Trade Financing
Including Green Industries Opportunities
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Introduction

Making the World a more Sustainable Place with Green Innovations Creates Promising Export Business Opportunities

In the last few years ‘Green Industries’ has taken a boom in the global market. Countries are becoming more aware and concerned about sustainability, and alternative means of living. These industries are developing a profitable market that is full of opportunities for U.S. products and services. Environmental concerns have pushed themselves to the surface and have grabbed the public’s attention as well. These concerns are then put on both government and private sector agendas. The prospects for export sales are very promising for renewable energy, environmental management, and green building services.

Both the private sector and governments look to recent innovations to create a sustainable environment and less polluting energy sources to transform a polluted, industrialized world. This is why American companies must take this market by storm, and immerse themselves in this fast-growing and highly competitive industry.

This publication describes different approaches to export financing, such as: methods of payment, export financing, access to loans, international grant projects, and programs for green industries.
Methods of Payment in International Trade

Any company operating nationally or internationally should have a policy in place, for handling their methods of payment. The following information was acquired from SBA government source.

**Strength and Weakness of Each Payment Method**

<table>
<thead>
<tr>
<th>Method</th>
<th>Time of Payment</th>
<th>Goods Available to Buyer</th>
<th>Exporter Risk</th>
<th>Importer Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in Advance</td>
<td>Before shipment</td>
<td>After shipment</td>
<td>None, if products are in inventory or production begins after payment is received</td>
<td>Relies upon the exporter to ship</td>
</tr>
<tr>
<td>Letter of Credit</td>
<td>After shipment when documents complying with the Letter of Credit are presented</td>
<td>After payment</td>
<td>Very little or none, depending on the terms of the Letter of Credit</td>
<td>Relies upon the exporter to ship goods described in documents</td>
</tr>
<tr>
<td>Documentary collection sight draft</td>
<td>After shipment, but before documents are released</td>
<td>After payment</td>
<td>If draft unpaid, must dispose of goods</td>
<td>Relies upon the exporter to ship goods described in documents</td>
</tr>
<tr>
<td>Documentary collection time draft</td>
<td>On maturity of draft</td>
<td>Before payment</td>
<td>Relies on the buyer to pay draft, no control of goods</td>
<td>Almost none</td>
</tr>
<tr>
<td>Consignment</td>
<td>After sale</td>
<td>Before payment</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Open Account</td>
<td>30, 60,90 days</td>
<td>Before payment</td>
<td>High</td>
<td>Low</td>
</tr>
</tbody>
</table>
Cash-in-Advance

With this payment method, the exporter can avoid credit risk, since payment is received prior to the transfer of ownership of the goods. There are three types of cash-in-advance payment method: wire transfer, credit card, and payment by check. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer, as this method creates cash flow problems. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. Thus, exporters that insist on this method of payment as their sole method of doing business may find themselves losing out to competitors who may be willing to offer more attractive payment terms.

Letters of Credit

Letters of credit (LCs) are among the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the exporter provided that the terms and conditions have been met, as verified through the presentation of all required documents. The buyer pays its bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but you are satisfied with the creditworthiness of your buyer’s foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped or delivered as promised. The letters of credit can take many forms: irrevocable or revocable, confirmed, or special (transferable, revolving or standby).

Documentary Collections

A documentary collection is a transaction whereby the exporter entrusts the collection of a payment to the remitting bank (exporter’s bank), which sends documents to a collecting bank (importer’s bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. Documentary collections involve the use of a draft that requires the importer to pay the face amount either on sight (document against payment—D/P) or on a specified date in the future (document against acceptance—D/A). The draft lists instructions that specify the documents required for the transfer of title to the goods. Although banks act as facilitators for their clients under collections, documentary collections offer no verification process and limited recourse in the event of nonpayment. Drafts are generally less expensive than letters of credit.

Consignment

When goods are sold subject to consignment, no money is received by the exporter until after the goods have been sold by the purchaser. Title to the goods remains with the exporter until such time as all the purchase conditions are satisfied. As a practical matter, consignment is
very risky. There is generally no way to predict how long it may have to pay the costs of recovering them from the foreign consignee.¹

Open Account

An open account transaction means that the goods are shipped and delivered before payment is due, usually in 30 to 90 days. Obviously, this is the most advantageous option to the importer in cash flow and cost terms, but it is consequently the highest risk option for an exporter. Due to the intense competition for export markets, foreign buyers often press exporters for open account terms since the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may face the possibility of the loss of the sale to their competitors. With the use of one or more of the appropriate trade finance techniques, however such as export working capital financing, government-guaranteed export working capital programs, export credit insurance, export factoring, the exporter can offer open competitive account terms in the global market while substantially mitigating the risk of nonpayment by the foreign buyer.

Financing Tools

The following information was acquired from: tradepot.org

**Loans**

Large multinational banks are generally thought to be the most experienced in trade finance. Frequently these services are reserved for their major clients and maintain transaction minimums of $1M or more. These banks are less interested in working with small businesses because of smaller deal size and volumes accompanied by greater risk. In fact, small importers and exporters often present a business profile that creates obstacles to financing. Even SMEs with large trade deals are not attractive to larger banks due to risk and credit issues such as loan concentration, debt-earnings ratio restrictions or insufficient collateral. This is why several governmental programs exist which offer guarantees to the banks to encourage export financing. These programs are discussed below.

It is important to select a lender that is sincerely interested in serving businesses of similar type or size. If your bank lacks an international department, it may refer you to a correspondent or partner bank. There are non-banks lenders and service providers that specialize in trade finance. Businesses should approach large banks, and much as community banks in assisting with loans.

**Purchase Order Financing**

*The following information was acquired from a government website: www.tradeport.org*

A Purchase Order (P.O.) is a legal agreement signed by a buyer requesting a seller to provide goods or services. Purchase orders normally list the amount of goods or services required and the terms and conditions of delivery and payment.

Major domestic buyers will normally issue a P.O. with Net 30 to 60 day terms. Overseas suppliers will usually ask for cash on delivery (COD) or sight draft Letter of Credit terms. For an export transaction, this difference in terms of sale means that there won’t be any cash coming in during the manufacturing process or the transit period. Unless a bank or factor will finance the A/R period, the exporters is out of cash until the invoices are finally paid off.

Purchase Order Financing can be an alternative solution to this cash flow dilemma. P.O. Financing is a short-term funding technique used to finance the purchase or manufacture of goods that have been presold to a creditworthy customer. Lenders that offer this specialized form of financing will assist in the purchase of product inventory by using the inventory and confirmed purchase orders as collateral.

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2 http://www.tradeport.org/index.php/tutorials/financing
3 http://www.tradeport.org/index.php/tutorials/financing
Importers, Exporters, Distributors or Manufacturers can use Purchase Order Financing. Funds are used for issuing Letters of Credit, payment to suppliers for finished goods, raw materials or direct labor. Purchase Order Funding is a risky form of financing and therefore costs more than traditional financing. It requires extensive due diligence, and lenders are highly selective. If you can meet the prerequisites there are some excellent P.O. lenders available to offer you a financial solution.

**Factoring**

*The following information was acquired from a government website: www.tradeport.org*

Once a product has been shipped, that inventory is converted to an Account Receivable (A/R). A list of all Accounts Receivable is maintained on an aging report while the exporter waits for final payment. If there is a need for immediate cash, it's possible to sell the A/R at a discount. Factoring is the discounting of foreign accounts receivable that do not involve drafts as the method of payment. A Factor (an organization that specializes in the financing of accounts receivable) takes title for immediate cash at a discount from the face value. Although factoring is often done without recourse to the exporter, exporters should verify these specific arrangements.

Factors typically provide 70% of the face value with 3-5 working days, and assume responsibility for collection from the buyer. After final payment, the Factor will pay the remaining 30% - less a service fee of 4% - 5%. Factoring is a tool that is predominately used in Europe.

**Forfaiting**

*The following information was acquired from a government website: www.opic.com*

Forfaiting is the selling, at a discount, of longer term accounts receivable or promissory notes of the foreign buyer. These instruments may also carry the guarantee of the foreign government. Both U.S. and European forfaiting houses, which purchase the instruments at a discounted price, are active in the U.S. market. Because forfaiting may be done either with or without recourse, the export financing should verify all of the specific arrangements. Forfaiting is a tool that is predominately used in Europe.

**Checklist for Selecting a Bank**

As part of your due diligence when selecting a bank and a financial solution, ask the following questions:

- Does the bank have foreign branches or correspondent banks?

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4 http://www.tradeport.org/index.php/tutorials/financing
5 http://www.tradeport.org/index.php/tutorials/financing
This is important because the more involvement of the bank, the less risk that will be involved in your business’s due diligence.

- Where are they located?
  A closer location means the more due diligence they are able to do and more access that your business will have to the accounts.

- Can the bank provide buyer credit reports? At what cost?
  Credit reports are important because they provide your financial history, which may be essential in assessing risk.

- Does the bank have experience with U.S. and state government financing programs that support small business export transactions? If not, is it willing to consider participating in these programs?
  As noted in this manual there are several programs that aid in minimizing risks. A bank’s participation in these programs indicates that a bank has been qualified for trade financing.

- What other services, such as trade leads, can the bank provide?
  A bank knowledgeable in trade can provide foreign trade leads to a U.S. company. By helping to identify reliable, establish trade representatives.

**Information Typically Required for a Loan Application**

Banks and non-bank lenders will require business information as part of their due diligence. This information is packaged with a loan application and submitted to the lender. The typical information required may include some or all of the following:

- Year-end financial statements for the last three years on the business and signed tax returns.
- Current interim financials, normally not older than 90 days.
- Current A/R and A/P aging’s and inventory details.
- Personal Financial Statements of all owners of 20% or more and each of their last three years tax returns (signed).
- Product literature/Business Plan or narrative on how business is operated, number of products produced and sold (proof of ability to perform).
- Resumes on key management.
- Financial projections (P&L) and Cash Flow statement.
- Proof of 50% US content in product exported.
- Purchase Order copies from exporter from foreign buyers (basis for loan/line advances).

Information on Foreign Buyers (ability to pay)
U.S Government Export Financing Tools for U.S. Exporters

The following information was acquired from several government website: export.gov, exim.gov, usda.gov, sba.gov, usda.gov, mcc.gov, tradeport.org

There are several U.S. government programs that help the banking industry to mitigate the risk of foreign trade. The following chart identifies various export financing programs. Several federal and local government agencies offer programs to assist exporters with their financing needs. Some are guarantee programs that require the participation of an approved lender, while others provide loans or grants to the exporter or a foreign government.

Government programs generally are aimed at improving an exporter's access to credit. They are not intended to subsidize the cost of credit at below-market levels. With few exceptions, banks are allowed to charge market interest rates and fees; a portion of those fees are paid to the government agency to cover the agencies' administrative costs and default risks.

Government guarantee and insurance programs are used by commercial banks to reduce the risk associated with loans to exporters. Lenders who are concerned with an exporter's ability to perform under the terms of sale, and with an exporter's ability to be paid, often use government programs to reduce the risks that would otherwise prevent them from providing financing.

### Options in Financing your Product

<table>
<thead>
<tr>
<th>Options in Financing your Product</th>
<th>EXIM</th>
<th>SBA</th>
<th>USDA</th>
<th>USTDA</th>
<th>MCC</th>
<th>OPIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loan Guarantee</td>
<td>★</td>
<td>★</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Export Credit Insurance</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>★</td>
</tr>
<tr>
<td>3. U.S. Bank Loan to Foreign Buyers</td>
<td>★</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. International Grant Projects</td>
<td></td>
<td></td>
<td></td>
<td>★</td>
<td>★</td>
<td></td>
</tr>
</tbody>
</table>

**Organizations**

**EXIM Bank of the U.S. (EXIM):** assists in financing the export of U.S goods and services to international markets. Ex-Im Bank does not compete with private sector lenders but provides export financing products that fill gaps in trade financing.

**U.S Small Business Administration (SBA):** offers loan guaranty programs that enable the small business exporter to obtain working capital to finance pre- and post- shipment.
needs, increase global competitiveness, enhance their ability to export a product or service and financing for acquisition of long-term fixed assets.


U.S Trade and Development Agency (USTDA): funds various forms of technical assistance, investment analysis, training, reverse trade missions and business workshops that support the development of a modern infrastructure and a fair and open trading environment for overseas by U.S. firms.


Millennium Challenge Corporation (MCC): is a United States Government corporation designed to work with some of the poorest countries in the world. MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people.

1. Loan Guarantee Programs

EXIM Bank and SBA are two government agencies that may be utilized for Loan Guarantees. The Organization for Economic Co-operation and Development (OECD) defines Loan Guarantee as follows:

‘A legally binding agreement under which the guarantor agrees to pay any or the entire amount due on a loan instrument in the event of nonpayment by the borrower.’

Scenario #1:

A small to medium size business has a product that an overseas buyer would like to purchase. The oversee buyer sends a purchase order to this company, but the only way for the company to produce the mass quantity to fulfill the order is by getting a loan. The company owner approaches a bank for a loan to produce the order, but as soon as the bank sees ‘international order’ the loan is declined, it is too risky for the bank. The business owner loses

business, and another exporting transaction is unsuccessful. This is where two government agencies come to help: they offer to guarantee firm’s loan from the bank, so if the foreign buyer does not pay, these agencies will pay the bank. The agencies are the EXIM Bank and SBA which exist to assist your business.

Export Import Bank of the United States (EXIM Bank)

The following information was acquired from a government website: exim.gov, www.export.gov

EXIM Bank is an independent federal government agency responsible for assisting export financing of U.S. goods and services. It offers a variety of information services, insurance, loan, and guarantee programs. Ex-Im Bank operates an export financing hotline that provides information on the availability and use of export credit insurance, loan guarantees, and direct and intermediary loans extended to finance the sale of U.S. goods and service abroad.

Briefing programs are offered by Ex-Im Bank to the small business community. These programs include regular seminars, group briefings, and individual discussions of financing for U.S exporting firms held both within the Bank and around the country.

- **A New Initiative of Global Access for Small Business:** Is at the top priority of EXIM Bank, this initiative is dedicated to increasing the number small businesses exporting goods and services. The goals have been aligned with president Obama’s administration to double U.S. exports by 2015(see www.trade.gov/nei). EXIM is looking to increase its small business exporting by:
  
  - Approving at least $30 billion in small business transactions
  - Supporting a cumulative total of approximately $58 billion in export sales
  - Adding a total of 5,000 small business to the EXIM Bank portfolio

- **Export-Import Bank - Working Capital Financing Guarantee Program:** Provides transaction-specific working capital loans to U.S. exporters, made by commercial lenders and backed by Ex-Im Bank’s guarantee. Uses of this financing include: purchasing finished products for export; paying for raw materials, equipment, supplies, labor and overhead to produce goods and/or provide services for export; covering standby letters of credit serving as bid bonds, performance bonds, or payment guarantees; and financing foreign receivables.

  **Size:** There is no minimum or maximum transaction amount.

  **Coverage:** Ex-Im Bank generally guarantees 90% of the bank loan, including principal and interest.

  **Delegated Authority Lenders:** Our pre-qualified commercial lender partners, working under Ex-Im Bank’s delegated authority, can expedite the loan process
by committing our guarantee without prior Ex-Im Bank approval. Most of Ex-Im Bank’s working capital guarantees are provided through these lenders.

**Repayment Terms:** Typically, loan terms are for one year but can be up to three years. The loan can be either transaction-specific or revolving.

**Collateral:** These guaranteed working capital loans are secured by export-related accounts receivable and inventory (including work-in-process) tied to an export order. For letters of credit issued under the guaranteed loan, we only require collateral for 25% of the face value of the letter of credit. On a case by case basis, the collateral requirement may be reduced to 10% of the face value of the letter of credit.

- **Global Credit Express (pilot loan program):** Will add liquidity to the market place by financing the business of exporting rather than specific export transactions. It is designed to deliver short-term working capital loans directly to creditworthy small-business exporters that have an existing relationship with the originating financial institution. Exporters may be eligible for a six-month or 12 month revolving line of credit of up to $500,000.

  **Before a U.S company exports, visit the “Country Limitation Schedule”, where it will shows a list of which countries have the approval of the U.S Export Import Bank, to provide export financing. The website is:** [www.exim.gov/tools/country/country_limits.cfm](http://www.exim.gov/tools/country/country_limits.cfm)
Small Business Administration (SBA)

The following information was acquired from a government website: www.sba.gov, www.export.gov

The Small Business Administration (SBA) has some services specifically designed to help the small business get started in exporting. The SBA provides financial assistance programs for U.S. exporters. Applicants must qualify as small businesses according to the SBA’s size standards and meet other eligibility criteria. The SBA has two main programs to assist U.S. exporters—the Export Working Capital Program and the International Trade Loan (ITL) program.

The SBA programs provide the small business owner with financing aids that will enable the business to obtain the capital needed for exporting. This program is designed to help small business exporters obtain financing by reducing risks to lenders. The SBA will guarantee up to 90% of a loan from a private bank. The proceeds from the loan can be used for pre-shipment working capital, post-shipment exposure coverage, or a combination of both.

SBA Export Express Program

Small business exporters are taking advantage of the world market and selling billions of dollars of goods and services overseas every year. In fact, 70% of all exporters have fewer than 20 employees. The program provides small businesses that have exporting potential, but need funds to cover the initial costs of entering an export market with up to $500,000 in export development financing to buy or produce goods or to provide services for export. The loan proceeds can be used for most business purposes, including expansion, equipment purchases, working capital, inventory or real estate acquisitions.

Financing

SBA Export Express offers flexibility and ease of use to both borrowers and lenders. It is the simplest export loan product offered by the SBA and allows participating lenders to use their own forms, procedures and analyses. The SBA provides an answer in 36 hours or less.

Eligibility

Any business that has been in operation, although not necessarily in exporting, for at least 12 full months and can demonstrate that the loan proceeds will support its export activity is eligible for Export Express. SBA Export Express loans are available to businesses that meet the normal requirements for an SBA 7(a) business loan guaranty. Financing is available for manufacturers, wholesalers, export trading companies and service exporters. Loan applicants must demonstrate that the loan proceeds will enable them to enter a new export market or expand

7 http://www.tradeport.org/index.php/trade-tutorials/68
an existing export market. Applicants must have been in business, though not necessarily in exporting, for at least 12 months.

Loan Funds

Loan proceeds may be used for business purposes that will enhance a company’s export development. Export Express can take the form of a term loan or a revolving line of credit. As an example, proceeds can be used to fund participation in a foreign trade show, finance standby letters of credit, translate product literature for use in foreign markets, finance specific export orders, as well as to finance expansions, equipment purchases, and inventory or real estate acquisitions, etc.

Application Process

Interested businesses should contact their existing lender to determine if they are an SBA Express lender. Lenders that participate in SBA’s Express program are also able to make Export Express loans. Application is made directly to the lender. The lenders use their own application material in addition to SBA’s Borrower Information Form. Lenders approve the request and then submit a limited amount of eligibility information to SBA’s National Loan Processing Center.

How Funds May Be Used

Loan proceeds may be used to finance any export development activity, including:
- Standby letters of credit when required as a bid bond, performance bond or advance payment guarantee
- Participation in a foreign trade show
- Translation of product brochures or catalogs for use in overseas markets
- General lines of credit for export purposes
- Service contracts from buyers located outside the United States
- Transaction-specific financing needs associated with completing actual export orders
- Purchase of real estate and equipment to be used in the production of goods or services for export
- Providing term loans and other financing to enable small business concerns, including export trading companies and export management companies, to develop foreign markets
- Acquisition, construction, renovation, modernization, improvement or expansion of productive facilities or equipment to be used in the United States in the production of goods or services for export

For More Information

SBA staff can help you by weighing financing options and risk mitigation as well as providing you with advice and more details about SBA loan products and application procedures.
Contact your local U.S. Export Assistance Center to learn more about the Export Express Program and whether your business might qualify.

**Export Development and Working Capital Financing Program**

This financing enables U.S. businesses to obtain loans that facilitate the export of goods or services by providing the liquidity needed to accept new business, grow international sales and compete more effectively in the international marketplace. The program provides up to $5 million in short-term, transaction-specific working capital loans to U.S. small business exporters. Uses of this financing include: pre-export financing of labor and materials; and post-shipment financing of the accounts receivable generated from transaction-specific overseas sales.

**Benefits of the EWCP**

- Financing for suppliers, inventory or production of export goods
- Export working capital during long payment cycles
- Financing for stand-by letters of credit used as bid or performance bonds or down payment guarantees
- Reserves domestic working capital for the company’s sales within the US
- Permits increased global competitiveness by allowing the exporter to extend more liberal sales terms
- Increases sales prospects in under-developed markets which have high capital costs for importers
- Contributes to the growth of export sales
- Low fees and quick processing times

**For More Information**

SBA staff can help you by weighing financing options and risk mitigation as well as providing you with advice and more details about SBA loan products and application procedures. Contact your local U.S. Export Assistance Center to learn more about the Export Working Capital Program and whether your business might qualify.
Financing tools available for Export related Facility and Capacity Expansion

Enables U.S. businesses to acquire, construct, renovate, modernize, improve or expand facilities and equipment to be used in the United States to produce goods or services involved in international trade.

- **Small Business Administration - International Trade Loan Program**: Provides U.S. businesses that are preparing to engage in or are already engaged in international trade, or are adversely affected by competition from imports with up to $5 million in financing to upgrade equipment and facilities. Although this loan program can also be used to refinance existing indebtedness that is not structured with reasonable terms and conditions, it cannot be used as working capital.

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8 http://www.greenexport.org/index.php/info/type/services
U.S. Department of Agriculture (USDA)

The following information was acquired form a government website: usda.gov

The Foreign Agricultural Service (FAS) of the U.S. Department of Food and Agriculture (USDA) administers several programs to help make U.S. agricultural exporters competitive in international markets and make U.S. products affordable to countries that have greater need than they have ability to pay. These programs are designed to make it easier for commodity exporters to obtain bank financing by providing repayment guarantees to the lenders.

The USDA’s *Commodity Credit Corporation (CCC)* operates Export Credit Guarantee Programs to provide United States agricultural exporters or financial institutions a guarantee that they will be repaid for short- and intermediate-term commercial export financing to foreign buyers. These programs protect against commercial or non-commercial risk if the importer's bank fails to make payment. With one program, the CCC will guarantee credit terms of up to 3 years and under another, credit terms from 3 to 10 years are guaranteed.

**USDA, Foreign Agricultural Service Export Credit Guarantees:** Underwrites credit extended by the private banking sector in the United States to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers. These programs encourage exports to buyers in countries where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without the guarantees.
2. Export Credit Insurance

*The following information was acquired from several government website: export.gov, exim.gov, usda.gov, sba.gov, tradeport.org*

Export credit insurance can mitigate the risk of U.S business selling or investing overseas. It is applicable when U.S exporters provide payment terms (30, 60, 90 days) to the foreign buyer.

**Scenario #2:**

There are several methods of payment that a business may use; the most common in North America is Cash in Advance. But many foreign buyers usually prefer having terms of payment. Whichever terms that a business owner will agree upon with the foreign buyer, it is utmost importance that the seller not go into the transaction blindly. It is and insurance that covers non-payment.

Business need to extend competitive credit terms to grow international business, but what happens if they don’t get paid? Customers can out of business or file bankruptcy, face currency devaluations or foreign exchange problems, run short on cash, take the exporters for a ride, or fail to pay for any number of other commercial or political reasons. Exporters can protect your foreign receivables against virtually all non-payment risks with an export credit insurance policy.

Export credit insurance is an effective sales tool that enables an exporter to extend competitive payment terms with confidence. It can help firms in new markets, negotiate larger order quantities, establish or expand distribution, and increase the profitability. If you finance receivables, the coverage will also makes foreign Account Receivable (A/R) more attractive to banks, factors, and other lenders to make it favourable to negotiate the most favourable advance rates and loan terms. Export credit insurance is available from specialized brokers like Trade Service Group in Pennsylvania. For a list visit: www.exim.gov/about/partners/insurance_brokers.cfm

**EXIM Bank Credit Insurance**

*The following information was acquired from a government website: exim.gov*

This insures the exporter’s risk against non-payment by foreign buyer due to commercial and political reasons. The exporter can use the insurance to allow open account terms to the buyers to increase their market share; previously ineligible foreign receivables may now be added into the exporter’s borrowing base with their lender. Ex-Im Bank’s export credit insurance allows firms to increase export sales by limiting international risk, offering credit to international buyers, and enabling access to working capital funds.
Benefits:

- Reduces nonpayment risk
- Enables firms to extend competitive credit terms to buyers
- Insures confidence
- Increases cash flow

Accessing Working Capital

Ex-Im Bank’s insurance enhances the quality of a balance sheet by transforming export-related accounts receivable into receivables insured by the U.S. government. With this insurance in place, lenders are more likely to advance against these receivables to increase working capital cash flow. See Lender Referral List.

Eligibility

Ex-Im Bank can do business in most markets. However, we may be limited or unable to offer financing in certain countries and under certain circumstances. See Country Limitation Schedule.

Military or defense items are generally not eligible nor are sales to military buyers (with certain exceptions).

Short-Term Insurance – Products must be shipped from the United States and have at least 50% U.S. content (excluding mark-up).

Medium-Term Insurance – We will insure up to 85% of the net U.S. contract value. (If the foreign content is more than 15%, we will support only the U.S. portion.)

Exporter Policies (Short-Term)

Ex-Im Bank’s short-term insurance covers a wide range of goods, raw materials, spare parts, components, and most services on terms up to 180 days. It also covers capital goods, consumer durables (e.g., refrigerators) and bulk agricultural commodities. In exceptional cases, these exports may be covered on terms up to 360 days.

Multi-Buyer Policy

This policy allows exporters to insure all sales to eligible international buyers on “open account” credit terms.

Features include:

- Provides 90-95% commercial, 95-100% political coverage against buyer payment defaults.
• Allows for assignment of exporter’s receivables to a lender for immediate funding. (See Lender Referral List for lenders participating in our insured accounts receivable funding.)
• Premium rates are paid only on actual shipments. The premium rates are a composite rate based on tenor, type of buyer, and country of buyer.
• Exporters with international credit management experience may receive “discretionary” credit limits under the policy to qualify and approve buyers for coverage without Ex-Im Bank review based on good payment experience or favorable credit information.

EXIM’s Small Business Multi-Buyer Policy

For qualifying small businesses, EXIM Bank offers enhanced coverage. To qualify as a small business, the U.S. exporter (together with affiliates) must meet the U.S. Small Business Administration’s definition of a small business and have export credit sales of less than $5 million.

Features include:

• No first-loss deductible
• Simplified premium-rate schedule
• Enhanced assignment (for qualified exporters), an attractive financing feature that allows your lender to advance on the insured receivables with limited risk.

Single-Buyer Policy

This policy provides credit protection for short-term credit sales made by an exporter to a single international buyer during a 12-month policy period. Premium rates are based on tenor, type of buyer, and the buyer’s country.

Features include:

• Supports single or multiple shipments to a single international buyer.
• Provides 90% coverage against buyer payment defaults with no first-loss deductible.
• Contains a “lock-in” feature to commit Ex-Im Bank coverage over a 90-day period (useful to present to a buyer while a sale is being negotiated).
• Increases borrowing base by allowing for assignment of an exporter’s receivables to a lender. (See Lender Referral List for lenders participating in Ex-Im Bank’s insured accounts receivable funding.)

Lender Policies (Short-Term)

Lenders may request assignment of proceeds of multi-buyer policies (described above) by exporters. Enhanced assignment to lenders is available with our small business multi-buyer policy.
In addition to exporter insurance policies, Ex-Im Bank also offers several policies for financial institutions.

**Bank Letter of Credit Policy**

This policy protects U.S.-based banks against losses (i.e., the failure of a foreign issuing bank to make payments or reimbursements) on irrevocable letters of credit opened to finance U.S. exports.

**Benefits to Lender:**

- Provides authority to selectively insure letters of credit
- Discretionary credit limit coverage available
- Coverage available for refinancing payments by issuing bank under a sight irrevocable letter of credit policy
- Pre-presentation agreement available

**Features include:**

- Coverage is 95% for private sector, 100% for sovereign banks, and 98% for bulk agricultural goods.
- Premium rates are based on a fixed-fee schedule based on the tenor of the letter of credit, type of buyer, and country of the buyer.
- Interest is covered up to prime rate minus 0.5%.

**EXIM’S Financial Institution Buyer Credit Policy**

This policy protects lenders that finance purchases by international buyers of U.S. goods and services, generally on terms up to 180 days (exceptionally up to 360 days for bulk agricultural products and capital goods).

**Benefits to Lender:**

- May be used for a one-time sale or for a series of shipments from one or more exporters to the same buyer
- No first-loss deductible

**Features include:**

- Coverage is 90% for private sector buyers, 100% for sovereign obligors, and 98% on bulk agricultural products.
- Premium rates are based on a fixed-fee schedule based on the tenor of the letter of credit, type of buyer, and country of the buyer.
- Interest is covered up to prime rate minus 0.5%.
EXIM’s Medium-Term Insurance (Exporters and Lenders)

Ex-Im Bank’s medium-term insurance protects longer-term financing to international buyers of capital equipment or services, covering one or a series of shipments.

Benefits:

- Medium-term financing
- No first-loss deductible
- Documentary policy protection available for lenders

Financing under these policies can generally extend up to five years (up to seven years in exceptional cases) and for amounts up to $10 million.

Ex-Im Bank requires the buyer to make cash payment to the exporter equal to at least 15% of the net U.S. contract value. The insured portion is the littlest of 85% of the net U.S. contract value or the U.S. content of the exporter’s supply contract.

Frequently, a financial institution is the insured and will disburse funds to the exporter when the insurance cover is approved. Ex-Im Bank reviews the documentation only after a claim is presented. A claim will be paid only if the relevant documents are submitted in complete form and are presented within the time allowed.

Premium rates are on a fixed-fee schedule based on the tenor of the credit, type of buyer, and country of the buyer.
OPIC’s Insurance Program (Political Risk Insurance)

The following information was acquired from a government website: www.opic.gov, www.export.gov

This insurance covers investment in new ventures or expansions of existing enterprises with developmental benefits to protect foreign investments. U.S investors, contractors, exporters and financial institutions can all benefit from this insurance, which insures them against political risk, currency inconvertibility and expropriation. The policies can be insured up to $250 million per project. Having political risk insurance can make the difference between making or not making an investment decision in a difficult market.

Following the refusal of a host government to recognize an international arbitral award in regards to a dispute that involved a U.S. investor and a local firm, OPIC sent a letter to the host government. OPIC reminded the host government about its interest in attracting foreign investment, the importance of respecting the rule of law, and its obligation to honor the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Subsequently, the host government recognized the international arbitral award, and the U.S. investor was very pleased with the support and assistance that OPIC provided regarding this matter.9

Contractors and Exporters

Assets Coverage

U.S. contractors and exporters with physical assets overseas may insure project assets for the following risks:

- **Currency Inconvertibility.** Local currency proceeds from the sale of insured property after job completion are covered against the risk that the currency will become inconvertible into U.S. dollars. Inconvertibility is offered only to the extent local currency is convertible, and dollars are transferable under host-country exchange regulations and practices in effect at the time the insurance is issued. Payments for work completed under the contract are not covered.

- **Confiscation.** Physical assets and bank accounts of the insured in the host country in connection with a project are covered against the risk of confiscation by the host government.

- **Political Violence.** Physical assets owned by the insured or for which the insured bears the risk of loss are covered against the risk of damage due to political violence.

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9 Source: www.opic.gov
**OPIC’s insurance for U.S. contractors and exporters insures against:**

- wrongful calling of bid, performance or advance payment guarantees, customs bonds, and other guarantees
- loss of physical assets and bank accounts due to confiscation or political violence and inconvertibility of proceeds from the sale of equipment used at the site
- losses due to certain breaches by the foreign buyer of the contractual disputes resolution procedure

This insurance can protect U.S. companies acting as contractors in international construction, sales or service contracts, and U.S. exporters of heavy machinery, turbines, computers, medical equipment and other goods. Typically, coverage is issued when the U.S. Company has a contract with a foreign government or government-owned corporation.

This coverage is often referred to as Arbitral Award Default insurance or “AAD.”

**OPIC Guaranty Coverage**

Bid, performance, advance payment and other guarantees issued on behalf of a U.S. exporter of goods or services, or a U.S. contractor in favor of a foreign government buyer, can be covered against the risk of a wrongful calling. The guarantees usually are in the form of irrevocable, on-demand, standby letters of credit. A wrongful calling is one not justified by the terms of the underlying contract, or the invitation for bids.

**Events of Compensation: OPIC will compensate the contractor if:**

- the foreign buyer refuses to pay a judgment or an award in favor of the insured
- the foreign buyer’s inaction prevents the dispute resolution procedure from proceeding
- due to changed conditions in the project country, it is too dangerous or would be futile for the insured to pursue the agreed-upon procedure

**Events of Compensation: OPIC will compensate for wrongful calling of performance or advance payment guaranties if:**

- the foreign buyer’s inaction prevents the dispute resolution procedure from proceeding
- the foreign buyer refuses to pay an award in favor of the insured
- the procedure yields an award in favor of the foreign buyer, and the award can be proven to have been obtained through fraud, corruption or duress, or, if there is a
written record of the proceedings, the award is unsupported by substantial evidence in that record

- the decision maker fails to issue a determination within a reasonable period of time (not less than 36 months) despite the insured’s compliance with all of the procedure’s requirements
- due to changed conditions in the project country, it would be too dangerous or futile for the insured to pursue dispute settlement

**Customs Bonds Coverage**

Customs bonds are required when a foreign government wants assurances that a company will re-export machinery or equipment temporarily moved into the country, usually for the duration of a construction project or trade show, rather than selling it locally. Customs bonds replace customs duties and may be as much as 200 percent of the value of the equipment.

OPIC provides compensation for a loss resulting from a wrongful calling by a foreign government of a standby letter of credit issued as a customs bond. In the case of a claim, OPIC will determine if a calling is wrongful without requiring the insured to pursue dispute resolution procedures.

For further information on requirements, exclusions, and private entities on these coverages, please visit: www.opic.com

**OPIC Indicative Rates**

_The following information was acquired from a government website: opic.gov_

In certain cases, OPIC Insurance rates may fall outside of the ranges shown in the table below, depending on the particular risk profile of the project. It is also possible that the ranges shown also could be adjusted and affects rates for potential insurance contracts. However, once an insurance contract is executed, the rates in that contract are fixed for the contract’s term. OPIC insurance contracts generally require that premiums be paid annually in advance.

OPIC insurance may not be available for certain coverages, or there may be limitations for underwriting or other reasons. Investors should consult the country list page regarding availability in particular countries.
# Coverage of OPIC Policies

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Active/Current</th>
<th>Standby</th>
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</thead>
<tbody>
<tr>
<td>Inconvertibility</td>
<td>$0.18–$0.42</td>
<td>$0.20</td>
</tr>
<tr>
<td>Expropriation</td>
<td>$0.28–$0.60</td>
<td>$0.20</td>
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<tr>
<td><strong>Political Violence</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Income</td>
<td>$0.21–$0.53</td>
<td>$0.20</td>
</tr>
<tr>
<td>Assets</td>
<td>$0.21–$0.53</td>
<td></td>
</tr>
</tbody>
</table>

* Discounted rates may be available for small businesses and/or a combination of coverages.  
** Investors should contact OPIC directly for information on pricing for Non-Honoring of a Sovereign Guaranty and Oil and Gas coverages.

## OPIC Extent of Coverage

*The following information was acquired from a government website: opic.gov*

Insurance policies for equity coverage are available for up to 20-year terms. For loans, leases and transactions covered by the contractors and exporters insurance product, the term is generally equal to the duration of the underlying contract or agreement.

OPIC can insure up to 90 percent of an eligible investment. OPIC’s statute generally requires that the investor bear at least 10 percent of the risk of loss. However, loans and capital leases from financial institutions to unrelated third parties may be insured for 100 percent of principal and interest.

For equity investments, OPIC typically issues insurance commitments equal to 270 percent of the initial investment — 90 percent representing the original investment and 180 percent to cover future earnings. Coverage amounts may be limited for an investment in countries where OPIC has a high portfolio concentration.

For further information on qualifying for OPIC insurance, please go to the Appendix of the guide and look over the Finance Checklist.
3. U.S. Bank Loans to Foreign Buyers

*The following information was acquired from several government websites: export.gov, exim.gov, usda.gov, sba.gov, usda.gov, mcc.gov, tradeport.org*

**Scenario #3:**

At times a large corporation may have a ready foreign buyer, but their funds are not available to proceed with the transaction. At this stage the best alternative is to proceed with EXIM Bank’s foreign Buyer assistance program, which backs a U.S. bank to loan money to a foreign buyer.

An invitation project in Peru needs tractors and many of the agricultural equipment. But interest rates are high in Peru, so the U.S. Bank can offer a loan with U.S. interest rates. These rates are low and this way the Peruvians can buy U.S. equipment (new or used) and EXIM will guarantee this loan to the U.S. bank. If Peruvians don’t pay, EXIM pays the U.S Banks at the end; everybody is happy and all benefitted.

**Exim Bank Foreign Buyer Finance Programs**

*The following information was acquired from a government website: www.exim.gov*

EXIM Bank has programs that enable U.S. businesses to assist their international buyers in locating financing to purchase U.S. goods and services when financing is otherwise not available or there are no economically viable interest rates on terms over one-to-two years. This type of financing is generally used for financing purchases of U.S. capital equipment and services. Financing may also be available for refurbished equipment, software, certain banking and legal fees and certain local costs and expenses.

- **Export-Import Bank - Loan Guarantee Program:** Provides term financing to your creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services.
- **Export-Import Bank - Direct Loan Program:** Provides fixed-rate loans to your creditworthy international buyers, both private and public sector, for purchases of U.S. goods and services.
- **Export-Import Bank - Finance Lease Guarantee Program:** Provides lease financing to your creditworthy international buyers as an alternative to traditional installment loans.
4. International Infrastructure Investment Loans and Grants for Developing Countries

*The following information was acquired from several government websites: export.gov, exim.gov, usda.gov, sba.gov, usda.gov, mcc.gov, tradeport.org*

The Millennium Challenge Corporation Opportunities

*The following information was acquired from a government website: www.mcc.gov*

The Millennium Challenge Corporation (MCC) is a United States Government corporation designed to work with some of the poorest countries in the world. MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. After an MCC partner country signs what is called a “Compact”, it begins implementing its projects aimed at reducing poverty. Once a foreign government receives MCC grants, it can offer a bid request for infrastructure development which US firm can bid on. Thus, the MC is an export enabler. Companies can visit their website to view current priorities and bid opportunities. [www.mcc.gov](http://www.mcc.gov)

Licensed from the World Bank, the MCC Program Procurement Guidelines are based largely on the World Bank’s *Guidelines for the Selection and Employment of Consultants by World Bank Borrowers* and *Guidelines for Procurement under IBRD Loans and IDA Credits*.

The *MCC Program Procurement Guidelines* differ from the World Bank guidelines in five key ways:

1. Provides broader advertising requirements for procurement opportunities;
2. Intensifies restrictions on currency use;
3. Prohibits national preference in the procuring of goods, works and services;
4. Includes the excludes parties list under U.S. laws and policies;
5. Identifies English as the official operating language for MCC funded procurements.

In addition to these major differences, the *MCC Program Procurement Guidelines* include implementation requirements, an approvals matrix, and a glossary of terms.
U.S Trade and Development Agency

The following information was acquired from a government website: www.ustda.gov

USTDA's program creates a win-win scenario by promoting U.S. exports to advance economic growth in developing and middle-income countries. Its' program has been a catalyst for opening new markets for U.S. companies, large and small, looking to expand sales overseas.

International Business Partnership Program: Connecting U.S. Firms with Foreign Buyers

In support of the National Export Initiative, USTDA launched the International Business Partnership Program (IBPP) to connect international buyers with U.S. manufacturers and service providers in order to open new export markets and commercial opportunities around the world for American companies. Key activities include:

- Reverse Trade Missions
- Conferences and Workshops
- Training

Reverse Trade Missions bring foreign buyers to the United States, pending an upcoming procurement, in order to observe the design, manufacture, demonstration and operation of U.S. products and services that can help them achieve their development goals. These strategically planned missions also present excellent opportunities for U.S. businesses to establish or enhance relationships with prospective overseas customers. Firms can visit their website to view upcoming opportunities.

USTDA organizes worldwide conferences and workshops to connect U.S. firms with foreign project sponsors. These sector or region-specific events are designed to showcase U.S. goods, services and technology to foreign buyers. U.S. firms also have the opportunity to meet one-on-one with overseas project sponsors. These events also provide U.S. companies with an understanding of U.S. government programs and the role they can play in supporting increased exports, from advocacy support to export financing options. US firms should attend these events to meet potential buyers and explore market opportunities.

In support of U.S. businesses, USTDA provides training for foreign decision makers to support the sale of U.S. equipment and services overseas. Training can take place in either the United States or host country and it typically focuses on technology or regulatory requirements in order to give project sponsors a better understanding of U.S. capabilities and expertise related to a procurement opportunity.

Project Development Program: Getting it right from the Start

USTDA provides grants directly to overseas sponsors who, in turn, select U.S. companies to perform Agency-funded project development activities. An overseas sponsor is a local entity, public or private, with the decision-making authority and ability to implement a project. While USTDA projects span a variety of sectors, many focus on clean energy and energy efficiency,
transportation, information and communications technology, and the environment. Key activities include:

- Feasibility studies
- Pilot projects
- Technical assistance

USTDA-funded and U.S.-led feasibility studies link foreign project sponsors with U.S. businesses at the critical early stage when technology options and project requirements are being defined. These studies provide the comprehensive analysis required for major infrastructure investments to achieve financing and implementation.

In some cases, export opportunities depend on a demonstration of the U.S. seller's goods, services or technologies in the foreign buyer's setting. USTDA-funded pilot projects demonstrate the effectiveness of commercially proven U.S. solutions and provide the analysis, evaluation and empirical data needed for potential foreign projects to secure funding.

USTDA advances economic development in partner countries by funding technical assistance that supports legal and regulatory reform related to commercial activities and infrastructure development, the establishment of industry standards, and other market-opening activities. These technical assistance programs facilitate favorable business and trade environments for U.S. goods and services. There are several opportunities for U.S. firms that provided on the website. U.S. firms, particularly those with infrastructure capability, should regularly check these opportunities and respond. Typically a period of approximately three months is given to express interest in and bid on projects.
**Overseas Private Investment (OPIC)**

*The following information was acquired from a government website: www.opic.com, www.export.gov*

OPIC provides financial products, such as loans and guaranties; political risk insurance; and support for investment funds, all of which help American businesses expand into emerging markets. By mobilizing private capital to help solve critical development challenges, OPIC advances U.S. foreign policy, and catalyzes revenues, jobs and growth opportunities both at home and abroad.

**Investment Project Financing**

This enables U.S. businesses to acquire financing for large-scale projects that require large amounts of capital, such as infrastructure, telecommunications, power, water, housing, airports, hotels, high-tech, financial services, and natural resource extraction industries. This can be used for financing direct foreign investment in up to 150 developing countries.

**Overseas Private Investment Corporation Small and Medium-Enterprise Financing:** Provides medium- to long-term funding through direct loans and loan guarantees to eligible investment projects in developing countries and emerging markets

- Direct loans of $1000,000 to $10 million are available for U.S small business investors
- $250 million of guaranteed loans are available under the traditional small and medium enterprise financing
- The benefit is that this will allow for financing that might not be available commercially to expand into international markets.
Multilateral Development Banks

The following information was acquired from a government website: www.export.gov, www.mcc.gov

The Multilateral Development Banks (MDBs) are international financial institutions that promote economic and social progress in their developing member countries. Each year, the MDBs (the World Bank, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development) extend a combined total of almost $50 billion in loans, grants, and investments to the public and private sectors for economic and social development in developing markets.

These infrastructure opportunities offer U.S. firms a chance to sell their products or expertise’s that are relevant to these projects. Many U.S. exporters however are missing out on these extremely lucrative opportunities because they lack the necessary information about the projects and are unfamiliar with the MDBs and foreign government tendering procedures.

There following MDBs focus on different areas of the world, providing funding for infrastructure and development projects:

- African Development Bank: www.afdb.org
- Asian Development Bank: www.adb.org
- European Bank for Reconstruction and Development: www.ebrd.com
- Inter-American Bank: iadb.org
- World Bank: www.worldbank.org

Some examples follow. For complete information, visit the websites mentioned above:

World Bank

The following information was acquired from a government website: www.worlbank.org

The World Bank Group comprises the following closely associated institutions that collaborate to support development projects worldwide:\footnote{http://export.gov/static/WB%20Trifold_FINAL_ver5_Latest_eg_main_018577.pdf}

The International Bank for Reconstruction and Development (IBRD),

The oldest of the World Bank Group institutions, aims to reduce poverty in middle-income and creditworthy poorer countries by promoting sustainable development through loans, guarantees, risk management products, and (non lending) analytic and advisory services.

The International Development Association (IDA)

Providing highly concessional financing to the world’s 81 poorest countries. IDA’s interest-free credits and grants help support country-led poverty reduction strategies in key policy areas, including raising productivity, providing
accountable governance, building a healthy investment climate, and improving access to basic services, including education and health care.

**The International Finance Corporation (IFC)**

Is the private-sector investment entity of the World Bank Group. It invests in sustainable private enterprises in developing and transitional countries without accepting government guarantees. It provides equity, long-term loans, structured finance and risk management products, as well as technical assistance and advisory services to its clients.

**The Multilateral Investment Guarantee Agency (MIGA)**

Provides noncommercial guarantees (insurance) for foreign direct investment in developing countries. It addresses concerns about investment environments and perceptions of risk, which often inhibit investment, by providing political risk insurance. MIGA’s guarantees offer investors protection against noncommercial risks such as expropriation, currency inconvertibility, breach of contract, war, and civil disturbance.

**The International Centre for Settlement of Investment Disputes (ICSID)**

Is designed to facilitate the settlement of investment disputes between foreign investors and host states. It encourages foreign investment by providing neutral international facilities for conciliation and arbitration of investment disputes, thereby fostering an atmosphere of mutual confidence between states and foreign investors. Many international agreements concerning investment refer to ICSID’s arbitration facilities. (Source: The World Bank Group Annual Report)

**Export Opportunities with World Bank**

World Bank-funded projects generate thousands of international bid procurement opportunities for suppliers of goods and services. The World Bank is not only the largest source of multilateral financed procurement in the developing world, its guidelines and bidding standards are often the reference point for all public procurement in emerging markets.

- The World Bank Group disburses approximately $20 billion a year. Of this amount, over $7 billion represents new procurements in the form of an estimated 40,000 contracts a year.

- Procurement opportunities range from capital equipment for the construction of infrastructure, to the supply of information technology equipment and services to schools and hospitals, to consulting contracts for government ministries.
The following information was acquired from a government website: www.iadb.org

The IDB partners with countries to provide financial resources and knowledge to achieve results. Since 1959, the IDB has approved $207 billion for projects, mobilizing more than $438 billion in investments. The Bank’s activities cover the entire spectrum of economic and social development in Latin America and the Caribbean, with an emphasis on programs that benefit the most vulnerable and the poorest populations.

The Bank supports clients in the design of projects, and provides financing, technical cooperation and knowledge services to support development interventions. Projects identify the reasons for the proposed intervention, the actions the Bank will support and the expected results. The IDB focuses on empirical evidence for making decisions and measuring the impact of its projects.

The Bank has adopted specific criteria and methodologies to ensure it is able to:

- measure the achievement of a specific intervention;
- monitor project progress, with focus on actions implemented and their impact; and
- Produce evidence of what works and why in development interventions.

The IDB Group is a key partner for micro, small, medium and large-size companies and banks. The Bank offers financing opportunities for companies and financial institutions, access to grants and consulting and procurement contracts. The IDB Group uses loans, grants, guarantees and investments to fund development programs.¹¹

Green Industry Funding

The following information was acquired from several government websites: export.gov, exim.gov, ustda.gov, sba.gov, usda.gov, opic.gov, mcc.gov, tradeport.org

Strategies for Exporting Green

The following major agencies collaborated together in assisting the growth of the Green Industry market. Released in December 2010, the export strategy was developed through the US Trade Promotion Coordinating Committee Working Group on Renewable Energy and Energy Efficiency, which includes representatives from the departments of Commerce, Energy, State, and Agriculture, as well as the Export-Import Bank of the United States (Ex-Im), the Overseas Private Investment Corporation (OPIC), the US Trade and Development Agency, and the Office of the United States Trade Representative.

The strategy includes several new services to help US clean energy companies export products and services:

- The federal government launched a new online portal: http://export.gov/reee/ to provide clean energy companies with easy access to government export resources.

- The Department of Commerce committed to an increase in the number of clean energy trade and trade-policy missions.


- OPIC will invest an additional $300 million in clean energy financing in emerging markets and new financial products for subordinated debt financing and equipment leasing.

- OPIC and Ex-Im will streamline financing applications.

- The Office of the US Trade Representative will address market access barriers through a new subcommittee.

- The USDA's Market Access Program will expand to include biomass wood pellets.

Financing for the Renewable Energy & Energy Efficiency Industry

*The following information was acquired from a government website: exim.gov*

The first commitment under the Renewable Energy and Energy Efficiency Export Initiative (RE4I) is to better tailor export financing to meet the specific needs of the Renewable Energy and Energy Efficiency (RE&EE) industry. Without adequate financing, U.S. companies struggle to close deals, transport goods in a timely manner, or find foreign buyers. In fact, industry feedback received in response to a Federal Register solicitation for public comments often cited access to financing as the most significant barrier to increasing RE&EE exports.

Although the U.S. Government offered financing programs prior to the RE4I, the Initiative created several new programs focused specifically on facilitating private-sector investment in RE&EE technologies – both directly financing U.S. exports and driving demand for U.S. products and expertise.

Processing of RE&EE Financing

*The following information was acquired from a government website: exim.gov*

**Participating Agencies**

Both the U.S. Export-Import Bank (Exim) and the Overseas Private Investment Corporation (OPIC) made a commitment in the RE4I to streamline their processing of RE&EE financing applications to shorten the amount of time it takes companies to access credit – increasing the ability of U.S. companies to close an export deal quickly.

Over the course of the year, Exim reconfigured its Solar Express Program to include not only solar photovoltaic (PV), but “small wind” as well. The resulting Renewable Energy Express Program continues to generate tremendous interest, with applications for export finance coming from U.S. companies with projects across Asia, Latin America, the Caribbean and Europe.

As an example, Exim approved a $9 million loan guarantee in July 2011 to support the export of thin-film solar panels by Abound Solar to India, and a $22.2 million loan guarantee in May 2011 to support the export of small wind turbines by Northern Power Systems to Italy.

Similarly, OPIC has also developed more streamlined processes for RE&EE financing applications under the auspices of the RE4I. OPIC now has a dedicated group for developing RE&EE investments, including the evaluation of debt financing and political risk insurance coverage. Examples of recent OPIC projects include a $121 million guaranty for the construction and operation of two 20 MW solar PV power plants in Peru; a $90 million loan for the expansion of biomass fuel production in Liberia; and a $58 million loan for the development, construction and operation of a 46.4 MW hydropower generation facility in Georgia.
Greater OPIC and Exim Focus on RE&EE Financing

Due to a more streamlined process for RE&EE applications and an organized commitment to expanding investment in the sector, both Exim and OPIC will invest more money in the RE&EE sector in 2011 than in any previous year. In 2011, EXIM doubled its authorizations for RE&EE projects, supplying over $700 million worth of financing to foreign buyers of U.S. technologies. Similarly, OPIC has more than doubled its commitments to the RE&EE sector, climbing from $240 million in 2010 to likely commitments of $520 million in 2011, with projects ongoing in South America, Asia, and Africa. These increases in overall coverage have provided many RE&EE companies with a level playing field on which to compete.

Ex-Im Express Program

The following information was acquired from a government website: exim.gov

A key RE4I commitment is to streamline the processing of renewable energy project applications at Exim and OPIC. Responding to this commitment, Exim’s “Renewables Express” was created, expanding the successful Solar Express project finance review process to include additional renewable energy technologies. Under Renewables Express, Exim will consider project financing for small renewable power producers seeking loans of $3 million to $10 million in an expedited review process for both corporate balance sheet and limited recourse transactions that fit within the program’s parameters and where the repayment is generated from the project’s cash flows.

Key Markets

EXIM has set aside monetary fund’s to initiate projects that are specific to green industries. The following are bullet points of projects that they have been successful in and a chart of growth in approvals for assistance to green industries

• Nearly $2.9 billion approved to support U.S exports to India, including seven solar-energy projects.

• $899 million was authorized by EXIM to support over $1.3 billion of U.S exports of environmentally beneficial goods and services. More than 81 percent of these authorizations supported renewable-energy exports.

• $180 million approved by EXIM for seven solar energy projects in India, supporting U.S. exporters in the solar photovoltaic (PV) industry across the United States.
OPIC Support for the Leasing of U.S. Renewables

The following information was acquired from a government website: www.opic.gov

Energy Equipment:

OPIC is currently evaluating several potential transactions that would use its new leasing facility to enable U.S. companies to supply services for the construction and development of renewable energy projects. For example, U.S. geothermal firms that supply drilling and exploration services are very competitive globally. The ability to lease drilling rigs, rather than make the large investments needed to purchase them, will open new markets for U.S. geothermal exporters. OPIC’s supplemental call for investment proposals will provide $500 million in OPIC coverage to mobilize more than $1.5 billion for RE&EE projects in emerging markets.

In December 2010, OPIC announced a Global Renewable Resources Funds call for proposals to help catalyze and facilitate private sector investments that promote renewable resources globally. OPIC ultimately approved five funds from among 56 respondents to the call. Additional funds are still under review.

For example, one of the new OPIC-supported investment funds – the Renewable Energy Asia Fund – will help deploy mature renewable energy technologies in India and the Philippines. The fund is aimed at decreasing the gap between energy supply and demand growths in these emerging economies while providing expertise to further the future development of renewable energy projects in the region. Based on this leasing facility are expected to be completed by mid-2012.

OPIC Commitment to Supplement Six Clean Energy Investment Funds with a New Call for Proposals:

OPIC’s commitment to increasing private-sector investment in RE&EE projects was exemplified by its creation of new renewable energy investment funds. In June 2011, OPIC’s Board of Directors approved nearly $500 million in financing for five new funds, which could support more than $1.5 billion in private-sector investment in renewable energy projects in Southeast Asia and Africa.

New OPIC Energy Efficiency Subordinated Debt Product:

Likewise, OPIC has developed a new subordinated debt product to support energy efficiency improvements and has begun marketing this opportunity to potential customers. The new subordinated debt product will finance 100 percent of a project’s energy efficiency improvements and can be paid back with cost-savings over time. As an example, OPIC is currently providing $3 million in financing for a project in Jordan, which will accelerate the expansion of energy efficient services related to large scale solar water heating and cooling. OPIC will continue to shape the energy efficiency product based on feedback from industry.
Investment Funds Program

The following chart depicts a few examples of funding programs that OPIC recently has made available. For further information, please visit:

- **Renewable Energy Asia Fund, L.P.:** $187 million India, Philippines, Sri Lanka, and Southeast Asia. Targeting renewable energy infrastructure projects, specifically on preconstruction but post permitted small hydro, wind, and other renewable energy projects with rights to a renewable resource, a resource study performed, and a customer identified with a long term power purchase agreement available.

  Contact: Jeremy Smith: Jeremy.smith@berkelyenergy.com

- **SACEF Holdings (South Asia Clean Energy Fund):** $300 million India/ Pan- South Asia. Equity and equity related investments in solar, wind, hydropower, biofuels, natural gas, energy efficiency, batteries, and green information technologies, transportation, water, and green buildings. The Fund will focus on companies that service the renewable energy value chain.

  Contact George McPherson: gmcpherson@gefdc.com, wwglobalsenvironmentfund.com

- **USRG Emerging Market Fund:** $300 million Global. Equity and equity related investments in renewable power generation (including biomass, geothermal, solar, landfill methane and wind projects), clean fuels (including ethanol and biodiesel projects), and renewable energy value chain investments and infrastructure.

  Contact: Lee Bailey: lee@usregroup.com, www.usregroup.com

- **Virgin Green Emerging Markets Fund, L.P.:** $300 million global. Investment in companies involved in the renewable energy and resource efficiency sectors in emerging market countries.

  Contact: Michael Odai: Michael.odai@virgingreenfund.com, www.virgingreenfund.com

- **Wolfensohn Low Carbon Energy Fund:** $300 million Global. Investing globally in expanding business that manufacture, develop, supply or support renewable energy products or services in OPIC eligible countries.

  Contact: Adam Wolfensohn of Wolfensohn & Co.: adam@wolfensohn.com, www.wolfensohn.com
Development Opportunity with USTDA Funding for Clean Energy Projects

The following information was acquired from a government website: www.ustda.gov

To fulfill a commitment made under RE4I, the U.S. Trade and Development Agency (USTDA) is continuing to prioritize funding for clean energy projects that USTDA advances economic development and U.S. commercial interests in developing and middle-income countries. The agency funds various forms of technical assistance, feasibility studies, training, reverse trade missions and business workshops that support the development of a modern infrastructure and a fair and open trading environment. USTDA's strategic use of foreign assistance supports sound investment policy and decision-making in host countries and creates an enabling environment for trade, investment and economic development. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

In fiscal year 2008, USTDA invested in 12 new environmental projects around the world. In addition to water, wastewater and air projects, USTDA has supported numerous power plant conversions from coal to gas, technology upgrades to lower emissions, rail transport projects to reduce road congestion and many other environmentally beneficial initiatives. The following is an illustrative list of recent USTDA projects in the environmental sector. For further information of upcoming projects, please visit: http://www.ustda.gov/businessopps/. To work with the Federal Government, it is essential that a contractor registers with the Central Contract Registrar, for more information on the registration process and requirements, please visit: www.ccr.gov

Examples of USTDA International Investments

East Asia

China Shanxi Continuous Emissions Monitoring System – USTDA is providing $186,400 to Shanxi Provincial Environmental Protection Bureau (EPB) to partially fund analysis on continuous emissions monitoring systems in coal-fired power plants and industrial facilities across Shanxi. The study will assess the improvements mandated by environmental regulations, and will provide information on U.S. technologies for CEMS installation and operation.

Europe and Eurasia

Montenegro Revolving Water Fund for Water Utilities Improvement – A $463,950 grant to the Montenegro Ministry of Environmental Protection and Physical Planning is helping to establish a revolving investment fund for the Montenegrin water sector. The International Association of Development Funds of Bethesda, MD, provided the assistance.

**Latin America and the Caribbean**

**Brazil COPASA Water Re-Use Project** – A $164,920 grant to the Companhia de Saneamento de Minas Gerais (COPASA) is helping to plan a water re-use project at the Arrudas Wastewater Treatment Plant. The project involves adding tertiary treatment capacity to produce an effluent that meets water quality requirements for urban residential, commercial and industrial water needs.

**Middle East and North Africa**

**Jordan Wastewater Treatment** – USTDA is funding a $450,000 grant to the Jordanian Ministry of Planning and International Cooperation, acting through the Water Authority of Jordan, to fund early investment analysis on the construction of a wastewater treatment plant to serve the towns west of Salt City in the Balqa'a governorate of Jordan. CH2M HILL is carrying out the feasibility study.

**South and Southeast Asia**

**Pakistan Waste-to-Energy (WTE) Plant** – A $325,000 grant to Pakistan’s Alternative Energy Development Board is funding an evaluation of the technical and financial merits of establishing a scalable 5-10 megawatt WTE power plant near Karachi. The grant is being used to implement pilot project that will demonstrate the ability of WTE plants to address environmental issues, as well as critical power shortages and fuel importation costs facing Pakistan.

**Sub-Saharan Africa**

**Senegal Corniche West Wastewater Treatment** – A $418,908 USTDA grant is funding a study on the wastewater collection and treatment facilities for the Corniche West sector in the City of Dakar. Hazen and Sawyer is the competitively-chosen contractor for this study.
Export Marketing Programs

The following information was acquired from a government website: www.export.gov

Export Marketing programs are available to U.S. companies to enter overseas markets. The U.S. Department of Commerce offers many programs to assist exporters with trade leads. These programs include:

- Global Business Opportunities (GLOBUS),
- Country Commercial Guides (CCG),
- International Partner Search,
- Gold Key Service,
- International Buyer Program (IBP),
- Trade Missions,
- Product Literature and Sample Displays,
- Orientation Visits,
- U.S. Export Pavilions,
- Trade Show Central,
- Trade Show News Network,
- All world Exhibitions,
- Journal of Commerce (JoC),
- Export Hotline,
- World Trade Center’s Association (WTCA), and
- Business Information Service for the Newly Independent States (BISNIS).
This guide was compiled from acquired information from government websites:

www.exim.gov
www.ustda.gov
www.opic.gov
www.usda.gov
www.export.gov
www.mcc.gov
www.tradepot.org
www.worldbank.org
www.iadb.org
Appendix

OPIC’s Finance Eligibility Checklist

The following information was acquired from a government website: www.opic.gov

OPIC has developed the following questions to help you determine whether or not your project may be eligible for financing from OPIC:

1. Are you proposing an investment in a foreign country?
   OPIC programs support long-term direct investments in developing countries and emerging markets. OPIC support is available for new investments, expansions and modernizations of existing plants, and privatizations. Acquisitions of existing operations are also eligible for financing if the investor contributes additional capital for modernization and/or expansion.

   OPIC does not offer financing of export sales unrelated to long-term investment.

2. Will the project be located in a country where OPIC programs are available?
   OPIC programs are available in over 150 developing countries and emerging markets. To review the list of countries and areas in which OPIC programs are generally available, please visit

   Where We Work at http://www.opic.gov/opic-action/interactive-map-overview. From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs were previously unavailable may become eligible. Thus, investors are urged to contact OPIC directly for up-to-date information regarding the availability of OPIC services in specific countries.

3. Is the investor seeking a direct loan or loan guarantee for the medium- to long-term?
   The financing that OPIC offers are debt-financing in the form of direct loans and loan guaranties to support medium- to long-term investment projects overseas. OPIC loan terms typically range from three to fifteen years, with market rates of interest, and customary financing costs and fees borne by the borrower.

   OPIC does not make direct equity investments in projects. If you are seeking equity for your project, please visit OPIC’s Investment Funds section at http://www.opic.gov/what-we-offer/investment-funds to read more about OPIC-supported private equity funds.

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OPIC also does not provide grants or feasibility study assistance. For more information on this type of assistance, please contact the U.S. Trade Development Agency (www.ustda.gov).

4. Does the project have meaningful U.S. private sector involvement?

OPIC supports projects that enjoy a meaningful connection to the U.S. private sector. OPIC generally requires U.S. involvement in the project company in an amount that is equivalent to 25 percent of the project company’s equity. The 25 percent equity benchmark may be met with equity investment, long-term debt investment in the project or other U.S. contracts (such as construction contracts), or by combining these types of involvement in a project.

5. Does the U.S. private sector participant in the project meet OPIC’s definition of U.S.?

A U.S.-organized entity generally must be at least 25 percent U.S.-owned. A foreign-organized entity generally must be at least majority U.S.-owned. U.S. citizens, lawful permanent residents (for example, Green Card holders) and U.S.-organized non-profit organizations meet the OPIC definition.

6. Will U.S. involvement be maintained for the duration of the project?

For an ongoing project, U.S. entities need to retain a 25 percent interest in the project through final disbursement of the OPIC loan. In the case of a start-up or ‘Greenfield’ project, the U.S. entities need to retain a 25 percent interest through physical completion of the project. OPIC must approve any proposed transferee of the interest.

7. Does the U.S. participant qualify as a small business under OPIC’s definition?

For OPIC to finance a project with a direct loan, the U.S. involvement must come from U.S. small business. A “small” business includes:

- A business with annual revenues during the last fiscal year of less than $400 million.
- For entities/individuals without revenues, net worth of less than $100 million.
- Consistent with a test applied by the U.S. Small Business Administration, OPIC also considers a business with 500 or fewer employees as “small.”

Businesses which do not meet this definition may contact OPIC’s Structured Finance division at info@opic.gov.

8. Does the requested loan size fall within OPIC’s range of support?

OPIC offers financing from $350,000 up to $250 million per project.

9. Are the investors contributing an adequate level of equity to the project?

Investors must be willing to establish sound debt-to-equity relationships that will not jeopardize the success of the project through insufficient equity or excessive leverage. Although the financial structure may vary with the nature of a specific business, OPIC generally requires
that the project company maintain a debt to equity ratio in the range of 60 percent debt to 40 percent equity.

OPIC can participate in (lend) up to 60 percent of the total costs of a new venture, while a somewhat higher participation may be considered in the case of an expansion of a successful existing business. OPIC will not generally support more than 75 percent of the total investment.

10. Do the sponsors have a successful track record in the industry?

All projects must be within the demonstrated competence of the proposed management, which can be demonstrated by a recent, proven record of success in the same or a closely related business as evidenced by three years of historical financial statements that show a record of successful business operations.

11. Will the proposed investment meet OPIC’s investment policy criteria?

OPIC implements policies that promote sustainable economic development across all OPIC-supported projects. These policies reflect Congressionally-mandated statutory requirements and general OPIC policy requirements. Specifically, OPIC works to ensure that supported projects:

- Are environmentally and socially sustainable;
- Respect human rights, including workers’ rights;
- Have no negative impact on the U.S. economy; and
- Encourage positive host country development effects.

If you have answered, “yes” to the questions above, your project may be eligible for OPIC financing.