



Cairo Air Improvement Project
Lead Pollution Abatement Component

**Private Sector Funding Programs in
Egypt**

Chemonics International, Inc.
USAID/Egypt, Office of Environment
USAID Contract No. 263-C-00-97-00090-00

March 1999

Table of Contents

	Page
Background	1
Executive Summary	2
United States Agency for International Development (USAID)	
Private Sector Commodity Import Program (PRCIP)	3
Program Description	3
Objectives of the Program	3
Agents	3
Funding Conditions	3
Credit Conditions	4
German <i>Kreditanstalt für Wiederaufbau</i> (KfW) Program	6
Program Description	6
Objectives of the Program	6
Agents	6
Funding Conditions	6
Credit Conditions	7
Canadian International Development Agency (CIDA)	
Egypt's Environmental Initiatives Fund (EEIF)	9
Program Description	9
Objectives of the Program	9
Program Components	9
Funding Conditions	9
EEIF Funding Mechanism	10
Italy: The Italian Commodity Aid Program	11
Program Description	11
Objectives of the Program	11
Financing Conditions	11
Denmark's International Development Agency (DANIDA)	13
Private Sector Development Program (PSD)	
Program Description	13
Objectives of the Program	13
Funding Conditions	13
Application	14

Credit Guarantee Company (CGC)	15
Program Description	15
Objectives of the Program	15
Credit Limitations	15
Services Provided by CGC	15
How to Acquire CGC Guarantees	16
Mediterranean Environmental Technical Assistance Program (METAP)	17
Program Description	17
Funding Conditions	18
Japan: Grants for Grassroots Projects (GGP)	19
Program Description	19
Funds Available	19
Applications	19
Switzerland: The Egyptian–Swiss Development Fund (ESDF)	20
Program Description	20
Objectives of the Program	20
Available Funding	20
Social Fund for Development (SFD)	21
Program Description	21
Mission of the Program	21
Objectives of the Program	21
Funding Conditions	22
The SFD’s Environment and Development Unit (EDU)	23
Objectives of the Unit	23
Summary Table of Private Sector Funding Programs in Egypt	

Acronyms and Abbreviations

CAIP	Cairo Air Improvement Project	LSAP	Lead Smelter Action Plan
CBU	Capacity Building Unit	METAP	Mediterranean Environmental Technical Assistance Program
CGC	(Egyptian) Credit Guarantee Company	MIBank	Misr International Bank
CIB	Commercial International Bank	MIC	Ministry of International Cooperation
CIDA	Canadian International Development Agency	NGO	Non-governmental organization(s)
DANIDA	Danish International Development Agency	PPP	Public–Private Partnership
DKK	Danish kroner (currency)	PPU	Project Preparation Unit
DM	Deutsche marks (currency)	PRCIP	Private Sector commodity Import Program (of USAID)
EAB	Egyptian American Bank	PSD	Private Sector Development (Program of DANIDA)
EC	European commission	PVO	Private, voluntary organization
EEAA	Egyptian Environmental Affairs Agency	SEDO	Small Enterprise Development Organization
EEIF	Egypt’s Environment Initiatives Fund	SFD	Social Fund for Development
ESDP	Egyptian–Swiss Development Program	SFG	Small Grants Facility
GGP	(Japanese) Grant Assistance for Grassroots Project	SSE	Small-scale enterprise
GOE	Government of Egypt	UNDP	United Nations Development Program
KFW	<i>Kreditanstalt für Wiederaufbau</i>	US\$	United States dollars (currency)
£E	Egyptian pounds (currency)	US, USA	United States of America
LIBOR	London interbank offered rate (of interest on loans)	USAID	United States Agency for International Development
LPA	Lead Pollution Abatement (component)		

Private Sector Funding Programs in Egypt

Background

The main goal of the Lead Pollution Abatement component (LPA) of the Cairo Air Improvement Project (CAIP) is to assist the Egyptian Environmental Affairs Agency (EEAA) to implement the Lead Smelter Action Plan (LSAP). One of the main objectives of the LSAP is to support the Government of Egypt (GOE) in the relocation of lead smelters to industrial sites, since they emit harmful lead particulates to the workplace and to the surrounding community. It is expected that the LPA will provide technical assistance to lead smelter owners so that the new smelters are equipped with state-of-the-art equipment and air pollution control systems.

CAIP has held two workshops for lead smelter owners. The objective of the first was to present relevant sections of Egypt's environmental law (Law No. 4 of Year 1994) and its executive regulations as related to the lead smelting industry. The second workshop covered the technology currently used in lead smelters in Egypt, and introduced new technologies used in other countries.

Discussions held following the second workshop among experts and owners reached the conclusion that the only solution that will reduce emissions from the existing smelters is to relocate them to new industrial zones, and to use modern emission control equipment, as well as modern equipment for production. All the attending lead smelter owners became willing to consolidate operations and relocate their plants outside residential areas. Most owners—especially those who own small- and medium-sized smelters—are seeking technical and financial support to conclude their relocation.

CAIP has produced two reports to assist lead smelter owners. The first is entitled, "Technical and Economic Study for Small and Medium Lead Smelters." It covers the economic and technological feasibility of small and medium lead smelters. In this report, a list of required equipment for a small or medium smelter with emission control systems is given. In the second report, entitled "Financial Feasibility Assessment: Small- and Medium-sized Smelter Upgrading and Relocation," a financial analysis of a model lead smelter is given.

In this report, a study on the available funding programs for the Private Sector has been undertaken in order to find means and to propose avenues for the smelters relocation support.

Executive Summary

This study compiles the programs available in Egypt that support, fund, or assist in funding private sector industries. Most lead smelter owners are seeking technical and financial support to relocate to new sites. Since the private sector controls the lead smelting industry in Egypt, a study on available funding programs focusing on that sector will serve as a guide to the smelter owners and stakeholders.

The programs identified here are:

- ◆ The American (USAID) Private Sector Commodity Import Program (PRCIP)
- ◆ The German: *Kreditanstalt für Wiederaufbau* (KfW)
- ◆ Canadian (CIDA) Egypt's Environment Initiatives Fund (EEIF)
- ◆ Italian Commodity Aid Program
- ◆ Danish (DANIDA) Private Sector Development Program (PSD)
- ◆ Egyptian Credit Guarantee Company (CGC)
- ◆ Mediterranean Environmental Technical Assistance Program (METAP)
- ◆ Japanese Grant Assistance for Grassroots Project (GGP)
- ◆ Egyptian–Swiss Development Program (ESDP)
- ◆ The Social Fund for Development (SFD)

These programs are described herein, funding and credit conditions are explained, and grant terms, if provided, are included.

Donor programs in Egypt, particularly those addressing the needs of the private companies/individuals are dynamic in nature in order to respond to the changing needs of the private sector. New programs are added and terms of existing ones are changed frequently.

United States Agency for International Development (USAID) Private Sector Commodity Import Program (PRCIP)

Program Description

Funds from the USAID Economic Assistance Program are provided to the private sector to finance the import of capital cost equipment, intermediate commodities, and raw material from the US. The PRCIP provides US dollar loans at fixed exchange rate and short to medium credit terms with an interest-free grace period, to finance the importation of US-manufactured commodities, capital goods, intermediate commodities, and raw materials from the United States. All Egyptian private sector entrepreneurs and firms are eligible to participate in this program, whether they are importing for resale (trading) or for their own use (end users).

Primary implementation responsibility for this program rests with a number of banks. Each of these banks has an initial allocation and a letter of commitment in favor of the participating bank's named US correspondent bank.

Objectives of the Program

To encourage the Egyptian private sector to participate in the development of the country.

Agents

The project is implemented through participating Egyptian banks, as shown in Attachment 1. Other banks, whose character/authorization enable them to transact business in a manner compatible with the provisions of the program, may work through the participating banks.

Funding Conditions:

1. Funds of this program may be used to import only items eligible in accordance with the USAID commodity eligibility listing, which does not include luxury, consumer, used, or reconditioned goods. Funds advanced under this program are not to be used to import items that are prohibited under Egyptian importation law.

Funds may also be used to finance the pre-shipment inspection services and installation or erection of USAID-financed equipment, or the training of personnel in the maintenance, operation, and use of such equipment on condition that:

- Such services are specified in the purchase contract of equipment.
- The price satisfies the requirements of USAID regulations.

- The percentage of the total purchase contract price attributable to such services does not exceed 25 percent.
2. The maximum amount of financing that can be utilized by an individual importer during a calendar year is as follows:
 - End user importing non-capital equipment: up to \$5million.
 - End user importing capital equipment: up to \$15 million.Any importer may utilize amounts greater than the ceiling amounts mentioned above upon receiving a written approval from MIC, DEC/USA.
 3. A private sector importer who desires to use funds provided by this program should apply at any one of the participating banks.
 4. Minimum transaction size for both capital equipment and non-capital equipment is \$10,000.

Credit Conditions

1. Participating banks may open letters of credit without collecting any down payment from the importer. The bank may extend to its client the interest-free grace periods following the date of negotiation of documents (the date payment is made to the US supplier by the US correspondent bank. Spare parts are to be considered as capital equipment if they are imported with the capital equipment in the same transaction; however, if the spare parts are imported on their own, they must be considered as non-capital equipment
 - Up to 9 month for non-capital equipment
 - Up to 18 month for capital equipment
2. Banks shall charge a fixed interest rate on the outstanding balance in accordance with the prevailing interest rates specified by each participating bank for similar transactions beginning the first working day after the expiration of the interest-free grace period.
3. The local currency amount of all repayments for a specific transaction shall be calculated and fixed at the rate of exchange specified as follows:
 - The exchange rate shall be the daily average closing selling rate of transfers as determined and published by the free market central chamber for the last business day, which immediately precedes the opening date of the letter of credit or the last business day which immediately precedes any increase to an existing letter of credit.
4. Participating banks shall request US correspondent banks to advise them without delay of the date that payment is effective to US suppliers to allow calculation of the interest-free grace period and the date on which interest and installments fall

due. Participating banks shall be entitled to collect from importers the normal fees and commissions on transactions financed under this program

More details are in Attachment 1.

German *Kreditanstalt für Wiederaufbau* (KfW) Program

Program Description

This program supports investment in the private sector in the areas of industry and environmental protection through local commercial banks.

The German Government intends to promote investment in Egyptian private sector industry through the provision of medium- to long-term loans either in Egyptian pounds (£E) or in Deutsche marks (DM) at fixed rates. The program has a total volume of DM64 million (£E130 million) distributed as follows:

DM49 million as loans

DM14 million as grants

DM1 million grants for consultation services

Particular emphasis is given to investments related to environmental protection, both pollution prevention and end of pipe treatment. In addition to funding investments, grant financing can be provided for environmental equipment, audits, and studies, if required in preparation for investment.

Objectives of the Program

The program aims to promote profitable private industrial companies and achievement of acceptable environmental standards in those companies.

Agents

Three banks are participating in the program: Commercial International Bank (CIB), Egyptian American Bank (EAB), and Misr International Bank (MIBank).

Funding Conditions

1. Funds are available to end users of private industrial companies only.
2. The overall funding of an individual project cannot exceed the maximum limit of DM4 million, while the maximum grant component can not exceed DM1 million. Individual projects exceeding these ceilings are also eligible for funding; in such cases, the balance required would have to be financed either by the company's own resources or a commercial bank loan.
3. An environmental assessment of the client's existing production activity and of the investment envisaged to be financed should prove satisfactory—that is, it should be acceptable in line with relevant Egyptian regulations and standards. The

relevant criterion is whether the production process is environmentally acceptable, not whether the product is environmentally friendly. A local environmental consultant specifically selected for the program determines the eligibility for grant finance as part of the local investment.

The local consultant will execute both the environmental assessments upon the request of one of the three participating banks. These assessments are free of charge for the client and the bank.

Credit Conditions

Credits are available to end users of private industrial companies under two options: as funds denominated in £E, or as funds extended in DM.

1. £E option

- The amount is determined on the basis of the foreign exchange needed at the exchange rate prevailing at the time of utilization the credit.
- Covers the cost of imported equipment.
- Interest rate presently offered is 9.5 percent per annum. The term is medium- to long term (5–8 years).
- Grace period offered is 12 month for payment only. The first installment is due after 18 month.
- Early payment of principal allowed at the discretion of the participating bank, after a period of 2 years, at the earliest.
- Foreign exchange risk is minimized through funds available in special accounts with the participating banks (buffer funds), which allow protection against annual devaluation of potentially 7 percent per annum. Any additional devaluation would have to be covered by the client.

2. DM option

- Credits in DM an amount determined on the basis of the foreign exchange needed.
- Covers cost of imported equipment
- Interest rate calculated on the basis of the current London interbank offered rate (LIBOR) plus a 2 percent spread. This rate is then fixed for the lifetime of the loan. As of October 1997, the actual rate including the spread is about 6 percent per annum.
- Term offered is medium to long (5–8 years).
- Grace period offered is 12 month for repayment only. The first semiannual repayment installment is due 18 month after signature of the individual loan agreement.
- Foreign exchange risk is fully borne by the client.

- Early repayment of principal allowed at the discretion of the participating bank after 2 years, at the earliest.

Grants Conditions

Funds are extended to clients as interest-free, non-repayable grants to cover:

- ◆ Up to 25 percent of the investment cost of integrated measures. That is, adapting production processes to improved or up-to-date technology, showing important effects of environmental protection (mainly pollution prevention measures).
- ◆ Up to 50 percent of investment cost (including local cost) of distinct and specific environmental measures (such as filters, wastewater treatment plants, etc.), or industrial safety measures.
- ◆ Grant facility can be only utilized in conjunction with a loan.

For full details, see Attachment 2.

Canadian International Development Agency (CIDA) Egypt's Environment Initiatives Fund (EEIF)

Program Description

The Government of Canada, through its official International Development Assistance Organization (CIDA), has established a 7-year, multimillion-dollar program. Terms for EEIF loans and grants have not yet been identified. The program promotes environmentally sustainable economic and social development. It also offers training and expertise to private industries and the public voluntary sector.

Objectives of the Program

The EEIF has been established to enhance sustainable development activities in Egypt by promoting sound management and conservation of Egypt's natural resources. This goal will be achieved through:

- ◆ Strengthening the capacity of NGOs and other community groups to deliver community-based initiatives to enhance the environment.
- ◆ Strengthening the capacity of small- and medium-scale enterprises to improve their efficiency and management by implementing low-cost management training and cleaner technology.
- ◆ Supporting private sector initiatives to develop green businesses and mobilize private sector investments.

Program Components

The EEIF program has three components:

1. An environmental management and technology component targeting small- and medium-scale enterprises by offering appropriate environmental management training and technological inputs.
2. Community participation component targeting the Egyptian voluntary sector and strengthening its capacity by offering advisory assistance, training, and equipment.
3. An environmental enterprise fund supporting private sector investments.

Funding Conditions

The total program budget is about Canadian \$20 million. Canadian \$8 million of this amount will be allocated for loans and Canadian \$4 million for grants. Terms for loans have not yet been identified.

EEIF Funding Mechanism

The environmental enterprise fund is allocated to support the private sector. Interested private sector and voluntary sector organizations and individuals are invited to apply for:

- ◆ Funds for environmental projects.
- ◆ Advice and access to technological inputs.
- ◆ Funds for upgrading equipment.
- ◆ Seed money to establish and expand green businesses.
- ◆ Training and technical assistance to build environmental management systems and improve management capacity.

Additional information is contained in Attachment 3.

Italy: The Italian Commodity Aid Program

Program Description

This program will provide essential commodities and services to Egypt by importation through the Italian Commodity Aid Program. The total money allocated to this program is 60 billion Italian lire (currently equal to £E36.2 million) provided by the Italian government, which will be split between the public and private sectors. The Ministry for International Cooperation will be responsible for allocating funds to both sectors. The import of commodities is limited to Italy only. Egyptian public and private entities, including joint ventures, operating in the following sectors are eligible to participate in this program:

- ◆ Agriculture/Forestry
- ◆ Fishing/Livestock
- ◆ Industry
- ◆ Environment
- ◆ Research and university activities
- ◆ Education
- ◆ Energy
- ◆ Health
- ◆ Telecommunication/Transport

Objectives of the Program

The program was designed to contribute to the implementation of Egyptian economic and social development.

Funding Conditions

1. Minimums and maximums required:
 - Minimum worth equivalent to £E200,000
 - Maximum worth equivalent to £E10,000,000.

The price of the commodities and services will be fixed according to the final result of the tender process in Italy.

2. Two percent of the estimated value of the goods or services should be paid, as a commitment bond, at the preliminary approval of the application.

Credit Conditions

- ◆ Fixed interest rate of 4 percent calculated, including grace period.
- ◆ Fixed exchange rate as of the first payment to the Italian supplier.
- ◆ Down payment of 20 percent when commodities are delivered.
- ◆ A 12-month installment-free grace period starts from the date of the letter of credit.
- ◆ Residual payments within 3 years in 6 equal semiannual installments.
- ◆ Bank fees are fixed with the bank.

Attachment 4 outlines the procedural steps for the application.

Denmark's International Development Agency (DANIDA) Private Sector Development Program (PSD)

Program Description

DANIDA's Private Sector Development Program (PSD) was developed to support business partnerships between companies in six selected developing countries (Egypt, Ghana, Uganda, Vietnam, India, and Zimbabwe) and Danish companies.

The program offers consultancy services and financial grants to assist Egyptian companies to establish partnerships with Danish companies.

The PSD program allocated an amount of US\$115 million (DKK750 million) as loans and grants for the selected countries.

PSD projects must be based on mutually binding long-term agreements between partners. The time scale for PSD projects will be a minimum of 3 years.

Objectives of the Program

The objective of the PSD is to generate dynamic economic and social progress in the selected countries by targeting the private sector specifically, and by providing support to long-term cooperation between enterprises.

Funding Conditions

The PSD is open to all branches of industries

1. Start-up phase. Companies in participating countries requesting short-term assistance from a Danish firm can apply to DANIDA for a grant to cover consultancy costs. Maximum subsidy is DKK0.5 million, or about US\$75,750.
2. Preparatory phase:
 - Partner identification and study visits:
Advisory services provided free of charge
Maximum grant DKK15,000 (US\$2,273) for one person; DKK25,000 (US\$3,790) for two people
 - Special studies:
Advisory services provided free of charge
Maximum grant of 90 percent, to a maximum of DKK150,000 (US\$22,727)

- Feasibility studies:
Advisory services provided free of charge
Maximum grant of 90 percent, to a maximum of DKK250,000 (US\$37,879)
- 3. Project phase.
 - Grants covering training, technical assistance, and technology transfer:
Maximum grant is 90 percent, to a maximum of DKK3 million or about US\$450,000.
Loans are not available
 - Grants covering environmental measures including the natural environment and the working environment:
Maximum grant is 90 percent, to a maximum of DKK2 million or about US\$300,000.
 - ◆ Grants for the import of production equipment are not available.
 - ◆ Loans are available for the import of production equipment on the following terms:
 - Total plant systems: 10 years, including a grace period of 3 years
 - Single piece of machinery: 5 years, including a grace period of 2 years
 - Components, imported raw materials, and spare parts: 2 years, including a grace period of 1 year
 - ◆ The loan period is calculated from the date of first payment.
 - ◆ The loan is calculated in local currency, as is for repayment. Therefore, loans are granted without risk of exchange rate fluctuations. Banks and interest rates are to be defined.

Application

A company profile for partner identification should be completed, as shown in Attachment 5. The PSD secretariat in Copenhagen and the local PSD office at the Danish Embassy have instructions to process applications efficiently. An initial reply to the application should be received 8 days.

On approval:

- ◆ Advisory services are available to partners individually before the partnership project is signed.
- ◆ When a partnership contract is signed, grants and loans will be available to the project, and both partners will be jointly responsible.

Credit Guarantee Company (CGC)

Program Description

CGC is an Egyptian joint stock company established in 1989. The founders are nine major Egyptian banks and an insurance company, as detailed in Attachment 6. The Credit Guarantee Company for small-scale enterprise (SSE) was established to guarantee loans from banks to small businesses.

The CGC encourages banks to extend required loans by guaranteeing 50 percent of loans that have no collateral. CGC aims to contribute to solving the problems of unemployment and increasing foreign currency savings by substituting locally-manufactured goods for imports. SSEs play a vital role in the Egyptian economy and can achieve high productivity levels, as well as serving as both producers for and consumers of goods made by medium- and large-scale manufacturers.

Objectives of the Program

- ◆ Increase the number of SSEs.
- ◆ Raise the productivity and efficiency of existing firms.
- ◆ Help banks improve credit services to SSEs.
- ◆ Increase production and exports while reducing unemployment.
- ◆ Attract new clientele to the participating banks.

Credit Limitations

The CGC issues guarantee for small-scale projects ranging between £E40,000–7,000,000 excluding value of land and buildings.

For this program, the minimum guarantee offered for a bank loan on behalf of any enterprise is £E10,000, and the maximum is £E700,000, representing 50 percent of the loan value, with no collateral. Thus the required loan should be no less than £E20,000 and no greater than £E1,400,000.

- ◆ The guarantee duration ranges from 6 months to 5 years.
- ◆ If the guarantee is called, CGC pays it off within 2 working days of receipt of the bank's request accompanied by a copy of the documents pertaining to an administrative seizure or the filing of a legal claim against the SSE.

Services Provided by CGC

The CGC provides the following services free of charge:

- ◆ Technical assistance to SSEs (local/foreign).

- ◆ Training for small-scale entrepreneurs in all fields.
- ◆ Project identification.
- ◆ Directs SSEs to licensed consultants to carry out necessary feasibility studies.

How to Acquire CGC Guarantees

1. The bank does an analysis of the loan or credit request according to its regulations.
2. The bank applies for a CGC loan guarantee for clients who do not have sufficient collateral.
3. CGC reviews the bank's application and notifies the bank of its decision within 2 days of receipt of the application.

In addition to guaranteeing loans, CGC also guarantees letters of guarantee issued for the bank's clients. Attachment 6 includes a list of the 32 banks that have signed an agreement with the CGC. CGC charges an annual fee of 1 percent of the amount guaranteed by the company

Mediterranean Environmental Technical Assistance Program (METAP)

Program Description

The Mediterranean Environmental Technical Assistance Program (METAP) was established in 1990 to bring together the Mediterranean countries to cope with and reduce the effects of environmental degradation.

The European Commission (EC), the World Bank, the European Investment Bank, and the United Nations Development Program (UNDP) support the program.

METAP's first two phases strengthened capacity in national and local environmental institutions, promoted sustainable environmental policy, and created the first professional environmental networks in the region.

METAP's third phase, "METAP 3," was launched in Cairo in October 1996, and is mobilizing US\$100 million. The program will finance activities related to three priority themes:

1. Capacity building
2. Arresting and controlling emerging sources of pollution
3. Integrating water and coastal resources management.

METAP will also provide technical assistance and small grants for non-governmental community-based organizations. METAP's Phase 3 regional facility has two units: the Project Preparation Unit (PPU), and the Capacity Building Unit (CBU).

Project Preparation Unit

- ◆ Managed and financed through the European Investment Bank, the World Bank, and the Swiss Government.
- ◆ The objectives of this unit are to:
 - Assist countries in the preparation of investment projects, from concept to implementation.
 - Build regional capacity for investment projects through on-the-job training of professionals in national organizations.
 - Employ and train junior professionals in project preparation and management.
 - Facilitate communication between sector ministers and the private financial sector.

Capacity Building Unit

- ◆ Managed and financed through the UNDP Capacity 21 Program, with financial support from Japan.
- ◆ The objectives of this unit are to:
 - Assist in addressing priority capacity building needs relating to environmental management.
 - Strengthen horizontal linkage among different stakeholders, ministers, and agencies.
 - Increase the regional exchange of information on environmental management.
 - Engage civil society in METAP activities in order to maximize public participation.

Funding Conditions

METAP Regional Initiatives

- ◆ Regional capacity building program for the environment through financing regional training and workshops in environment management, economics, legislation, and conflict resolution.
- ◆ Small Grants Facility (SGF) provides grant support for small-scale innovative activities of non-governmental community based organizations.
- ◆ Public–Private Partnership (PPP) for eco-efficiency in the Mediterranean region expands partnership and collaboration among government, business, and community-based organizations by implementing specific pilot projects.

More detailed information is contained in Attachment 7.

Japan: Grant Assistance for Grassroots Projects (GGP)

Program Description

This program provides flexible and timely support to development projects at the grassroots level. It supports projects proposed by NGOs. GGP recipients should be non-profit organizations implementing development projects. Particular attention is given to projects in primary health care, education, public welfare, and the environment.

Funds Available

Grant Assistance for Grassroots Projects (GGP) is financed by the Embassy of Japan. It provides grants only; no loans are available in this program. The grant amount per project generally cannot exceed US\$84,000. Normally each project receives a funding of about US\$33,000. Source of purchase is not tied to Japan.

The GGP program assists projects in the areas of development and environment.

The following items cannot be financed:

- ◆ Salaries and compensation
- ◆ Travel and conference allowances
- ◆ Operating costs
- ◆ Vehicles/office equipment/computers
- ◆ Consumer goods

Applications

Attachment 8 includes the application form for project proposals.

Switzerland: The Egyptian–Swiss Development Fund (ESDF)

Program Description

The Egyptian–Swiss Development Fund (ESDF) is a program that started in June 1996. The ESDF has a total budget of US\$100 million. Fifty percent of that is allocated to employment, 25 percent to environmental projects, and the balance to education. The ESDF finances development projects and programs in Egypt in the fields of employment, environment, and social services. ESDF provides its resources primarily to associations and NGOs. On a secondary level, funds are provided to private development agencies, local government entities, and national multilateral development agencies as intermediaries working in close partnership with grassroots organizations.

Objectives of the Program

ESDF aims to contribute to the social and economic development of Egyptian society.

Available Funding

The financing of projects is in local currency in the form of grants. There is no maximum amount specified for funding, but proposed project budgets of less than £E400,000 will not have high potential for acceptance. Grants are made to cover 75 percent of costs, with the balance coming as a matching contribution from the organization requesting the funds.

- ◆ Group loans for specific fields can be made available through this program.
- ◆ Project proposals should be submitted to the Egyptian–Swiss Development Fund. They should:
 - Clearly identify the target beneficiaries.
 - Have specific and appropriate outreach and technical approach.
 - Be sustainable.
 - Have a measurable impact.

The evaluation of proposals submitted to ESDF is made in a three-step procedure:

- First: Executive secretariat (overall evaluation)
- Second: Technical Committee (for technical content)
- Third: Bilateral Committee (for money allocation and transfer).

See Attachment 9 for full details.

Social Fund for Development (SFD)

Program Description

The Social Fund for Development (SFD) was created to protect and improve the status of the poor and unemployed during the period of economic transition. The SFD was established in 1991 by presidential decree as an autonomous government agency working under the direct supervision of the Prime Minister.

The Government of Egypt finances the SFD in cooperation with the World Bank/IDA, the European Union, Arab Funds, and other donors. Financial contributions to the SFD are in the form of loans and grants. Loans are directed towards income-generating activities, and are repaid by the borrower. Grants finance infrastructure development sub-projects in rural communities and zones of urban poverty. SFD resources are committed as follows:

Phase 1:	US\$747 million	Loans: US\$320 million
		Grants: US\$427 million
Phase 2 (1997–00):	US\$700million	Loans: US\$265 million
		Grants: US\$436 million

Mission of the Program

- ◆ Facilitate the implementation of the Government of Egypt's economic reform program.
- ◆ Mitigate the adverse effects of structural adjustment on low-income population groups.
- ◆ Strengthen Egypt's institutional capacity.
- ◆ Seek additional international and local financial resources, and secure technical assistance.

Objectives of the Program

- ◆ Create and implement a set of core programs to address the urgent needs of the target groups.
- ◆ Provide employment opportunities for:
 - New graduates
 - Unemployed youth
 - Workers displaced as a result of public enterprise restructuring
 - Female-heads of households.
- ◆ Channel additional public investment towards social services, especially health and education.

- ◆ Create mechanisms to protect vulnerable population groups.
- ◆ Support NGO/PVO participation in the planning and implementation of projects serving target groups.

One of the core programs of the SFD is the Small Enterprise Development Organization (SEDO). The objectives of its program are to:

- ◆ Promote employment and income generation opportunities in the small- and micro-enterprise sector, by encouraging the creation of new businesses and the expansion of existing productive activities.
- ◆ To provide small businesses and potential entrepreneurs with credit, technical assistance, training, and know how.

The selection and appraisal criteria in this program include:

- ◆ Expanding employment and income generation opportunities in the small enterprise sector.
- ◆ Utilizing appropriate technology.
- ◆ Ensuring financial viability.
- ◆ Ensuring project sustainability.
- ◆ Providing marketing and quality control.
- ◆ Assessing the managerial capacity of the sponsoring agencies.

Funding Conditions

Young people are encouraged to set up new small enterprises and/or upgrade existing ones through soft loans made available to them on the following condition:

- ◆ Loan amounts of £E10,000–50,000 maximum. If there are four partners, loans can be as much as £E200,000.
- ◆ Interest rates are 7 percent per annum for new projects; 9 percent per annum for existing projects being expanded.
- ◆ Loans can be used in the financing of machines, equipment, materials, production requirements, and operating expenses for a production cycle. No funds are provided for financing land purchases or building costs. Industrial projects are tax exempt for 10 years.

Eligible projects include all activities relating to industrial and agricultural production, services, and trade. Land reclamation projects are not eligible.

Technical assistance and training is provided to beneficiaries during the project preparation phase. Studies that cover areas such as feasibility, product promotion and marketing, human resources development, quality control, and project management and assessment are provided together with training through a non-refundable grant.

Attachment 10 shows the conditions that govern the application for loans from SFD, and gives a list of the banks that grant loans for SFD projects

The SFD's Environment and Development Unit (EDU)

The SFD has taken several positive steps in the area of environment. Among them was the establishment of cooperation between the Fund and the Ministry of State for Environmental Affairs through a protocol of cooperation in the fields of development and environmental protection signed in July 1998. An Environment and Development Unit (EDU) was established in October 1998 as the technical environment office for the fund. The EDU is an operating unit with the mission of integrating the environmental dimension in the fund's operation and promoting long-term sustainability to improve the quality of environment.

The EDU is currently in its preparatory phase, and terms of loans and grants have not yet been identified.

Objectives of the Unit

- ◆ Integrating environmental dimensions into SFD operations.
- ◆ Building the capacity for SFD resources and regional offices to apply environmental assessment procedures in project formulation, appraisal, implementation, and monitoring.
- ◆ Promoting the implementation of environmentally related projects within the SFD's mandates.
- ◆ Strengthening the link between the SFD and the Ministry of State for Environmental Affairs, and with other institutions and NGOs promoting environmental conservation and protection.
- ◆ Presenting EDU activities and services to potential donors.

**Private Sector Funding Programs in Egypt
Summary Table**

Serial No.	Program	Availability (Eligible Parties)	Loans	Grants	Technical Assistance
1	USAID (PRCIP) Total loan US\$ 200million annually (22 Egyptian banks)	All private sector firms aiming to finance the import of US-manufactured commodities, whether they are traders or end users, excluding those established in a free zone or which have public ownership exceeding 40 percent.	<ul style="list-style-type: none"> • \$200 million annually • For capital equipment–intermediate raw materials • Duration: 5 years • Maximum amount: \$15 million (traders); \$15 million end users (capital equipment); and \$15 million end users (non-capital equipment) 	None	
2	Germany (KFW) DM64 million total (loans and grants) Three Egyptian banks (CIB, EAB, and MIBank)	For modernization and extension of private industrial enterprises (end users only). 1. New industrial projects 2. Improve environmental standards.	<ul style="list-style-type: none"> • DM49 million • For imported equipment, particularly in the field of environmental pollution prevention equipment. • Duration: 5–8 years • Maximum amount: DM4 million per project. The grant covers 25–50 percent of environmental measures per project. 	<ul style="list-style-type: none"> • DM14 million • For environmental protection measures. <ul style="list-style-type: none"> - Up to 25 percent of investment cost to upgrade technologies, mainly pollution prevention measures. - Up to 50 percent of investment cost using specific environmental measures such as filters, wastewater treatment plants, etc. 	DM1 million for consultation services.

Serial No.	Program	Availability (Eligible Parties)	Loans	Grants	Technical Assistance
3	CIDA (EEIF) Total funds: Canadian \$20 million	All private sector, voluntary sector organizations and individuals in the field of environment. Funds are available for projects, technological inputs, upgrading equipment, and technical assistance to build and expand green businesses. The environmental enterprise fund component within the EEIF is dedicated to support and finance private sector investments.	The portion for loans is around Canadian \$8 million. Terms for loans have not yet been identified.	Grants are expected to be about Canadian \$4 million. Terms for loans have not been identified.	Mostly available free of charge for environment projects. Training, advisory assistance and environmental management systems are also offered.
4	Italian Commodity Aid Program (CIP) 60 billion lira grant (National Bank of Egypt is the participating bank)	Public, private sector, and joint ventures aiming to import Italian commodities in many fields including environment and industry.	<ul style="list-style-type: none"> • Maximum equivalent to £E10 million. • Minimum equivalent to £E200,000. • Duration: 4 years. • 4 percent fixed interest rate. • 20 percent down payment once the commodities are delivered. • 12-month installment-free grace period. 	None	None

Serial No.	Program	Availability (Eligible Parties)	Loans	Grants	Technical Assistance
5	<p>DANIDA (private sector development Program PDS) US\$115 million</p> <p>Loans and grants for six selected developing countries, including Egypt.</p>	<p>For private sector companies interested in establishing partnerships with Danish companies. The PSD program will provide support for long-term cooperation between enterprises.</p>	<ul style="list-style-type: none"> • Loans are not available for start up, preparatory, or project phases. • Loans are only available for the importation of equipment. • General terms are identified but the Egyptian side has not yet approved them. • No bank has been recruited yet. 	<ul style="list-style-type: none"> • Small grants for start-up facility to cover consultancy services. Maximum subsidy about equivalent to US\$76,000. • For the preparatory phase the maximum grant is equivalent to about US\$64,000 to cover study visits, special studies, and feasibility studies. • For the project phase the grants are 90 percent of the total. Private companies pay 10 percent to ensure their commitment. • Maximum grant is 90 percent of approximately US\$750,000 for both set up costs and environmental measures. • Grants are not available for imported equipment. 	<p>Technical assistance and services are made available free of charge.</p>
6	<p>Credit Guarantee company (CGC) Guarantees 50 percent of loans from banks that have no collateral. 32 participating Egyptian banks.</p>	<p>For private small-scale enterprises that have no collateral, to guarantee 50 percent of loans from banks.</p>	<ul style="list-style-type: none"> • For any enterprise • Minimum guarantee is £E10, 000; maximum is £E700,000 representing 50 percent of loan value with no collateral. Therefore, required loans should have a maximum value of £E1,400,000 and a minimum value of £E20,000. • Guarantee duration: 6 months to 5 years. 		<p>Technical assistance, training, and project identification are provided by the CGC free of charge</p>

Serial No.	Program	Availability (Eligible Parties)	Loans	Grants	Technical Assistance
7	<p>METAP (Mediterranean Environmental Technical Assistance Program)</p> <p>US\$100 million for the Mediterranean region.</p> <p>World Bank, European Investment Bank, UNDP, Switzerland, and Japan</p>	<p>Mediterranean countries aiming to reduce the effects of environmental degradation.</p>	<p>No direct loans are available through the program.</p>	<ul style="list-style-type: none"> • Small grants for non-governmental community based organizations. • METAP can implement specific pilot projects. 	<ul style="list-style-type: none"> • Provide technical assistance on the macro- and micro-levels in the area of environment. • Assist countries to prepare investment projects from concept to implementation • Employ and train junior professional in the area of environment.
8	<p>Japanese Grant Assistance for Grassroots Projects (GGP) through the Embassy of Japan.</p>	<p>Any type of non-profit organization or non-governmental organization working in the areas of development and environment can apply for GGP grants.</p>	<p>Not available under this program.</p>	<p>Available for projects in the areas of development and environment through applications by NGOs or non-profit organizations.</p> <p>Grant values range between US\$84,000–33,000.</p>	
9	<p>The Egyptian–Swiss Development Fund (ESDF)</p> <p>Total amount: US\$100 million for the duration of the program, which is 10 years.</p> <ul style="list-style-type: none"> • 50 percent of the total amount is allocated to employment. • 25 percent is allocated to the area of environment • 25 percent is allocated for social services <p>CIB is the local participating bank.</p>	<p>Mainly to NGOs in the areas of development. Private development agencies and local government can be eligible.</p> <p>Projects proposed should have a minimum £E400,000 budget.</p>	<p>Available for the private sector:</p> <ul style="list-style-type: none"> • Minimum loan amounts of £E300,000. • Management of funds is through ESDF. • Terms of loans are not yet finalized. • Group loans are also available. 	<p>NGOs are eligible for grants.</p> <ul style="list-style-type: none"> • 75 percent of the total amount is paid by the program. • 25 percent is paid as a matching contribution. 	<p>Technical assistance, training, and studies are available from the program free of charge.</p>

Serial No.	Program	Availability (Eligible Parties)	Loans	Grants	Technical Assistance
10	<p>Social Fund for Development (SFD) Phase 2: US\$700 million: \$265 million available for loans; \$436 million for grants. Five core programs of which one of the most important is the small enterprise development organization SEDO 14 commercial banks are participating.</p>	<p>For youth, to set up new small enterprises and upgrade existing ones. The SEDO program is available for all activities related to industrial and agricultural production, services and trade. Land reclamation projects are not eligible. Loans available are to finance machines, equipment, and production requirements. They will not finance land purchases or construction for project</p>	<ul style="list-style-type: none"> • Minimum loan amount is £E10,000. • Maximum loan is £E 50,000, or up to £E200,000, when there are four partners involved. • Interest rates are 7 percent per annum for new projects, and 9 percent per annum for existing projects seeking expansion 	Available for project preparation studies only	<p>Technical assistance and training are extended to beneficiaries during the project preparation stage free of charge. Feasibility studies, product promotion, human resource development, quality control, and upgrading are all provided through a non-refundable grant. Training and capacity building in the environmental impact assessment and related issues</p>