

Trade facilitation programme



European Bank
for Reconstruction and Development

March 2010

At a glance

Issuing banks

116

Number of operating countries

20

Number of transactions

8,746

Total transaction value
€ billion

4.9

Confirming banks

717

Contacts

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom
Tel: +44 20 7338 6000
Fax: +44 20 7338 6100

Mirjana Zalar
Tel: +44 20 7338 7762
Fax: +44 20 7338 7098
Email: zalarm@ebrd.com

Rebecca Suknenko
Tel: +44 20 7338 6476
Email: suknenkr@ebrd.com

Kellie Childs
Tel: +44 20 7338 6991
Email: childsk@ebrd.com

Jennifer Stephensen
Tel: +44 20 7338 6136
Email: stephenj@ebrd.com

Project proposals
Tel: +44 20 7338 7168
Email: newbusiness@ebrd.com

General enquiries
Tel: +44 20 7338 6372
Email: info@ebrd.com

The EBRD's Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and within central and eastern Europe and the Commonwealth of Independent States. 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 countries where the EBRD operates.

Transaction instruments

The programme can 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 "red clause" LCs etc
- ▶ Advance payment bonds and payment guarantees
- ▶ Bid and performance bonds and other contract guarantees
- ▶ Trade-related promissory notes or bills of exchange

At present, 116 issuing banks in 20 countries of EBRD's operation currently participate in the programme, together with over 700 confirming banks and their subsidiaries throughout the world.

The TFP can guarantee any genuine trade transaction to, from and within the Bank's countries of operations.

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

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



TFP website
www.ebrd.com/tfp



Case Study

The TFP strengthens the ability of local banks to provide trade financing and gives entrepreneurs in Eastern Europe and the Commonwealth of Independent States the support they need to expand their import and export trade. An example of an intra-regional transaction covered under the TFP is the import of refrigerators and washing machines from Russia to Tajikistan. Tojiksodirot Bank Tajikistan issues a letter of credit, confirmed by Fortis Bank, and EBRD guarantees Fortis Bank up to 100 per cent of the political and commercial payment risk.

This particular transaction is a good example of the transition and graduation process promoted by the programme. Increasingly, more banks in EBRD's countries of operations are using TFP as confirming banks rather than only as issuing banks while financing exports to other EBRD countries of operations.

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:

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

Confirming banks

All international banks 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 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 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 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 of working capital 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, technical and other services. Some environmentally sensitive activities may be considered. However, these require an Environmental Review summary to be prepared.

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, Ukraine and Uzbekistan 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.