegal activity.
10. The Commission, represented by its own agents or its duly mandated experts, shall have the right to carry out operational assessments of the administrative procedures and financial circuits of the Country and of the Agent that relate to the management of European Union macro-financial assistance throughout the duration of this MoU and for five years after the disbursement of the last instalment (*ex-post* period).
11. An independent *ex-post* evaluation of the assistance may be carried out by the Commission or its duly authorised representatives. The authorities of the Country are committed to supplying all necessary information to the Commission, represented by its own agents or its duly mandated experts, for the duration of this process. The evaluation report will be made available to the authorities of the Country for comments.
12. The authorities will ensure, as appropriate, close co-operation with the European Commission.
13. The Country also undertakes to make satisfactory progress towards implementation of the Association Agreement.
14. Annexes I and II are an integral part of this MoU.
15. All notices in relation with the present MoU shall validly be given if in writing and sent to:

For the European Union

European Commission
Directorate General for
Economic and Financial Affairs
CHAR 11/248
B-1049 Brussels, Belgium

For the Arab Republic of Egypt

Ministry of International Cooperation
Governmental District
New Administrative Capital Premises

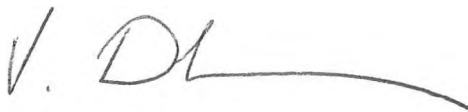
Cairo
The Arab Republic of Egypt

With copy to:
Central Bank of Egypt
54, El Gomhoreya St.
Down Town Cairo
The Arab Republic of Egypt

16. The present MoU shall enter into force following the signature by the European Union and the Arab Republic of Egypt and on the date on which the Arab Republic of Egypt notifies the European Union that its internal legal requirements for its entry into force have been completed.
17. The MoU may be amended upon mutual agreement of the parties in form of a written Addendum. The Addendum will be an integral part of this MoU and will enter into force according to the same procedures as the MoU.

Done in Cairo on 29 June 2024 in four originals in the English language.

FOR THE EUROPEAN UNION
as Lender



Valdis Dombrovskis

Vice-President of the European
Commission

FOR THE ARAB REPUBLIC OF EGYPT
Represented by

The Ministry of International Cooperation
as Borrower



Dr. Rania Al-Mashat

Minister of International Cooperation

THE CENTRAL BANK
OF EGYPT
as Agent to the Borrower

ANNEX I

STRUCTURAL REFORM POLICY MEASURES

At the time of the Commission staff reviews that will precede the decision on the disbursement of the assistance, the authorities of the Country are committed to have accomplished the following actions:

Pillar 1: Macro-economic stability and resilience

1. To monitor the continued flexibility of the exchange rate and the efficient functioning of the FX market, share with the European Commission (DG ECFIN) the relevant indicators agreed with the IMF (including FX demand backlogs at banks and interbank FX turnover), by September 2024, and thereafter on a quarterly basis.
2. Implement the electronic payroll tax system, applying it to all public sector wages and gradually to private sector wages, covering 15% of private sector companies by September 2024.
3. Operationalise the amendment to the PFM law to establish an annual ceiling for general government debt including the 59 economic authorities by establishing a dedicated unit at the MoF and issuing a PM guidance for the establishment of dedicated units in all 59 economic authorities for accounting, consolidation and reporting related to general government operations, by September 2024, and publish the relevant consolidated general government statistics on a semi-annual basis.

Issue general guidelines for top-down budgeting and associated ceilings in relation to the medium-term budgetary framework (MTBF) to be circulated to line ministries by September 2024.

Prepare a draft procedural manual for programme & performance budgeting (PPB) by September 2024.

4. Prepare a guidance document for circulation among line ministries to specify the newly established criteria for the evaluation of public investment projects, by September 2024.
5. To foster a sustainable transformation, further strengthen the social safety net, inter alia, by 1) increasing the number of beneficiary households of the Takaful and Karama cash transfer programmes by 100,000 (from 4.6 million to 4.7 million), and by 2) increasing the number of micro-finance projects by 20,000 (from 561,000 to 581,000), by September 2024.

Launch and publish the social protection observatory report by September 2024.

6. Launch the electronic platform ‘Mehny 2030’ and prepare a communication and awareness strategy for users, by September 2024, to develop youth skills in accordance with international standards and facilitate the transition from the informal sector to the formal sector and reduce the risk of corruption.

Pillar 2: Competitiveness and business environment

1. Issue a cabinet instruction to all relevant government authorities to share and send to the tax authority before end of September 2024 all tax exemptions granted for State-owned enterprises (SOEs) in their own laws and executive regulations that have been abolished by the new law. Based on this correspondence, prepare an initial draft of the list of exemptions (for companies or sectors) that should be cancelled or maintained, with a view to subsequently carrying out a legal assessment and validation of such list.
2. Set up the unified database (managed by the unit for listing and monitoring state owned enterprises) with financial indicators and details on ownership for all SOEs.

Increase transparency on the progress on the State Ownership Policy through publications, before end September 2024, on:

- a. progress carried out during FY 2023/2024 related to adopting reforms and measures related to the state ownership policy.
 - b. detailing all divestiture deals carried out in FY 2023/2024 including information about transaction size and details of every transaction, parties involved, process and steps adopted including legal process and framework.
3. Improve implementation of competitive neutrality through the Egyptian Competition Authority (ECA) issuing three guidelines on competitive neutrality (definitions of the relevant markets, assessment of dominance, and vertical restraints).
 4. Share by September 2024 an overview of all sectors and areas in which Egypt requires licences, prior registration or approval for imports, with a view to ensuring predictability.
 5. Prepare a plan by end of September 2024 to introduce a public e-procurement system in line with the existing public procurement law (Law No. 182 of 2018 Regulating Contracts Entered by budget Entities) and to allow for posting of final awards, with the aim of the new system being fully operational by September 2025.
 6. Publish a ‘consolidated negative list’ of restrictions applicable to foreign investment in the covered sectors by September 2024, including foreign equity limits in the construction, distribution (retail), maritime and air transport, media and professional services (legal, audit and accounting) sectors.

By September 2024, centralise information in an easily accessible format (online, in English, and free of charge) for both national and foreign investors on a single investment website, inter alia providing information on tax incentives, relevant legislation, application procedures, required documents, and institutional settings for FDI incentives through a centralized, searchable, and regularly updated database.

7. Improve the investment environment through implementing a system for investment licence automation, thereby allowing investors to electronically submit and follow up on their applications for approvals, permits and licences, as well as submit inquiries and complaints online by September 2024.
8. Publish by September 2024 a medium-term tax strategy up to 2030 providing clear guidelines about pillars of tax policy and administrative reforms, including tax incentives

for investment, and carry out consultations with private sector representatives about it before endorsing it.

Pillar 3: Green transition

1. Adopt the revised strategy for sustainable energy by September 2024.
2. Issue regulations on certification of the origin of energy to support the framework for private to private.

ANNEX II

MONITORING SYSTEM

1. Monitoring of macro-economic and financial developments and policies

During the implementation of the European Union macro-financial assistance, the following indicators and reports shall be published or provided to the Commission by the relevant authorities of the Country, on a quarterly basis.

a) Information submitted by the Ministry of Finance:

- GDP or national income (quarterly)
- Main components of GDP (quarterly)
- Employment and unemployment rates (quarterly)
- Level and composition of general and central government revenue and expenditure as well as government payment arrears (quarterly)
- Fiscal balance of the central government (quarterly)
- Fiscal balance of the general government (annual)
- External public debt stock and (interest and principal) payments for central government (quarterly)
- Domestic public debt stock and (interest and principal) payments for central government (quarterly)
- Scheduled quarterly payments (interest and principal) of domestic and external debt for central government for the years 2023-2024 (quarterly)
- Consumer and producer prices (monthly)
- Interest rates (yields) on government bonds at public debt (primary) auctions (monthly)

b) Information submitted by the Central Bank of Egypt

- Interbank interest rates at benchmark maturities (monthly)
- Banks' overall lending rate (monthly)
- Balance-of-payments and main components (quarterly)
- Official reserve assets and other foreign currency assets (monthly)
- CBE foreign exchange rates against the Euro and USD (monthly)