



# **GUIDELINES FOR THE MANAGEMENT OF SMES LINE OF CREDIT IN EGYPT**

**Updated August 2014**

This document has been drafted by the  
Economic and Commercial Office of the  
Spanish Embassy in Cairo.

## **INDEX**

<b>1. INTRODUCTION</b>	<b>3</b>
<b>2. GUIDELINES FOR THE MANAGEMENT OF SMES LINE OF CREDIT IN EGYPT</b>	<b>4</b>
<b>3. NOTES AND CONTACT</b>	<b>8</b>

# 1. INTRODUCTION

Availability of financing through the credit line for SMEs, which is included in the Financial Cooperation Programme established between Spain and Egypt.

The SME credit line with Egypt has been operational since late 2012, with an overall amount of 20 million Euros.

The objective of this line is to promote the internationalization of Spanish small and medium enterprises, through encouraging the exportation of commercially viable supplies, by financing the Egyptian or Spanish-Egyptian SMEs purchasing of Spanish goods and services, with the following requirements:

- The total of each export operation or project can not exceed in Euros the equivalence of 2 million Special Drawing Rights (see exchange rate [www.imf.org](http://www.imf.org)), approximately 2 million Euros.
- The financing of local costs and materials from third countries may be authorized for each operation up to a maximum of 45% of the value of exported goods and services for a combination of both items.

This line has a sovereign guarantee full amount approved for each operation. The conditions which the National Bank of Egypt, the Egyptian consultant of this credit line, gives the Egyptian companies, allow them to obtain a 35% concessionality level.

## 2. GUIDELINES<sup>1</sup> FOR THE MANAGEMENT OF SMES LINE OF CREDIT IN EGYPT

### 2.1 THE OPERATION'S APPROVAL PROCESS<sup>2</sup>

The process phases are the following:

1. **The Egyptian importer** will request the financing from the National Bank of Egypt (NBE).
2. **NBE** analyses the said request, and if the risks are deemed to be acceptable, NBE will request from the Spanish Economic and Commercial Office (SECO) the allocation of a commercial transaction to the SME Line of Credit by sending, as per the Line of Credit Agreement, the commercial contract or the pro-forma invoice<sup>3</sup> attaching **Annex I** (Request for Allocation of Transaction), and **Annex III** (Irrevocable and Unique Payment Authorisation). The SECO shall notify the approximate date for the reply, according to the labour calendar and public holidays.
3. **The SECO Procedures :**
  - a. The previous documentation shall be carefully revised by SECO. With regard to the commercial contract , the following points shall be checked:
    - The information set out in the commercial contract is complete and consistent, and matches with the data provided in Annex I & III. One aspect to be particularly revised is

---

<sup>1</sup> The present guidelines are considered as an informative document, for the knowledge of the interested parties : the Exporter, the Importer and the Payer Bank ; hence , the Spanish Ministry of Economy and Competitiveness, the Official Credit Institute (ICO) as well as the National Bank of Egypt (NBE) are exempt of all responsibilities

<sup>2</sup> The operation's approval process shall be conducted according to the Credit Agreement (CA) through letter exchanges between the NBE and the Spanish Economic & Commercial Office (SECO)

<sup>3</sup> It is preferable to opt for a Commercial Contract since it entails a higher juridical guarantee.

whether the amount stated in the commercial contract is more than the Spanish SMEs Line of Credit amount allocated to each operation.

- The drawdown period and its correspondent payments are clearly specified: According to the commercial contract, there could be a prepayment<sup>4</sup> <sup>5</sup> and other several payments. The second payment is usually made against the shipping documents, and there could be a last payment that can be provided after installing the machinery or after a certain predetermined deadline.
  - The percentages of local expenses and foreign goods comply with what is outlined in the Credit Agreement, in other words, both percentages must not exceed together 45% of the value of the goods and services exported.
  - The specific procedures of the shipping documents' delivery must be stated in the commercial contract, specifying that the Payer Bank must send the shipping documents to the contact person in NBE and never directly to the Importer or SECO.
  - The commercial contract must include the penalties to be applied in case of non fulfilment by either parties.
- b. Once the previous verifications are done, SECO will contact the Spanish Exporter informing about the funding request covered by the line of credit for SMEs. The Spanish Exporter will be asked to confirm the non existence of any other letter of credit assigned to the same operation, to fill in Annex VI (Exporter Certificate and Declaration)<sup>6</sup> and send the original to SECO. Additionally, the Exporter must attach the certificates that provide evidence of current tax and social security payments, which can be sent in electronic format.

If the information is incorrect or incomplete, SECO will notify the Exporter to have it corrected as soon as possible. In case the commercial contract does not mention the specific procedures for the delivery of the shipping documents, by including the obligation that the Payer Bank must send the said documents to the contact person in the NBE, and/ or does not include the penalties to be applied in case of non fulfilment of the contract; SECO will request the above mentioned information signed by the Importer and the Exporter in order to proceed with handling the credit request file.

- c. Subsequently SECO makes the final assessment.

**4. The SECO shall send its proposal to the Deputy General Directorate of Financial Promotion for Internationalisation (DGDFPI), in order to get the acceptance or the rejection regarding the operation, the company's assessment and the documents that have been revised previously. Then the DGDFPI shall analyze the sent documents and issue the corre-**

<sup>4</sup>The prepayment is not mandatory. However, usually it should be included in the commercial contract if both parties agreed on it.

<sup>5</sup> The prepayment should not exceed 15% of the commercial contract's total amount. If the parties agree on a higher percentage, it will be necessary to get the approval from the Spanish Ministry of Economy & Competitiveness

<sup>6</sup> In this annex, the exporter shall certify, among other things, the veracity of the commercial operation and the compliance with the foreign material and local expenses' limits.

spondent approval or rejection of the credit request, and shall communicate its decision to the SECO by fax or e-mail with a PDF attachment).

5. **In case of approval, SECO will communicate it to NBE by sending Annex VII** (Model for The Communication of Operation Allocation). In case of rejection, NBE will be informed via e-mail.

### 2.2 PROCEDURES BETWEEN SECO & ICO<sup>7</sup>

SECO shall send the original documents to ICO, i.e: Annexes I, III, VI , VII along with a copy of the commercial contract as well as the tax and social security payment certificates.

ICO should revise the documents and notify NBE regarding the operation's credit allocation by sending an "Allocation Letter", with a copy to SECO. Furthermore, ICO will inform both the Exporter and the Payer Bank about the credit allocation by sending the same letter to both parties. A copy of the commercial contract and **Annex IV** (Payer Bank Certification) should be sent to the Payer Bank.

### 2.3 MAIN ISSUES OF THE COMMERCIAL TRANSACTION

The commercial contract is considered as the basic document in which each and every step must be clearly listed, along with the financing method of all payments (These aspects being already mentioned in the "Allocation Letter" sent by ICO to NBE). This is particularly important when, in the exceptional case where the requested Spanish SME's line of credit is less than 100 % of the total amount stated in the contract, a well defined breakdown of both parts of the operation amount should be clearly stated in the commercial contract: the part financed by the Spanish SMEs Line of Credit and the remaining part of the contract's total amount. The same applies for the prepayment or any other payment associated with the commercial contract.

In reference to the payments stated in the commercial contract, the Payer Bank shall check all the documents related to the corresponding disbursement (either the prepayment or any other interim payments). Subsequently, the Payer Bank shall certify to ICO, by sending Annex IV, that the documents and the corresponding payments are correct and in compliance with what is stipulated in the commercial contract.

---

<sup>7</sup> The Governmental Financial Agent.

ICO, in turn, revises the said certificate and gives instructions to Banco de España in order to proceed with the payment to the benefit of the Exporter through the Payer Bank. Once this step is done, ICO notifies NBE that the debit has been drawn down from the Bank Agreement Account, and a copy of the notification should be sent to SECO.

The disbursement process, according to the different contract terms, shall be carried out as follows:

- **Prepayment**

In case of prepayment, both the exact advance amount and the way of financing it, must be clearly stated in the commercial contract. The Payer Bank shall certify that the payment documents are correct and in accordance with all terms and conditions.

ICO should revise the said certification, authorise the transfer of the prepayment to the Exporter, and notify NBE that the debit has been drawn down from the Bank Agreement Account.

In case of total or partial disbursement of the prepayment by the Importer, the exporter must inform ICO about receiving the said payment by issuing a certificate and hence, the Spanish SMEs Line of Credit financing will be initiated.

- **Other Payments**

The Payer Bank shall check all the payment documents, and then notifies ICO by sending Annex IV that the payment in question and the documents are correct and in accordance with the commercial contract terms and conditions.

In case of payments against the delivery of the shipping documents, the process will be the following:

- The Exporter dispatches the merchandise and sends the original shipping documents to the Payer Bank as early as possible.
- The Payer Bank checks the said documents and notifies ICO by sending Annex IV that the corresponding payment and the documents are correct and in conformity with the commercial contract.
- ICO revises the certificate in question and asks Banco de España to make the payment to the Exporter through the Payer Bank .
- ICO also informs NBE and SECO that the debit has been drawn down from the Bank Agreement Account.
- The Payer Bank shall send the shipping documents to the NBE as early as possible according to the procedures stated in the commercial contract or in the additional document sent to the SECO signed by the Importer and the Exporter.
- As for the rest of payments, either the interim payments or the final one, the same procedure of thoroughly checking the corresponding documents, should be followed (for example the documents related to the availability of the merchandise or the final acceptance certificate).

## 3. NOTES AND CONTACT

### 3.1 NOTES

- These informative guidelines are included as an annex to the commercial contract, for the knowledge of all concerned parties: The Exporter, the Importer, the NBE and the Payer Bank.
- To avoid problems related to the delivery of the shipping documents, it is convenient to do the following :
  - The Exporter should send the original shipping documents as soon as possible to the Payer Bank, just after receiving them from the Spanish shipping company.
  - The Payer Bank should know the exact contact person in ICO to whom the payment certification should be sent.
  - The Payer Bank should always send the shipping documents to NBE and never to the Importer or to SECO.
- Moreover, it is crucial to take into consideration that any modification or addendum to the commercial contract, would only be valid for FIEM financing once the Spanish Ministry of Economy and Competitiveness, along with the NBE have both given their written approval. Such approvals shall be duly communicated by ICO to all concerned parties.
- To ensure the coordination between different concerned parties, the contact persons in the NBE, ICO and SECO are indicated below :

### 3.2 CONTACT

#### NATIONAL BANK OF EGYPT (NBE)

Mohamed M. Shawky

National Bank of Egypt, SME Division

Unit Head - Products Development & Credit Lines

1187, Courniche elnil, Cairo plaza.

Cairo , Egypt

Phone: +2-02-25945000 Ext:11743

Email: [m\\_shawky@NBE.com.eg](mailto:m_shawky@NBE.com.eg)

**ICO**

Fernando de Casso Castillo

Jefe de Área de Fondos del Estado para la Internacionalización.

Paseo del Prado 4 - 28014 Madrid

TEL +34 915921691

FAX +34 915921700

[fernando.decasso@ico.es](mailto:fernando.decasso@ico.es)

Carmen Palomino

Técnico del Área de Fondos del Estado para la Internacionalización

Paseo del Prado 4 - 28014 Madrid

TEL:+34 915921683

[carmen.palomino@ico.es](mailto:carmen.palomino@ico.es)

**SPANISH ECONOMICAL AND COMMERCIAL OFFICE IN CAIRO**

Susana Castro-Acuña Baixaulí

19 Boulous Hanna, Dokki, Cairo

TEL: (+2) 02 33361588 / +34 91 7323491

[scastro@comercio.mineco.es](mailto:scastro@comercio.mineco.es)

SECO general e-mail address:

[elcairo@comercio.mineco.es](mailto:elcairo@comercio.mineco.es)

FAX: (+2) 02 33361577