

# COVID-19: Egyptian Government Financial Assistance Measures

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## Introduction

The Egyptian government has taken a number of fiscal measures to contain the economic shock and disruption caused by the COVID-19 outbreak (the “**Outbreak**”).

As part of these measures, the Central Bank of (“**CBE**”) has directed banks to: (i) relax credit limits for companies; (ii) reduce the corridor lending interest rates by 300 basis points; and (iii) place a moratorium on repayments of principal and interest under existing credit facilities for a period of six (6) months.

The CBE further launched two (2) financial support initiatives: (i) the Tourism Initiative and (ii) the Industrial and Agribusiness Initiative.

## CBE moratorium measures

The CBE issued a circular on 16 March 2020 declaring a general moratorium on all repayments of principal and interest due to banks from any borrower under existing facilities for a period of six (6) months, without the application of any default interest or fees (the “**Directive**”).

### *Scope of Application*

#### **Banks**

The Directive applies to all banks subject to the CBE’s regulation and oversight, *i.e.*, those registered with the CBE for conducting banking financial services in Egypt (including the Egyptian branch offices of foreign banks). Where a foreign financial institution is not registered with the CBE and does not have an Egyptian branch which is so registered, any loans it provides to an Egyptian incorporated borrower would not be subject to the Directive.

#### **Beneficiaries**

Any borrower of a CBE regulated bank will benefit from the moratorium regardless of its jurisdiction of incorporation.

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## Types of loans

The Directive applies to:

- repayments of principal and current and future interest under existing credit facilities to individuals, including: (i) personal loans, (ii) credit cards, (iii) financing of vehicles for personal use and (iv) real estate financing; and
- repayments of principal and current and future interest under existing credit facilities to corporates.

## Treatment of Interest

Interest continues to accrue normally in accordance with the terms of the relevant facility agreement and be repayable after the moratorium period. On the expiry of the moratorium period, the interest accrued is capitalised with the principal outstanding and repaid over the extended period of the facility after the expiry of the moratorium.

## The Tourism Initiative

The CBE has allocated EGP 50 billion to private sector companies in the tourism industry (the “**Tourism Initiative**”) by way of lower-interest (eight percent (8%) instead of ten percent (10%) *per annum*) long term and short term loans, *provided that* the applicants meet the below requirements:

### Long-Term Loans

- **Beneficiaries:** Existing hotels or tourism transport fleets. The initiative does not distinguish between the form of incorporation or ownership structure of the entities that qualify for them.
- **Purpose:** To be used by the beneficiaries to repair or refurbish existing hotels or tourism transport fleets.
- **Conditions and restrictions:**

1.	<b>Maximum duration</b>	<ul style="list-style-type: none"><li>▪ Fifteen years</li></ul>
2.	<b>Use of proceeds</b>	<ul style="list-style-type: none"><li>▪ Should not be used to repay or prepay any of the borrower’s existing facilities and must be used within their permitted purposes</li></ul>
3.	<b>Foreign Ownership</b>	<ul style="list-style-type: none"><li>▪ No specific restrictions on the shareholding structure of a beneficiary apply.</li></ul>

### Short-Term Loans

- **Beneficiaries:** (i) companies engaged in the building and operation of hotels and resorts, (ii) travel agencies, (iii) in-land tourism transport companies, (iv) companies operating restaurants and other entertainment business in touristic areas, and (v) civil aviation companies.
- **Purpose:** financing general corporate expenses (*i.e.*, salaries, existing commitments to suppliers and maintenance costs).

- **Conditions and restrictions:**

1.	<b>Maximum duration</b>	<ul style="list-style-type: none"> <li>▪ Two (2) years</li> </ul>
2.	<b>Grace period</b>	<ul style="list-style-type: none"> <li>▪ Beneficiaries get an interest grace period of no more than six (6) months from the relevant disbursement date.</li> </ul>
3.	<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>▪ Should not be used to repay or prepay any of the borrower's existing facilities and must be used within their permitted purposes.</li> </ul>
4.	<b>Foreign ownership</b>	<ul style="list-style-type: none"> <li>▪ No specific restrictions on the shareholding structure of a beneficiary apply.</li> </ul>

## The Industrial and Agribusiness Initiative

The CBE allocated EGP 100 billion to private companies operating in the industrial and agribusiness sectors (the “**Industrial and Agribusiness Initiative**”) by way of lower-interest loans (eight percent (8%) instead of ten percent (10%) *per annum*), *provided that* the applicants meet the below requirements:

- **Beneficiaries:** private companies operating in (i) the industrial sector (with priority to those operating in the export/import sector or the renewable energy sector), (ii) exporting terminals, (iii) packaging plants and (iii) fish, poultry and livestock.
- **Purpose:** financing (i) the working capital, (ii) the machinery or (ii) increasing production capacity.
- **Conditions and restrictions:**

1.	<b>Maximum duration</b>	<ul style="list-style-type: none"> <li>▪ To be agreed between the parties.</li> </ul>
2.	<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>▪ Should not be used to repay or prepay any of the borrower's existing facilities and must be used within their permitted purposes.</li> </ul>
3.	<b>Annual Revenue Requirement</b>	<ul style="list-style-type: none"> <li>▪ Eligible companies should be generating a minimum annual turnover of EGP 50 million.</li> </ul>
4.	<b>Foreign ownership</b>	<ul style="list-style-type: none"> <li>▪ No specific restrictions on the shareholding structure of a beneficiary apply.</li> </ul>

## Conclusions

The directives issued by the CBE provide a series of urgent measures to contain the Outbreak's effects on the economy, which has made giant strides over the past few years.

We encourage our clients to consider the opportunities presented by the Egyptian government carefully, while consulting with us if needed.

In addition, White & Case has carried out an analysis of global governmental responses to the COVID-19 crisis. These vary considerably from country to country and are being updated and amended regularly.

We have prepared an in-depth and nuanced analysis for various major jurisdictions and pulled together a global response team.

For useful information on COVID-19, please consult the Coronavirus section of [www.whitecase.com](http://www.whitecase.com).

## Annex I

The Egyptian Government and the Central Bank of Egypt have implemented urgent measures to deal with the impact of the COVID-19 outbreak. The eligibility of beneficiaries under the measures are described and compared here.

<b>Applicable Measures</b>	<b>Large corporates</b>	<b>SMEs</b>
<b>CBE Moratorium</b>	Available to all borrowers under existing facilities.	Same
<b>Long-Term Loans under Tourism Initiative</b>	Available to all enterprises operating hotels or tourism transport fleets.	Same
<b>Short-Term Loans under Tourism Initiative</b>	Available to (i) enterprises engaged in the building and operation of hotels and resorts, (ii) travel agencies, (iii) in-land tourism transport companies, (iv) companies operating restaurants and other entertainment business in touristic areas, and (v) civil aviation companies.	Same
<b>Industrial and Agribusiness Initiative</b>	Available to corporates generating a minimum annual turnover of EGP 50 million.	Ineligible.

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