BRINGING DOWN THE BARRIERS –
CHARTING A DYNAMIC EXPORT DEVELOPMENT
AGENDA

World Export Development Forum
Montreux, Switzerland, 8-11 October 2007

Background Paper
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BUILDING INSTITUTIONAL CAPACITIES
BEYOND POLITICS – MAKING TRADE SUPPORT
INSTITUTIONS EFFECTIVE
EximBank Romania was established in 1992 solely as trade support institution acting both on behalf of the Romanian State and for its own account, being a joint-stock company of the Romanian State.

In 2005, considering Romania’s accession to the European Union, the scope of EximBank activities was enlarged in order to enable assistance granted to other strategic economic areas besides trade related, in line with the Romanian Government policy.

Therefore, according to its functioning law EximBank Romania has been assigned the following missions:

- to support Romanian exports and international transactions;
- to support SMEs projects;
- to support projects of infrastructure developing;
- to support projects of public utilities upgrade;
- to boost regional development;
- to support research and development activities;
- to support environmental protection projects;
- to support projects providing for job opportunities and staff training.

EximBank activities were extended beyond sheer exports range by offering to the bank the possibility of supporting Romanian companies through banking and financial instruments meant to contribute to the development and modernization of their business. Thus, Romanian made products and services would be able to compete on international markets through quality, specific technical level, and not just through a cost artificially lowered by governmental subsidies currently applied in past years.

Ever since 2005, EximBank’s products have been developed and redefined in accordance with the European legislation and its specific rules for State assistance, being at the same time tailored to the requirements of Romanian economic environment.

Presently, the range of products and services offered by EximBank is similar to the one offered by its peer Financial Institutions from the European Union putting together financing, guarantees and insurance products. The Romanian companies with sound financial standing, payment discipline and realistic development plans qualify for help through these instruments.

In order to facilitate Romanian customers’ access to its range of products, EximBank developed different approaches, such as:

- **Direct customer approach** through one of the 7 territorial branches, visits to companies headquarters or meetings with the Chamber of Commerce, representatives, or different organizations from business environment

- **Promotion through publicity campaigns** on TV, newspapers, radio during 2007, which would ensure the optimum communication of EximBank’s offer to the targeted customers.

- **Conclusion of partnership agreements with Romanian commercial banks** for promoting EximBank’s products directed at their customers. The guarantee products offered by EximBank are not competing with the products provided by commercial banks, on the contrary they are designed to complete the financing offer of commercial banks, where their customers do not have sufficient collaterals for the credit they are applying for. Thus, during last year EximBank concluded 19 collaboration agreements with Romanian banks, such as: BCR, BRD, ING, Alphabank, Banca Transilvania, (top 10 banks) … etc.
• **Conclusion of partnership agreements with international institutions.** EximBank has signed 52 international cooperation agreements. The most recent one was signed at the end of August with GAZPROMBANK, Russia. Thereby, the SMEs from Romania will discover new business opportunities on the Russian market as well as in the CIS countries. Moreover, EximBank works in partnership with similar institutions from other countries (Russian Federation, Belarus, Lithuania, Estonia, Latvia, Kazakhstan, Azerbaijan, Serbia, Bosnia Herzegovina, Turkey, Korea, India, China, Mexico, etc.) towards the identification of ways to mutually support exports. EximBank partnerships with the international institutions have the purpose of providing exporters with the following advantages:
  - accurate knowledge of the potential business partners prior to the conclusion of a deal, thus limiting the risks associated with international transactions – by acquiring commercial information about their economic potential, their business environment and commercial practices from the country concerned;
  - secure, fast and less expensive payment orders due to the Swift key arrangement with the partner bank;
  - accomplishment of exports even if the external partner does not have sufficient funds to reimburse the value of exports, by means of a buyer credit supplied within the partnership agreement according to our customers’ needs.

• **Conclusion of collaboration agreements with state institutions:** A collaboration agreement was signed in June with the National Authority for Scientific Research, where the parties act towards the identification of the most efficient instruments meant to support research and development projects with innovative feature, that lead to the improvement of infrastructure research, while enhancing competition between research institutions and universities, the development of (entrepreneurial) undertaker skills for SMEs, including start-ups and spin-off’s, and transfer of products and services know-how.

In September the newest product was launched as offered by EximBank Romania, „Financing with subsidized interest rate“, which includes a minimis State aid component within the interest rate, 5% below market interest. These credits are granted in local currency; maximum amount granted could reach EUR 1.5 million in local currency equivalent, and allows State aid to be consistent with the minimis threshold.

This financing program represents an impetus given by the Romanian State to Romanian companies, which will benefit in this way from the same support the European companies are benefiting from in their home countries.

The eligible companies are those acting in the field of production and services and which have their own contribution to the financed project of at least 15%.

Thus, EximBank Romania offers the following types of subsidized interest rate credits:

- **Investment credit for SMEs**, intended to increase competitiveness and for working capital;
- **Microcredits** (maximum EUR 35,000 in local currency equivalent), for developing SMEs’ business including the start-ups which can not provide collaterals
- **Credits for priorities** such as infrastructure, research and development, unemployment reduction, environmental protection.

EximBank has designed some specific products in order to support its mission, by sustaining the Romanian business environment and especially exporters, by means of:

1. **Guarantees**
2. **Finance**
3. **Insurance**
4. **Others**
1. Guarantees for export
The guarantees issued by EximBank to support the Romanian exporters for international transactions and their participation to international bids, thus opening their access to external market:

- **Letters of guarantee for international tenders** – which facilitate the acquirement of external contracts by the Romanian exporters, without having to block their own resources in order to fulfill the obligations set according to conditions imposed by the tender organizers;

- **Letters of guarantee for advanced payment** - guarantee the credibility of local exporters for the use of payment in advance received within commercial contracts in order to fulfill the implicit obligations;

- **Performance Bonds** – that strengthen exporters’ capacity to accomplish their products/services within the terms and conditions specified in the contract; the guarantee gives the external buyer – beneficiary of the guarantee the assurance that the exporter will fulfill his obligations assumed within the sales contract;

- **Withhold Letters of guarantee** – warranty of exporters’ capacity to fulfill their obligations stipulated in the contract throughout the period of technical guarantee of products/services exported;

- **Letters of guarantee for temporary admission** – guarantees the payment of customs charges in cases when the temporary imported equipments for the execution of export production cannot be returned in accordance with the terms and conditions of commercial contracts concluded;

- **Export guarantees** for complex objectives and long cycle fabrication production – have the purpose of counter-guaranteeing the banking letters of guarantee issued by banks, up to 80%, in completing the real guarantees (collaterals) required by commercial bank’s exporters;

- **Export guarantees for general merchandise (goods)** – counter-guarantee at a rate of 80% the letters of guarantee issued by banks, by completing the real guarantees required by commercial banks from exporters and allow the use of a part of goods/assets owned by the exporters to build up collaterals for other forms of financing necessary to production of general merchandise – goods and services;

- **Guarantee for export loans** – completes the necessary of real/personal guarantees pledged by exporters for the amounts borrowed with the purpose of finalizing production and/or services meant for export and/or export-tied operations, including the recovery of related VAT connected to export;

2. Finance

- **Export loans** adjusted to the needs of exporter’s specific activities, designed to cover the expenses for manufacturing the export production or the export itself. They financially support the exporter throughout the period of production execution, as well as after the delivery of goods and services towards the beneficiary until cashing them;

- **Loans for complex exports and products with long production cycle**, that are issued on a medium term depending on the duration and the characteristics of the financed contract; they represent personalized financial solutions depending on the project that will be (realized) achieved by the Romanian exporter;

- **Financing based on commercial receivables**, such as discount, factoring, and forfeiting. This type of financing is an easy solution to complete the
working capital and at the same time it is a hedging solution against foreign currency risk for the Romanian exporter.

3. **Insurance**
The insurance policies issued by EximBank cover both the commercial and political risks relevant to exports with deferred payment, risks associated with the external buyer, on a short term as well as medium and long term. The commercial risks are tied to the declared insolvency of the buyer, or his prolonged non-payment conduct. Political risks cover defaults triggered by: the beginning of a war, revolution, (insurrection) or riot declared by the government of the debtor’s country.

Through this type of instrument, EximBank supports the expansion of Romanian companies on emerging markets such as the Russian Federation, The Republic of Moldova, countries from the former Yugoslavia; the insurance policies rely on the principle of risk sharing with the exporter. By assuming a certain part of the risks relevant to the export transactions on these markets, the Romanian State offers safety, no matter the financial standing of the external partner or the situation of the country of export destination, the largest share of incomes that result from the transaction being cashed by the exporter.

The insurance policies offered by EximBank are the following:

- **Insurance Policy against foreign payment risk** on short, medium or long term. Basically, it gives assurance to the exporter that he will receive the biggest portion of the returns resulting from the export, in case of defaults from the foreign counterpart due to latter’s financial results or a political crisis in that country. The exporter could apply for credits by assigning his rights from the insurance policy;

- **Insurance policy of loans for export production** – operating on the principle of covering the losses from non-payment of the loan contracted by the exporter from a commercial bank due to the failure of achieving production;

- **Insurance policy of credit buyer** offers protection to Romanian banks that grant the buyer loans to promote and support exports, thereby financing either the importer or its bank

- **Insurance policy of Romanian capital investments abroad** provides safety to the Romanian investor that wishes to expand in high-risk political instability countries. Through this instrument, the investment made in such countries is protected from the risk of non-recalling the profit in the home country of the investor or the risk of investment non recovery due to political decision which might affect the investors.

4. **Other products and services offered by EximBank:**

- **Commercial information reports** about economic operators from Romania and abroad;

- **Country risk reports** – offer risk (evaluation) assessment associated to a number of 74 countries, with an above medium risk, from Asia, Europe, Middle East, Latin America, Africa, the Russian Federation, etc;

- **Reports concerning the evolution during past 7 years of 12 industrial sectors within Romanian economy**;

- **Reports regarding the external demand**, mainly on foreign markets, by presenting certain provisional aspects;

- **Collecting/recovery services relevant for the insurance activity of export loans**.

Institutionally and professionally prepared to provide real support to Romanian companies on their domestic or foreign trade activities by means of our network of internal and international
partnerships, we will endeavor to keep up with successful ECAs all over the world and permanently seek to comply with international standards concerning the products and services supplied to our customers.