

**AGREEMENT ON DEBT-FOR-DEVELOPMENT SWAP  
BETWEEN  
THE GOVERNMENT OF THE ITALIAN REPUBLIC  
AND  
THE GOVERNMENT OF THE REPUBLIC OF CUBA**

The Government of the Italian Republic and the Government of the Republic of Cuba, hereinafter referred to as the "Parties", with a view of promoting their bilateral co-operation and relieving Cuban debt burden,

in accordance with the Bilateral Agreement on the Treatment of the Debt between the Government of the Italian Republic and the Government of the Republic of Cuba, signed on 12 July, 2016, (hereinafter referred to as "Bilateral Agreement"), on the basis of the Agreed Minutes, signed in Paris on 12 December 2015, between the Government of the Republic of Cuba and the Group of creditors of Cuba (hereinafter referred to as "Agreed Minutes"),

as an additional and voluntary effort by the Italian Government, pursuant to Section II letter C.1 (a) of the Agreed Minutes,

whereas the Parties agreed that funds resulting from debt-for-development swap operations shall be used to finance development projects,

have agreed to the following:

**ARTICLE 1  
SCOPE OF THE AGREEMENT**

1.1. The present Agreement consists of 7 Articles and an Annex, which forms an integral part thereof.

1.2. This Agreement relates to debt-for-development swap operations of Official Development Assistance (ODA) bilateral debt owed by the Government of the Republic of Cuba to the Government of the Italian Republic and establishes procedures for the implementation of such operations.

1.3. This Agreement shall apply to the debt listed in Annex I. Such debt, resulting from the application of the relevant provisions contained in the above mentioned Bilateral Agreement, will be considered frozen at the date of

entry into force of the present Agreement. Therefore, notwithstanding the provisions of Article IV of the Bilateral Agreement, no interest on the rescheduled amounts will apply and the amount subject to swap operations mentioned hereunder shall not exceed € 13,376,822.41.

1.4. Late interest as described and regulated in the Bilateral Agreement, amounting to a total of Euro 5,770,242.96, will be entirely cancelled. Notwithstanding the provisions of Article V of the Bilateral Agreement, such late interest will be progressively and correspondently cancelled following the deposit of each instalment in the Counterpart Fund as described in article 2.2.

1.5. Any other present and future debt owed by the Government of the Republic of Cuba to the Italian Government remains unaffected by this Agreement.

Projects eligible for swap operations shall be related to jointly agreed social and development projects and programs as per article 3.

## **ARTICLE 2 DEBT-FOR-DEVELOPMENT SWAP PROCEDURES**

2.1. Upon the entry into force of the present Agreement, the Cuban Government shall establish a Counterpart Fund (hereinafter denominated CPF) at Banco Nacional de Cuba in the name of the "Italian-Cuban Debt Swap Agreement – Bi-national Committee", referred to in Article 4 of the present Agreement, that will be held by Ministerio del Comercio Exterior y la Inversion Extranjera (MINCEX). The CPF must be a non-interest-bearing account.

2.2. The Cuban Government shall deposit into the Counterpart Fund (CPF) the amount provided for in art. 1.3 in six equal and consecutive annual instalments for a period of six years. Each instalment shall be converted in Cuban pesos at the official exchange rate EURO/Cuban peso published by the Banco Central de Cuba on the same date of the instalment. The first instalment shall be deposited within 6 months after the entry into force of the agreement. Thereafter, the Cuban Government shall credit the CPF on 13 May of each year.

2.3. Banco Nacional de Cuba shall communicate through the Italian Embassy to the Italian Agency for Development Cooperation (AICS) and to Cassa Depositi e Prestiti (CDP), the Italian Financial Institution managing the Italian Revolving Fund for soft loans, within 15 days from deposits, the following information:

- the amount in Cuban pesos deposited into the CPF and the exchange rate utilized (the relevant administrative documents showing the amount deposited shall be attached);
- the outstanding amount in the CPF.

Within 15 days from the receipt of the above information, CDP shall give to Banco Nacional de Cuba an acknowledgement of the correctness of the amount deposited in the CFP.

2.4. Each amount credited to the Counterpart Fund and disbursed on eligible projects shall be considered as cancelled after the approval by the Bi-national Committee of the annual financial auditing report.

Unless otherwise agreed by the parties, after the expiry date of this Agreement, within 30 working days from the notification by CDP, the Cuban Government shall pay to the Italian Government all amount credited to the CPF and not disbursed on eligible projects (equal to the outstanding amount on the CPF) at the same original exchange rate.

2.5. The two Parties shall implement all appropriate measures to audit the accounting management of the Funds and to verify its correctness, including the use of an international audit company, selected by the Bi-national Committee. The costs of such audit shall be borne by the CPF funds.

2.6. In case of severe mismanagement of the Funds the Government of Italy reserves the right to terminate this Agreement.

### **ARTICLE 3 ELIGIBLE PROJECTS**

3.1. Funds resulting from debt-swap operations and deposited in the CPF shall be used to finance jointly agreed development projects.

3.2. Eligible projects shall promote socio-economic sustainable development in Cuba and shall be selected through a transparent procedure.

3.3. Priority shall be accorded to projects focusing on rural development, poverty alleviation, food security and nutrition and agriculture, restoration and preservation of architectural heritage – as set forth in the Declaration of Intent subscribed by the Parties on March 11, 2011 – in a context of verifiable social participation and environmentally sustainable use of resources.

The comprehensive budget of each project shall be between the equivalent of Euro 300.000 and Euro 3.000.000. Part of the comprehensive budget of each project shall be financed by local contribution (cash and/or in-kind).

3.4. Projects implemented under this Agreement shall be presented as jointly financed by the Government of the Republic of Cuba and the Government of the Italian Republic.

3.5. Invoices and other documents relating to the projects shall be kept on file for five years after project completion and shall be made available to the Italian Government upon their request. The Italian party is entitled to visit project sites during and after their implementation.

#### **ARTICLE 4**

#### **BI-NATIONAL CUBA-ITALY COMMITTEE**

4.1. A Bi-national Committee is established for the implementation of this Agreement and is composed of:

- on behalf of the Government of the Italian Republic, H.E. the Ambassador of the Italian Republic to the Republic of Cuba or his/her representative, assisted by members of the Italian Embassy, of the AICS and of the Italian Ministry of Foreign Affairs and International Cooperation – Directorate General for Development Cooperation (MAECI-DGCS), as the case may be;
- on behalf of the Government of the Republic of Cuba, H.E. the Minister of Foreign Trade and Investments or his/her representative, assisted by representatives of the Ministry of Economy and Planning, of Banco Nacional de Cuba, and of other relevant Ministries and/or organizations, as the case may be.

4.2. The Bi-national Committee shall have the following tasks:

- a) to monitor and evaluate the implementation of the present Agreement;
- b) to nominate an international independent auditing firm, responsible for reviewing once a year the financial report presented by the entities in charge of the approved projects, and of the financial statements of the CPF. The auditing firm shall be selected according to the Cuban governing rules and regulations and a basic general framework agreement indicating, among others, all the criteria for appraisal;
- c) to approve the criteria and procedures for the appraisal, selection, implementation and reporting of projects to be financed in accordance with the present Agreement;

- d) to approve Project proposals including: objectives, activities and results, overall working plan and year annual working plan, institutional framework and implementation modalities, financial plan and budget, including a detailed yearly break-down of costs, technical annexes (i.e. Feasibility Study);
- e) to approve the consolidated annual technical/financial report with break-down for each project, describing the activities carried out and related disbursements occurred in the previous period and informing about the outstanding amount in the CPF;
- f) to approve the final technical/financial report, upon conclusion of each project, as provided in Article 2.4;
- g) to approve the following documents: Six-monthly Project Progress Report (technical and financial); Final Report (upon conclusion of the project); Annual Financial Auditing Report prepared by an external auditor;
- h) to verify the situation of the CPF, the amounts of funds to be transferred from the CPF to the Project Accounts.

4.3. The Bi-national Committee shall meet every six months and shall operate according to rules and procedures that will be jointly established by the Parties. The first meeting shall be held within three months from the entry into force of this Agreement. The first batch of projects shall be presented and, if possible, approved in this meeting.

4.4. A Bi-national Technical Secretariat (BTS) shall be established to assist the Bi-national Committee in the performance of its tasks.

4.5. The BTS shall be composed by two members: one Italian, appointed by the Italian Embassy, and one Cuban, appointed by MINCEX, as well as by supporting staff if it is deemed necessary. The BTS shall also act as Bi-national Committee Secretariat and will report directly to the Bi-national Committee. Cost for staffing, equipping and functioning of the BTS shall be covered through CPF funds. The budget for functioning of BTS shall be approved by the Bi-National Committee according to six-month plans of action and related financial plans prepared by the BTS. The costs of the Italian member shall be borne by the Italian Government.

4.6. BTS will operate according to rules and procedures that will be jointly established by the Parties within three months, starting from the entry into force of the present Agreement.

4.7. The Bi-national Technical Secretariat shall:

- a) propose the budget statements, related to supervision and monitoring activities, to the Bi-national Committee, for approval;
- b) propose the criteria for projects selection, appraisal, implementation and reporting which shall be consistent with the present Agreement, for the approval of the Bi-national Committee;
- c) evaluate the projects selection documents;
- d) select the projects eligible to be financed through CPF and submit them to the Bi-national Committee for the final approval;
- e) monitor projects implementation, also through field verifications;
- f) verify projects achievements;
- g) take care of the preparation of appropriate technical and financial documentation, related to projects approval and implementation, with particular focus on the following:
  - Project proposals including: objectives, activities and results, overall working plan and year annual working plan, institutional framework and implementation modalities, financial plan and budget, including a detailed yearly break-down of costs, technical annexes (i.e. Feasibility Study
  - Six-monthly Project Progress Report (technical and financial) issued by the implementing Entities;
  - Project Final Report (technical and financial) upon conclusion of the project issued by the implementing Entities;
  - Consolidated annual technical/financial report with break-down for each project, describing the activities carried out and relative disbursements occurred in the previous period, giving also information of outstanding amount in the CPF;
  - Auditing Reports, prepared by an external Auditor.

## **ARTICLE 5 AMENDMENTS**

The present Agreement and its Annex can be amended through Exchange of Letters, signed by the duly authorized representatives of the Parties.

## ARTICLE 6 DISPUTES

Any dispute between the Parties regarding the interpretation or application of the provisions of the present Agreement shall be settled through diplomatic channels.

## ARTICLE 7 ENTRY INTO FORCE AND EFFECTIVENESS

7.1. The present Agreement shall enter into force on the date of its signature.

7.2 The present Agreement shall remain in force until six years after the last instalment is deposited in the CPF. Its extension may be mutually agreed upon, in case funds allocated to specific projects and activities have not been fully spent by the expiration date.

In witness whereof, the undersigned Representatives being duly authorized thereto by their respective Governments have signed the present Agreement.

Done in La Habana on 12<sup>th</sup> July 2016 in two originals, each in English and Spanish languages, both texts being equally authentic. In case of discrepancies between translations, the English text will prevail.

FOR THE GOVERNMENT OF  
THE ITALIAN REPUBLIC



MARIO GIRO

DEPUTY MINISTER  
OF FOREIGN AFFAIRS  
AND INTERNATIONAL COOPERATION

FOR THE GOVERNMENT OF  
THE REPUBLIC OF CUBA



RICARDO CABRISAS RUIZ

VICE-PRESIDENT  
OF THE COUNCIL OF MINISTERS