

The EBRD's Trade Facilitation Programme

Introduction

The European Bank for Reconstruction and Development (EBRD) was established in 1991 to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in Central and Eastern Europe and the Commonwealth of Independent States (CIS). The Bank views international trade as a key part of the transition process.

The Trade Facilitation Programme

The EBRD's Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and within Central and Eastern Europe and the CIS (the EBRD countries of operations).

Through the programme, the EBRD provides guarantees to international confirming banks, taking the political and commercial payment risk of international trade transactions undertaken by banks in the countries of operations (the issuing banks).

The programme can guarantee any genuine trade transaction to, from and within the countries of operations.

Over 92 issuing banks in the region participate in the programme with limits exceeding €970 million. In addition, TFP includes over 530 confirming banks throughout the world.

The programme is an excellent business development tool. It provides:

- cover for a broad range of trade finance instruments;
- unconditional guarantees payable on first written demand;
- guarantees of up to 100 per cent of the face value of the underlying trade finance instruments;
- uncommitted trade finance lines and transaction approval on a case-by-case basis;
- attractive fee levels that are agreed separately for each transaction;
- a fast and simple approval procedure to issue guarantees; and
- short-term loans to selected local banks for on-lending to local exporters and importers.

Participating Banks

Issuing banks

The TFP is open to issuing banks registered in all EBRD's countries of operations, including banks with majority foreign ownership and subsidiaries of foreign banks. Applications from banks interested in participating in the programme will be reviewed by the EBRD on a case-by-case basis after detailed due diligence.

The main criteria for selection are:

- appropriate level of financial standing;
- good corporate governance;
- clear shareholder structure; and
- developed or developing international trade finance business.

Confirming banks

All international banks are eligible to join the programme as confirming banks. Selected banks from the region that have experience in trade finance instruments may also act as confirming banks. The participation of confirming banks is subject to the EBRD's approval and signing of appropriate legal documentation. There are no costs or charges to join the programme. Fees are only charged when programme guarantees are issued.

EBRD Guarantees

EBRD guarantees are issued by SWIFT in the form of irrevocable standby L/Cs under UCP 500. They are payable 15 days after receipt by the EBRD of the first written demand from the confirming bank. EBRD guarantees may be requested by either the issuing bank or the confirming bank.

EBRD guarantees can cover up to 100 per cent of the face value of the underlying trade finance instrument subject to availability of limits for an issuing bank.

Legal documentation

The issuance of EBRD guarantees is governed by standardised trade finance agreements, signed by the issuing banks and the EBRD. The Bank's revolving credit advances are governed by a standard revolving loan facility agreement between client banks and the EBRD.

Revolving credit facility

In addition to providing trade finance guarantees, the EBRD also extends short-term loans to selected banks in its countries of operations. These loans are structured to fund trade related advances to local companies exclusively for the purpose of pre-shipment finance, post-shipment finance and other financing of working capital necessary for the performance of foreign trade contracts. Credit agreements are signed between the EBRD and the selected banks. Selection criteria are similar to the criteria used for issuing banks.

Transaction instruments

Guarantees may be used to secure payment of the following instruments issued or guaranteed by issuing or confirming banks for trade transactions to, from or between the EBRD's countries of operations: (Note: the EBRD can only take the risk of issuing banks in the region).

- letters of credit and standby letters of credit from issuing banks; deferred payment and "red-clause" letters of credit;
- advance payment guarantees, bonds, and other payment guarantees;
- bills of exchange and trade-related promissory notes;
- bid and performance bonds and other contract guarantees;
- instruments with longer tenors, when they cover finance of capital equipment and for other term guarantees; and
- other types of trade finance instruments.

Goods and services covered

EBRD guarantees cover a wide range of goods and services, including consumer goods, commodities, equipment, machinery, and power supply as well as cross-border engineering, construction, ship-building, technical and other services.

Some environmentally sensitive activities may be considered, however, these require an Environmental Review summary to be prepared.

For more information on items that are not covered by EBRD guarantees, please see the Exclusion list in the EBRD's web site www.ebrd.com/tfp.

Pricing and tenors

For each EBRD guarantee issued, the Bank charges a guarantee fee or - in the case of trade related cash advances - interest, which will depend on the agreed market rate and tenor of the EBRD's exposure. There are no commitment fees.

For each transaction, the guarantee fee will normally be payable by the bank that requested the EBRD

guarantee, which may be the issuing bank or the confirming bank. As a general guideline, lower fee rates will be charged for export transactions and when the confirming bank shares part of the risk with the EBRD.

Fees are charged quarterly in arrears. The current minimum fee is EUR 100 for Euro transactions and a minimum fee of US\$ 100.00 for transactions in all other currencies.

Country	Tenor
Albania	180 days
Armenia	360 days
Azerbaijan	Up to 3 years
Belarus	Up to 3 years
Bosnia and Herzegovina	Up to 3 years
Bulgaria	Up to 3 years
Georgia	Up to 3 years
Kazakhstan	Up to 3 years
Kyrgyz Republic	360 days
Lithuania	360 days
FYR Macedonia	360 days
Moldova	360 days
Romania	Up to 3 years
Russia	Up to 3 years
Serbia and Montenegro	360 days
Tajikistan	360 days
Turkmenistan	180 days
Ukraine	Up to 3 years
Uzbekistan	360 days

Important donors

The governments of Switzerland, the Netherlands, Norway, Austria and Germany (KfW) financially support the Trade Facilitation Programme through risk-sharing funds. These funds support the programme's activities in south eastern Europe, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan as well as Moldova, Georgia and Armenia and enable the EBRD to provide longer tenors and take higher exposures in trade transactions.

Applying for a guarantee

An EBRD guarantee may be requested either by the issuing bank or the confirming bank. The EBRD trade finance team can discuss details of the transaction, percentage of cover, tenor and pricing before a formal guarantee request is submitted.

Guarantee requests are submitted by SWIFT or tested telex. The EBRD's decision to issue its guarantee is based on its commercial judgement, consideration of risk and the nature of the underlying transaction. The EBRD has no commitment to issue guarantees or make trade advances but will consider doing so on a case-by-case basis. The processing of shipping documents will be handled directly between the confirming bank and the issuing bank.

Table 1: Import transaction under global Trade Facilitation Programme

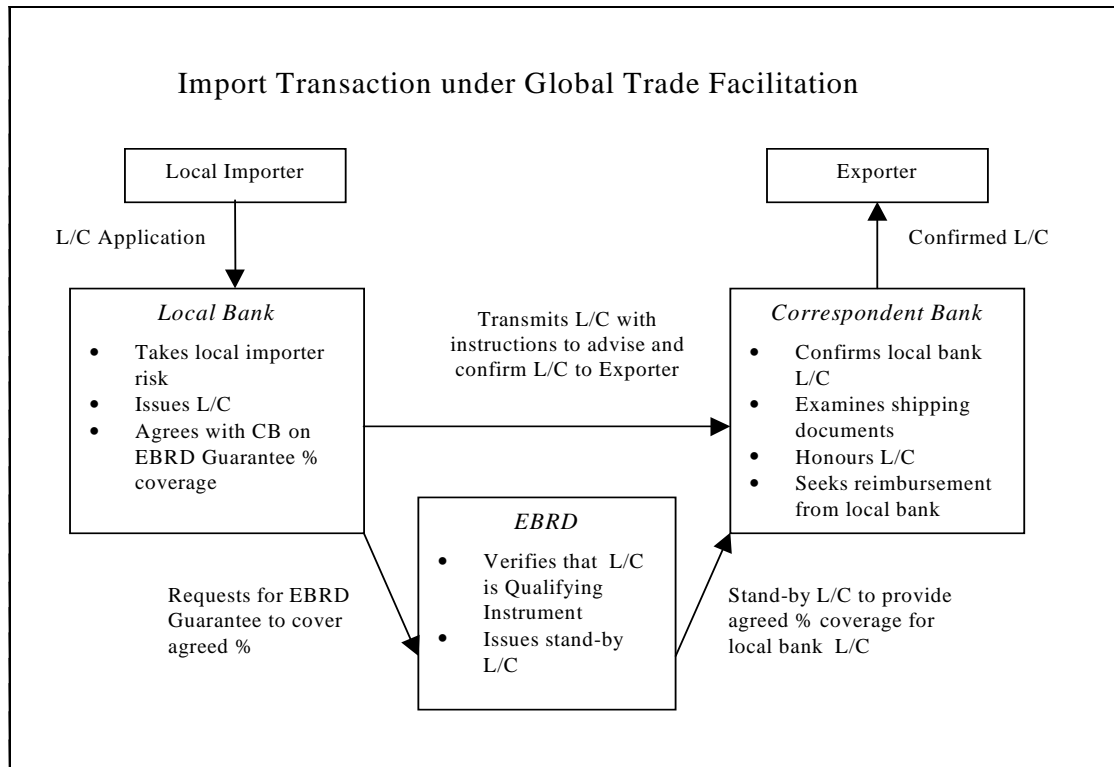
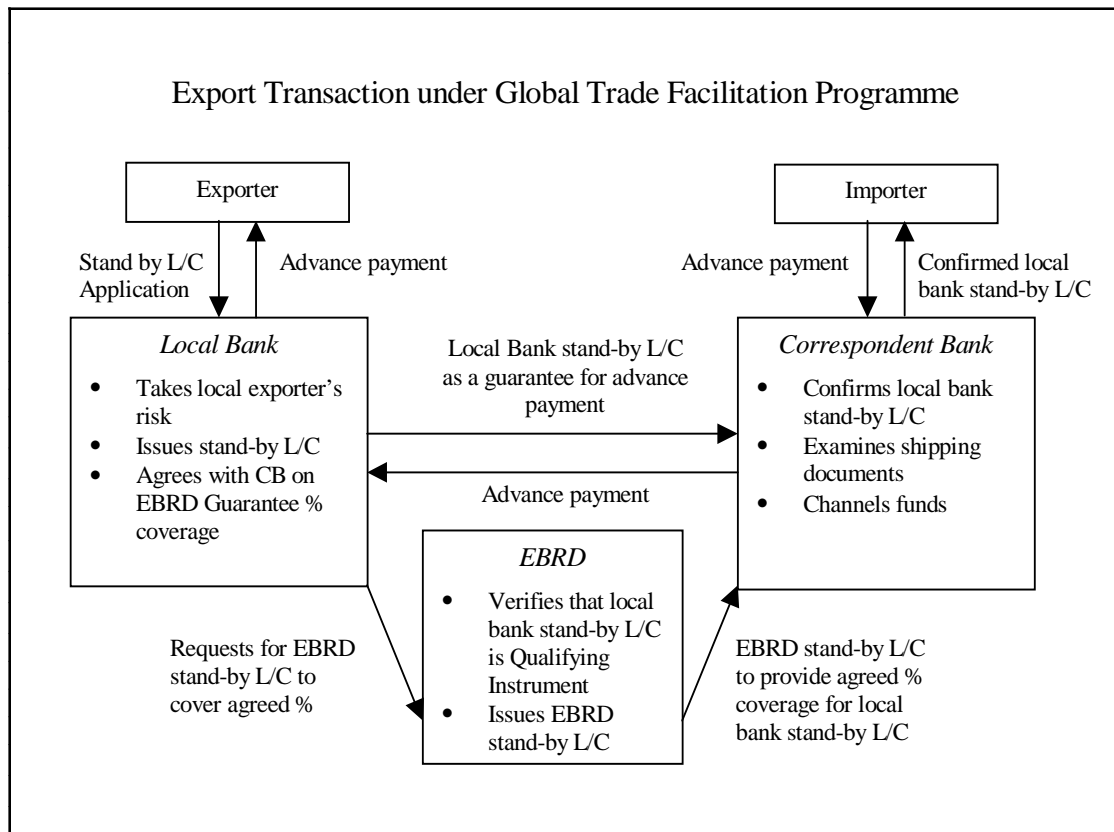


Table 2. Export transaction under global Trade Facilitation Programme



The EBRD's Trade Facilitation Programme

Information for importers and exporters

If you sell to, or buy from, any of the EBRD's countries of operations, the Trade Facilitation Programme can help you secure payment or performance from your clients or suppliers.

The EBRD guarantees payment under trade finance instruments issued or guaranteed by local issuing banks to international confirming banks. Trade finance instruments include letters of credit, payment and other types of guarantees, bills of exchange or promissory notes, performance bonds and bid bonds.

The EBRD takes the commercial and political risk of non-payment by issuing banks. Issuing banks take the risk of local companies. The final beneficiaries of the programme are importers and exporters. There are no fees levied on importers or exporters. Fees for guarantees are payable by the bank requesting the EBRD guarantee.

How to use the Trade Facilitation Programme

Many importers and exporters have already benefited from the Trade Facilitation Programme. In most cases, they may not have realised that their business was financed by an EBRD guarantee. This is because only the issuing and confirming banks are direct partners with the Bank.

If you want to benefit from the EBRD's Trade Facilitation programme, please:

1. Confirm your issuing bank is one of the TFP participants.
2. Clarify the maximum tenor period with your issuing or confirming bank.
3. Determine whether your issuing bank would be willing to issue or guarantee the required trade finance instrument and use TFP to cover the transaction.
4. Check the level of confirmation fees required by your buyer or client, issuing and confirming banks and agree who will bear them.
5. Ensure that the goods you are importing or exporting are not on the EBRD Exclusion list or Environmental Exclusion list.

Constraints

Our programme cannot support all trade transactions for the following reasons:

- the selected issuing bank may not wish to take the risk of a local company;
- the selected issuing bank may not wish to finance the transaction;
- the selected issuing bank may wish to reserve our guarantee facility for other transactions;
- the EBRD may not wish to, or cannot guarantee the transaction (e.g. because our guarantee limits for an issuing bank are already fully utilised);
- you or your client or supplier cannot agree on the cost of financing; or
- your export/import product is on the EBRD's Exclusion Lists.

Key contacts

For further information please contact:

Yelena Tonna

Tel: +44 20 7338 6813
Fax: +44 20 7338 6119 / 7029
Email: tonnay@ebrd.com

Rebecca Suknenko

Tel: +44 20 7338 6476
Fax: +44 20 7338 6119 / 7029
Email: suknenkr@ebrd.com

Mirjana Zalar

Tel: +44 20 7338 7762
Fax: +44 20 7338 6119 / 7029
Email: zalarm@ebrd.com

European Bank for Reconstruction
and Development
One Exchange Square
London EC2A 2JN
United Kingdom

The Communications Department can provide information on other types of EBRD finance (Project Enquiries: Tel: +44 20 7338 6282; Fax: +44 20 7338 6102) and can supply other EBRD publications (Publications Desk: Tel: +44 20 7338 7553; Fax: +44 20 7338 6102).

Website

Please visit our web-site on www.ebrd.com/ftp