

The Export-Import Bank of the United States

“Financing Renewable Energy in Africa”

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U.S. Ex-Im Bank

- ▼ Independent agency of the U.S. government.
- ▼ Established in 1934 to finance the export sales of goods and services produced in the U.S.
- ▼ Since 1934, has supported over \$400 billion in exports.
- ▼ Supports short, medium, and long-term financing to creditworthy international customers both public- and private-sector; working capital guarantees to U.S. exporters.
- ▼ Products include Loans, Guarantees, Export Credit Insurance, Working Capital Guarantees, and Tied Aid Funds
- ▼ *No minimum nor maximum project size.*
- ▼ Special Initiatives to increase Ex-Im Bank support for environmentally-beneficial exports, and exports to Sub-Saharan Africa.

Environmental Exports Program

- ▼ Support for environmentally-beneficial exports mandated in Ex-Im Bank's Charter.
 - ◆ OECD repayment terms of 10-15 years after project completion.
 - ◆ Capitalization of interest during construction
 - ◆ Up to 15% local cost support within the U.S. scope of supply.
 - ◆ Repayment terms of 15-years for renewable energy and water treatment projects
 - ◆
- ▼ Transactions approved under the Program grew from 5 in FY 1994, to 56 in FY 2006 totaling over \$2 billion.

Export Credit Insurance Program

- ▶ Enables U.S. exporters to offer short- and medium-term *credit directly to their customers.*
- ▶ Export credit is an attractive substitute to cash-in-advance, letters of credit and costly local bank financing.
- ▶ Using Ex-Im Bank to *insure a letter of credit instead of paying bank confirmation charges* usually more cost effective.
- ▶ Supports repayment terms up to 180 days beginning from date of importation of the goods; capital goods terms of 360 days-7 years.
- ▶ Only an invoice of the sale needed for short-term credit; Ex-Im Bank provides a promissory note to document medium-term credits.
- ▶ *Insurance lowers reserve requirements for commercial banks*

South Africa Windpower



- ▼ *Southwest Windpower, Inc.*, a small business in Flagstaff, Arizona that exports battery-charging wind turbines to more than 50 countries.
- ▼ *Southwest Windpower, Inc.*, is using Ex-Im Bank's Short-Term Insurance to offer 90-day "open account" credit terms to its distributor in South Africa.
- ▼ *Southwest Windpower* shipped \$66,000 recently to this distributor.
- ▼ Premium rate for 90-day credit is 0.75%
- ▼ Replaces costly local bank financing and payment by L/Cs, enables customers to offer credit to *their* customers.
- ▼ Begins a "virtuous cycle"
 - ◆ increased open account credit leads to increased sales – for both *Southwest Windpower and their distributor.*
- ▼ RESULT: *Southwest Windpower* has been able to expand production and employment due to increased sales in emerging markets.

Short-Term Credit Process

1. The U.S. supplier submits the application along with the required information to establish a credit limit for the foreign customer to Ex-Im Bank.
2. The information requirements from the company for credit limits are as follows:
 - ▼ \$10,000 credit a favorable trade or bank reference.
 - ◆ <http://www.exim.gov/pub/ins/pdf/eib99-14.pdf>
 - ▼ \$10,000-\$50,000 credit a current credit report
 - ◆ can be ordered from a number of credit reporting agencies by the U.S. exporter (see www.exim.gov/pub/ins/pdf/eib99-08.pdf)
 - ▼ \$100,000-\$300,000 credit a current credit report plus a favorable bank or trade reference.
3. Ex-Im Bank's Loan Officer analyzes the application and makes a decision on the amount of credit to be supported.

Loan Guarantee Program

- ▼ Guaranteed Loans made by commercial banks (U.S. or foreign) to a foreign buyer with a 100% *unconditional* repayment guarantee from Ex-Im Bank
 - ◆ Guarantee covers 85% of the U.S. content of the transaction.
 - ◆ *Negotiated* interest rates, usually a floating rate based on spread over 6-month U.S. dollar LIBOR rate
 - ◆ Loan fully transferable, can be securitized
 - ◆ Banks often finance the 15% required cash payment
 - ◆ Guarantee available in major foreign currencies

Nigeria – Solar Energy

- ▶ *Societe Generale* provided a 5-year U.S. \$2.8 million loan to *Afromedia Nigeria Ltd.* under Ex-Im Bank's Guarantee Program.
- ▶ *Afromedia Nigeria Ltd.* used the loan to buy solar-powered lighting for billboard advertising with a guarantee from *FSB International Bank*.
- ▶ Solar panels were supplied by *BP Solar*, while *Solar Outdoor Lighting* arranged the export and provided project management services.
- ▶ The transaction also received financing for 15% local costs.
- ▶ Ex-Im Bank's Guarantee was needed in this case given so that attractive cost-effective financing could provided for the project.
- ▶ The financing helped *Afromedia Nigeria Ltd.* expand its business while utilizing renewable energy.

Conclusion

- ▼ Increasing financing support for exports to Sub-Saharan Africa is a top priority of Ex-Im Bank.
- ▼ Increasing financing support for renewable energy and environmentally-beneficial exports is a top priority of Ex-Im Bank.
- ▼ Ex-Im Bank supports short, medium, and long-term financing to creditworthy African customers, and working capital guarantees to U.S. exporters.
- ▼ Ex-Im Bank enables U.S. exporters to arrange the *most attractive source of credit directly for their African customers.*
- ▼ Ex-Im Bank is interested in any size project.
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