

## IMPLEMENTATION PROTOCOL

between

**The Government of the Italian Republic**

and

**The Government of the Arab Republic of Egypt**

The Government of Italian Republic, hereinafter referred to as GOI, represented by the Ministry of Foreign Affairs - Directorate General for Development Cooperation, hereinafter referred to as MFA-DGCD and the Government of the Arab Republic of Egypt, hereinafter referred to as GOE, represented by the Egyptian Ministry of International Cooperation, hereinafter referred to as MIC,

### **Whereas**

the Agreed Minutes of the first and second preparatory meeting of the next Joint Commission held in Cairo respectively on 21-22 June, 1995 and on 24-25 June, 1996, both confirming the intention of GOI to grant to GOE a soft loan of 30.000.000.000 Italian liras in favor of the Egyptian small and medium enterprises, in the framework of the National program supporting the development of the Egyptian private sector;

### **Whereas**

the Memorandum of Understanding between GOI and GOE, represented respectively by the MFA-DGCD and the MIC, signed in Cairo on the 15 of July 1997, in virtue of which the GOI is granting to GOE a soft loan of 30.000.000.000 Italian liras at the following financial conditions:

- Interest rate of 1% (one per cent) per annum;
- Repayment of the loan shall be made in 36 (thirty six) half-yearly consecutive equal installments, the first of which falling due 150 (one hundred fifty) months upon entry into force of the Financial Convention between Mediocredito Centrale and the Central Bank of Egypt.

The loan shall be utilized for establishing a credit line, hereinafter referred to as Credit Line, to support development of the Egyptian private sector programme and, in particular, of the Egyptian Small and Medium Enterprises, hereinafter referred to as Programme,

have agreed as follows

**CLAUSE 1**

**CREDIT LINE TO THE EGYPTIAN PRIVATE SECTOR**

The Credit Line shall be denominated in Italian Lira and shall be made available to individual Egyptian entrepreneurs through the Egyptian banking system for financing long term private investments.

**CLAUSE 2**

**CRITERIA OF ELIGIBILITY**

2.1. The Credit Line is meant to support cooperation between Italian and Egyptian enterprises and is open to Egyptian Small and Medium Enterprises and/or to joint ventures, resident in Egypt, between Italian and Egyptian enterprises.

2.2. Only private enterprises, with no equity participation by the GOE and/or by Egyptian governmental institutions, shall be eligible for financing; however, research centers and Universities may also have access to the Credit Line for setting up pilot plants or demonstration centers in the fields of technology innovation and environment protection.

2.3. Priority criteria of eligibility for financing shall be the following:

- a. equity joint ventures;
- b. technology upgrading;
- c. technology innovation;
- d. employment generation;
- e. clean production and pollution control.

**CLAUSE 3**

**FINANCING UNDER THE CREDIT LINE**

3.1. The Credit Line shall finance the purchase of equipment, technology transfer and related technical training and technical assistance, industrial licenses and industrial patents.

3.2. Goods and services supplied through the Credit Line shall be of Italian origin; however a maximum amount of 20% (twenty per cent) of the required financing may be utilized to cover local costs and/or importation of goods and services having a different origin.

3.3. Supply contracts financed through the Credit Line shall be denominated in Italian Lira and may include also costs for transport, insurance, technical assistance and training and, as the case may be, local costs and/or procurement of goods of non Italian origin.



- 3.4. The Credit Line cannot be used to finance the following:
- a. paid up and working (excluding stocks) capital of the enterprises;
  - b. debts of the enterprises;
  - c. temporary joint ventures, commercial and financial enterprises;
  - d. investments in the sectors of civil works, tourism, production of arms and related industry;
  - e. income taxes and custom duties.

#### CLAUSE 4.

##### TERMS AND CONDITIONS OF THE FINANCING SCHEME

4.1. Loans under the Credit Line shall be managed by a pool of not less than 5 (five) public and private banks of the Egyptian banking system, hereinafter referred to as the Egyptian banks. The Egyptian Banks shall be selected by the Egyptian side.

4.2. Each individual loan, even if split into more than one contract, shall not exceed the amount of Lit. 3.500.000.000 (Italian Lira three billion five hundred million) and shall not be lower than Lit. 300.000.000 (Italian Lira three hundred million).

4.3. Given the current 11% p.a. (eleven per cent per annum) interest rate of the Egyptian treasury Bills, interest rates to be applied to the loans shall be calculated as follows:

**a. In case of joint ventures:**

1. loans granted in Italian Lira: not more than 4% p.a.(four per cent per annum);
2. loans granted in Egyptian Pounds: not more than 7% p.a.(seven per cent per annum); this percentage includes a 3% (three per cent) premium in favour of the Egyptian Banks bearing the foreign exchange risk;

**b. in other cases**

1. loans granted in Italian Lira: not more than 7% p.a.(seven per cent per annum);
2. loans granted in Egyptian Pounds: not more than 10% p.a.(ten per cent per annum); this percentage includes a 3% (three per cent) premium in favour of the Egyptian Banks bearing the foreign exchange risk.

4.4. The repayment of each individual loan shall be made in 14 (fourteen) half yearly installments, the first of which falling due up to 36 (thirty-six) months after the disbursement.

4.5. A share of either the above-mentioned interest rates paid by the borrowers, not more than 3 (three) percentage points, shall be due to the Egyptian Banks as remuneration for assuming the financial risk and for the management of the loans.

## CLAUSE 5

### IMPLEMENTATION PROCEDURE

5.1. An Italian Investment Promotion Unit, hereinafter referred to as IIPU, shall be established and shall operate at the premises of the General Authority for Investment. IIPU shall facilitate access to the Credit Line by assisting the Egyptian enterprises in preparing the documentation required for loan applications. Such documentation shall include business plans and reports justifying the selection of goods and services which should be based on bids received, whenever possible, from at least 3 (three) different Italian suppliers; in case of joint ventures the cost estimate of goods and services included in the loan applications shall be supported by official price lists and/or proforma invoices from specialized suppliers.

5.2. The Egyptian Banks shall evaluate projects on the basis of documentation (business plans, feasibility studies, etc..) prepared by IIPU.

5.3. Loan agreements shall be finalized, as far as possible, according to the principles of project financing techniques.

5.4. Once projects are approved by the Egyptian Banks and, subsequently, by the Egyptian Authorities, the relevant dossier, including the draft loan agreement, shall be sent to the Italian Embassy in Cairo for further transmission to MFA-DGCD.

5.5. MFA-DCGD, through the Italian Embassy in Cairo, shall notify the Egyptian Authorities of projects approved in accordance with the terms of the loan agreements and shall give instructions to the Istituto Centrale per il Credito a Medio Termine, hereinafter referred to as Medio Credito Centrale, to disburse the contract amounts to the GOE Italian agent bank for subsequent payment to Italian suppliers.



**CLAUSE 6****ADDITIONAL FINANCIAL OPTIONS**

6.1. An amount equal to 70% (seventy per cent) of the paid up capital of the Italian partner of a joint venture may be covered through the general financial facility provided by clause 7 of the Italian Cooperation Law. The same documentation prepared to gain access to the Credit Line may be utilized for the financing scheme provided by said clause 7.

6.2. In case the maximum amount of Lit. 3.500.000.000 (Italian Lira three billion five hundred million) for each individual lone is not sufficient to cover the total cost of an approved application, the necessary additional financial resources might be drawn by the Italian Commodity Aid. IIPU may assist the Egyptian enterprises to apply to the relevant MIC office for this purpose.

**CLAUSE 7****AMENDMENTS**

Operational amendments agreed in the context of the Programme management structures shall be adopted by exchange of Notes.

**CLAUSE 8****ENTRY INTO FORCE**

This Implementation Protocol shall enter into force once the Financial Convention between Mediocredito Centrale and the Central Bank of Egypt is signed.

In witness thereof the undersigned Representatives, duly authorized by their respective Governments, have signed the present Implementation Protocol.

Done in Cairo on March 15, 1988 in 2 (two) originals, each one in English language.

For the Government of  
the Italian Republic

  
H.E. Francesco Alajolo  
Ambassador of Italy

For the Government of  
the Arab Republic of Egypt

  
H.E. Zafer El Bishry  
Minister of State for Planning  
and International Cooperation