

Methods of Payment

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Financing Export Transactions

Export financing is often a key factor in a successful sale. Contract negotiation and closure are important, but at the end of the day, your company must get paid.

Exporters naturally want to get paid as quickly as possible, while importers usually prefer to delay payment until they have received or resold the goods. Because of the intense competition for export markets, being able to offer attractive payment terms customary in the trade is often necessary to make a sale. Exporters should be aware of the many financing options open to them so that they choose the most acceptable one to both the buyer and the seller. In many cases, government assistance in export financing for small and medium-sized businesses can increase a firm's options. The following factors are important to consider in making decisions about financing:

- **The need for financing to make the sale.** In some cases, favorable payment terms make a product more competitive. If the competition offers better terms and has a similar product, a sale can be lost. In other cases, the buyer may have preference for buying from a particular exporter, but might buy your product because of shorter or more secure credit terms.
- **The length of time the product is being financed.** This determines how long the exporter will have to wait before payment is received and influences the choice of how the transaction is financed.
- **The cost of different methods of financing.** Interest rates and fees vary. Where an exporter can expect to assume some or all of the financing costs, their effect on price and profit should be well understood before a pro forma invoice is submitted to the buyer.
- **The risks associated with financing the transaction.** The riskier the transaction, the harder and more costly it will be to finance. The political and economic stability of the buyer's country can also be an issue. To provide financing for either accounts receivable or the production or purchase of the product for sale, the lender may require the most secure methods of payment, a letter of credit (possibly confirmed), or export credit insurance or guarantee.
- **The need for pre-shipment finance and for post-shipment working capital.** Production for an unusually large order, or for a surge of orders, may present unexpected and severe strains on the exporter's working capital. Even during normal periods, inadequate working capital may curb an exporter's growth.

However, assistance is available through public and private sector resources discussed in this chapter.

For help in determining which financing options may be available or the most beneficial to your exporting endeavors, the following sources may be consulted:

- Your banker;
- Your local Department of Commerce Export Assistance Center (EAC);
- Your local Small Business Administration office;
- The Export-Import Bank in Washington, D.C. and selected cities; and
- Your state export promotion or export finance office.

Extending Credit to Foreign Buyers

Foreign buyers often press exporters for longer payment periods. While it is true that liberal financing is a means of enhancing export competitiveness, exporters need to weigh carefully the credit or financing they extend to foreign customers. Moreover, the extension of credit by the seller to the buyer is more common outside the United States. U.S. sellers who are reluctant to extend credit may face the possibility of the loss of the sale to their competitors.

A useful guide for determining the appropriate credit period is the normal commercial terms in the exporter's industry for internationally traded products. Buyers generally expect to receive the benefits of such terms. For off-the-shelf items like consumer goods, chemicals, and other raw materials, agricultural commodities, and spare parts and components, normal commercial terms range with few exceptions from 30 to 180 days. (An allowance may have to be made for longer shipment times than are found in domestic trade, because foreign buyers are often unwilling to have the credit period start before receiving the goods.) Custom-made or high-value capital equipment, on the other hand, may warrant longer repayment periods. Once credit terms are extended to a buyer, they tend to be precedent for future sales, so the exporter should review with special care any credit terms extended to first-time buyers.

Exporters should follow the same careful credit principals they follow for domestic customers. An important reason for controlling the credit period is the cost incurred through use of working capital or through interest and fees. If the buyer is not responsible for paying these costs, then the exporter should factor them into the selling price. The exporter also should recognize that longer credit periods may increase any risk of default. ([Chapter 12](#) described ways to minimize financial risk and still extend export credit abroad; some U.S. Government programs described in this chapter may be helpful as well.) Thus, the exporter must exercise judgement in balancing competitiveness

against consideration of cost and safety.

Customers are frequently charged interest on credit periods of a year or longer but less frequently on short-term credit (up to 180 days). Most exporters absorb interest charges for short-term credit unless the customer pays after the due date.

Obtaining cash immediately is usually a high priority with exporters. Converting export receivables to cash at a discount with a bank is one way to do so. Another way is to expand working capital resources. A third approach, suitable when the purchase involves capital goods and the repayment period extends a year or longer, is to arrange for third-party financing. An example of this is a bank making a loan directly to the buyer for the product, with the exporter being paid immediately from the loan proceeds while the bank waits for payment and earns interest. A fourth possibility, when financing is difficult to obtain, is to engage in countertrade to afford the customer an opportunity to generate earnings with which to pay for the purchase (see [Chapter 12](#)).

These options may involve the payment of interest, fees, or other costs by the exporter. Some options are more feasible when the amounts are in larger denominations. Exporters should also determine whether they incur financial liability should the buyer default.

Commercial Banks

The same commercial bank facilities used to finance domestic activities, including revolving lines of credit for working capital, are often sought to finance export sales until payment is received. Banks do not regularly extend financing solely on the basis of an individual order as they prefer to establish an ongoing business relationship.

A logical first step for an exporter seeking to finance short-term export sales is to approach the local commercial bank with which it already does business. If the bank previously has extended credit to the exporter, the bank will be familiar with the exporter's financial standing, credit need, repayment record, and ability to perform. The bank may be willing to raise the overall limit on an existing working capital line of credit, expand its scope to cover export transactions, or approve a separate line specifically adapted to export-related transactions such as discounting.

Alternatively, the exporter may wish to approach a commercial bank with an international department. Such a bank will be familiar with export business and also be in a position to provide international banking services related to documentary collections and letters of credit, including the discounting of drafts. An intermediate approach is to retain a relationship with the exporter's bank, but seek a referral to a correspondent bank that has an international department.

The exporter should visit the bank's international department, to discuss export plans, available banking facilities, and applicable charges. The exporter may wish to inquire about such matters as: fees for amending or confirming a letter of credit; processing drafts; and about the bank's experience in working with U.S. Government agencies that offer export financing assistance. Generally, the bank's representative handling the exporter's account will not be lodged in the international department. It is in the exporter's best interest to create and foster a close working relationship with the international department.

The responsibility for repaying a working capital loan ordinarily rests with the exporter, even if the foreign buyer fails to pay. The bank takes this contingency into account in deciding on an export working capital line of credit. It is to the benefit of the bank and the exporter to improve the quality of the export receivables by using letters of credit (see [Chapter 12](#)), by making use of credit insurance, or by using Export-Import Bank or Small Business Administration working capital guarantees.

An exporter shipping capital goods may want the commercial bank to make medium-term loans directly to the foreign buyer to finance the sale. Such loans are available for well-established foreign buyers in more stable markets, but where there is an element of risk, the bank may require a standby letter of credit, recourse on the exporter in case of default, or similar repayment reinforcement. The exporter should be knowledgeable about loans from his own bank with Export-Import Bank medium- and long-term export guarantee programs, assuming that the commercial bank is willing to utilize them.

Discounting and Banker's Acceptances

A time draft under an irrevocable letter of credit confirmed by a U.S. bank presents relatively little risk of default, so an exporter may be willing to hold such a draft until it matures. Unless the exporter has ample funds needed for other purposes, holding drafts will use up working capital.

As another course of action, the exporter's bank may be willing to buy, or lend against, time drafts from an exporter that a creditworthy foreign buyer has accepted or agreed to pay at a specified future date. This in effect converts the time draft into immediate cash. The amount received by the exporter is less than the face value of the draft. The difference, called a "discount," represents interest and fees that the bank charges for holding the draft until maturity. The bank may also require the exporter to reimburse the bank in case the draft is unpaid at the due date.

In a third instance, a commercial bank may undertake to accept the obligation of paying a draft for a fee; this is called a banker's acceptance. Banker's acceptances are usually in large denominations. Only a few well-known banks are accepted in the market as "prime-name" banks for purposes of creating banker's acceptances.

Other Private Sources

Factoring, Forfaiting, and Confirming

Factoring is the discounting of a foreign account receivable that does not involve a draft. The exporter transfers title to its foreign accounts receivable to a factoring house (an organization that specializes in the financing of accounts receivable) for cash at a discount from the face value. Although factoring is sometimes done without recourse to the exporter, the specific arrangements should be verified by the exporter. Factoring of foreign accounts receivable is less common than factoring of domestic receivables.

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 discount from the exporter, are active in the U.S. market. Because forfaiting may be done either with or without recourse to the exporter, the specific arrangements should be verified by the exporter.

Confirming is a financial service in which an independent company confirms an export order in the seller's country and makes payment for the goods in the currency of that country. Among the items eligible for confirmation (and thereby eligible for credit terms) are the goods themselves; inland, air, and ocean transportation costs; forwarding fees; custom brokerage fees; and duties. For the exporter, confirming means that the entire export transaction from plant to end user can be fully coordinated and paid for over time. Although confirming is common in Europe, it is still in its infancy in the United States.

These three financing options are less frequently encountered and less widely available than commercial bank financing. Nevertheless, where offered locally, they help fill a financing gap for exporters.

Export Intermediaries

In addition to acting as export representatives, many export intermediaries, such as export trading companies (ETCs) and export management companies (EMCs), can help finance export sales (see [Chapter 4](#)). Some of these companies may provide short-term financing or may simply purchase the goods to be exported directly from the manufacturer, thus eliminating any risks associated with the export transaction as well as the need for financing. Some of the larger companies may make countertrade arrangements that substitute for financing in some cases.

Buyers and Suppliers as Sources of Financing

Foreign buyers of capital goods may make down payments that reduce the need for financing from other sources. In addition, buyers may make progress payments as the goods are completed, which also reduce other financing requirements. Letters of credit that allow for progress payments upon inspection by the buyer's agent or receipt of a statement by the exporter that a certain percentage of the product has been completed

are not uncommon.

In addition, suppliers may be willing to offer terms to the exporter if they are comfortable that they will receive payment. Suppliers may be willing to accept assignment of a part of the proceeds of a letter of credit or a partial transfer of a transferable letter of credit. However, some banks allow only a single transfer or assignment of a letter of credit. Therefore, the exporter should investigate the policy of the bank that will be advising or confirming the letter of credit.

Government Assistance Programs

Several federal government agencies, as well as a number of state and local ones, offer programs to assist exporters with their financing needs. Some are guarantee programs that require the participation of an approved lender; others provide loans or grants to the exporter or a foreign government.

Government programs generally aim to improve exporters' access to credit rather than to subsidize the cost at below-market levels. With few exceptions, banks are allowed to charge market interest rates and fees including fees paid to the government agencies 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 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. In other cases, lenders to a foreign buyer of U.S. goods and services are reluctant to provide the financing without support from a U.S. Government agency.

In overview, the Export-Import Bank (Ex-Im Bank) is the federal government's largest and most comprehensive trade finance agency, offering numerous programs to address a broad range of needs and small and medium-sized, as well as large, exporters. Credit insurance protects against default on exports sold under short-term credit. Other guarantee and loan programs extend medium- and long-term credit for durable goods.

Other agencies fill various market niches. The Small Business Administration (SBA) offers programs to address the needs of smaller exporters. The U.S. Department of Agriculture offers several medium- and long-term credit programs to foster agricultural exports. OPIC provides specialized assistance to U.S. firms through its performance bond and contractor insurance programs for U.S. investments abroad that also can be accessed by U.S. exporters. The Trade Development Administration provides grants for project planning activities conducted by U.S. firms and thereby seeks to give a U.S. imprint on project feasibility studies and design (see [Chapter 5](#)). The Agency for International Development (AID) provides grants to developing nations that can be used

to purchase U.S. goods and services (see [Chapter 5](#)).

Although the Department of Commerce does not offer any financing programs of its own, export counseling is available through its extensive network of EACs (Export Assistance Centers). The following descriptions provide a basic overview of government financing programs.

The Export-Import Bank of the United States

The Export-Import Bank of the United States (Ex-Im Bank) is an independent U.S. Government agency with the primary purpose of facilitating the export of U.S. goods and services. Ex-Im Bank meets this objective by providing loans, guarantees, and insurance programs on market-related credit terms.

Ex-Im Bank's insurance and guarantee programs are structured to encourage private financial institutions to fund U.S. exports by reducing the commercial risks (such as buyer insolvency and failure to pay) and political risks (such as war and currency inconvertibility) of international trade that could lead to nonpayment of export receivables or debt. The financing made available under Ex-Im Bank's guarantees and insurance is on market terms, and most of the commercial and political risks are borne by Ex-Im Bank.

Ex-Im Bank's loan program, on the other hand, is structured to neutralize interest rate subsidies offered by foreign governments. By responding with its own loan assistance, Ex-Im Bank enables U.S. financing to be competitive on specific sales with that offered by foreign exporters.

Pre-export Financing

The Working Capital Guarantee Program enables lenders to provide financing an exporter needs to purchase or produce a product for export, as well as finance short-term accounts receivable. If the exporter defaults on a loan guaranteed under this program, Ex-Im Bank reimburses the lender for the guaranteed portion - generally, 90 percent of the loan - thereby reducing the lender's overall risk. The Working Capital Guarantee Program can be used either to support ongoing export sales or to meet a temporary cash flow demand arising from a single export transaction.

The loan principal can be up to 100 percent of the value of the collateral put up by the exporter, a relatively generous percentage. Eligible collateral includes foreign receivables, exportable inventory purchased with the proceeds of the loan, and goods in production. The term of the guaranteed line of credit is generally one year, but a longer period of renewals may be arranged.

Post-export Financing

Ex-Im Bank offers commercial and political risk insurance. Under the majority of policies, the insurance protects short-term credit extended for the sale of consumer goods, raw materials, commodities, spare parts, and other items normally sold on terms of up to 180 days. If the buyer fails to pay, Ex-Im Bank reimburses the exporter in accordance with the terms of the policy. Coverage is also available for some bulk commodities sold on 360-day terms and for capital and quasi-capital goods sold on terms of up to five years. Ex-Im Bank insurance is by far the largest federal program supporting short-term export credit.

Ex-Im Bank insurance policies for exporters include the Small Business Policy, Single-Buyer Policy, and Multi-Buyer Policy. Another policy, the Umbrella Policy enables an administrator to handle most administrative duties for a group of exporters. With prior written approval, an exporter can assign the rights to any proceeds to a lender as collateral for financing.

Ex-Im Bank's policies generally cover up to 100 percent of defaults due to specified political risks, such as war and expropriation, and up to 95 percent due to defaults arising from other commercial risks, such as buyer default and insolvency. Exporters generally must meet U.S. content requirements and, under some policies, must insure all eligible foreign sales.

Ex-Im Bank insurance premiums reflect various risk factors, including length of credit period, payment method, and the country of the buyer. In keeping with insurance principals, Ex-Im Bank seeks a reasonable spread of risk among the different export markets and avoids unduly concentrated credit exposure.

Several private companies also offer export credit insurance covering political and commercial risks. Private insurance is available for established exporters with a proven track record, often at competitive premium rates, although underwriting capacity in particular markets may be limited. Coverage for contract repudiation and wrongful calling of a bid or performance bond may also be available in the private market. Contact an insurance broker for more information.

Under a separate program, Ex-Im Bank offers its guarantee to encourage banks and other lenders to make export loans to creditworthy foreign buyers of U.S. goods and services. Ex-Im Bank's guarantee supports either medium-term financing (one to five years repayment after delivery or equipment installation) or long-term financing (in most cases, over five and up to ten years repayment) for heavy equipment and capital projects such as power plants, telecommunications systems, and transport facilities and equipment. Lenders charge the market rate for interest on the loan. A minimum 15 percent cash payment is required from the buyer; the remaining 85 percent is financed. Ex-Im Bank's guarantee covers 100 percent of the political and commercial of default on the principal on loans. Coverage for the loan's interest is also provided. Ex-Im Bank guarantees loans made in U.S. dollars or any other freely convertible currency. Ex-Im Bank charges a fee for its guarantee depending on the risk it assumes and the duration of the credit.

Ex-Im Bank also extends medium- and long-term loans of its own as an alternative to its

guarantees. Ex-Im Bank loans are made on the same terms and conditions as guarantees, with the important difference that the bank sets the interest rate in accordance with international agreements. Often, an Ex-Im Bank guarantee results in an all-in cost that is lower than an Ex-Im Bank loan. In fiscal year 1996, \$1.2 billion in loans and \$6 billion in guarantees were approved by Ex-Im Bank.

Ex-Im Bank guarantees and loans, by law, must bear a reasonable assurance of repayment. To satisfy this requirement, Ex-Im Bank takes into consideration the financial soundness of the credit recipient and capacity to repay the export debt supported by Ex-Im Bank. In some cases, Ex-Im Bank may require credit enhancements such as a counter-guarantee by the government or by a creditworthy party. Under Ex-Im Bank's project loan program for major projects lacking a sovereign guarantee, the bank will help develop an appropriate project structure that offers the requisite reasonable assurance of repayment. For more information on Ex-Im Bank's programs, contact the Business Development Group, Export-Import Bank, 811 Vermont Avenue NW, Washington, DC 20571; telephone 202-565-EXIM, or your local Export Assistance Center. Ex-Im Bank also maintains a home page on the World Wide Web at <http://www.exim.gov>.

Small Business Administration

The Small Business Administration (SBA) also provides financial assistance to U.S. exporters. SBA targets its assistance to small companies and strives to assist those businesses that otherwise might not be able to obtain trade financing. Applicants must qualify as small businesses under the SBA's size standards and meet other eligibility criteria.

Under SBA's Export Working Capital Program (EWCP), a business can obtain a loan of up to \$833,333 from its bank with 90 percent of the loan amount (i.e., up to \$750,000) guaranteed by SBA. These loans are available for many business purposes such as plant expansion, equipment purchase, etc., associated with carry out an export transaction. Interest rates are negotiated between the borrower and lender and may be fixed or variable, but are subject to SBA maximums. Depending on the size of the loan, the rate is generally no higher than the prime plus 2.75 percent, and the loan maturities are up to ten years for working capital and up to 25 years for fixed assets. The EWCP uses a one-page application form and streamlined documentation that usually provides a turnaround within ten days. A letter of prequalification is also available. SBA working capital guarantees are limited to \$750,000, but larger loans can be financed through the Ex-Im Bank's working capital program.

Under its International Trade Loan program, SBA can guarantee up to \$1.25 million in combined working capital and loans for facilities and equipment (including land and buildings; construction of new facilities; renovation, improvement, or expansion of existing facilities; and purchase or reconditioning of machinery, equipment, and fixtures). Applicants must establish either that loan proceeds will enable them to expand

significantly existing export markets or develop new ones or that they have been adversely affected by import competition. Interest rates are negotiated with the lender and can be up to 2.25 percent above the prime rate.

Both the EWCP and the International Trade Loan programs are guarantee programs that require the participation of an eligible commercial bank. Most bankers are familiar with SBA's guarantee programs.

In addition to these export-oriented programs, SBA offers a variety of other loan programs that may meet specific needs of small businesses. For example, SBA's contractor bond program may help small exporters obtain bid or performance bonds if the transaction is structured in accordance with SBA requirements. SBA also has a Low Documentation loan program. This service provides loans of up to \$100,000 with a minimum of paperwork. The SBA uses a one-page application and relies heavily upon the applicant's character and credit history. However, the borrower must first satisfy all of the lender's requirements. This loan is also obtained through a private lender.

For additional information on SBA's programs, contact the nearest Export Assistance Center, SBA field office, or call 800-U-ASK-SBA. SBA maintains a Web site at: <http://www.sba.gov>.

Department of Agriculture

The Commodity Credit Corporation (CCC) of the U.S. Department of Agriculture (USDA) provides several programs to assist in the financing of U.S. agricultural goods exports. Two long-established programs guarantee immediate-term irrevocable letters of credit opened by foreign banks and (often) confirmed by U.S. banks.

CCC's traditional export credit guarantee programs are known as GSM-102 (for General Sales Manager) and GSM-103. They are identical except that the permissible repayment period under GSM-102 is up to three years while the permissible repayment period under GSM-103 is up to ten years. GSM-102 is usually associated with grains, fibers, wood products, and similar commodities, while GSM-103 is generally associated with breeding livestock.

CCC periodically announces the availability of GSM-102 or GSM-103 programs through a press release. The announcements are for a specific country or group of countries, a specific dollar amount, and often list eligible agricultural commodities and name specific banks eligible to open the letter of credit. Exporters, foreign buyers, or banks may request CCC to make available its guarantee.

In accordance with the announcement, a U.S. exporter, who must be prequalified by CCC, concludes a firm sales agreement for eligible commodities with the foreign buyer. Arrangement is made for a letter of credit to be opened by an eligible foreign bank that provides for payment to the exporter or assignee within the permissible period of time.

The exporter applies for CCC's guarantee which, if approved, covers 98 percent of the principal and part of the interest. The exporter then ships the commodities and obtains documentation to satisfy the letter of credit. The exporter may agree to await payment or, by prearrangement, to receive immediate funding by discounting drafts and assigning the proceeds from the letter of credit to the U.S. bank. The GSM-102 and GSM-103 programs are advantageous in providing longer than usual repayment terms for U.S. agricultural commodities and often a relatively low rate of interest because of the CCC guarantee.

In August 1996, the U.S. Department of Agriculture announced the establishment of a new CCC facility to finance imports: The Supplier Credit Guarantee Program. It aims at promoting the export of higher value and value-added agricultural products and also responds to the demand for extending credit directly to a foreign buyer without going through a bank. CCC announces the availability of Supplier Export Credit Guarantees in a particular country or group of countries, following which exporters may apply for CCC's guarantee.

The Supplier Credit Guarantee Program differs from the GSM programs in several important ways:

- The risk of default rests with a foreign importer under the new program. By contrast, the default risk rests with a bank under the GSM programs.
- The guarantee covers only 50 percent of the credit principal and no interest under the new program. By contrast, the GSM programs cover 98 percent of principal and part of interest. CCC indicates the Supplier Credit Guarantee Program's greater risk sharing with the exporter allows CCC to forego a risk analysis of the importer under ordinary circumstances.
- Fees are higher under the new program.
- The repayment period is up to 180 days under the new program. By contrast, the GSM-102 program covers repayment terms of up to three years, and the GSM-103 program covers repayment of up to ten years.

Firms may obtain additional information on these financial programs by contacting the General Sales Manager, Export Credits, Foreign Agricultural Service, 14th Street and Independence Avenue, SW, Washington, DC 20250; telephone 202-720-3224. USDA maintains a Web site on its export credit programs at:

<http://www.fas.usda.gov/fasprograms.html>.

Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is a federal agency that facilitates U.S. foreign direct investment in developing nations and emerging market economies.

OPIC is an independent, financially self-supporting corporation, fully owned by the U.S. government.

OPIC encourages U.S. investment projects overseas by offering political risk insurance, all-risk guarantees, and direct loans. OPIC political risk insurance protects U.S. investment ventures abroad against the risks of civil strife and other violence, expropriation, and inconvertibility of currency. In addition, OPIC can cover business income loss due to political violence or expropriation. Insurance is available up to \$200 million per investment, and both debt and equity is eligible for coverage.

OPIC also provides guarantees, limited to \$50 million, that protect against both commercial and political risk. Guarantees are available up to \$200 million, but cover only debt financing related to the investment. (Guarantees and insurance can be combined for aggregate OPIC support of \$400 million.) OPIC extends direct loans that are aimed exclusively toward U.S. small and medium-sized companies investing in projects overseas. OPIC direct loans do not exceed \$30 million.

U.S. exporters often can benefit from the construction and equipping of new facilities financed by OPIC, although the recipients of OPIC transactions are U.S. investors. However, U.S. exporters and contractors operating abroad can benefit directly from an OPIC program covering wrongful calling of performance, bid, and down payment bonds and contract repudiation. Under another program, OPIC ensures against expropriation of construction equipment temporarily located abroad, spare parts warehoused abroad, and some cross-border operating and capital loans.

OPIC also provides services to facilitate wider participation by smaller U.S. businesses in overseas investment, including investment missions, a computerized data bank, and investor information services. For more information on any of these programs contact OPIC's InfoLine for program information on 202-336-8799 or FactsLine on 202-336-8700. OPIC maintains a Web site at <http://www.opic.gov>.

Multilateral Development Banks

The Multilateral Development Banks (MDBs) are international financial institutions owned by member governments. Their individual and collective objective is to promote economic and social progress in their developing member countries. The MDBs (African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and the World Bank Group) achieve this objective by providing loans, technical cooperation, grants, capital investment, and other types of assistance to governments, government agencies, and other entities in their developing member countries. The practical expression of MDB support usually takes the form of a project or study.

Increasingly, the MDBs are providing funding to private sector entities for private projects in developing countries. A growing number of companies and project developers around the world are taking advantage of this funding, which is secured based on the financial, economic, and social viability of the projects in question.

The MDBs have been traditionally heavily involved in infrastructure and poverty-alleviation projects. All of the banks support projects in the following sectors: agriculture, energy, environment, finance, industry, transportation, telecommunications, health, education, urban development, tourism, microenterprise, and public sector, as well as other types of economic reform. All of the banks provide some funding for private ventures.

The design and execution of MDB-financed public sector projects affords lucrative business opportunities for suppliers, consultants, and contractors from MDB member countries. Many of the goods and services required for these projects are procured or purchased through International Competitive Bidding (ICP) or open tendering. These methods require notification to the international community that a contract is being let; the notification is to provide potential bidders with timely and adequate notification of a purchaser's requirements and an equal opportunity to bid.

The MDBs also provide debt, equity, and guarantee financing to eligible private ventures in developing countries. These funds, offered on commercial terms, can be accessed directly by private project sponsors and do not require a government guarantee.

The U.S. Government organization responsible for assisting American businesses pursue MDB opportunities is the Multilateral Development Bank Operations (MDBO) office within the U.S. Department of Commerce's International Trade Administration.

The MDB Counseling Center is the Commerce Department's centralized repository of electronic and hard copy information on MDBs. In addition to basic brochures provided by each of the MDBs, the Counseling Center supplies specific project information and "how to" guides written by MDBO and commercial liaison staff. Additionally, the Counseling Center provides electronic access to MDB information via the Commerce Department's National Trade Data Bank (NTDB). There is a section on the NTDB devoted exclusively to the MDBs, which includes the *Monthly Operational Summary* for each bank. Electronic access to MDB information is also available through MDB's home page, which can be found at <http://sites.usatrade.gov/mdbo/>. The MDBO home page is linked to the home pages of the various banks. For more information, contact: U.S. Department of Commerce, International Trade Administration, Multilateral Development Banks Operations, 14th Street and Constitution Avenue, NW, Room H-1107, Washington, D.C. 20230; telephone: 202-482-3399, fax: 202-273-0927.

State and Local Export Finance Programs

Several cities and states have funded and operate export financing programs, including preshipment and postshipment working capital loans and guarantees, accounts

receivable financing, and export insurance. To be eligible for these programs, an export sale must generally be made under a letter of credit or with credit insurance coverage. A certain percentage of state or local content may also be required. However, some programs may require only that certain facilities, such as a state or local port, be used; therefore, exporters may have several options.

As exporters have several options for financing, they should contact a Department of Commerce EAC (Export Assistance Center) or their state economic development agency for more information.