

ECO TRADE & DEVELOPMENT BANK

**Bank and Non-Bank Financial Institutions Department
&
Corporate and Project Finance Department**

**Presentation for ECO Eminent Persons Group Meeting
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ECO Bank has two departments in charge of development finance:

-) Bank and Non-Bank Financial Institutions (BNFI)
-) Corporate and Project Finance (CPF)

Bank and Non-Bank Financial Institutions Department BNFI

BNFI lends through financial intermediaries in member countries.

PRODUCTS OF BNFI DEPARTMENT

1) Small and Medium Sized Enterprises (SME) Development Loan Facilities

2) Trade Finance Facilities

- Short Term Trade Finance Loans
- Discounting of Export Receivables
- Trade Finance Guarantee Program
- Buyer's Credit

1) SME Facilities

SME Development Loan Mission

- To support small and medium-sized enterprises (SMEs)
- Contribute to economic and social development
- Foster new job creation
- Alleviate poverty

ECO Bank aims to increase access of SMEs to financial services.

SME Development Loan Targets

SME Development Loan is developed in order to:

-) encourage intermediary banks to expand their SME lending operations.
-) meet «Investment» or «Working Capital» needs of the small and medium sized companies.

SME Development Loan Characteristics

- Extended to SMEs through banks & leasing companies.
- Tenor of up to 4 years with 1 year grace period.
- Each SME can use max. amount of US \$ 1 million.
- Minimum on-lending shall not be less than 6 months.
- Total disbursements under this facility amount to US\$ 150 million by the end of 2011.
- Apprx. 500 SMEs have been financed through this facility.
- Particularly agribusiness, manufacturing, and construction sectors are supported.

2) Trade Finance Facilities

Potential to Exploit

- Currently the intra-regional trade is around 7% of the total trade volume of ECO region i.e. USD 50 billion
- Trade volume in the region can increase 8 fold through increased economic integration and strengthened role of ECO Bank.

Short Term Trade Finance Facilities

Mission

- .) To promote intra-regional trade
- .) To support export capacity of member countries
- .) To foster economic development

Short Term Trade Finance Facilities

Purpose

To provide finance to foreign trade transactions through

pre-shipment loans

&

post-shipment loans

in order to facilitate foreign trade contracts.

Credit agreements are signed between the ECO Bank and the selected banks.

Short Term Trade Finance Facilities Types

a) Export Finance Loans

b) Import Finance Loans

c) Discounting Facilities

d) Trade Finance Guarantees

a & b) Export and Import Finance Loans

Characteristics

.) Extended through banks to exporters/importers

a) Export Finance loans

Goods produced in ECO Bank member countries and exported to anywhere in the world

b) Import Finance loans

Limited to transactions of goods produced in ECO member states and imported by ECO member states

- Max. amount for each transaction is US\$ 5 million
- Total disbursed amount is US\$ 150 million by the end of 2011

c) Discounting of Export Receivables Purpose

Such receivables are LCs or promissory notes issued by banks in member states.

Receivables should be in favor of financial intermediaries in member states.

In other words, both the bank of the importer and of the exporter should be in the member states.

c) Discounting of Export Receivables Procedure

ECO Bank discounts export receivables after the negotiation of shipping documents by the financial intermediary.

ECO Bank does not get involved in the LC / promissory note handling.

Discounting of the export receivables takes place after the negotiation of shipping documents and once repayment is confirmed by the issuing bank.

d) Trade Finance Guarantee Program Purpose

- .)To extend and complement the capacity of banks to deliver trade financing.
- .)To provide risk mitigation in markets where trade lines may be constrained.
- .) To enable the continued flow of trade credit into the market at a time when imports may be critical and the country's exports can generate much-needed foreign exchange.

d) Trade Finance Guarantee Program Structure

TFGP offers confirming banks partial or full guarantees covering payment risk on banks in ECO member states for trade related transactions.

These guarantees are transaction-specific.

They may be evidenced by a variety of underlying instruments:

- letters of credit,
- trade-related promissory notes,
- accepted drafts,
- bills of exchange,
- guarantees, bid and performance bonds
- advance payment guarantees.

e) Buyer's Credit

Exporter in one of ECO Bank member countries applies to ECO Bank through its local bank.

ECO Bank takes the risk of the importer's bank in one of the ECO countries.

Facilities are up to 5 year maturity.

With this facility, ECO Bank offers Buyers Credit to importers in ECO bank member and non-member countries.

BNFI

Going Forward

With the participation of new member states, BNFI will have more available funds.

With the increased available funds, BNFI will

- Further contribute to SME development in member countries,
- Continue to foster intra-regional trade and
- Better enhance export capacity of the member states.

For Loans to Banks

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Corporate and Project Finance Department CPF

CPF lends directly to corporates and projects in member countries.

CPF

Products & Services

1. Project Finance Loans
2. Soft Loans
3. Corporate Loans
 - *Trade Finance*
 - *Investment loans*
4. Letter of Guarantees
5. Financial Advisory Services

CPF

Priority Sectors

- Energy (Alternate, Oil & Gas)
- Construction & Infrastructure
- Transportation & Telecommunication
- Agriculture
- Manufacturing & Information Technologies
- Intra-trade among ECO Member Countries

CPF

Missions and Objectives

- Supporting both private and public sectors
- Foster the growth of intra-regional trade
- Development and economic activity in member states
- Contribute to the economic and social development for the welfare of the people in member states
- Promote good governance, technology and environment consciousness in all efforts and projects

Advantages of ETDB Corporate Loans

- Tenor upto 5 years
- Reasonable pricing to promote trade among member countries and increase export of member countries
- Initiation of business between companies
- Financing up to 85 % of the investment

Advantages of Project Finance Loan

- Tenor up to 7 to 12 years
- Grace period upto 1/3 of loan tenor
- Reasonable pricing
- Financing Up to 50 % of project costs
- Bringing in other MDBs
- Bringing professionalism to the projects
(Environmental standarts etc technical and financial analysis)

Main Targets for Corporate and Project Finance

- Encouraging companies from one member country to the other for investment
- Coming in for long tenors that commercial banks will not come in.
- Involvement in development projects with economical returns.
- Providing source for large scale foreign currency
- Reduce political risk affecting a project

Basic Information Required from Applicants

- Description and objectives of the proposed operation/transaction
- General information about the applicant
- Applicant's financial records
- Costs of the operation/transaction
- Financing requirements

For Corporate & Project Loans

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THANK YOU