

Trade Facilitation Programme



European Bank
for Reconstruction and Development

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The EBRD's Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and within central and eastern Europe, the Commonwealth of Independent States (CIS) and the Southern and Eastern Mediterranean (SEMED) region. Through the Programme, the EBRD provides guarantees to international commercial banks (confirming banks). In so doing, it takes the political and commercial payment risk of transactions undertaken by participating banks (issuing banks) in the EBRD's countries of operations.

Transaction instruments

The Programme can be used to guarantee any genuine trade transaction to, from and within the countries of operations. TFP guarantees may be used to secure payment of the following instruments issued or guaranteed by participating banks:

- ▶ documentary letters of credit (LCs), trade-related standby LCs from issuing banks, deferred payment LCs and so on
- ▶ advance payment bonds and payment guarantees
- ▶ bid and performance bonds and other contract guarantees
- ▶ trade-related promissory notes or bills of exchange.

At present, 102 issuing banks in 20 countries of EBRD's operations participate in the Programme, together with over 800 confirming banks and their subsidiaries throughout the world.

Issuing banks in the region participate in the Programme with limits exceeding €1 billion in total.

Business development

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 agreed separately for each transaction
- ▶ a fast and simple approval procedure to issue guarantees
- ▶ 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 the 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 are reviewed by the EBRD on a case-by-case basis after detailed due diligence.

The main criteria for selection are:

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

At a glance

Issuing banks

102

Number of operating countries

20

Number of transactions

11,000+

Total transaction value
€ billion

7.2

Confirming banks

800+

Contact

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More information TFP
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Confirming banks

All international banks with an established record of trade finance operations with banks in the EBRD region are eligible to join the TFP 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 the appropriate legal documentation. There are no costs or charges to join the Programme. Fees are only charged when Programme guarantees are issued.

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 cash 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 and factoring companies 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 necessary for the performance of foreign trade contracts and domestic and international factoring operations. Credit agreements are signed between the EBRD and the selected banks and factoring companies. Selection criteria are similar to the criteria used for issuing banks.

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, shipbuilding and other services. Some environmentally sensitive activities may be considered. However, these require an environmental review summary to be prepared, subject to appropriate environmental review and approval.

Important donors

The governments of Austria, Germany, the Netherlands, Norway, Switzerland and Taipei China support the TFP financially through risk-sharing funds. These funds support the Programme's activities in south-eastern Europe, Armenia, Azerbaijan, Georgia, Moldova, the Kyrgyz Republic, Russia, Tajikistan, Turkmenistan and Ukraine and enable the EBRD to provide longer tenors and to 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.

Guaranteeing the import of vehicle and trailer equipment

One example of an intra-regional transaction covered under the Trade Facilitation Programme is the import of industrial equipment for the manufacture of vehicles and trailers from Turkey to Russia in 2011.

In this transaction NBD Bank, Nizhniy Novgorov, issued a letter of credit, confirmed by Commerzbank Frankfurt, Germany, and the EBRD guaranteed Commerzbank up to 100 per cent of the political and commercial payment risk.

The TFP strengthens the ability of local banks to provide trade financing and supports entrepreneurs in eastern Europe, the Commonwealth of Independent States (CIS) and the Southern and Eastern Mediterranean (SEMED) region.

