

Chapter 7

Export Finance, Insurance, and Grants (Non-Agricultural)

EXPORT FINANCE

Export-Import Bank of the United States (Ex-Im Bank)

The Ex-Im Bank provides a variety of export finance assistance, including export credit insurance, pre-export financing through working capital guaranteed loans to exporters, and medium- and long-term loans and guarantees to overseas buyers. The Ex-Im Bank offers various programs to the business community, including regular seminars and group briefings at several locations around the country. Specific Ex-Im Bank programs are described below.

Contact: For information on all Ex-Im Bank programs, call the export financing hotline at 1-800-565-EXIM (3946), (202) 565-3946 (Alaska, Hawaii, and the District of Columbia); fax retrieval: 1-800-565-EXIM, press 1, press 2; e-mail: bdd@exim.gov; home page: www.exim.gov.

City-State Program/Export-Import Bank

The Ex-Im Bank works with state and local government agencies to offer export counseling and financial assistance to businesses in their jurisdictions. Co-operative programs currently operate in more than 35 states and regions as well as in Puerto Rico.

Contact: Gus Grace, business development officer, (202) 565-3910; fax (202) 565-3932.

Regional Offices/Export-Import Bank

The Ex-Im Bank's regional offices provide services and information to businesses. Regional offices are in New York; Washington, D.C.; Miami; Chicago; Houston; Orange County, Calif.; Long Beach, Calif.; and San Francisco. The Ex-Im Bank is also represented at most of the U.S. Export Assistance Centers (USEACs).

Contact: **New York:** 20 Exchange Place, 40/F, New York, NY 10005, (212) 809-2650; fax (212) 809-2646; **Washington, D.C.:** 811 Vermont Ave., NW, Room 929, Washington, DC 20571, (202) 565-3900; fax (202) 565-3931; **Miami:** 777 N.W. 72nd Ave., Suite 3M2, Miami, FL 33126, (305) 526-7436; fax (305) 526-7435; **Chicago:** 55 W. Monroe Street, Suite 2440, Chicago, IL 60603, (312) 353-8081; fax (312) 353-8098; **Houston:** 1880 South Dairy, Ashford II, Suite 585,



Houston, TX 77077, (281) 721-0465; fax (281) 679-0156; **Orange County, Calif.:** 3300 Irvine Avenue, Suite 305, Newport Beach, CA 92660, (949) 660-1688 ext. 150; fax (949) 660-8039; **Long Beach, Calif.:** 1 World Trade Center, Suite 1670, Long Beach, CA 90831, (562) 980-4580; fax (562) 980-4590; **San Francisco:** 250 Montgomery Street, 14th floor, San Francisco, CA, 94104, (415) 705-2285; fax (415) 705-1156. For the addresses and phone numbers of USEACs, call 1-800-USA-TRAD(E) (1-800-872-8723) or view www.export.gov/commercialservice.

Working Capital Guarantee Program/Export-Import Bank

The Working Capital Guarantee Program helps small and medium-sized businesses obtain critical pre-export financing from commercial lenders. The Ex-Im Bank guarantees 90 percent of the principal and interest on transaction-specific loans or revolving lines of credit that are extended to eligible exporters. The funds may be used for pre-export activities, which include the purchase of raw materials, labor, overhead, performance bonds, retainers, and warranties. The Ex-Im Bank processes loan amounts of over \$833,333, while lower amounts go to the Small Business Administration.

Contact: Sam Zytcer, (202) 565-3782; fax (202) 565-3793; home page: www.exim.gov; or contact an Ex-Im Bank regional office.

Export Credit Insurance/Export-Import Bank

The Ex-Im Bank offers insurance policies that cover political and commercial risks on export receivables.

- The **Small Business Policy** is available to firms just beginning to export or with average annual export credit sales of less than \$3 million for the past two years. These businesses must also meet the Small Business Administration's definition of a small business. The policy offers enhanced coverage, a lower premium than usually found in other insurance policies, and an enhanced assignment used to discount receivables with a bank. Special features are also available for exporters of environmental goods and services.
- ◆ The **Bank Letter of Credit Policy** insures commercial banks against loss on irrevocable letters of credit issued by foreign banks for U.S. exporters.
- ◆ The **Multi-Buyer Policy** insures all of an exporter's short-term export credit sales or a reasonable spread.
- ◆ The **Financial Institution Buyer Credit Policy** insures individual short-term export credits extended by financial institutions to foreign buyers.
- ◆ The **Short-Term Single-Buyer Policy** and the **Medium-Term Single-Buyer Policy** allow exporters to insure their receivables against loss due to commercial and specified political risks on a selective basis.

◆ **Lease Insurance Policies** offer a lessor the opportunity to expand its overseas leasing program by providing comprehensive insurance for both the stream of lease payments and the fair market value of the leased products.

Contact: Business Development, (202) 565-3900; fax (202) 565-3931; home page: www.exim.gov; or contact an Ex-Im Bank regional office.

Direct Loans and Guarantees/Export-Import Bank

This program extends direct loans to foreign buyers or guarantees to financing intermediaries for creditworthy entities that purchase U.S. capital goods or services. The loans and guarantees offered are for 85 percent of the U.S. export value. Direct loans provide competitive fixed-rate financing to the foreign buyer. The guarantee coverage provides protection to the finance source against payment default for either political or commercial reasons. Interest rates for the guarantees are negotiated between the finance source and the seller and are typically floating rates. Political-only guarantee coverage is also available. In addition, the Ex-Im Bank is willing to provide support for a broad range of environmental exports, including special transaction structures for certain lease transactions, industrial design, architectural or engineering services, and overseas operations and maintenance contracts.

Contact: Business Development, (202) 565-3900; fax (202) 565-3931; home page: www.exim.gov; or contact an Ex-Im Bank regional office.

Limited Recourse Project Finance Program/Export-Import Bank

The Limited Recourse Project Finance Program provides financing for projects that are dependent on the cash flows of the project for repayment, not on recourse to a foreign government, financial institution, or established corporation. Combinations of direct loans, political risk only coverage, or comprehensive guarantees for commercial bank loans are available. The Ex-Im Bank now offers pre-completion comprehensive coverage for select projects. Ex-Im Bank offerings include financing up to 85 percent of the U.S. export value, financing of interest during construction, and financing of host country local costs of up to 15 percent of the U.S. contract value and up to the maximum repayment terms consistent with the guidelines of the Organization for Economic Cooperation and Development.

Contact: Kristine Wood, (202) 565-3913; fax (202) 565-3695; home page: www.exim.gov.

Small Business Administration (SBA)

The SBA finances the short-term and cyclical working-capital needs of small businesses and administers business loan programs to help qualified small businesses obtain financing. The financing programs and appropriate contacts listed below can help exporters.



Business Loan Guarantee Program/Small Business Administration (SBA)

The SBA's 7(a) program assists qualified small businesses to obtain financial assistance from banks. The Business Loan Guarantee Program provides the lender with a guarantee that if the borrower cannot repay the loan, the federal government will repay the loan up to the percentage of the SBA guarantee. Therefore, when a business applies for an SBA loan, it is applying for a commercial loan with an SBA guarantee.

The SBA can make 7(a) loans to businesses engaged in manufacturing, construction, wholesale, retail, or service industries, and the proceeds may be used to acquire equipment, facilities, machinery, supplies, or materials; to obtain working capital; to finance construction, conversion, or expansion; and to refinance existing debt.

The maximum dollar amount that the SBA will guarantee is \$1,000,000. The maximum maturity is 25 years; however, the SBA expects all loans to be repaid as soon as possible. Therefore, maturity is based on the ability of the business to pay without hardship. Interest rates on SBA guarantee loans are negotiated between the applicant and the lender based on the credit merits of the request, subject to a maximum of the prime rate plus 2.75 percent.

Contact: 1-800-U-ASK-SBA for the nearest SBA district office or U.S. Export Assistance Center for application and processing, or view www.sba.gov/financing.

Export Working Capital Program (EWCP)/Small Business Administration (SBA)

The EWCP provides short-term, transaction-specific financing for small business exporters. Exporters may use this program for pre-export financing of labor and materials, financing receivables generated from these sales, and standby letters of credit used as performance bonds or payment guarantees to foreign buyers. The EWCP provides 90 percent guarantees up to \$1 million to commercial lenders and offers exporters preliminary commitments that encourage lenders to provide credit to small business exporters. To qualify for the EWCP, the small business must be established for at least one year, though not necessarily engaged in exporting. Interest rates and fees are negotiable between the lender and the small business exporter.

Contact: 1-800-U-ASK-SBA for the nearest SBA district office or U.S. Export Assistance Center, or view www.sba.gov/oit.

International Trade Loan Guarantee Program/Small Business Administration (SBA)

The International Trade Loan Guarantee Program helps small businesses that are either new to export, already engaged in exporting and seeking to expand their operation, or adversely affected by competition from imports. The SBA guarantees up to \$1.25 million, less the amount of the SBA's guaranteed portion of other loans outstanding, to the borrower under the SBA's regular lending program. Loans are made

by lending institutions backed by the SBA guarantee of a portion of the loan. Proceeds may be used for working capital and facilities or equipment. Maturities of loans for facilities or equipment may extend to the 25-year maximum.

Contact: 1-800-U-ASK-SBA for the nearest SBA district office or U.S. Export Assistance Center, or view www.sba.gov/oit.

Export Express/Small Business Administration (SBA)

Export Express is the newest and easiest SBA export loan program. Export Express provides lenders with a repayment guaranty on their small business export loans up to a maximum loan amount of \$250,000. Export Express lenders use their own loan analyses, loan procedures, and loan documentation and streamlined loan review and approval procedures to process SBA guaranteed loans.

Small businesses can use Export Express loans for many different purposes including foreign market development activities such as trade show participation and product literature translation. SBA Export Express loans may support standby letters of credit that are used for either bid or performance bonds, revolving lines of credit for export purposes, term loans, and other financing to enable small business concerns, including small business export trading companies and small business export management companies to develop foreign markets. To be eligible for SBA Export Express assistance, applicants must have been in business operation for at least one year, though not necessarily in exporting.

SBA Export Express combines the SBA's small business lending assistance with its technical assistance programs to help small businesses obtain export financing. Technical assistance is provided by U.S. Export Assistance Centers (USEACs) in cooperation with the SBA's network of resource partners. On approval of an SBA Export Express loan, the SBA representative in the nearest USEAC will contact the borrower to offer appropriate assistance.

Contact: 1-800-U-ASK-SBA for the nearest SBA district office or USEAC; e-mail: answerdesk@sba.gov; or access the SBA Export Express home page: www.sba.gov/oit/exportexpress.html.

Small Business Investment Companies (SBICs)/Small Business Administration (SBA)

SBICs, licensed by the SBA, are privately owned and managed investment firms. SBICs with investment strategies that include export activities may receive equity capital or term working capital in excess of the SBA's \$750,000 statutory limit.

Contact: Investment Division, (202) 205-6510; home page: www.sba.gov/inv.



Export Finance Matchmaker/ITA/U.S. Department of Commerce

The Export Finance Matchmaker (EFM) program uses the Internet to match U.S. exporters with sources of export financing or risk mitigation. Information collected from the exporter is matched with corresponding offerings of the export finance/risk mitigation firms. This program supports a variety of export financing products, including pre-export working capital, direct loans to foreign buyers, forfeiting, export factoring, documentary products, export credit insurance, and other financial services.

Contact: William Franklin, Office of Finance, (202) 482-3277; fax (202) 482-5702; e-mail: tradefinance@ita.doc.gov; home page: www.trade.gov/efm.

Untied Aid Initiative/ITA/U.S. Department of Commerce

This program provides information on how to access foreign donor aid programs, including grant aid, "soft loans," and technical cooperation, to finance U.S. export sales in infrastructure and other sectors. According to data from the Organization for Economic Cooperation and Development, approximately 81 percent of bilateral aid is "untied" (i.e., not contingent upon the purchase of goods and services from the donor country) and therefore potentially available to finance procurement from U.S. and other suppliers and consultants.

Contact: Danius Barzdukas, Office of Japan Trade Policy, (202) 482-1147; fax (202) 482-0469; e-mail: danius_barzdukas@ita.doc.gov; Denise Carpenter, Office of Finance, (202) 482-4002; fax (202) 482-5702; e-mail: denise_carpenter@ita.doc.gov; home page: www.ita.doc.gov/untiedaid.

Multilateral Development Bank Commercial Liaisons/ITA/U.S. Department of Commerce

Multilateral Development Bank (MDB) commercial liaisons counsel U.S. firms about opportunities associated with funding by the World Bank; Asian, African, and Inter-American Development Banks; and the European Bank for Reconstruction and Development. MDB liaison officers ensure project information is available on a timely basis and organize and develop outreach programs throughout the United States. The development banks assist in financing social and economic infrastructure and privatization projects in developing countries. The U.S. liaison officers in each of these institutions are dedicated to the identification of these projects at the earliest possible stage. They provide in-depth counseling to U.S. firms on bank opportunities and advocate on behalf of U.S. firms.

Contact: World Bank, Commercial Liaison Office, (202) 458-0120, fax (202) 477-2967; Inter-American Development Bank, Commercial Liaison Office, (202) 623-3821, fax (202) 623-2039; African Development Bank, Commercial Liaison Office (Cote D'Ivoire), +225 (22) 41-12-50, fax +225 (22) 41-12-60 ; Asian Development Bank, Commercial Liaison Office (Philippines), +632 887-1345/1346, fax +632 887-1164; European Bank for Reconstruction and Development (United Kingdom), +44 (171) 588-4027/4028, fax +44 (171) 588-4026; or call the Trade Information Center at 1-800-USA-TRAD(E).

INVESTMENT FINANCE

Overseas Private Investment Corporation (OPIC)

OPIC helps U.S. businesses invest overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with foreign direct investment, and supports U.S. foreign policy. Because OPIC charges market-based fees for its products, it operates on a self-sustaining basis at no net cost to taxpayers. OPIC promotes U.S. best practices by requiring projects to adhere to international standards on the environment, workers rights, and human rights.

Contact: OPIC InfoLine, (202) 336-8799; fax (202) 408-9859; home page: www.opic.gov. Callers with a touchtone phone may listen to brief recorded program descriptions, request that printed program information be sent to them via mail or fax, or, from 8:45 a.m. to 5:30 p.m. ET, speak with an OPIC information officer.



Investment Insurance/Overseas Private Investment Corporation

OPIC offers several programs to insure U.S. investments in emerging markets and developing countries against the risks of: (1) currency inconvertibility—the inability to convert profits, debt service, and other investment remittances from local currency into U.S. dollars or the inability to transfer funds; (2) expropriation—loss of an investment due to expropriation, nationalization, or confiscation by the host government; and (3) political violence—loss of assets or income due to war, revolution, insurrection, or politically motivated civil strife, terrorism, or sabotage. Coverage is available for new ventures, expansion of existing enterprises, privatizations, and acquisitions with positive developmental benefits. Coverage is available for equity investments, parent company and third-party loans and loan guarantees, technical assistance agreements, leases, consigned inventory or equipment, and other forms of investment. OPIC has several insurance programs offering coverage tailored to meet the special insurance needs of certain types of international investments.

Contact: OPIC InfoLine, (202) 336-8799; fax (202) 408-9859; home page: www.opic.gov.

Finance Programs/Overseas Private Investment Corporation

OPIC provides financing through direct loans and loan guarantees for medium, and long-term private investment. Loans range from \$100,000 to \$250 million for projects sponsored by U.S. companies, and financing can be provided on a project finance or corporate finance basis. In most cases, the U.S. sponsor is expected to contribute at least 25 percent of the project equity, have a track record in the industry, and have the means to contribute to the financial success of the project. OPIC will not lend to projects that can secure adequate financing from commercial sources. Additionally, to address the lack of sufficient equity investment in emerging markets, OPIC has

supported the creation of privately owned and managed investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies.

Contact: OPIC InfoLine, (202) 336-8799; fax (202) 408-9859; home page: www.opic.gov.

GRANTS AND FUNDING FOR FEASIBILITY STUDIES AND OTHER EXPORT-RELATED NEEDS

Feasibility Studies/U.S. Trade and Development Agency (TDA)

One of the TDA's primary activities is the grant funding of feasibility studies and other project planning activities for major projects in developing and middle-income countries. The studies are conducted by U.S. private sector firms and represent a wide range of host government high priority sectors, including energy, transportation, telecommunications, information technology, manufacturing, minerals development, and the environment. Feasibility studies assess the economic, financial, and technical viability of a potential project. Applications for feasibility studies are accepted with host country endorsement.

Contact: TDA Information Resource Center, (703) 875-4357; fax (703) 875-4009; e-mail: info@tda.gov. A model feasibility study proposal format can be found on the TDA home page: www.tda.gov.

Technical Assistance Grants/U.S. Trade and Development Agency (TDA)

The TDA funds technical assistance related to the evaluation or implementation of projects to project sponsors. In some instances, the TDA also offers funding to foreign governments for technical assistance that supports capacity building initiatives and the implementation of trade agreements that may lead to increased U.S. exports.

Contact: TDA Information Resource Center, (703) 875-4357; fax (703) 875-4009; e-mail: info@tda.gov; home page: www.tda.gov.

Desk Studies and Definitional Missions/U.S. Trade and Development Agency (TDA)

Before the TDA provides project specific grant assistance, it requires independent evaluation of the proposal. The TDA hires teams of technical specialists, all of whom are from small U.S. businesses, to gather additional information on projects and provide evaluations. Desk studies provide quick analyses and are conducted in the United



States. Definitional missions provide more detailed evaluations and involve travel to the region in question.

Contact: For a list of current opportunities, contact the TDA definitional mission hotline at (703) 875-7447. To be included in the TDA definitional mission consultant list, register on-line at the TDA Web site. TDA e-mail: info@tda.gov; home page: www.tda.gov.

Trust Funds for U.S. Firms at the Multilateral Development Banks (MDBs)/U.S. Trade and Development Agency (TDA)

The TDA maintains trust funds at five MDBs: the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development, and the Inter-American Development Bank and its private sector arm, the Inter-American Investment Corporation. These funds, most of which are known as evergreen funds, can be used for technical assistance and feasibility studies. The TDA maintains a minimum balance that is readily available to fund project opportunities for U.S. firms or to help U.S. businesses take advantage of time-sensitive projects.

Since MDBs finance many of the capital projects in the developing world, the TDA's close relationship with them is advantageous for the U.S. business community. In addition to the valuable project information gained through the MDBs, which the TDA passes on to U.S. firms, working with bank projects ensures that a potential funding source has been identified.

Contact: TDA Information Resource Center at (703) 875-4357 (ask for the regional director for the country where a project is located) or fax Barbara Bradford, deputy director, at (703) 875-4009. TDA e-mail: info@tda.gov; home page: www.tda.gov.

Training Grants/U.S. Trade and Development Agency (TDA)

The TDA has authority to offer training grants in support of short-listed companies on a transaction-specific basis. These grants frequently enable a company to cover the cost of training local personnel on the installation, operation, and maintenance of equipment specific to its bid proposal.

Contact: TDA Information Resource Center, (703) 875-4357; fax (703) 875-4009; e-mail: tda@info.gov; home page: www.tda.gov.

Market Development Cooperator Program (MDCP) Grants/ITA/U.S. Department of Commerce

The MDCP is a competitive matching funds program operated by the International Trade Administration that builds public-private partnerships by providing federal assistance to non-profit export multipliers such as states, trade associations, chambers of commerce, world trade centers, and small business development centers. These multipliers are particularly effective in reaching and assisting small and medium-sized enterprises (SMEs). Applicants use their own creativity to design projects that will help



SMEs to enter, expand, or maintain market share in targeted markets overseas. MDCP awards help underwrite the start-up costs of new export marketing ventures.

Contact: MDCP program manager, (202) 482-2969; home page: www.export.gov/mdcp.

Special American Business Internship Training (SABIT)/ITA/U.S. Department of Commerce

The SABIT program is a private sector joint initiative to promote market access and to catalyze economic development in Eurasian countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. SABIT offers both group training programs and competitive grants to U.S. companies, industry associations, technology transfer and commercialization institutions, non-governmental, and other organizations. The grants cover a share of the costs of hosting Eurasian managers and scientists for three to six months of hands-on professional training in U.S. business practices. With funding of \$40 million, SABIT is a leading technical assistance provider driving public-private partnerships between the U.S. and Eurasian scientific and business communities.

Contact: SABIT Program, (202) 482-0073; fax (202) 482-2443; home page: www.mac.doc.gov/sabit.



EcoLinks Partnership Grants Program/Institute for International Education (IIE)/U.S. Agency for International Development (USAID)

EcoLinks, the Eurasian-American Partnership for Environmentally Sustainable Economies, is a USAID-funded program that promotes market-based solutions to urban and industrial environmental problems in Central and Eastern Europe and Eurasia. EcoLinks provides grants and facilitates trade and investment to create lasting environmentally focused partnerships among businesses, local governments, and relevant associations in the region and their counterparts in the United States. The EcoLinks grants program provides Quick Response Awards, up to \$5,000 each, to support travel-related partnering activities such as meetings and site visits and identifies industry best practices to be used as models for future development in the region.

Contact: Ioana Hartshorn, program officer, EcoLinks Partnership Grant Program, (202) 326-7814; fax (202) 326-7774; e-mail: ihartshorn@iie.org; home page: www.ecolinks.org.

Office of Citizen Exchanges/U.S. Department of State

The State Department designs and develops exchange programs to encourage market-based economic development. It funds programs conducted by U.S. non-profit organizations that work with international leaders, including young professionals. For example, one program, Community Connections, brings young entrepreneurs, local government officials, and legal professionals from Russia, Ukraine, Moldova, Belarus, and Georgia to the United States for practical internships.

Contact: Office of Citizen Exchanges, (202) 401-6884; fax (202) 619-4350; e-mail: vrector@pd.state.gov; home page: <http://exchanges.state.gov>.

