



## **CREDIT LINE IN PAKISTAN**

The Government of the Italian Republic and the Government of the Islamic Republic of Pakistan have signed an agreement of understanding regarding the concession of a soft loan of Euro 7, 75 million for the implementation of a credit facility to the private sector support.

The UNIDO Investments Promotion Units (IPU) in Pakistan assists local SMEs and eligible institutions in order to facilitate the access to the Italian credit line of 7.75 Million Euro. UNIDO/IPU in collaboration with ITPO Italy plays a role of coordination of projects during the various stages and steps of the application for financial support.

### **IPU methodology intervention for the credit line:**

The Pakistani SME interested in the credit line, must submit their project to the IPU/UNIDO which has the task of contributing to the formulation of the dossier to access the funding. The assignment includes:

- Information on the procedures for applying to the credit line and for equipments supply
- Assistance in the evaluation of the project and in the preparation of the application to the credit line

In this framework, UNIDO ITPO Italy cooperates with IPU Pakistan in the preparation of the dossier by collecting the information on the Italian suppliers. UNIDO ITPO Italy also provides Italian suppliers with information on procedures concerning the credit line made available by the Italian Government (ex. Art 6 Italian law 49/87)

### **Terms of financing:**

The credit line is meant to support Pakistani SME development and shall be open only to private enterprises or enterprises with a public participation up to 20%. Research centres and Universities may also have access to the credit line in order to set up pilot plans or demonstration centres in the field of technology innovation and environment protection.

The soft loan finances the following:

- Manufacturing machineries;
- Technology transfer;
- Technological support and training related to productive investment;
- Industrial licensing and patents;
- Insurance and transportation costs.

The soft loan cannot be used to finance the following:

- Local taxes, customs duties, VAT;
- Debts of the enterprises;
- Working capital (including the initial stock necessary to the start up of the plant);
- Temporary joint venture commercial and financial enterprises;
- Investment in leisure sector, estate sector, civil works, arms and related industry sector, tourism sector

Cannot access the credit line:

- Financial Institutions;
- Companies actives in construction, service and tourism;
- Commercial enterprises

The credit line shall be solely used for acquiring goods and services purchased in Italy, except that a maximum amount of 20% of the required financing may be utilised to cover local cost and/or importations of goods of non-Italian origin. Supply contracts financed through the soft loan shall be denominated in Euro.

Loan value	<i>Euro</i>
Maximum limit	<i>550.000 Euro</i>
Minimum limit	<i>30.000 Euro</i>
Maximum limit for goods of non Italian-origin	<i>20% of the amount requested</i>
Grace period*	<i>From 1 to 3 years</i>
Repayment period**	<i>From 4 to 7 years</i>
Interest rate	<i>4 % (Euro)</i>

\*In the period grace only the interests are paid.

\*\*The repayment period is negotiated between the buyer and the agent bank.

The facilitation concerns the exports that have not already been made: in any case the Pakistani importer may be reimbursed for payments already paid.

Priority criteria of eligibility for financing shall be following:

- Equity joint venture;
- Employment generation;
- Technology upgrading;
- Technology innovation;
- Clean production and environment protection

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