

GSM-102 EXPORT CREDIT GUARANTEE PROGRAM





Program Features

- Letter of Credit driven loan guarantee program
- Mitigates non-payment risk
- Developing country focused
- Credit terms up to 18 months
- Up to 98% guarantee
- Only U.S. agricultural commodities are eligible

Requirements of Program Participants

Exporter

- Qualification required
- Has sales contract with importer for purchase of U.S. agricultural commodities
- Applies for credit guarantee

U.S. Financial Institution

- Qualification required
- Confirms Letter of Credit from approved financial institution in Africa Region
- Exporter generally assigns credit guarantee to U.S. bank
- USDA assumes majority of repayment risk

Approved Financial Institution in Africa Region

- Qualification required
- Many banks are currently qualified
- Issues Letter of Credit per instruction of the importer

Importer

- No qualification required
- Purchaser of U.S. agricultural commodities
- Responsible for financing
- Opens Letter of Credit with a pre-approved bank in Africa Region in favor of exporter

Destination country must be eligible for participation

L/C issuing banks do not need to be in the destination country (but in the Africa Region)

GSM Comparison

Without GSM-102

- ✓ U.S. exporter carries 100% risk
- ✓ U.S. exporter may be reluctant to ship without pre-payment from importer
- ✓ Approved bank in the Africa Region may be unwilling to provide credit to importer
- ✓ Importer's financing may have unfavorable terms (shorter repayment, higher interest, etc.)

Carry 100% Risk

With GSM-102

- ✓ U.S. exporter carries minimal risk (or no risk when assigned to U.S. bank)
- ✓ Approved bank in the Africa Region may gain preferential repayment terms with U.S. bank
- ✓ Importer may gain preferential repayment terms with approved bank in the Africa Region

Carry 2% Risk

Eligible Commodities

- Consumer-oriented, intermediate, or bulk
- 100% U.S. content requirement, except...
 - High-value products, which require a 90% U.S. content value

Approved Banks in Africa

Multilateral

- African Export-Import Bank (Afrexim), Egypt
- Eastern and Southern African Trade and Development Bank, Kenya

Egypt

- Commercial International Bank
- Export Development Bank of Egypt

Kenya

- Stanbic Bank Kenya

Approved Banks in Africa

Nigeria

- Ecobank Nigeria
- First Bank of Nigeria
- Stanbic IBTC Bank

South Africa

- FirstRand Bank
- Standard Bank of South Africa

**Any bank approved by USDA within the Africa and Middle East, Turkey, Caucasus, and Central Asia Region can issue a letter of credit for a transaction in an approved destination.*

Keep In Mind



GSM-102...

...is not just for bulk commodities

Intermediate and processed foods are covered, including fruits and vegetables, wood and paper products, grocery items, and more



GSM-102...

...is not just for large dollar-value transactions

There is no minimum transaction size



GSM-102...

...is not just for large companies

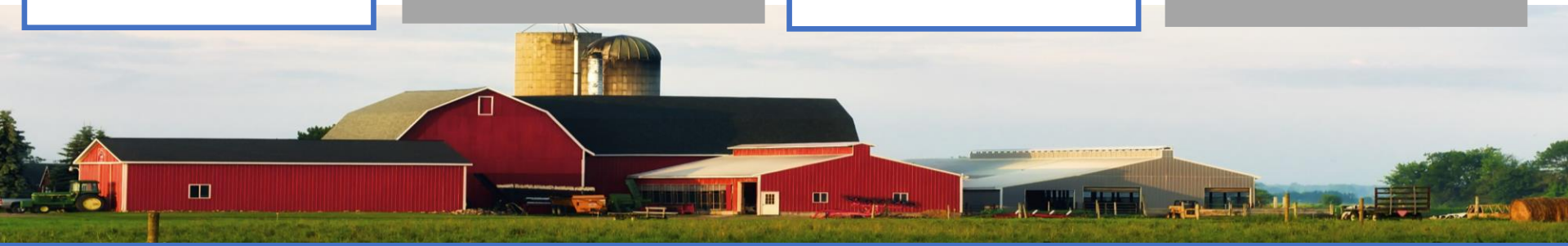
Small and medium-sized enterprises (SMEs) utilize the program



GSM-102...

...does not charge interest

USDA only charges a guarantee fee which is cost-recovery



Facility Guarantee Program





Program Features

- **Loan guarantee program designed to facilitate development or improvement of agricultural-related facilities and infrastructure in emerging markets**
- **Projects must be projected to primarily benefit U.S. commodity exports**
- **Mitigates non-payment risk**
- **Letter of credit required (but certain terms and conditions may be contained in a related document)**
- **Credit terms up to 10 years**
- **15% initial payment, up to 100% guarantee on remaining 85%**

Program Participants

Exporter or “Seller”

- Has contract with buyer for sale of U.S. manufactured goods and services
- Applies for credit guarantee
- Typically assigns guarantee to a U.S. bank
- Pre-qualification required

U.S. Financial Institution

- If assigned guarantee from seller, confirms letter of credit from and negotiates loan with approved financial institution
- Pre-qualification required

Approved Financial Institution in Africa Region

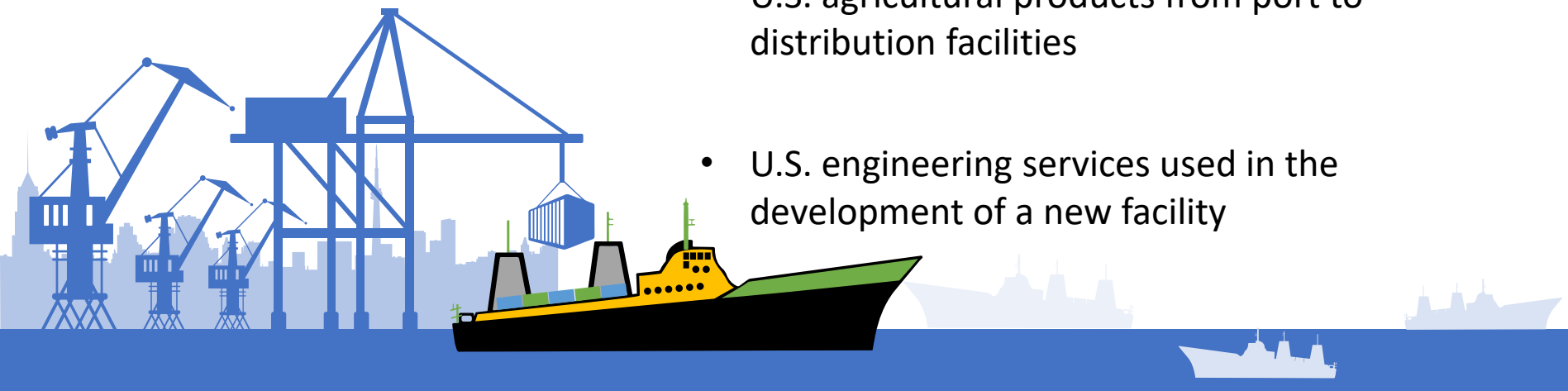
- Issues letter of credit per instruction of the importer
- Negotiates loan with U.S. financial institution
- Pre-qualification required

Importer or “Buyer”

- Has sales contract with U.S. seller for purchase of manufactured goods and U.S. services
- Opens letter of credit with pre-approved bank in favor of exporter
- No pre-qualification required

Sample Transactions

- Purchases of equipment to upgrade existing grain or oilseed storage or processing facilities
- Construction or improvement of a soybean crushing facility
- Construction or improvement of cold storage facilities
- Procurement of vehicles to transport imported U.S. agricultural products from port to distribution facilities
- U.S. engineering services used in the development of a new facility



FGP Content Provisions

USDA's payment guarantee can cover:

- U.S. manufactured goods
- U.S. services (e.g., engineering consultation)
- Non-U.S. goods (if U.S. are not available or practicable)

Important Items to Remember

U.S.
EXPORTER

- USDA provides payment guarantees – not direct loans
- Importers must open a letter of credit with a pre-approved bank in favor of the exporter
- USDA covers the U.S. exporter (or more typically the U.S. financial institution) in case of non-payment by the approved bank issuing the letter of credit
- USDA does not guarantee payment by the importer to the issuing bank
- Transaction must be projected to primarily benefit U.S. agricultural exports

IMPORTER

U.S. BANK

APPROVED
ISSUING
BANK

Helpful Websites

GSM-102 Export Credit Guarantee Program

Search “USDA FAS GSM-102”

<https://www.fas.usda.gov/programs/export-credit-guarantee-program-gsm-102>

Facility Guarantee Program

Search “USDA FAS FGP”

<https://www.fas.usda.gov/programs/facility-guarantee-program>

Global Agricultural Information Network (GAIN) Reports

Search “USDA FAS GAIN”

<https://gain.fas.usda.gov/#/>