



APPROVED BY  
The Board of the International  
Investment Bank

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**EXPORT-IMPORT SUPPORT PROGRAM  
FOR 2015—2017**



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## I. Introduction

In accordance with the International Investment Bank (hereinafter referred to as the "IIB", "Bank") Development Strategy in 2013—2017, the essence of the mission of the IIB is promoting social and economic development, growth of the populations' well-being and economic cooperation between member states.

In the context of the modern global economy foreign trade activities, attraction of foreign investments and deep integration into the international economic and financial relations are top priorities of economic development for all IIB member states.

Stimulation of export and import operations and technology transfer is considered as one of the catalysts for economic growth, innovations and progress.

**For the purposes of this Program the Bank interprets export and import operations as the export and import of goods, equipment, technologies and services which contribute to the sustainable development of the IIB member states' economic entities, as well as to the growth of the IIB member states trade operations both reciprocal and with third countries.**

Support for export and import operations and assistance to development of bilateral and multilateral business cooperation between the IIB member states' economic entities, as well as between the member states' economic entities and the economic entities of third countries includes:

- assistance to implementation of multilateral projects with participation of economic entities from several IIB member states;
- assistance to implementation of projects with participation of economic entities from third countries aimed at steady development of the IIB member states;
- assistance to IIB member states' exporters of goods and services in accessing foreign markets;
- assistance to IIB member states' importers of goods and services, if procurement of such goods and services complies with the main focus areas of export and import operations support in accordance with this Program.

Such support involves provision of following financial instruments:

- long-term and short-term finance for IIB member states' exporters and importers, long-term finance for the IIB member states' financial institutions within the framework of a two-tier loan system (target finance is provided to support the IIB member states exporters and importers);
- trade finance instruments (bank guarantees, counter guarantees, stand-by letters of credit, and unconditional reimbursement obligations) provided by the order of the IIB member states' financial institutions in favor of the other countries' economic entities, by the order of third countries' financial institutions in favor of the economic entities of the member states.

The Bank stands on the principle of economic synergy of its member states and aims at being a financial institution that promotes the economic cooperation and growth of mutual investments between the IIB member states.

**The Bank's role and value as a multilateral financial institution for development is largely defined by its contribution to the growth of trade turnover between its member states and the volume of investments in joint-venture projects between the member states' enterprises, as well as by the scale of support for export and import operations through short-term trade finance products.** Moreover, the outcomes of support provided to multilateral projects implementation with participation of several IIB Member states is evaluated taking into account a multiplier effect, when the implementation of a project contributes to the social and economic development of all the member states involved in the project.

## **II. Goals and objectives of the Export-Import Support Program**

The need to step up the rate of economic growth and further integration into international economic relations sets for IIB member states the tasks related to stimulation of export activities, strengthening bilateral and multilateral cooperation and creating conditions for sustainable and innovative development.

For the purposes of promoting trade and economic cooperation between the IIB member states, easing an access to long-term and short-term finance for entities involved in foreign trade, increasing the Bank awareness and increasing goodwill, the IIB focuses on cooperation with leading international and national financial institutions in order to implement joint projects supporting export and import operations.

Drawing up and approving «Export-Import Support Program in 2015—2017» (hereinafter referred to as the «Program») is an important step within the framework of the IIB Development Strategy for 2013—2017 and the Bank's Country Strategies for 2015—2017.

Taking into consideration that export and import operations support and promotion of mutual trade and investments into the member states' businesses are the IIB's top priorities, **the strategic goal of the Program is to increase accessibility of loan resources and required financial instruments for foreign trade entities to carry out export and import operations in segments that ensure sustainable development of the IIB member states and their trade operations, both reciprocal and with third countries.**

Hence, in order to achieve this strategic objective of the Program, systematization of the Bank's activities in this area is required, in particular:

- defining a list of tasks and target quantitative indicators for Program implementation;
- developing a clear and transparent mechanism for supporting export and import operations in IIB member states;
- defining and regular updating selection criteria for counterparties and projects for provision of financing to corporate clients or long-term (over 2 years) financing to financial institutions;
- follow-up audits of targeted use of financing.

**Successfully meeting the targets set by the present Program will enable IIB to realize its potential as a multilateral financial development institution and strengthen its significance to the member states.**

**Within the framework of supporting the IIB Member states export and import operations in 2015—2017 the Bank places emphasis on the following targets and business areas for its activities, together with the list of specific activities (sub-targets), where successful completion thereof is a prerequisite for the progress towards the IIB's strategic objectives in 2013—2017:**

- developing specific criteria for selecting projects and counterparties in accordance with the Program statements;
- searching for projects for carrying-out of the Program (corporate clients among exporters and importers);
- developing a wide partnership network with financial institutions for supporting export and import operations with the involvement of the IIB member states;



- reviewing options for participation in joint projects (funds, syndications) supporting export and import operations with leading international financial institutions and commercial banks;
- elaboration and regular updating of the specific products for economic entities engaged in foreign trade activities (if necessary);
- applying a flexible pricing policy that corresponds to the specifics of export and import operations financing;
- ensuring the monitoring of the proper use of funds utilized by partners for support of entities engaged in the foreign trade activities, including the development of formats for proper use of funds reporting along with a list of documents to confirm the funds were provided by partners to entities engaged in export activities (to be included into loan agreement);
- elaboration of a format of an agreement for exchange of information with the counter-parties (partners), (to be signed along with the loan agreements);
- organizing the work on expanding the resource base to finance the Export-Import Support Program - attracting soft financing from IIB member states and borrowing both on domestic capital markets of the member states and international financial markets;
- studying state projects and programs aimed at export operations support in the member states. Analysis of IIB's possible participation in these programs (as a partner bank, etc.);
- monitoring of changes in mutual trade turnover between IIB member states, as well as between IIB member states and other countries;
- studying the practices of export and import operations financing deployed by multilateral development banks, international financial institutions and commercial banks;
- organizing internships for the IIB employees in leading financial development institutions in order to share the experience and study the best global practices of export and import operations financing;
- positioning of IIB as a multilateral financial institution (MFI) that promotes trade and economic cooperation between member states;
- participation in conferences, seminars, round-table discussions, and other events contributing to the support of export and import operations;
- media support for the Program on the Bank's website (information regarding new deals, successfully implemented projects, etc.);

- quarterly monitoring of targeted financing for projects supporting export and import operations;
- annual monitoring of the Program’s progress with preparation of annual report;
- updating the Bank’s regulatory base in accordance with the requirements of the Program;
- customizing the Bank's IT systems to the Program’s needs and requirements.

### **III. Main focus areas in supporting export and import operations**

Under this Program, the IIB prioritizes the following directions for financing economic entities involved in export and import operations:

#### **A. Innovations**

- Financing an economic entity’s spending (which is involved in export and import activities) to facilitate technology transfer to their business operations based on intangible assets owned by an entity engaged in export and import activities (patents, licenses, prototypes, and other intellectual property).
- Acquisition by an entity engaged in export and import activities of equipment manufactured less than five years ago or technologies based on international and national patents registered less than five years ago.
- Acquisition by an entity engaged in export and import activities of intangible assets for further use in business operations.

#### **B. Modernization (including equipment upgrading)**

- Financing an entity engaged in export and import activities to procure fixed assets (machinery, equipment, software, etc.) and / or utilities.
- Procurement by an entity engaged in export and import activities of land, buildings and structures required for improvement (expansion) of the existing production or for creation of new production.
- Finance for an entity engaged in export and import activities to construct buildings and structures required to upgrade or expand existing production lines / create new production lines.



- Finance for an entity engaged in export and import activities for reconstruction of buildings and structures owned or rented by the entity under a long-term lease agreement.

**C. Resource-saving and energy efficiency**

- Finance for an entity engaged in export and import activities to procure, repair, and install the equipment that enables the efficient use of natural and energy resources.
- Finance for an entity engaged in export and import activities to procure and repair the equipment that complies with selective criteria for energy efficiency indicators (based on independent expert opinion).
- Finance for an entity engaged in export and import activities to procure, repair, and install energy resources metering equipment.

**D. Multilateral cooperation**

- Financing of multilateral (including integration) projects with high export and import share with participation of economic entities from several IIB member states;
- Financing of projects with high export and import share aimed at sustainable development of IIB member states with participation of economic entities from third countries;
- Financing of the exporters of goods and services from the IIB member states that generate high added value and assisting these economic entities in entering external markets (including third countries' markets);
- Support for economic entities from the IIB member states in importing goods and services, where import thereof will contribute to sustainable development of the IIB member states and comply with such priorities of the Bank as innovations, modernization and resource-saving.

**E. Support for short-term trade finance and export and import operations**

- Short-term finance for foreign trade contracts of economic entities in the IIB member states through multinational financial institutions and commercial banks to support export and import operations (short-term pre-export financing or import financing).



- Issuing an irrevocable off-balance sheet commitments of the IIB with a term of up to 2 years (bank guarantees, counter-guarantees, stand-by letters of credit, unconditional reimbursement undertakings) by order of the IIB member states' financial institutions for the benefit of other countries' economic entities; as well as by order of the third countries' financial institutions for the benefit of economic entities of the member states, which export goods and/or services from the member states to these countries.

The Bank considers long-term finance for such focus areas as innovations, modernization, resource-saving and energy efficiency as well as the support of short-term trade finance operations will contribute to:

- growth of mutual trade and cooperation;
- increasing competitiveness and investment attractiveness of the IIB member states' economies;
- employment rate growth and new jobs creation;
- growth of GDP and tax revenues of the member states as a result of business operations outcome of economic entities engaged in export and import operations.

#### **IV. Implementation mechanisms of the Export-Import Support Program**

In the process of the Program implementation the Bank follows its mission and takes into account individual specifics of each member state, counterparties and projects selection criteria as well as the focus of financial and other forms of support on added value creation and sustainable development of its member states.

Within the framework of the Export-Import Support Program, the IIB uses both a single-tier loan system, when the funds are disbursed directly to an exporter or importer under project finance, and a two-tier system, when support is provided to entities engaged in foreign trade through a system of agents (financial intermediaries).

**The channels to find projects and key support instruments are:**

- **Commercial banks interested in long-term (over 2 years) and short-term (up to 2 years) finance under two-tier lending system.**

Key elements of this option:



- target finance is granted to a partner bank for further support for exporters and importers (for supply of goods, equipment and services);
  - support for export and import of goods by small-sized, medium-sized or large-sized businesses through a partner bank;
  - providing specific volumes of finance for a partner bank;
  - providing both short-term and long-term finance;
  - finance for a partner bank is provided on an individual basis and requires IIB's further approval.
- **Commercial banks interested in supporting their clients' export and import operations without finance provided by the IIB, in particular:**
    - by issuing IIB's irrevocable off-balance sheet commitments (bank guarantees, counter-guarantees, stand-by letters of credit, and reimbursement undertakings).

When determining the target segment of commercial banks in the IIB member states' market, it is necessary to consider the peculiarities of foreign trade activities pertinent to each member state.

- **Corporate clients — exporters and importers of the IIB member states under single-tier lending system.**

Key elements of this option:

- support of export and import of goods and equipment by large companies of the IIB Member states;
- financing of large deals over EUR 5 million in equivalent;
- finance for a trade deal is provided on individual basis and requires the IIB's further approval.

It is planned to identify a sector of economy and main market players (among exporters and importers) for supporting export and import activities on the basis of the strategic analysis of the markets and economies of the IIB member states and in cooperation with leading national and international financial institutions and development banks.



- **Export insurance agencies (ECAs) and export support banks. Additional participation of exporting country's ECA is possible both under single-tier and two-tier finance systems.**

ECAs participation options:

- a channel to find new projects and partners, when the IIB is interested in ECA's expertise in a national market of a member state in terms of expert-level knowledge of a local market and a pool of existing transactions and counterparties;
- ECA participates in a project as the partner and co-finances the transaction;
- ECA provides guarantees for the transaction.

#### **Main types of counterparties**

- **Under the single-tier lending:**
  - exporting company;
  - importing company.
- **Under the two-tier lending:**
  - export and import banks of the member states;
  - national development banks;
  - state-owned banks and (or) those with participation of national and international development banks that provide finance for export and import operations;
  - commercial banks that participate in export and import operations in national markets;
  - leasing companies that provide equipment exported from the IIB member state or imported to the IIB member states.

#### **Selective criteria for Counterparties and Projects**

- For the purposes of long-term and short-time finance for corporate clients being the IIB member states exporters and importers, as well as long-term finance for IIB member states financial institutions under the two-tier lending, the Bank establishes selection criteria for counterparties and projects, which shall be defined by the relevant internal regulatory documents of the Bank;

- For the purposes of short-term trade finance, the requirements for partner financial institutions are governed by internal regulatory documents of the Bank that determine the procedure for setting the limits for financial institutions being the IIB partners. Other requirements are determined in accordance with the general financial criteria of the IIB, as well taking into account compliance between the proposed trade finance transactions and the Bank's objectives.

The IIB selects its counterparties against a set of general and financial criteria. In addition to this process, the Bank establishes a list of further criteria for proper utilization of funds. The Bank constantly re-evaluates proper utilization of funds with regard to specific transactions and tranches.

**Under this Program, the Bank sets the following general criteria for selecting projects for finance and proper utilization of funds:**

- a project should be related to a member state's export-import segment;
- a funded project should comply with the strategic objective of the IIB Export-Import Support Program;
- a project should comply with the IIB's top priorities;
- support for mutual trade and cooperation;
- social and economic development, including expertise and technologies transfer;
- environment and «green» technologies, resource-saving and energy efficiency;
- innovations and modernization.

## **V. Progress monitoring of the Export-Import Support Program**

**To monitor the Program's implementation process, the Bank shall:**

1. On an annual basis, the Bank shall draw up a Progress Report on the Export-Import Support Program.
2. On a quarterly basis, the Bank shall monitor changes in target cost and volume indicators as provided by the Program.
3. On a quarterly basis, the Bank shall review a proper use of funds provided for financial support of exporters and importers from the IIB member states.

**Control system for proper use of funds disbursed for support of export and import operations includes the following:**

**A. For long-term finance:**

- analysis of reports and documents evidencing that finance is provided by partners to economic entities engaged in export and import operations, or that the funds were utilized by exporters and (or) importers in accordance with targets and objectives of this Program;
- periodic random on-site and in-house audits, with attention paid to the control of compliance of economic entities engaged in export and import operations with the requirements established by the national law of the member states and compliance of financial targets with those established by the agreement concluded with a counterparty;
- data collection with regard to economic entities engaged in export and import operations (including photo and video documents), which were financed from the IIB's funds; this information shall illustrate the outcomes of the Export-Import Support Program (to provide media support of the Program at the Bank's web site).

**B. For short-term finance:**

- analysis of reports and documents evidencing that finance is provided by partners to economic entities engaged in export and import operations;
- on-site and in-house audits, where close attention is paid to the control of compliance of short-term finance utilization with the targets established in the loan documentation.

Monitoring of proper utilization of funds is carried out monthly or quarterly based on counterparties' reports and in accordance with targets established in the loan agreements.

Furthermore, the Bank draws up reporting forms taking into account the specific properties of each product. Should there be any errors revealed in the reports, or non-compliance with the contract terms, a request shall be forwarded to a partner counter-party for clarifications.