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U. S. A. I. D.

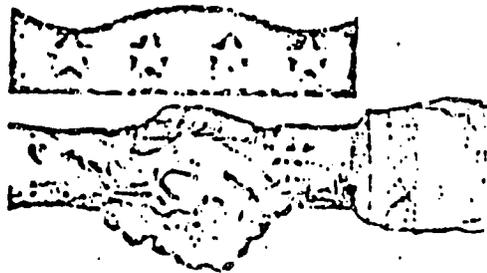
A S S I S T A N C E

T O T H E

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P R I V A T E

S E C T O R



UNITED STATES OF AMERICA

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In response to the Government of Egypt's policy to expand the role of the private sector in Egypt's economic development, the U.S. Agency for International Development (AID) has funded specific programs to assist in their efforts. Additionally, AID and the Egyptian Government are constantly exploring and studying new activities which will, hopefully, benefit the private sector. This booklet will acquaint the reader with these programs.

Application for participation in these programs should be directed to the designated Egyptian organizations. These institutions are expected to make funds available to the Egyptian private sector on commercial or concessional terms and conditions, as authorized by the Egyptian Government. It is expected that they will make credit decisions based upon a combination of risk, security, projected benefits, and anticipated profits. AID funds for the private sector require sound financial decisions from private sector borrowers and responsibility for repayment.

The programs described in this booklet generally make foreign exchange available to financially viable private sector projects and importers. These programs are only made possible by the support and cooperation of the Government of Egypt.

Donald S. Brown  
Director/AID

PRIVATE SECTOR COMMODITY IMPORT PROGRAM

Purpose: Importation of goods for resale or for use by producing organizations of raw materials, spare parts and related operating needs.

Description: AID is currently providing \$102.0 million for financing the importation of eligible commodities, freight, insurance and related services of U.S. source and origin by:

- Private importers of Egyptian nationality who have a commercial registr. number and tax card;
- Private organizations whose members are Egyptian citizens entitled to import commodities into Egypt;
- Public Law 32 Companies which are wholly owned by Egyptians;
- Free Zone warehouses owned by Egyptians.
- NOTE: Public Law 43 Companies are not permitted to participate in this program,

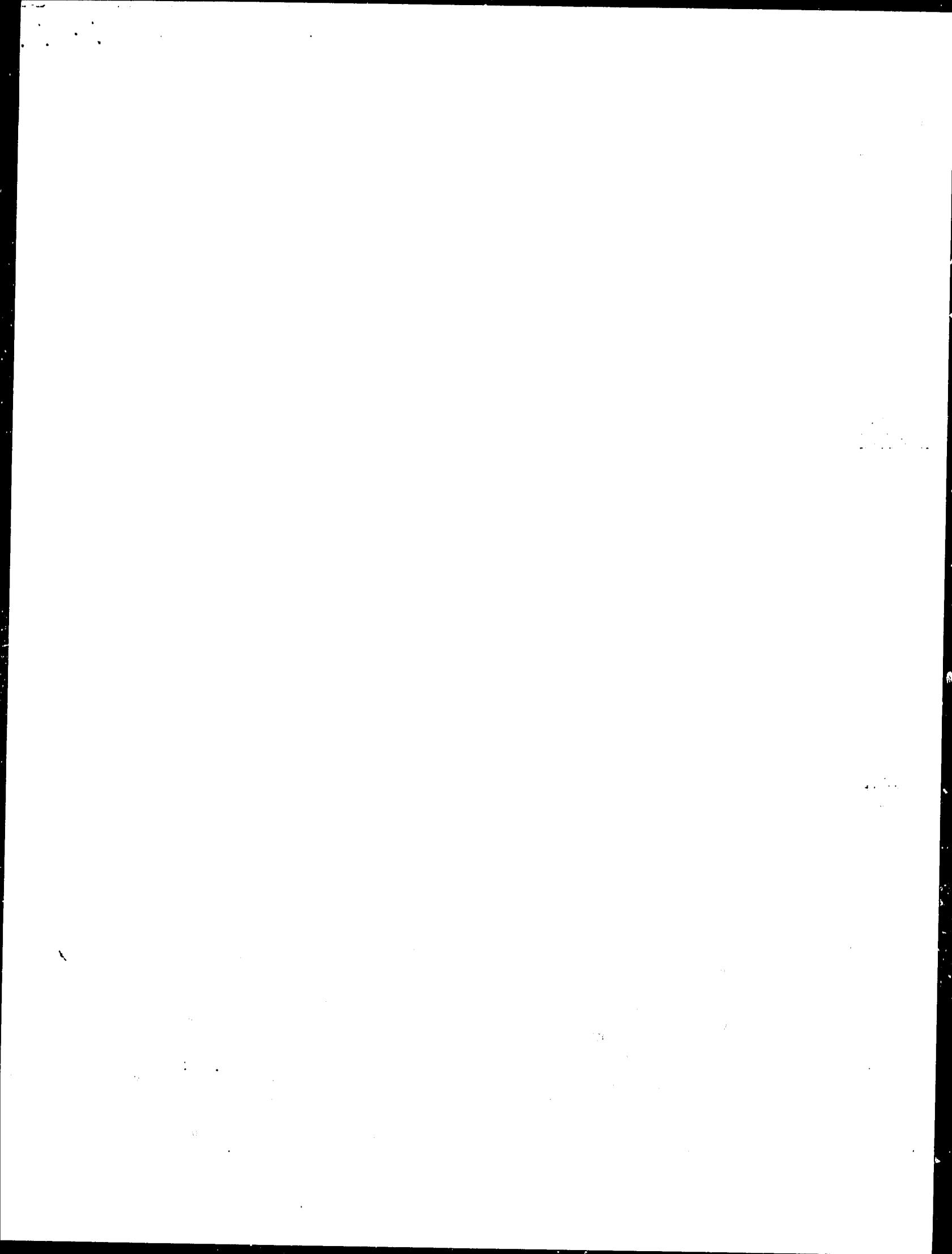
A wide range of commodities are eligible, as described in the A.I.D. Commodity Eligibility Listing. Commodities not eligible include: certain commodities designated as ineligible by the Ministry of Economy and Economic Cooperation; luxury goods, household products, appliances, food commodities, and items for resale to military or police.

Participating banks are responsible for evaluating the importer's financial standing, credit worthiness, and the economic soundness of the proposed

transactions. USAID/Cairo Office of Commodity Imports and Procurement Services is responsible for verifying the conditional eligibility of the commodity.

Principal Terms: Participating banks must adhere to terms established by Ministry of Finance Circular No. 8 which provide for the following:

- Interest Rate: 2 1/2% for intermediary commodities.  
5% for capital commodities.
- Period of Repayment: Maximum of 3 years for intermediary commodities  
Maximum of 5 years for capital commodities.
- Currency of Repayment: Egyptian Pounds
- Downpayment Requirement: 25% which can be loaned by a bank on commercial terms.
- Banking Fees & Commissions: As established by the Central Bank of Egypt.
- Authorized size of transactions: Maximum \$500,000 for importer financing of similar commodities during a 12-month period.  
Maximum \$1 million for importer financing of different commodities during a 12-month period.
- Ministry of Economy Approvals: MOE may authorize transactions in excess of above guideline upon application from importer.



DEVELOPMENT INDUSTRIAL BANK

Purpose: Medium-term financing of investment projects.

Available to: Egyptian and joint venture companies.

Description: AID is providing \$31.5 million in sub-loans for the establishment or expansion of business activities in Egypt. AID funds can be utilized only to finance purchase of U.S. manufactured equipment. The Bank also has other sources of foreign exchange for non-U.S. procurement and Egyptian Pounds to finance local currency costs of projects. The Development Industrial Bank makes its own detailed evaluation of projects and sponsors. Heavy emphasis is placed upon economic benefits of the project to Egypt's developmental goals coupled with sound financial and technical viability.

Principal Terms:

- Procurement: Equipment of U.S. source and origin. *13% to 15%*
- Interest Rate: As determined by the Bank (presently *11* to *12%* p.a.)
- Currency of Repayment: Egyptian Pounds
- Period of Repayment: Up to 12 years including grace period.
- Other Terms: The Bank may require security and collateral.

Submit Applications To: Development Industrial Bank  
Main Office: 110 Galaa Street, Cairo  
Branch: 67 El Horreya Avenue, Alexandria

Status: The entire \$31.2 million has been committed by the Bank. An additional World Bank credit of \$50 million has been made available to the Bank, and AID is considering making an additional \$10 million available in FY 1981.

PRIVATE INVESTMENT ENCOURAGEMENT FUND

Purpose: Medium-term financing of larger sized investment projects.

Available to: Egyptian and joint venture companies.

Description: AID is providing \$30.0 million to establish a Fund to co-finance with designated Participating Banks the establishment, expansion or renovation of industrial and other project with total costs of at least \$1,000,000. The fund will provide loans and, in exceptional cases, equity participation for the procurement of U.S. equipment and services. The Participating Banks will also provide funds which may be used for purchase of goods and services from Egypt and other countries. Participating Banks will act as manager of Fund investments on behalf of the Ministry of Economy.

Principal Terms:

- Procurement: Equipment and services of U.S. source and origin.
- Interest Rate: 11 to 12% p.a.
- Currency of Repayment: Egyptian Pounds
- Period of Repayment: Up to 12 years including grace period.
- Fund Contributions: Minimum - \$350,000 and Maximum - \$5,000,000

Submit Applications To: Development Industrial Bank  
Main Office: 110 Galaa Street, Cairo  
Branch: 67 El Horreya Avenue, Alexandria

Status: This Fund is expected to be operational shortly, after the completion of detailed arrangements with the Ministry of Economy, including designation of Participating Banks, which are expected to be a wide range of public and private sector banks.

PRIVATE SECTOR FEASIBILITY STUDIES

Purpose: Share costs of U.S. firms' pre-investment studies.

Available to: U.S. firms serious and capable of investing in Egypt.

Description: AID is providing \$5.0 million for this project which will reimburse qualified U.S. firms up to 75% of the costs of producing a pre-investment feasibility study (a financial and technical document complete enough to be presented to a lending institution). The majority of effort put into a study will be "in-house" expertise, although the use of outside consultants may be reimbursed on a case by case basis. Only direct costs related to the study will be reimbursed; overhead and profit will not be allowed. This project will also help finance sector studies to be performed by the Investment Authority.

Principal Terms:

- Only U.S. firms are eligible.
- "Fortune 1,000" firms will be reimbursed up to 50% of costs and other firms up to 75%.
- Portions of completed studies will eventually become "public documents," although firms' proprietary information will remain confidential.
- Studies of activities which would prove harmful to U.S. manufacturers or are oversupplied on world markets will not be financed.

Submit Applications to: Investment Authority  
8, Adly Street, Cairo

Status: A detailed application form with instructions will be developed by the Investment Authority. It is expected that procedures will be in place by September/October 1980.

In cooperation with the Government of Egypt, AID is exploring the desirability of other projects of interest to the private sector.

These include:

(1) INDUSTRIAL FREE ZONES

The Free Zone Authority has undertaken a feasibility study to develop a Master Plan for the development of Industrial Free Zones in Egypt.

The U.S. consulting firm of Reynolds, Smith and Hills Inc. has recommended that the GOE concentrate its efforts on completing the basic free zone infrastructure for Alexandria (Phase I), Port Said (Industrial area) and Nasr City. AID expects to fund technical assistance and equipment to these three free zones in 1980.

This assistance should create physical sites and institutional capabilities to attract and service new private investments in export oriented industries.

(2) EGYPTIAN INVESTMENT CENTER

The Investment Authority is undertaking a design and feasibility study to select the best methods for strengthening of the information and promotion efforts of the Investment Center. The U.S. consulting firm Arthur D. Little, Inc., is conducting this study in cooperation with the Authority under a contract jointly financed with A.I.D.

The study is expected to be finished by mid-1980. A.I.D. expects to participate with the Authority in a project to improve Investment Center services available to both domestic and foreign investors.