

ANE/PD/ME
PN-ABL-397

USAID ASSISTANCE

11415

TO THE

EGYPTIAN PRIVATE SECTOR



MARCH 1987

Prepared by:
Office of Finance and Investment
USAID - Cairo

INDEX

	<u>Page</u>
Introduction	1
I. <u>Private Sector Credit and Term Finance</u>	
Private Enterprise Credit (PEC):	3
A. Private Sector Commodity Import Program (PS-CIP)	4
B. Project Finance Facility (PFF)	9
II. <u>Investment Promotion</u>	
A. Private Sector Feasibility Studies (PSFS)	14
B. U.S. Investment Promotion Office (USIPO)	16
III. <u>Support Services</u>	
A. Business Support and Investment (BSI)	17
B. International Executive Service Corps (IESC)	18

Note: All projects, activities and terms and conditions described are subject to change.

INTRODUCTION

- A. A major part of USAID's strategy is to help Egypt enlarge its productive private sector. This, we believe, can best be achieved through the private sector. To bring this about, USAID/Cairo has funded programs to: (1) improve the business/investment climate of Egypt; (2) assist the government of Egypt expand the role of the private sector in Egypt; and (3) support private, productive investment in Egypt through investment promotion, term credit and other complementary programs.

The strategy is directed toward assisting the serious Egyptian and American investors to: identify specific investment opportunities in Egypt, locate appropriate Egyptian and U.S. investment partners to undertake projects, co-finance required feasibility studies, and provide needed foreign exchange and credit to establish, expand and improve production through the importation of U.S. capital equipment and raw materials. In addition, USAID-assisted programs can provide financing for technical assistance to help businesses solve operational problems.

- B. This brochure focuses on USAID-assisted activities which support Egyptian private sector development. The main private sector programs are focused on investment promotion and project finance. Investment promotion activities are primarily financed under the Private Sector Feasibility Studies Project. Short, medium and long-term credit is provided under the umbrella project, Private Enterprise Credit. Related USAID/Cairo private sector activities include the Business Support and Investment Project which funds a series of activities in cooperation with the Investment Authority, the Capital Market Authority and similar organizations to improve the business climate in Egypt. The U.S. Investment Promotion Office and the International Executive Service Corps provide technical assistance and services to Egyptian private sector companies and potential investors.
- C. These programs are administered primarily through the government of Egypt's General Authority for Investment and Free Zones (Investment Authority) and Ministry of Planning and International Cooperation. Selected banks administer the credit and finance programs and work with investors on a day to day basis. The USAID Office of Finance and Investment and the Office of Commodity Management and Trade provide advice and assistance to government agencies, banks and investors in private sector related matters.
- D. Detailed descriptions of each of the programs are presented below. Questions regarding the projects described in this brochure should be addressed to project offices, cooperating banks or support offices mentioned in each program description. Inquiries can also be made to:

Director - Office of Finance & Investment
USAID/Cairo
American Embassy
106 Kasr El Aini Street
Cairo Center
Garden City
Cairo
Phone: 354-8211 Ext. 3247, 3248 and 3249
Telex: 93773 AMEMB UN

U.S. Address:
Director - Office of Finance and Investment
USAID, Box 10
FPO, New York 09527-0008

PRIVATE SECTOR CREDIT AND TERM FINANCE

Private Enterprise Credit (No. 263-0201) is a project which combines commodity import credit and term financing. One component of this project, a credit guarantee fund, is currently under development and will provide guarantees to banks for loans to small-scale firms. The project's two existing components include:

- Private Sector Commodity Import (0201.1)
(previously Production Credit Project)

- Project Finance Facility (0201.2)
(previously Private Investment Encouragement Fund)

These two project components are described on the following pages. As other credit and finance needs are determined, additional components will be added under the Private Enterprise Credit umbrella project.

PRIVATE ENTERPRISE CREDIT
PRIVATE SECTOR COMMODITY IMPORT PROGRAM*
AID PROJECT NO. 263-0201.1

Summary and Purpose

The Commodity Import Program - Private Sector is designed to expand investment in Egyptian private sector enterprises. The project provides short and medium-term credit to the private sector to finance the importation of goods and equipment from the United States. This program is governed by Circular No. 1 of 1986, as from time to time amended, which is issued by the Ministry of Planning and International Cooperation (MPIC).

Who is Eligible?

Those eligible for assistance include individual Egyptian entrepreneurs and private sector firms, including those that are organized under Law 43 of 1974 and its amendments, and those importing for their own use. Intermediaries or traders are not eligible to participate in the program.

What Commodities May Be Imported?

Importers who are purchasing U.S. source and origin commodities for their own use may import any item which is eligible as shown in the AID Commodity Eligibility Listing.

What are the Transaction Limits?

The minimum transaction size is \$10,000. The maximum transaction size is \$750,000 for capital equipment and \$350,000 for other types of goods. A single client may use up to \$1.1 million in a 12-month period (i.e., the maximum limit for capital and non-capital goods combined).

*Note: This project is a continuation and expansion of USAID's previous Production Credit Project.

What are the Credit Terms?

- All repayments are in Egyptian pounds calculated at the Commercial Bank Premium Rate declared by the Central Bank of Egypt (CBE), currently in the range of 1.35 L.E. = U.S. \$1.00.
- The downpayment amount is 25% of the Letter of Credit value.
- Repayment schedule for the balance of the Letter of Credit value is as follows:

Up to 5 years for capital goods;
Up to 18 months for non-capital goods.

Actual credit terms are set by the participating bank.
- Interest is charged in accordance with the Central Bank of Egypt schedule of rates, currently:

13% maximum for industrial sector
13% - 15% for service sector

Where Can I Apply for Funding under the Commodity Import Program - Private Sector?

At any one of the Participating Banks listed below:

- | | |
|------------------------------|---------------------------------|
| - Arab Investment Bank | - Banque du Caire |
| - Bank Misr | - Bank of Alexandria |
| - Chase National Bank | - Development Industrial Bank |
| - Egyptian American Bank | - Export Development Bank |
| - Misr Iran Development Bank | - National Bank of Egypt |
| - Misr International Bank | - National Bank For Development |

What are the Procedures?

- The Egyptian importer submits an application to any of the twelve participating banks.
- The application must include a reasonable number of proforma invoices from U.S. suppliers, normally three.
- The proforma invoices should reference appropriate U.S. Department of Commerce Schedule B Numbers, to be provided by the supplier.
- The participating bank reviews the application for conformance with Circular No. 1 of 1986 and applicable AID regulations and also examines the credit worthiness of the client.
- The participating bank forwards the approved application to USAID/Cairo for review and concurrence.

- Within 60 days of receipt of the USAID concurrence letter, importer pays downpayment amount to the participating bank which in turn opens a Letter of Credit through the U.S. Correspondent Bank in favor of the selected U.S. supplier.
- The U.S. supplier ships the commodities and submits the documents specified in the Letter of Credit to the U.S. correspondent bank for payment. Required documents include AID Form 282 and Form 11, the latter must be approved by AID in Washington, D.C. prior to shipment of commodities.
- Upon arrival of the goods in Egypt, the importer arranges for customs clearance and inland transportation.
- The importer makes subsequent payments of principal and interest to the participating bank in accordance with agreed upon credit terms.

For Additional Information Please Contact:

Arab Investment Bank

1113 Corniche El Nil Street
P.O. Box 1147
Tel. 753301 - 753302 ext. 58 & 60
Mr. Abdel Halim Amin
General Manager - Cairo Branch
* Mr. Mahmoud Osman Hamed
L/C Department

Bank of Alexandria

50 Kasr El Nil Street, Cairo
Tel. 911466 - 913718
*# Mr. Henry Riad Abdel Malek
Sub-Branch Manager
L/C Department

Chase National Bank

Nile Tower 21-23, Giza Street
Tel. 726215/221/423/132
*# Ms. Hala El Barkouky
Manager
Financial Institutions &
Trade Finance

Egyptian American Bank

4 Hassan Sabri Street, Zamalek
Tel. (3)416150/7/8/9
*# Ms. Pacinthe Fahmy
Senior Manager
* Mr. Ismail Abdoun
Assistant Manager

Misr Iran Development Bank

Nile Tower 21-23, Giza Street
Tel. 727311/251/735/631
Mr. Sayed Abdel Nabi
* Ms. Nevine Hamza
Assistant Manager
L/C Department
* Mr. Gaber Shalaby
* Mr. Ahmed Zahran

Bank Misr

151 Mohamed Farid Street, Cairo
Direct Tel. 916555
*# Ms. Eglal Galal
Chief Manager
L/C Department

Banque du Caire

49 Kasr El Nil Steet, Cairo
Tel. 913822/495 - 916822/079/575
#Mr. Abdel Kader Osman
Supervisor - L/C Department
*Ms. Susan Abdullah

Development Industrial Bank

110 Galaa Street, Cairo
Tel. 779247/087 - 778761
Mr. Farahat Abdel Sayed
General Manager
Foreign Resources Dept.
* Mr. Hamdi Mohamed Abbas

Export Development Bank

10 Talaat Harb St., Cairo
Tel. 767727-777003-774553
Mr. Mahmoud H. Seoudi
Manager
Credit & Marketing Dept.
*Mr. Medhat Mourad

National Bank of Egypt

24 Sherif Street, Cairo
P.O. Box 1147
Tel. 744175/143 -701683-769806
#Mr. Mohamed Hassan Abdallah
Deputy General Manager
L/C Department

Misr International Bank

14, Alfya Street, Cairo
P.O. Box 631
Tel. 914396-920272-912409
Ms. Amal El Tobgy
General Manager
International Dept.,
* Mr. Mohamed Ozalp
General Manager
MultiNational Dept.
* Mr. Charles J. Vokral
Deputy Senior General Manager

National Bank for Development

5, El Borsa El Gedida St., Cairo
Tel. 756719
*# Mr. Abdel Aziz M. Salem
Deputy General Manager
Foreign Dept.

Address Correspondence and Inquiries to:

U.S. Address:
USAID/IS/CMP, Box 10
FPO, NY 09527

Project Officer
Private Enterprise Credit
CIP - Private Sector
USAID/Cairo
Cairo Center
106 Kasr El Aini St.
Cairo, Egypt
Phone: 3548211 Ext. 3240/3241

Addressee
* Contact

PRIVATE ENTERPRISE CREDIT
PROJECT FINANCE FACILITY
AID PROJECT NO. 263-0201.2

- Purpose: To stimulate the growth and modernization of the Egyptian private sector by providing medium and long-term foreign exchange credit to new or significantly expanding private sector enterprises.
- Available To: Egyptian and joint venture companies operating in Egypt. (See Terms and Conditions below.)
- Description: The Fund offers medium to long-term credit to finance the importation of U.S. equipment and essential services for new private sector productive enterprises and for the expansion and modernization of existing productive facilities. Financing is provided on a co-financing basis through authorized participating banks. Banks are obliged to share in the risk of the loan on an equal basis with the Fund.
- Procedures:
- Potential borrowers contacts one of the authorized participating banks (listed below) to discuss financing requirements and eligibility based on criteria (presented below).
 - Borrower prepares and submits feasibility studies and other required supporting documents.
 - Participating bank reviews the technical, financial and economic feasibility of the project and, if satisfactory, presents its recommendations to the Fund's Advisory Board at the Investment Authority.
 - Advisory Board reviews and approves the proposed loan and presents documentation to USAID for concurrence.
 - A Letter of Commitment is opened by USAID with a U.S. bank at the Egyptian participating bank's request.
 - The participating bank then opens Letters of Credit with U.S. equipment suppliers chosen by the borrower.

Note: This project is the revised Private Investment Encouragement Fund (PIE Fund). The terms "PIE Fund" and Project Finance Facility ("PFF") are used interchangeably here.

Terms and Conditions (Criteria):

1. Eligible Activities All productive enterprises contributing to the economic development of Egypt.
2. Ineligible Activities (a) Projects involving the production, processing or marketing of sugar, palm oil or citrus for export; (b) Projects which establish or expand the production of any commodity for export if the commodity is likely to cause substantial injury to U.S. producers; (c) Projects involving the importation of the following commodities or related services (as defined in the AID Commodity Eligibility Listing): military equipment, surveillance, police and law enforcement equipment, abortion equipment, luxury goods, gambling equipment or weather modification equipment.
3. (a) Source and Origin of Commodities; (b) Commodity Suppliers; (c) Shipment of Commodities; (d) Eligibility of Commodities; (e) Solicitation of Offers for Commodities (a) United States; (b) U.S. principals; (c) 50% of the gross tonnage must be on U.S. flag vessels; (d) per AID Commodity Eligibility Listing (furnished to participating banks). Funds may not be used to import items for resale. (e) All procurements financed by AID under this project shall be done in accordance with good commercial practices. Solicitations by the importer for quotations and offers shall be made uniformly to a reasonable number of prospective suppliers and all quotations and offers received, whether or not specifically solicited, shall be given consideration before making an award.
4. Egyptian Ownership Not less than 30%.
5. Government or Public Sector Ownership Not to exceed 30%.
6. Minimum PFF Loan Amount Not less than \$300,000.
7. Maximum PFF Loan Amount Normally, not to exceed 20% of total project investment or \$5 million, whichever is less. Exceptions may be granted on a case by case basis.

(Total project investment is calculated utilizing current market rate between Egyptian pounds and the U.S. dollar.)

8. Bank Co-Financing Loan Amount
Bank must share in the risk of the loan on an equal basis with the Fund through provision of equal bank term loans or combination of equity shares and guarantees. (Short-term, working capital loans not included in calculation.)
9. Maximum Debt/Equity Ratio
3/1.
10. Interest Rate
Based on Central Bank interest rate schedule (currently 11-13% for industrial loans and 13-15% for service loans).
11. Currency Conversion for Disbursement and Repayment
Calculated at the Commercial Bank Premium Rate currently at 1 \$U.S. = 1.35 LE. Rate of exchange for the term of the credit is fixed upon execution of loan agreement.
12. Currency Conversion for Calculations in Feasibility Studies
Generally, market rate.
13. Internal Rate of Return (IRR)
Must exceed the effective interest rate on all loans.
14. Economic Rate of Return (ERR)
Must be positive.
15. Environmental Review
Form to be completed and each question answered. An answer of "not applicable" is insufficient without an explanation. Details for environmental review, as well as necessary forms, available at the bank.
16. PFF Repayment Period
Generally, same as bank's loan, but not to exceed 12 years.
17. PFF Grace Period
Generally, same as bank's loan, but not to exceed 36 months.
18. PFF Fees:
Commitment fee of 1% per annum on undisbursed loan amounts; management fee of 1% of the amount of the loan,

paid one time only; and other fees
negotiated by bank.

Current Participating Banks Listing:

The Chase National Bank (Egypt) S.A.E.
Nile Tower 21-23 Giza Street, Giza
P.O. Box 2430 Cairo
Phone: 726132, Ext. 215, 222, 423
Contact Persons: Ms. Hala El Barkouky and Ms. Azza Bedwani

Misr Iran Development Bank
Nile Tower 21-23 Giza Street, Giza
P.O. Box 219 Orman Giza
Phone: 727311, 727631
Contact Person: Mr. Ashraf G. Mahmoud

Egyptian American Bank
4 Hassan Sabri Street, Zamalek
Phone: 341-6150/7/8/9
Contact Persons: Ms. Pacinthe Fahmy and Mr. Ismail Abdoun ..

Arab Investment Bank
1113 Corniche El Nil Street, Cairo
P.O. Box 1147
Phone: 753301/2
Contact Person: Mr. Osama El Shabrawi

National Bank of Egypt
24 Sherif Street, Cairo
Phone: 744143/175, 751783
Contact Person: Mohsen El Khodary

Export Development Bank of Egypt
10 Talaat Harb Street, Cairo
Phone: 768190, 777003
Contact Person: Raeb Mahmoud Alaam

Suez Canal Bank
23 Kasr El Nil Street,
4th Floor, Apt 42
Phone: 746707
Contact Person: El-Sayed Effat Ramadan

*Note: Additional banks have recently been approved by the Investment Authority to become participating banks under the Project Finance Facility. Please check with Investment Authority contact for current status in this regard.

Address Correspondence and Inquiries to:

Ms. Heba El Mallawani
Investment & Free Zone Authority
8 Adly Street, Cairo
Phone: 906796, 906804 ext. 188,
or 916029

or

Project Officer
Private Investment Encouragement Fund
USAID/IS/FI
Cairo Center
106 Kasr El Aini
Cairo, Egypt
Phone: 3548211 Ext. 3247/3248

U.S. Address:
USAID/IS/FI, Box 10
FPO, NY 09527

PRIVATE SECTOR FEASIBILITY STUDIES
AID PROJECT NO. 263-0112

Purpose: Stimulate and encourage U.S. private sector investment in Egypt.

Available To: U.S. firms and investors interested in significant equity investment in productive private enterprises in Egypt.

Description: The project provides for the sharing of financial costs with U.S. firms and investors to undertake: (1) reconnaissance visits and (2) feasibility studies to determine the feasibility of investing in Egypt. The applicant must demonstrate sufficient in-house technical and financial resources to move from the feasibility study stage to project implementation. Applicants must indicate a willingness to take a significant equity financing position in the project, if the feasibility study proves bankable.

The project also provides financing for a number of supplemental promotional efforts aimed at facilitating and increasing U.S. investment in Egypt. This includes assistance to Egyptian investors seeking U.S. partners. The project will provide up to \$6,000 to help prepare prospectuses and to help finance the cost of marketing in the U.S.

Procedures: The government of Egypt's General Authority for Investment and Free Zones manages the Private Sector Feasibility Studies Project.

Applicant sends a letter to the Authority requesting an application form along with the following information:

- A brief statement describing the project and proposed technology to be brought to Egypt;
- A description of the applicant firm indicating a track record in the proposed technology;
- A statement indicating a willingness to take a significant equity financing position in the investment;
- An audited financial statement (past three years) indicating that the applicant has sufficient financial strength to move from project feasibility to project implementation; and
- Any other information that an applicant wishes to submit.

Terms and Conditions:

1. Approvals:

Pre-approval of the Reconnaissance Visit and feasibility study's scope and maximum of eligible reimbursement.

2. Financing:

An applicant may be reimbursed eligible costs up to a maximum of \$150,000 per feasibility study. Initial reimbursement of 50% of the maximum amount approved for reimbursement will be authorized upon completion of the study and acceptance by the government of Egypt's Investment Authority. The balance will be reimbursed only if the project moves to an implementation phase (i.e., approval of a joint venture company and the subscription of the initial equity capital by the joint venture partners). Reimbursement is made by USAID upon notification of acceptance by the Investment Authority.

3. Disclosures:

Non-proprietary portions of completed studies will, over a set period of time, become "public documents." Information to remain confidential will be "negotiated" on a project by project basis.

4. Limitations:

Activities which could prove directly harmful to U.S. manufacturers or which exacerbate over-supplied world markets will not be financed.

Address Correspondence to:

Mr. Maher Khalil - Project Director
Private Sector Feasibility
Studies Program
General Authority for Investment
& Free Zones
8 Adly Street
Cairo, Egypt
Telephone: Direct 916029
 or 9.6804, ext. 272
Telex: 92235 INVEST UN

or

Project Officer
Private Sector Feasibility Studies
USAID/Cairo
Cairo Center
106 Kasr El Aini St.
Cairo, Egypt
Telephone: 3548211 Ext. 3247/3248

U.S. Address:
USAID/IS/FI, Box 10
FPO, NY 09527

U.S. INVESTMENT PROMOTION OFFICE
AID PROJECT NO. 263-0026-G-00-1056-00

Purpose: Promote and facilitate U.S. private sector investment in Egypt.

Description: The USIPO office is designed to:

- Facilitate contacts between U.S. business interests, Egyptian government officials and their agencies, as appropriate, and the local private business sector;
- Assist American and Egyptian firms in identifying potential joint venture partners and projects;
- Respond to inquiries from U.S. firms and assist in gathering investment information from appropriate Egyptian agencies and from other sources;
- Provide introductions to Egyptian consulting, local, accounting, and other professional firms; and
- Otherwise assist U.S. businessmen to understand Egypt's investment potential, access the Egyptian market, learn the procedures and requirements for investing.

Use of the office and its services are at the sole discretion of the business community; its services are free of charge.

Contacts: Dr. Mohamed El Sahragty, Managing Director
or
Mr. Mahmoud Murad, Co-Director
U.S. Investment Promotion Office
Nile Tower
21 Giza Street, 16th Floor
Cairo, Egypt
Telephone: 723020/737258/736030
Telex: 93550 USIBC UN or 93773 AMEMB UN

BUSINESS SUPPORT AND INVESTMENT (BSI)
AID PROJECT NO. 263-0159

Purpose: To encourage private sector investment and development by supporting private and public sector efforts to improve and modernize the investment, financial, legal and administrative environment in which the private sector operates in Egypt.

Description: The project focuses on four activities that address specific constraints to private sector investment and development:

- (1) Capital markets development;
- (2) Strengthening accounting, financial reporting and auditing;
- (3) Support for the General Authority for Investment and Free Zones; and
- (4) Technology transfer and technical assistance (TA) to private Egyptian businesses through the International Executive Service Corps (IESC) described on the following pages. Support for a new Business Development Center to assist small and medium-sized enterprises is also contemplated. Further initiatives in support of the private sector may also take place under this project.

INTERNATIONAL EXECUTIVE SERVICES CORPS (IESC)
AID PROJECT NO. 263-0159.5

Purpose: Provide short-term, advisory assistance in specific industrial, technical and managerial areas at low cost.

Available to: Egyptian private and public companies and enterprises.

Description: IESC is a private, U.S., non-profit organization. It provides three different types of services. These services are provided by retired American businessmen to local Egyptian businesses, which need short-term (1-3 months) technical assistance to improve operations to assist management and increase productivity. Assistance is also available to provide technical and market information.

1. Volunteer Executive (VE) Program

Under this program, volunteers are found who precisely meet the needs of the Egyptian business requesting the assistance. For example, a greenhouse farmer needing assistance in crop management would be assisted by an IESC volunteer who spent his life working in crop management.

2. American Business Linkage Program (ABLE)

IESC headquarters in Stamford, Connecticut in the U.S. has a research department which will locate equipment manufacturers, do market studies, advise on import regulations, and do general research on any U.S. business activity of interest to an Egyptian business.

3. Joint Venture Service (JVS)

Egyptian businesses interested in entering into joint ventures with American companies can benefit from this service. IESC will employ a volunteer, who is an expert in the same business as that of the interested Egyptian firm, to spend approximately three weeks in Egypt to write a prospectus on the Egyptian company. Having spent his life in the same business, the volunteer will be well known in the U.S. industry. The prospectus will be used by the volunteer, when he returns to the U.S., to assist the Egyptian businessman to locate potential U.S. joint venture partners in the U.S.

Principal Terms:- The client consults with the IESC office and develops a scope of work;

- The Egyptian client signs a contract with IESC, which specifies the services needed and costs involved. (USAID,

IESC and the client firm share in the costs of the volunteers.) VE and JVS consultants' costs consist of air fare, local per diem; and

- IESC in Connecticut recruits one or more Volunteers and forwards to Egypt curriculum vitae for review and selection by the Egyptian client.

Contact or Submit Application to:

Mr. Lorne Olsen
Director of Operations
International Executive Service Corps (IESC)
c/o Nile Hilton Center - Suite 22
Corniche El Nil
Cairo, Egypt
Tel. 776771, 779164, 766412, ext. 22

For Additional Information, Contact:

Nagui T. El Fayoumi
Project Officer
USAID/IS/FI
Cairo Center
106 Kasr El Eini Street
Tel: 354-8211, ext. 3247/8/9