

**AMENDMENTS TO THE
IMPLEMENTATION PROTOCOL
SIGNED IN CAIRO ON 14th JUNE 2001
REGARDING THE
ITALIAN CREDIT LINE
WITH SOCIAL FUND FOR DEVELOPMENT (SFD)
FOR SMALL ENTERPRISES**

In compliance with the exchanged letter signed on 3rd June 1999 between the Government of the Italian Republic and the Government of the Arab Republic of Egypt, the Government of the Italian Republic, hereinafter referred to as the GIR, represented by the Ministry of Foreign Affairs – Directorate General for Development Cooperation, hereinafter referred to as the MFA-DGDC, and the Government of the Arab Republic of Egypt, hereinafter referred to as the GARE, represented by the Ministry of Planning and International Cooperation, hereinafter referred to as MoPIC, in favor of the Social Fund for Development, hereinafter referred to as the SFD,

Have agreed as follows

Articles 1 – 3.2 – 3.3 – 3.4 – 4.2 – 4.3 – 5 – 8 of the Implementation Protocol shall be substituted by the following articles:

Article 1

The Soft Loan shall be used to finance a Credit Line, auditing services and technical assistance activities related to the implementation of the present Protocol.

The Credit Line shall be made physically available through local banks to Egyptian enterprises and/or entrepreneurs for financing long term private investments and shall be denominated in Euro.

Article 3.2

3.2.1 A Management Committee (MC) will be established to: i) ensure the effective implementation and monitoring of the Credit Line, ii) take decisions regarding the funds of the Credit Line to be used for Auditing and TA activities, iii) approve Annual Plan of Actions. The MC will be composed of one member appointed by the Italian Cooperation Office of the Italian Embassy, one member appointed by

the Ministry of International Cooperation and one member appointed by the SFD. The MC will convene quarterly, or whenever needed, at any of the partners' request. The TAT will ensure the Secretariat of the Management Committee.

3.2.2 A Technical Assistance Team (TAT), composed by one Italian expert, will be established within the Italian Cooperation in Egypt; the ToR are annexed. The TAT will cooperate with SFD/SEDO to diffuse and promote the Credit Line and to facilitate the access of end users to the credit line, as well as the matchmaking between the end users and the Italian market. The TAT will finance the six focal personnel (recruited locally by Italian Cooperation) that shall be located in the six focal points to provide technical assistance to the potential beneficiaries in order to utilize the Italian credit Line. The cost and expenses of the TAT Italian experts and of the focal points will be covered by the Italian grant. Annual Plans of Action and related Financial Plans will be jointly prepared by the TAT and SFD. Other costs and expenses for technical assistance, including focal point Offices costs, could be covered by the Credit Line fund with a maximum amount of Euro 100,000.00 (one hundred thousand) per annum upon approval by the Management Committee. Nevertheless, the total resources devoted to technical assistance activities will not exceed 3% (three percent) of the total amount of the credit line. These activities will include studies and assessments, workshops, seminars, training activities, etc. The first Plan of Action will be submitted to the MC within two months from the establishment of the TAT.

Article 3.3

Goods and services supplied through the Credit Line shall be of Italian origin; however, a maximum amount of 50% (fifty percent) of each loan agreement may be utilized to finance contracts stipulated with local or international companies related to goods having different origin.

Article 3.4

Supply contracts financed through the Credit Line may include, raw materials and semi finished products strictly related to the equipment supplied (for a maximum amount of 20% of each loan contract), spare parts,

technical assistance, training, transportation costs and insurance. Contracts stipulated with the Italian suppliers shall be denominated in Euro. Payments to suppliers shall be done directly by the participating bank signing the loan contract with the end user.

Article 4.2

Each individual loan, even if split into more than one contract, shall not exceed the equivalent in Egyptian Pounds to Euro 200,000.00 (two hundred thousand).

Article 4.3

End-user interest rate to be applied to the loan contracts in local currency shall be not higher than 9% (nine percent). Up to a 3% (three percent) share of the end-user interest rate paid by the entrepreneur shall be retained by the Egyptian Participating Bank as remuneration for the handling of the commercial risk and the management of the repayments of the loan. After covering the credit to the Government of the Italian Republic (0.5%), the remaining share of the end-user interest rate (5.5%) shall be retained by the Social Fund for Development, partially to hedge the foreign exchange risk, and partially to fund additional projects, as described in Art.7.

The exchange rate Euro/EGP at the date of the loan agreement signature between the Participating Bank and the beneficiary will be the daily exchange rate determined by CBE.

The maximum repayment period for each loan should not exceed ten years, out of which three-year grace period.

Article 5 - Implementation procedures

(Disbursement)

5.1. The Soft Loan balance amount of Euro 12,588,994.48 (twelve million and five hundred and eighty eight thousand nine hundred and ninety-four and forty-eight cents) will be disbursed by Artigiancassa, the Italian Financial Institution (IFI), in three advanced installments to the SFD which for this purpose will open a dedicated account in the Central Bank of Egypt - CBE, named "Italian Credit Line in support of Small Enterprise Development Program". Accordingly, amendments to the Financial Convention signed on January 4, 2001, shall be agreed between the Central Bank of Egypt and Artigiancassa.

- 5.2. The first installment of Euro 4 millions (four millions) will be disbursed as soon as the new Financial Convention will enter into force and the Auditing company will be selected. The contract between SFD and the external Auditing Company shall be submitted for approval to MFA-DGDC, before signature.
- 5.3. The second installment of Euro 4 millions (four millions) will be disbursed after commitment (intended as total amount of loan contracts signed between the banks and the beneficiaries) of at least Euro 3 millions (three millions) and after a disbursement of at least Euro 0.8 million of the first installment, and upon approval by the Italian Ministry of Foreign Affairs (MFA) and IFI of a Financial Report issued by SFD and certified by an external international Auditing Company. The Report shall show regularity and compliance of procedures and transactions of the Credit Line to the provisions of the Implementation Protocol and of the Financial Convention, and shall provide details for each transaction of the Credit Line; the relative documentation must be made available to the Auditing Company by SFD and by the Participating Banks according to the procedures set by the Terms of references for audit.
- 5.4. The final installment of Euro 4,588,994.48 (four millions and five hundred and eighty-eight thousand and nine hundred and ninety-four and forty eight cents) - will be disbursed after commitment of at least Euro 6 millions (six millions) and a disbursement of at least Euro 2 millions of the cumulated amount first and second installments, and upon approval by the Italian MFA and IFI of a Financial Report issued by SFD and certified by an external Auditing Company.

(Reporting and Auditing)

- 5.5. When all the funds have been disbursed, the SFD should produce a Final Financial Report, certified by an external Auditing Company, forwarded for approval to the Italian MFA and IFI with details on all relevant documentation.
- 5.6. With reference to the approval of the three Financial Reports above mentioned, the SFD commits to retransfer to the IFI the amount equal to the expenditures of transaction not approved by Italian MFA and IFI.

5.7. Cost of external Audit will be covered by the Credit Line fund. The audit will be assigned through National public tender to an independent international auditing company with legal representatives in Egypt. Terms of reference of the auditing shall be mutually agreed upon.

(Approval of credit, transfer of funds to the Participating Bank)

5.8. The entrepreneur will submit the request to the Participating Bank for approval of the credit. Once the Participating Bank has approved the credit, it will submit to SFD the request of transfer of the relative amount, accompanied by a Project Brief. SFD will forward each Project Brief, in English, to the Italian Cooperation for information. SFD will instruct Central Bank of Egypt to transfer the above-said amount to the Participating Bank.

5.9. Credit loan will be disbursed to end users through the Participating Banks (PBs) with active local branches in the priority areas identified by the MC. On lending agreements will be signed between SFD and PBs.


5.10. Foreign exchange risk will be covered by the SFD.

Article 8 – Entry into force

The Amendments to the Implementation Protocol shall enter into force on the date of the receipt of the last of the two notifications by which the Parties shall formally have communicated each other that their respective internal procedures have been completed.

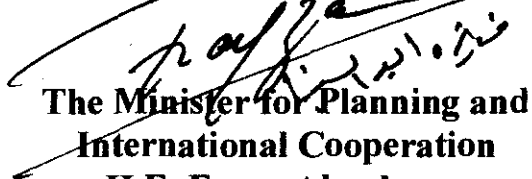
Done in Cairo on 10/5/2012, in two original copies in English language.

**For the Government
of the Italian Republic**



**The Ambassador of Italy in Egypt
H.E. Claudio Pacifico**

**For the Government
of the Arab Republic of Egypt**



**The Minister for Planning and
International Cooperation
H.E. Fayza Aboulnaga**

**CREDIT LINE FOR SMALL ENTERPRISE DEVELOPMENT
PROGRAMME (SOCIAL FUND FOR DEVELOPMENT)**

TECHNICAL ASSISTANCE TEAM

TERMS OF REFERENCE OF THE ITALIAN EXPERT

DUTIES

1. to manage relationships with SFD, participating banks, focal points and other Italian and Egyptian stakeholders
2. to conceive promotional activities for the credit line
3. to identify potential partnerships between Egyptian and Italian SMEs
4. to provide support to SFD technical assistance to potential beneficiaries in the project cycle (market analysis, business plan, financial plan, loan negotiation, entrepreneurs coaching, marketing, etc)
5. to monitor the ongoing operations;
6. to prepare ToR of and manage the post-evaluation

SKILLS

1. University degree (at Master level) in Economy or Law/Political Science or Engineering
2. Good command of English
3. 10 years of working experience