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INVESTMENT PROPOSAL
FOR
DIRECT GUARANTEE AUTHORITY

US$2,500,000 NON-RECOURSE EXPORT FINANCE GUARANTEE FACILITY

ON BEHALF OF

INTERNATIONAL COMMERCIAL BANK PLC

OFFICE OF INVESTMENT
BUREAU FOR PRIVATE ENTERPRISE

February 28, 1989

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

INVESTMENT PROPOSAL
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INTERNATIONAL COMMERCIAL BANK PLC

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Note: Segments of this IP were drawn from the paper "Trade Development in Asia and the Near East," Mr. D. Cahn, 1987 and "Review of Activities Designed to Encourage International Trade and Direct Foreign Investment in ANE Client Countries," Mr. L. Rudel assisted by Mr. P. Ide, 1987, among other published and unpublished works.

NON-RECOURSE EXPORT FINANCE GUARANTEE FACILITY

I. EXECUTIVE SUMMARY

The project

1.01 PRE proposes to utilize $2,500,000 of its direct guarantee authority to promote the flow of trade credit to A.I.D.-assisted countries. This global facility will be administered by the Chicago affiliate office of International Commercial Bank PLC (ICB).

This project will attract an equal amount of private sector credit to match our 50% guarantee of trade related notes to mobilize $5 million in new revolving trade credit. The project will center on "Forfaiting. Forfaiting is the term generally used to denote the buying, without recourse, of obligations, usually trade drafts or promissory notes arising from international trade transactions.

This proposal has been developed as a PRE project in support of A.I.D.'s "Trade and Investment" initiative. Our goal is to provide a credit bridge between U.S. exporters and importers in A.I.D. countries.

This project is expected to evolve into a joint effort among, A.I.D., U.S. & F.C.S. (Commerce Department), OPIC, EXIM, and the USAID missions.

Products

1.02 International Commercial Bank (ICB) will purchase trade notes (at a discount) resulting from LDC importers' purchase of U.S. goods on credit. These notes can be held by the participating IFI as earning assets under PRE's guarantee, or used as liquidity instruments through resale in the secondary market without PRE's guarantee. Through this facility ICB will become the "noteholder" (forfaiter) and purchase, without resource to the U.S. exporter, promissory note(s) issued by LDC importers.

Each promissory note eligible for coverage under this guarantee facility will have the following characteristics:

A. Amount - $500,000 or less with PRE guaranteeing up to 50% or a maximum of $250,000

B. Origin: Any A.I.D.-assisted country

C. Repayment: Up to five (5) years

D. Interest Rate: Fixed at market

E. Currency: US Dollars

F. Origination: Through International Commercial Bank

G. Purpose: Export of U.S. capital goods

Risk

1.03 As an unsecured guarantor to ICB, PRE's risk is multifaceted.

- Transactional risk (default) by the LDC importer and/or their local bank which will avalize (guarantee) their notes.

- Country risk (economic and political) in the LDC's to which U.S. exports are directed and from which our guaranteed notes must be repaid.

- Institutional risk (credit and liquidity) in ICB to act as forfaiters on our behalf.

- Exchange risk (non-convertibility) in LDC importers not having access to U.S. dollars to meet repayment.

- Legal risk, with A.I.D. becoming the holder in due course of defaulted notes forwarded to us by ICB (at A.I.D.'s request).

These risk factors are present in many A.I.D. projects. We believe the risk to PRE in this facility is manageable based on PRE's position as a guarantor to an IFI which will share these underlying risks with PRE. International Commercial Bank will use their standard credit approval policy in acceptance of notes. Our participation would be directive to support U.S. exporters who want to sell U.S. goods (additive) to an A.I.D. country but require some credit mechanism to do so.

Leverage - Capitalization

1.04 PRE's leverage would be at least 8x1. We will guarantee up to 50% of qualified notes presented by ICB. Due to the "umbrella" nature of our guarantee, which does not place an A.I.D. guarantee on specific notes, but rather permits ICB to house notes under our guarantee with them and rotate notes based on their perception of risk, leverage could reach 10x1 or more based on the revolving nature of our guarantee.

Since PRE's guarantee authority requires a 25% funded reserve, our cash build up to capitalize this project is as follows:

Reserve	Guarantee	IFI Credit
$625,000	$2,500,000	$5,000,000
	Leverage	
4x1		8x1

Developmental Benefits

1.05 Effective participation in international trade is essential for meaningful economic growth for developed and developing countries alike. It is the means by which a country makes use of its comparative advantage to produce goods and services for sale in other countries and by which it purchases at the least cost those things for which such advantage is held by others. Trade both attracts investment and earns profits for the investors.

The ability of the people of developing countries to purchase goods and services efficiently produced in the United States will contribute to their well-being, economic growth and employment while, at the same time, contributing to the U.S.A. Although A.I.D. is not chartered as a U.S. export promotion agency, this mutuality of interest makes it appropriate for A.I.D. and PRE to work with developing countries and other U.S. Government (USG) agencies to increase access to U.S. exporters to LDC markets.

It is, therefore, well within the developmental mandate of the Agency for International Development (A.I.D.) and the Bureau for Private Enterprise (PRE) to assist the people and business entities of client countries to participate more fully and effectively in free and open international trade.

Project Timetable

1.06 The IOP was approved in 1988. The Loan Review Board has already passed favorably on this project.

IP	3/89
P/A Signing	5/89
First Disbursement	10/89

This is the second $2,500,000 sub-project within a four part $10 million master "Trade and Investment" project entitled, "Non-Recourse Export Finance." The first was approved earlier this year for Midland Bank Aval, Limited. With this approval for ICB our master project will be 50% obligated.

II. TRANSACTION SUMMARY

The following are the major terms of the proposed Non-Recourse Export Finance guarantee facility between PRE and International Commercial Bank (ICB).

These terms are subject to further negotiation by all parties, as well as certain A.I.D. standard requirements and restrictions.

AMOUNT: $2,500,000

GUARANTEED IFI: International Commercial Bank PLC

OWNERSHIP: Privately owned and operated (National origin, American and European)

PURPOSE: To partially guarantee, up to 50%, trade notes resulting from the exportation of U.S. capital goods to A.I.D.-assisted countries.

CO-FINANCING: Our non-funded A.I.D. guarantee will mobilize at least $5 million in additional trade credit on a revolving basis for A.I.D.-assisted countries.

The following terms and conditions will govern our project agreement between PRE and ICB.

TERM OF GUARANTEE: Seven (7) years from signing Contract of Guaranty.

SUB-NOTES: Up to five (5) years.

FIRST DRAWDOWN: Within one (1) year from execution of the project agreement.

GUARANTEE FEE: 1% p.a. on utilization collected semi-annually in advance.

GRACE PERIOD/
COMMITMENT PERIOD: Up to nine (9) months, at no cost, prior to disbursement.

SECURITY: Aval of importers bank.

INTEREST: N/A

PREPAYMENT: N/A

CURRENCY OF PAYMENT: All fees are payable in U.S. dollars.

TRANSACTION SIZE: A maximum transaction size of U.S. $500,000 (principal and interest) for any one subborrower (50%/$250,000 guaranteed). PRE's guarantee is in U.S. dollars. Underlying guaranteed notes are also to be in U.S. dollars.

CONDITIONS PRECEDENT: All notes placed under PRE's umbrella guarantee are to cover the exportation of U.S. capital goods to the private sector in an A.I.D. country.

SUBBORROWER RESTRICTIONS: All subborrowers will be private sector importers (No parastatal ownership permitted).

REPORTING: Semi-annually. Standard A.I.D./PRE forms.

SETTLEMENT OF CLAIMS: Any defaulted notes covered by A.I.D.'s guarantee will be covered up to 50% up to the maximum of $250,000 per any one subborrower by drawing against our guarantee payable through the Office of Financial Management.

TECHNICAL ASSISTANCE: PRE/I and PRE/PD will provide up to $150,000 from core funds including the PEDS and Financial Markets projects to support education in selected A.I.D.-assisted countries and the U.S.A. on the concept of forfaiting. Joint marketing efforts by PRE with selected USAID's will be covered by these funds. This component will include a provision for Mission "buy-ins" of another $100,000 in PD&S funds for country specific replication work. A framework for structure of this component is outlined in Task #28 attached as Annex D.

III. FORFAITING - NON-RECOURSE EXPORT FINANCING

"A forfait" describes a financial technique which combines the characteristics of many other kinds of trade instruments. It is generally classed as a "supplier" credit: that is, the exporter is required to provide financing as an integral part of the sale of goods and services. Assuming the exporter does not choose to retain this risk on his own books as a receivable, he may consider structuring the transaction to include negotiable notes which they can sell to a bank or private investor, hence the origin of "a forfait" paper.

Today it is one of the most common methods of financing international trade in capital goods coming out of Western Europe. This technique is most useful to obtain financing for less-developed countries (LDC's) outside normal banking channels. The bulk of all A.I.D.-assisted countries are LDC's and many do not have access to additional credit through formal banking channels.

The market for non-recourse paper of this kind started in the 1950's and originally concentrated on East-West trade. Most transactions covered shipments of raw materials which could be rapidly converted into manufactured goods and reexported, requiring a simple, short-term trade financing mechanism. The market for such paper is now virtually worldwide, and includes medium-term transactions as well.

Forfaiting can be described as follows:

As in normal letter-of-credit operations, the obligation to pay is represented solely by an underlying note or bill of exchange, and is completely separated from the commercial transaction.

It is in the form of negotiable bills of exchange or promissory notes including only the most essential terms of a legal obligation to pay: fixed amounts and maturity dates, and the names of the obligor and, in most cases, their guarantor.

The note stands on its own, without recourse to either the exporter or any intermediary purchaser. An endorser can of course be held liable for fraud or misrepresentation, but not for non-payment.

"A forfait" paper is normally issued on a discount basis, that is, the interest rate is implied in the principal amount due; this practice means that most "a forfait" notes do not indicate an interest rate on their face, and are sold "flat", i.e., for a fixed cash price. More recently some paper has been sold based on an explicit interest rate, using a fixed rate or some established floating rate benchmark.

Interest is calculated on a 360 day basis, although the alternative 365 day basis is sometimes used, as agreed during the negotiations between the exporter/importer and their forfaiter.

The term is usually five years or less, and occasionally for less than one year. The interest rate calculation usually includes compensation for 5-10 days grace after each payment date to allow for delays in transit on repayments.

Amounts of individual notes are generally $1 million or less to facilitate easy marketability, but larger amounts are also common.

There is generally no security, and the notes rank as junior obligations of the debtor. However, many importers who avail themselves of the "a forfait" technique are sufficiently weak credit risks to require a guarantee or aval from an established international bank to provide a marketable note. Most often the guarantee is from an institution in the importer's country, meaning that the commercial risk may be guaranteed but the country risk remains.

Notwithstanding, due to its junior status, "a forfait" paper has generally been excluded from restructurings because of its special importance in everyday trade, the fact that the paper is often held by small investors with whom it would be difficult to negotiate new terms, and because of problems in reconstructing an interest rate on discounted notes.

"A forfait" notes are usually denominated in commonly traded convertible Eurocurrencies such as U.S. Dollars, Deutschmark, Swiss Francs or Yen. But exotic currencies are not unknown depending on the size of the transaction and the confidence of local "a forfait" traders to market the paper.

The note or bill of exchange is expressed in the simplest terms, without the usual covenants and protections often found in bank loan agreements, such as representations and warranties (conditions precedent), acceleration and cross default provisions, restraints on issuing senior debt ("pari passu" clauses), and various restrictive financial ratios. An "a forfait" note does not even indicate the law or courts ("jurisdiction") governing disputes -- not a trivial matter with respect to a business transaction which may involve four or five different countries.

Payment must be unconditional and without any reductions for fees or withholding taxes. Nonetheless, taxes may be imposed by the government where the note is discounted or paid, and the investor should be aware of such potential levies.

Individual notes can be separated and sold independently of the others, and may obviously bear a different amount, maturity and even interest rate. This divisible feature significantly improves the marketability of the underlying loan transaction.

Forfaited paper is basically a two-name obligation, involving a debt of the local importer and the unconditional guarantee of their bank. In most cases, only the guaranteeing bank's credit is involved in assessing the credit. The forfaiting house will supply a list of local banks whose aval or guarantee it will accept for the amount and term required. In most cases, these are the largest and best-known local institutions with some international standing.

Through close business connections and published rate sheets, most forfaiting houses are in close contact with other forfaiting institutions, but there are often differences, both in price, appetite for term credit and country availability, from one forfaiting house to another.

Despite its relative simplicity, non-recourse financing can be more expensive than other forms of credit because the lender has so little protection against loss, despite the presence of a guarantee. This is in contrast to the commercial paper market in the United States, which is very similarly structured but remains the cheapest source of funding for many large companies. The key difference is of course that prime American commercial paper borrowers are first-rate credits and the paper is rarely longer than 180 days, while a forfait borrowers -- even with a guarantee of a local bank -- generally represent far less than a prime risk.

Advantages and Disadvantages of Forfaiting

(1) Advantages

A forfaiting situation is likely to be successful when the U.S. exporter is unwilling to finance on open account or retain the LDC's importer's note on their books. This may be because they are unwilling to assume the risk, or need the cash for continuing business. Of course the exporter has to weigh the cost of forfaiting against profit margins and other exposure to the same country (many exporters will carry a certain amount of such risk on their own books, but they usually have internal limits).

Forfaiting is most advantageous to increase business with countries who remain creditworthy, but where the exporter does not wish to increase their exposure.

The documentation is relatively simple and transactions can be finalized with a minimum of legal complications.

The loan is divisible into as many parts as there are notes, as each note represents a complete "loan" and is a legally binding obligation. Thus it becomes easier to market because investors seeking smaller portions, or only certain maturities, can find paper to suit their individual portfolios or risk-appetite.

(3) Disadvantages

Forfaiting may be more expensive if other bank credit is still available.

For the holder of the notes, the limited documentation may offer less legal protection in the even of default. But practice has shown that debtor countries are most unwilling to default on such paper, or include it in reschedulings, because of its importance to their everyday import-export business.

A Typical Transaction (see chart no. 1)

An exporter, such as AJAX, Inc., is preparing to offer to sell a printing press to the Philippines. The importer, under foreign currency restrictions, will not consider bids without certain financing terms, e.g., five years maturity, 20% due annually in semi-annual payments. Sometimes the importer will also specify that financing costs cannot exceed a fixed percentage rate (in which case the excess needs to be factored into the overall price).

AJAX, Inc., has the following alternatives: (1) keeping the obligations on open account, or in the form of notes, in its own portfolio of receivables; (2) selling the notes with recourse (to avoid expanding its balance sheet); (3) selling the notes without recourse. For many less-developed countries, the U.S. exporter might only consider the latter alternative, for risk-control reasons.

Before making its offer, AJAX is then likely to approach several of its commercial banks to review their interest in financing the transaction, involving direct financing to the importer, or a transaction which includes the importer's bank, in either case a "buyer's" credit. This form of financing was traditionally used for large, long-term projects. More recently such syndications have been established for smaller, shorter-term purchases of capital goods as they provided more formal documentation than the open lines of credit which U.S. banks had previously relied upon for trade financing.

Alternatively, AJAX may consider structuring the notes in "a forfait" form as a "supplier's credit", negotiated with one of the specialty forfaiting firms. To strike a deal, AJAX will have to accept a discounted price for the Philippine notes which reflects not only their maturity but the Philippine risk; once sold, AJAX is only required to indemnify the holder against suits rising from non-delivery or faulty workmanship.

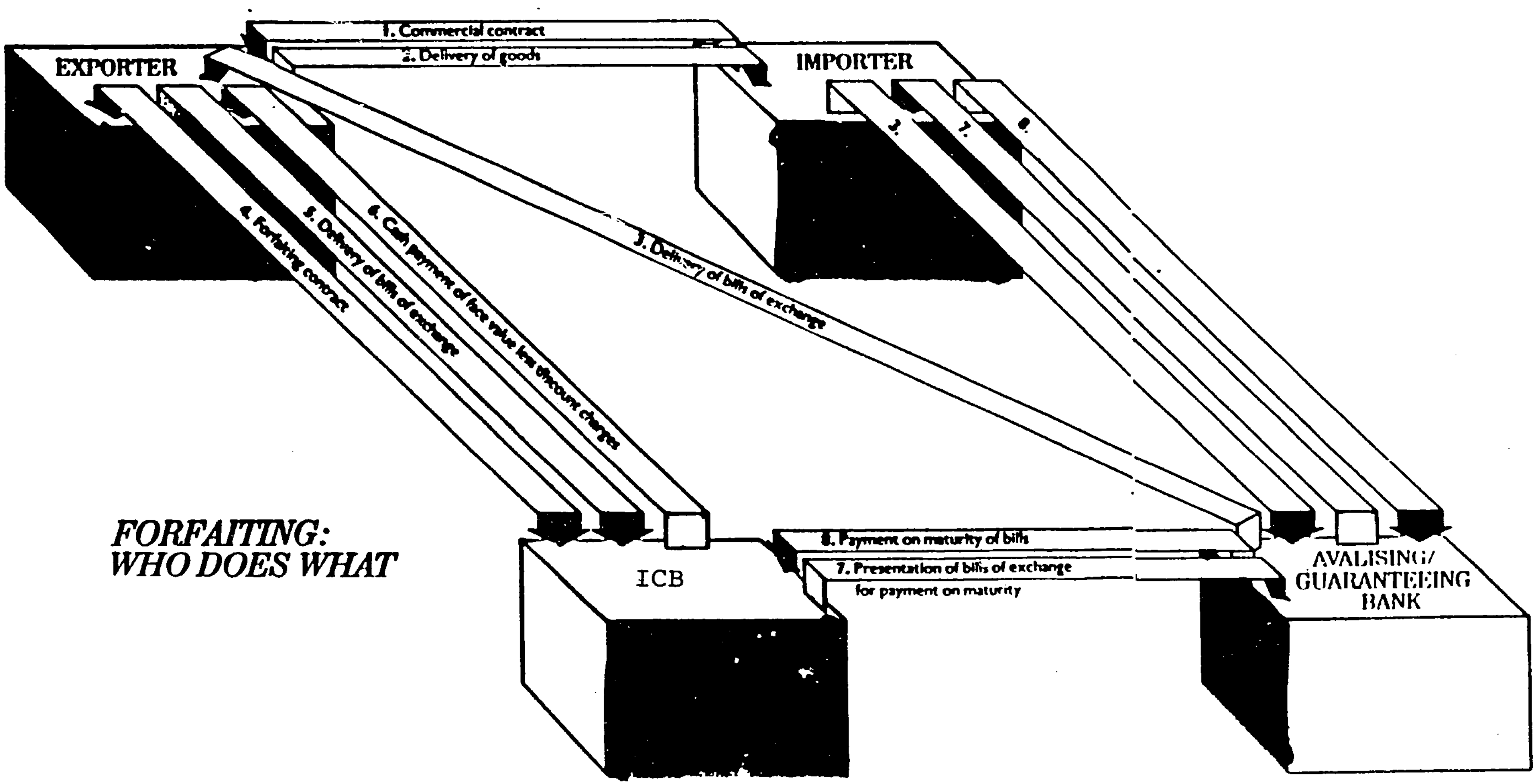
Conclusion

Non-recourse financing has been very successful in Europe in promoting trade with less-developed countries; the technique offers a flexible yet clear alternative in many cases where other forms of credit are unavailable. With the many reschedulings of recent years, however, some countries have simply been eliminated in using this financing method, while for more developed countries the competition has driven interest spreads down. This situation suggests that the time has come for risk-sharing between exporter and importer.

For the especially disadvantaged countries, it is unlikely that traditional "a forfait" financing is the solution, as the risks are simply too great for a financial intermediary to earn a reasonable profit. Even in Europe, forfaiting doesn't work for these particularly credit-poor nations. In such cases, guarantee programs sponsored in whole or part through donors may be the only alternative.

The growth of non-recourse financing in Europe along with the proven success of their export companies, suggest that smaller U.S. companies may need to become more knowledgeable about supplier credits in planning their export strategies with A.I.D.-assisted countries and their counterpart private sector importers.

CHART 1



1. Commercial contract
2. Delivery of goods
EXPORTER
IMPORTER
3.
7.
8.
4. Forfaiting contract
5. Delivery of bills of exchange
6. Cash payment of face value less discount charges
3. Delivery of bills of exchange
FORFAITING:
WHO DOES WHAT
ICB
8. Payment on maturity of bills
7. Presentation of bills of exchange
for payment on maturity
AVALISING/
GUARANTEEING
BANK

IV. PARTICIPATING INTERMEDIATE FINANCIAL INSTITUTION

Since the "a forfait" market was started, and is still based, in Europe, PRE has the highest chance of success in tapping this financial resource through European institutions. Only private sector intermediate financial institutions (IFI's) are being considered. A cross section of forfaiting houses who already have a solid business base in the developing world are targeted.

Screening included consideration of the existence of branch offices in the USA to act as feeders of transactions to the European forfaiting market. An effort to enlist those houses with a broad geographical representation in the USA (i.e., Chicago, New York, Los Angeles) is also a part of the IFI selection process.

Introductory meetings with a number of IFI's were held in London and Zurich, and negotiations with a short list of forfaiters took place in September 1988. As a result, PRE has selected International Commercial Bank PLC as one of our IFI for this project. Our project will be housed with their main office at the below address:

International Commercial Bank PLC
52-54 Leadenhill Street
London EC3A 2BX
Tel: 01-606-7222
Telex: 887329
Fax: 01-606-0824

The parent, The First National Bank of Chicago will assist ICB in the marketing of this project in the USA.

CHART 2

(Outlines ICB's ownership)

Institution	Percentage
The First National Bank of Chicago	22%
Irving Trust Company	22%
Credit Lyonnais	11%
Commerzbank AG	12%
Banco di Roma International SA	11%
The Hong Kong and Shanghai Banking Corporation	22%
	100%

V. CURRENT MARKET IMPERFECTIONS

The constraints and opportunities to effective participation in a free and open system of international trade can be grouped into the following categories.

1. Active government barriers. These include such policies as tariffs and quantitative restrictions, restrictive import licensing, import substitution subsidies, government monopolies, etc. Many investment restrictions also inhibit the trade which often accompanies investment.

2. Passive government barriers. These encompass insufficiencies in the law, including lack of recognition and enforcement of property rights in general and of intellectual property in particular, lack of contract enforcement, and ineffective criminal sanctions against fraud, embezzlement, and other business crimes. Reputable international traders, both buyers and sellers, often will refuse to trade with a country which lacks such protections. Other passive barriers include administrative delays and unpredictability which inhibit trade and investment, often by domestic parties as well as foreign ones.

3. Financial barriers. Trade will be inhibited in countries where financial markets are not sufficiently developed to meet the needs of businesses for working capital, trade financing and, long-term lending (for imports of machinery, construction material, and other capital goods)

4. Business transactions and linkages. At the basic level, business representatives in a country must have the know-how and sophistication to understand, negotiate, and enter into the full range of international business transactions and relationships, including manufacturers representation, dealerships, licensing and franchise arrangements, co-marketing and co-production agreements, joint ventures, etc. The application of this capacity includes the development of private sector institutions and practitioners to promote individual transactions in international trade (both imports and exports), as well as long-term trade and investment relationships.

5. Market information. Signals from the marketplace of international trade will not be heard or heeded by businesses in a country which lacks institutions or sophistication to understand them. This includes more than knowing where demand exists for what can be produced. It extends to packaging and quality standards and other factors which enhance market entry.

No one project can address all these constraints. PRE's targeted intervention through this non-recourse exporter finance guarantee facility (forfaiting) is directed to influence institutional change through a transactional activity. The thrust of our effort is to mitigate financial barriers. These are both internal to developing countries and external in the credit risk perception that U.S. exporters and financial institutions in developed countries have in dealing with smaller importers in developing countries.

Institutional Investor's 1988 Country Credit Ratings are attached as Chart 3. This ranks 112 countries by order of risk acceptability for forfaiting. Those A.I.D. countries ranked between 57-112 are the principal targets for this project.

Missions can work with PRE's Revolving Fund, Financial Markets and Private Enterprise Development projects to stimulate the development of appropriate institutions and mechanisms to support the financial requirements of A.I.D.-assisted countries to more fully participate with U.S. firms in two way trade and investment.

FZ
FINANZ AG ZÜRICH
FINANCE SA ZURICH

CHART 3 FINANZ AG ZÜRICH

INSTITUTIONAL INVESTOR'S* 1988 COUNTRY CREDIT RATINGS

MARCH 1988

*Institutional Investor Magazine, 488 Madison Avenue, New York, NY 10022 (copyright)

Rank 1-50 suited for forfaiting (margin over matching Libor)

Basis points	Rank March 1988	Rank Sept. 1987	Country	Foreign debt US$ bio	Institutional Investor Credit Rating	Six-Month Change	One-Year Change
	1	1	Japan		94.6	−0.8	−1.4
	2	3	Switzerland		94.1	1.0	−0.1
	3	2	West Germany		93.1	−1.0	−1.1
37.5	4	4	United States		91.0	−1.5	−3.1
	5	5	Netherlands		87.0	0.6	0.0
	6	6	United Kingdom		86.7	0.3	0.0
	7	7	Canada		85.9	−0.1	−0.6
	8	8	France		84.9	0.1	0.9
	9	9	Austria		84.1	0.7	0.9
	10	11	Sweden		80.8	0.4	1.0
50.0	11	10	Norway		80.3	−1.1	−1.9
	12	12	Finland		78.5	0.3	0.6
—	13	13	Italy		77.6	0.6	0.6
	14	14	Belgium		77.4	0.9	0.7
	15	15	Taiwan		76.3	1.5	1.8
62.5	16	16	Singapore		75.4	1.6	0.6
	17	19	Spain		73.5	1.3	1.8
	18	18	Denmark		73.0	0.4	0.1
	19	17	Australia		70.7	−2.2	−5.7
	20	20	Hongkong		69.2	0.6	−0.1
	21	22	U.S.S.R.		65.4	0.1	−0.1
	22	21	New Zealand		65.2	−0.2	−1.9
	23	23	China		64.8	0.2	−2.0
75.0	24	25	South Korea		62.5	1.9	2.7
	25	24	Ireland		62.4	0.0	−0.8
	26	26	Saudi Arabia		60.3	−0.3	−0.4
	27	27	Kuwait		58.5	0.3	−0.4
	28	28	East Germany		58.4	0.9	2.1
100.0	29	31	Portugal		56.5	2.2	2.3
	30	29	United Arab Emirates		56.3	0.9	0.9
	31	32	Thailand		55.9	2.2	2.3
	32	30	Malaysia		54.4	−0.2	−2.6
	33	33	Qatar		54.3	0.7	0.5
	34	35	Czechoslovakia		54.3	1.2	1.3
	35	34	Bahrain		53.7	0.6	0.3
125.0	36	36	Iceland		52.8	1.3	1.1
	37	37	Oman		50.2	−0.1	−0.3
	38	38	India		49.9	0.2	−0.7
	39	39	Bulgaria		47.7	−0.4	−1.1
	40	41	Greece		46.5	0.8	−0.5
	41	40	Hungary		46.4	−1.5	−3.3
	42	42	Indonesia		43.2	−0.7	−2.4
	43	42	Algeria		42.6	−1.2	−3.3
	44	44	Cyprus		42.2	1.9	2.1
	45	45	Turkey		40.5	0.5	0.8
	46	47	Colombia	15	39.1	−0.1	−0.7
150.0	47	46	Trinidad & Tobago		38.4	−1.7	−2.1
	48	48	Papua New Guinea		37.4	−0.9	−1.3
	49	49	Cameroon		36.0	−0.7	−1.9
	50	51	Jordan		36.0	0.4	−1.3
	51	50	Venezuela	33	35.8	−0.3	−1.1
	52	55	Israel		34.6	1.5	1.6
	53	52	Gabon		33.7	−0.7	−4.1
	54	54	Barbados		33.6	−0.1	−0.8
	55	58	Rumania		33.3	2.2	2.0
—	56	53	Tunisia		33.2	−0.9	−3.4
	57	57	South Africa		32.3	1.0	−0.5
	58	60	Pakistan		31.1	1.1	0.8
	59	62	Kenya		30.7	0.9	0.5
	60	56	Brazil	114	29.4	−2.3	−6.1
	61	59	Yugoslavia	21	29.0	−1.9	−2.7
	62	61	Panama		28.6	−1.3	−2.1
	63	64	Uruguay	3	28.4	0.5	0.9
	64	65	Mexico	105	28.0	0.9	0.6
	65	63	Paraguay		27.7	−1.4	−3.5
	66	69	Mauritius		27.6	3.3	1.2
	67	67	Chile	20	27.2	0.9	1.2
	68	66	Ivory Coast	9	26.1	0.4	−1.3
	69	68	Argentina	49	24.8	−0.3	0.0
	70	75	Morocco	17	24.0	1.5	0.6
	71	73	Philippines	29	23.7	0.3	1.5
	72	72	Egypt	9	23.6	0.1	2.0
	73	70	Ecuador	[illegible]	23.2	0.9	3.1
	74	74	Libya		23.2	0.4	1.4
	75	71	Sri Lanka		23.1	−0.5	−2.1
	76	76	Zimbabwe		23.0	1.6	0.2
	77	—	Nepal		22.7	—	—
	78	77	Nigeria	27	20.4	−0.4	1.6
	79	80	Senegal		19.4	1.2	0.7
	80	78	Iran		18.3	0.0	1.2
	81	84	Syria		18.0	1.2	−0.8
	82	82	Poland		17.8	0.9	1.4
	83	81	Costa Rica	4	17.6	0.6	0.7
	84	79	Bangladesh		17.2	−1.0	2.0
	85	—	Swaziland		16.8	—	—
	86	88	Jamaica	3	15.9	1.3	0.4
	87	83	Malawi		15.7	−1.2	0.9
	88	87	Iraq		14.7	−0.6	−1.9
	89	86	Dominican Republic		14.2	−1.4	−0.7
	90	89	Peru		14.0	0.5	−1.0
	91*	92	Guatemala		13.9	1.3	0.8
	92*	85	Congo		13.9	−2.0	1.5
	93	91	Seychelles		13.7	0.6	0.9
	94	93	Honduras		12.9	0.8	0.2
	95	90	Cuba		12.8	−0.6	−1.3
	96	94	Angola		11.7	0.7	−0.2
	97	96	Zambia		10.9	0.8	−0.6
	98	97	Zaire		10.6	0.7	0.7
	99	95	Liberia		10.1	−0.5	−0.4
	100	99	Tanzania		10.0	0.6	−0.8
	101	100	Grenada		9.1	0.1	0.6
	102	—	Mozambique		9.0	—	—
	103	103	Bolivia	4	8.8	0.7	1.1
	104	101	Ethiopia		8.7	−0.2	−0.6
	105	104	El Salvador		8.4	0.4	0.4
	106	98	Haiti		8.0	−1.9	1.9
	107	102	Lebanon		7.6	−0.6	1.5
	108	105	Sierra Leone		7.0	1.0	0.4
	109	107	Nicaragua		5.5	0.2	0.4
	110	106	Sudan		5.3	−0.6	1.2
	111	108	Uganda		5.2	0.0	0.2
	112	109	North Korea		4.0	0.3	0.6

(Tochtergesellschaft SKA / Subsidiary of CS-Credit Suisse)

VI. CONTRIBUTION TO DEVELOPMENT

A.I.D.'s role in encouraging international trade with its client countries stems from a recognition that trade provides a vehicle for the efficient transfer of resources, needed for sustained and efficient economic growth. Trade is often referred to as an instrument of growth. The main theme of the World Bank's "World Development Report 1987" is growth through trade. It demonstrates that free trading policies work better than protectionism in giving LDCs the best chance for rapid economic growth.

A typical exporter, looking around the world for opportunities, would seek a higher return on his business in an LDC than he would in an industrialized, open market country to compensate him for his perceived barriers to entry and higher business risks. Even among LDCs, the rates of return needed to attract foreign trade will vary, depending on local conditions (political stability, corrupt practices, government restrictions, etc.). This is reflected in the rates shown on Chart 3.

A.I.D. project activities, policy dialogue and conditionality are interventions designed to reduce the severity of these market imperfections, thereby increasing the flow and reducing the cost of capital, technology, goods and services for its client countries. Expanded trade offers the potential for LDC to tap into additional private sector resources to contribute to its economic development goals.

A.I.D.'s policy for trade development, as described in the A.I.D. Policy Paper, "Trade Development" dated July 1986, "...is designed to encourage LDCs to utilize international trade as a key instrument in the process of achieving broad based, sustained economic growth, and place a greater reliance on complementary domestic competitive markets that support more open trade policies. A major focus of the trade development policy is on building developed country and LDC private enterprise ties on a continuing, long term basis, consistent with broad American objectives of trade liberalization.

"...the policy directs that A.I.D. policy dialogue, programs, and projects (1) establish a policy environment that is conducive to private enterprise and expanded participation in international trade; (2) encourage the transfer of technology, skills, and information required to expand and diversity LDC agricultural and industrial bases for export production in areas with comparative advantages; (3) support trade and investment promotion efforts; (4) introduce or expand private sector competition in the export or import of essential or economically important commodities; (5) broaden the scope of export development projects to provide for greater U.S. - LDC two way trade opportunities; and (6) encourage prudent investments in infrastructure to improve an LDC's trade position.

"...even if program or project interventions may not be called for, policy dialogue activities should be considered and carried out if at all possible...."

Other A.I.D. policy documents, which elaborate on these basis guidelines are:

- A.I.D. Policy Paper - Financial Markets Development, August 1988;
- A.I.D. Policy Paper - Private Enterprise Development, Revised March 1985;
- A.I.D. Policy Paper - Co-Financing, May 1983 (see Annex C attached).

A. Impact of Trade on A.I.D. Policy Areas

The proposed PRE intervention offers positive results in several A.I.D. policy areas.

6.01 This is first and foremost a capital markets project as the trade bills and notes underlying each export into an LDC will be negotiable. This is expected to have a rippling effect on local and foreign markets that trade in "a forfait" paper.

6.02 Private sector development is promoted by helping privately owned firms gain access to U.S. capital goods through the credit enhancement features of this non-recourse export finance guarantee facility.

6.03 The project has considerable potential for institutional building in modifying the image of A.I.D.-assisted countries credit worthiness to the international trading and financial community acting as IFI's for this project.

6.04 An element of technology transfer exists in the movement of U.S. capital goods into A.I.D.-assisted countries upgrading their current production capabilities and introducing new manufacturing techniques.

B. Relationship to CDSS

This project meets the trade and development objectives of the CDSS for numerous USAIDs in the three A.I.D. regional bureaus.

C. Relation to PRE Objectives and Policies

This project also meets PRE's guidelines for management of Revolving Fund and Direct Guarantee Authority investments. These are as follows:

6.05 Has a demonstration effect by introducing a new financing mechanism as: (a) an additional source of suppliers credit for the importation of capital goods; and (b) an alternative to public sector subsidized facilities.

6.06 Is innovative by illustrating how A.I.D. can join with the private sector to mobilize additive trade credit on commerical terms for our client countries.

6.7 Targets development impacts appropriate to A.I.D.-assisted countries by responding to identified credit constraints on the importation of capital goods necessary for the expansion of the private sector in LDC's.

In addition, the project will meet the required guidelines as follows:

- Each guaranteed IFI will be for U.S. $3 million or less.
- PRE's guarantee is for 50% or less of each project.
- Subloans will be priced at market rates set by the IFI's.

A.I.D.'s direct guarantee will be issued under Section 108 (as amended) as legislatively permitted.

VII. MONITORING

Monitoring will be ongoing throughout the life of the project. A specific reporting form will be tailored to track performance under this guarantee facility.

Of interest to A.I.D. is the establishment of a base line of activity to our target market (A.I.D.-assisted countries) prior to our facility and periodically thereafter. This will be required to measure additionality and determine sustainability.

Key information to be tracked on a semi-annual basis will include:

- New countries accepted by IFI's as a result of our guarantee.
- Increased country risk limits for countries already serviced by IFI's as a result of our guarantee.
- New local banks accepted as avalizing institutions on "a forfait" notes as a result of our guarantee.
- Increased aval credit limits for local banks already acceptable to IFI's as a result of our guarantee.
- More favorable credit terms to SME's as a result of our guarantee, i.e., lower rates, large credit line, longer loan terms, etc.
- Others to be defined.

In addition, International Commercial Bank's financial health will be monitored to cover:

- Annual audited financial statements.

Responsibility for project monitoring will reside with PRE.

VIII. EVALUATION

The first evaluation of this demonstration project will be conducted by PRE one year following disbursement. The evaluation is intended to provide guidance to A.I.D. and International Commercial Bank (ICB) as to adjustments in project design and implementation which would improve developmental results. Additionally, the evaluation will formulate conclusions as to the project's replicability by the regional bureaus and/or individual USAID's. A second end of project evaluation will also be conducted.

Key information to be evaluated will include:

- New countries accepted by IFI's as a result of our guarantee.
- Increased country risk limits for countries already serviced by IFI's as a result of our guarantee.
- New local banks accepted as avalizing institutions on "a forfait" notes as a result of our guarantee.
- Increased aval credit limits for local banks already acceptable to IFI's as a result of our guarantee.
- More favorable credit terms to SME's as a result of our guarantee, i.e., lower rates, large credit line, longer loan terms, etc.
- Ohters to be defined.

The evaluation will be conducted by technical consultants retained by PRE.

IX. PROPOSED TIMETABLE - International Commercial Bank

o Summary of Concept	8/88	(Done)
o Investment Opportunity Proposal	11/88	(Done)
o Loan Review Board	12/88	(Done)
o Project Agreement Negotiations	2/89	
o Investment Proposal	3/89	
o Project Agreement Signing	5/89	
o First Disbursement	10/89	

X. REPLICATION

The linkage of trade with investment by U.S. companies tends to follow satisfactory trading experiences. U.S. companies, particularly mid-sized companies, want to learn about local operating conditions and business practices, and need a chance to identify suitable local partners, before exposing themselves to the risks of equity investment. This project is designed to assist that process.

Policy dialogues on trade is generally suspect by LDC officials for advancing U.S. commercial interests. Consequently, such dialogues tend to have limited impact on the LDCs trade policy. Assistance projects which focus on technical and administrative improvements in the absence of policy changes have disappointing results. USAID efforts to raise the level of sophistication of the public debate on trade policies encourage local interest groups to argue for policy changes or provide data and analysis to policy makers to demonstrate the efficacy of policy change, may contribute to locally self-generated policy changes. These limitations argue for long and sustained efforts by mission personnel, and flexibility to respond quickly but thoughtfully to opportunities. It is believed that this project can produce those opportunities.

In discussing trade related activities with host governments, USAID leverage may be limited as these activities often have a low priority on the part of the host government when they are competitive with other public sector activities for funding out of the A.I.D. country aid level. As a result, we encourage some provision for replication by the regional bureau's and PRE's Revolving Fund to insure a sizeable activity. The additive nature of this arrangement can insure host country acceptance.

Private sector projects are sometimes asked to serve many A.I.D. objectives to gain approval. In some instances, this causes the project design to become skewed and negatively impacts the core project objective. Every effort will be made not to over design follow-on projects. Modifications are expected, however, the crux of the project will remain trade credit for the benefit of SME's in A.I.D.-assisted countries.

This project covers activity No. 1. Follow on projects are envisioned as follows:

Activity No. 1 - FY 1989

- PRE
- $10,000,000 (total)
- European IFI's
- SME importers in selected A.I.D.-assisted countries

Activity No. 2 - FY 1990

- PRE and/or Regional Bureau's
- $10,000,000 (each)
- American and European IFI's
- Region specific (i.e., Africa)

Activity No. 3 - FY 1991

- Selected USAIDs
- $10,000,000 (each)
- American and/or local IFI's
- Country specific (i.e., Philippines)

It is believed that the long term, sustained effort required to influence trading patterns and produce a positive developmental impact can best be accomplished through the layering of projects.

The dissemination of information in the USA and in selected A.I.D.-assisted countries through a joint effort of USGA's is required to ensure the success of this initiative.

ANNEXES

A. Risk Analysis - Forfaiting

B. Financial Data on International Commercial Bank PLC

C. A.I.D. Policy Papers

- Trade Development
- Private Enterprise Development
- Co-Financing
- Financial Markets Development

D. Technical Assistance Component (Task #28)

E. The Guide to Export Financing 1988, published by Euromoney Publications

ANNEX A

Risk Analysis

The issuance of an PRE guarantee as a suppliers credit enhancement for U.S. exporters selling to SME's in A.I.D.-assisted countries involves a number of significant risks, including but not limited to the following:

- Transactional risk in the default of the SME importer and/or their local bank which has avalized their notes.

  By allowing International Commercial Bank to select subborrowers under their normal credit and aval standards, this risk factor should be mitigated. Since IFI's will be at risk for at least 50% of the guaranteed trade notes we can assume a level of commercial prudence in acceptance of transactions to be housed under our guarantee.

- Country risk in the economic and political environment in which A.I.D. does business. This is a given we must accept as part of our developmental mandate. Our project is designed to support trade in those countries most in need of credit enhancement.

  Because of the maximum 5 year life of the subloans, and the bulk of trade credit being for shorter tenors, we have the same level of risk as the commercial lenders to these countries.

- Institutional risk in the credit and liquidity of the IFI's used to deliver this trade credit project. The risk of the importers is guaranteed (avalized) by their local bank. The risk of that local bank is shared 50/50 between ICB and A.I.D.

  The IFI we have selected is a major firm with substantial financial debth (see Annex B). It is most unlikely that they would fail during the seven year life of this project. As such, institutional risk is not a major factor in this project.

- Exchange risk in the non-convertibility of local currency to U.S. dollars to repay our guaranteed trade notes is the area of most concern.

  Under our guarantee to ICB, we not only guarantee repayment, but we stipulate repayment in U.S. dollars. As a result, the importer could fully repay his loan to his local bank in local currency, his local bank could be willing but unable to convert this local currency to U.S. dollars. This would trigger a call on our U.S. dollar guarantee even though the importer has delivered local currency for settlement. This is a key element of the "a forfait" market and our guarantee facility--it calls for repayment on time and in U.S. dollars.

  A.I.D. has no direct control on this risk factor and is exposed for up to 50% of the face value of trade notes not repaid in U.S. dollars. We see no available method to hedge this risk at this time.

- Legal risk in A.I.D. becoming the "holder in due course" of defaulted notes forwarded to us by IFI's once collection efforts have been exhausted. It would then be our decision to move into the courts, or not, to seek repayment. Based on past experience, this area has proven to be a sensitive one. Alternatives will be worked out with GC/PRE to address this concern.

These risk factors are present in many PRE projects and deemed manageable. Nevertheless, losses will occur.

With the conversion of the Revolving Fund to a direct guarantee authority leveraged off reflows, future activities will be even more dependent on the income streams from past projects. This project has only one income flow, the guarantee fee. In order to determine the total annual income flow and the level of losses it could support on a breakeven basis, Table 1 has been prepared.

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TABLE 1

Fee Income on Guaranteed Notes

Fee Rate	Full Utilization	Annual Income 1/
1% p.a.	U.S. $2,500,000	U.S. $25,000

Assumptions

1/ Full disbursement of guarantee facility and funds available to cover losses.

In conclusion, it has been determined that this project has a limited income generation capability as compared to fully funded facilities that earn a fee and an interest rate. As a result, the risk of loan losses exceeding fee income is possible.

ANNEX B

Financial Data on IFI's

The consolidated financial statements for the International Commercial Bank PLC are attached without comment.

Based on the size of our guarantee facility with ICB in relation to their aggregate size in assets and known prime parentage, they are accepted as creditworthy and liquid without further analysis.

A copy of their latest annual report is available upon request. An independent credit report from "Moody's" on ICB parents is also attached.

Balance Sheet

as at 31st December 1987

	Note	1987 £	1986 £
Assets:			
Balances with bankers, money at call and short notice, U.K. Treasury and Eligible Bills and cash in hand		134,291,331	164,378,806
Deposit with Bank of England		406,000	423,000
Deposits over 1 month with Banks and other financial institutions, short-term loans and interest receivable		260,273,861	313,692,545
Loans to Local Authorities		10,950,000	13,950,000
Listed Investments	9	29,017,858	27,327,628
Loans and Advances exceeding one year, less provisions		358,305,287	450,824,739
Interest in Subsidiary Companies	12		
Shares at cost		1,006,863	1,008,392
Amounts due		68,249,282	30,854,080
		69,256,145	31,862,472
Fixed Assets	11	100,965	107,967
Deferred Taxation	14	5,561,290	—
		£868,162,737	£1,002,567,157
Financed by:			
Share Capital			
Authorised:			
Ordinary shares of £1 each		24,000,000	24,000,000
Issued and fully paid:			
Ordinary shares of £1 each		24,000,000	24,000,000
Reserves	8	18,081,421	37,933,856
		42,081,421	61,933,856
Subordinated Loans	13	17,768,811	22,597,423
Members' Funds		59,850,232	84,531,279
Deferred Taxation	14	1,924,242	5,714,172
Current and Deposit Accounts and interest payable		806,388,263	912,321,706
		£868,162,737	£1,002,567,157

W. JAHN, *Chairman*

G. J. SAPSTEAD, *Managing Director*

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Consolidated Profit and Loss Account

for the year ended 31st December 1987

	Note	1987 £	1986 £
(Loss)/profit for the year before taxation	3	(33,566,086)	11,819,712
Taxation credit (1986–charge)	7	13,861,081	(5,462,995)
(Loss)/profit after taxation	8	(19,705,005)	6,356,717
Ordinary dividend paid		–	(1,200,000)
(Loss)/ profit transferred to reserves		£(19,705,005)	£5,156,717

Statement of Consolidated Reserves

	1987 £	1986 £
Reserves at 1st January	38,240,741	33,084,024
Transfer from profit and loss account	(19,705,005)	5,156,717
Reserves at 31st December	£18,535,736	£38,240,741

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Ten Year Record

Item	31.12.78	31.12.79	31.12.80	31.12.81	31.12.82	31.12.83	31.12.84	31.12.85	31.12.86
	£	£	£	£	£	£	£	£	£
Profit before taxation	6,736,964	6,664,973	7,453,304	8,470,491	9,358,428	10,851,822	10,948,503	11,790,418	11,819,712
Taxation (net)	(3,676,509)	(3,614,411)	(3,822,736)	(4,198,649)	(4,562,720)	(5,075,923)	(4,887,523)	(5,484,733)	(5,462,995)
Profit after taxation but before release from provision for deferred taxation	3,060,455	3,050,562	3,630,568	4,271,842	4,795,708	5,775,899	6,060,980	6,305,685	6,356,717
Release from provision for deferred taxation	—	—	—	5,385,405	—	—	—	—	—
Profit after taxation	3,060,455	3,050,562	3,630,568	9,657,247	4,795,708	5,775,899	6,060,980	6,305,685	6,356,717
Dividends Paid	700,000	700,000	700,000	700,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Retained profit transferred to Reserves	2,360,455	2,350,562	2,930,568	8,957,247	3,595,708	4,575,899	4,860,980	5,105,685	5,156,717
Reserves at 1st January	10,346,920	12,707,375	15,057,937	17,988,505	26,945,752	18,541,460	23,117,359	27,978,339	33,084,024
	12,707,375	15,057,937	17,988,505	26,945,752	30,541,460	23,117,359	27,978,339	33,084,024	38,240,741
Capitalisation	—	—	—	—	(12,000,000)	—	—	—	—
Reserves at 31st December	12,707,375	15,057,937	17,988,505	26,945,752	18,541,460	23,117,359	27,978,339	33,084,024	38,240,741
Share Capital	7,000,000	7,000,000	7,000,000	7,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000
Subordinated Loans of Members (translated as necessary at rate 31st December)	11,917,756	10,704,158	10,525,883	12,573,335	20,718,379	23,087,825	28,889,636	23,191,680	22,597,423
MEMBERS' FUNDS at 31st December (exclusive of extensive standby facilities)	**£31,625,131**	**£32,762,095**	**£35,514,388**	**£46,519,087**	**£63,259,839**	**£70,205,184**	**£80,867,975**	**£80,275,704**	**£84,838,164**

First National Bank of Chicago

Chicago, Illinois

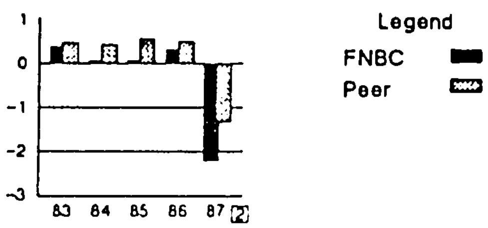
Ratings

Category	Moody's Rating
Bank Deposits	
Long-term	A1
Short-term	P-1
Parent - First Chicago Corp.	
Senior	A2
Subordinated	A3
Commercial Paper	P-1

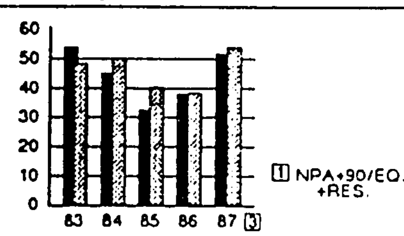
Contacts

Analyst	Phone
Fay Wong	(212) 553-1653
Masaru Kakutani	

Return On Assets



Asset Quality [1]



Operating Statistics

First National Bank of Chicago

[4] Peer Group Median

	[2] 1987		1986		1985		1984		1983		CAGR/Avg.	
ROA(% incls SLOCs)	-1.32	-2.20	0.51	0.33	0.57	0.08	0.44	0.06	0.48	0.40	0.48	0.25
ROE(%)	-27.82	-69.31	11.44	7.83	12.43	2.02	10.74	1.61	12.35	10.97	11.88	6.56
NI Margin(%)	3.13	2.88	3.50	3.11	3.67	2.93	3.31	2.50	3.19	2.37	3.37	2.62
Net ch.-off/Ln. (%)	0.63	1.46	0.89	1.30	0.62	1.13	0.56	1.78	0.43	0.60	0.58	1.06
Bank NI/Consol. (%)	99.2	116.2	77.9	45.1	83.6	17.9	87.3	26.5	86.8	82.6	85.2	53.0

Balance Sheet Statistics

First National Bank of Chicago

[4] Peer Group Median

	[3] 1987		1986		1985		1984		1983		CAGR/Avg.	
Assets ($bil.)	43.1	37.0	43.4	33.7	44.9	33.4	40.2	35.0	40.1	35.5	[5]	0.69
Eq+Rs/Lns+SLOC	8.77	7.76	8.01	8.30	7.66	7.70	7.01	6.07	6.77	6.46	7.19	6.98
Res/Loans(%)	4.56	5.17	1.82	2.41	1.63	1.83	1.22	1.10	1.11	0.96	1.36	1.43
NPA/Lns+OREO	4.98	4.70	3.66	3.73	3.66	2.97	4.06	3.24	3.83	4.07	—	—
Net Pch. Fund Rel.	58.02	61.25	59.28	63.65	62.24	69.48	59.48	76.88	59.88	72.63	61.31	71.59
Bk Asst/Consol. (%)	84.2	83.9	86.5	86.1	84.8	85.8	87.9	87.9	90.5	97.6	89.2	90.7

[2] For the nine months ended September 30. [3] As of September 30. [4] Bank's peer group is based on total assets

[5] Compound annual growth rate.

Opinion

Moody's rates First National Bank of Chicago (FNB Chicago) A1. The ratings were confirmed in February 1988, for long-term deposit obligations. The bank's overall performance was approaching a level comparable with its peers', but weaknesses in the management of problem assets and losses associated with its Brazilian affiliate led to rating reductions in June 1985. Although the bank's reliance on purchased funds remains high due to restrictions on branching in Illinois, its growing consumer business has strengthened core deposits, and its direct distribution and diversification temper liquidity concerns. The parent, First Chicago Corporation, continues to pursue a strategy building its existing strong presence in the midwestern middle market. The bank's strategy of expanding in the Chicago area is achievable, given the fragmented market share. The bank's performance is expected to improve, but troubled credits to less developed countries will slow the progress. The parent company has historically been dependent upon the bank to service its debt and dividend requests. The corporation has modest double leverage. The bank will continue to be First Chicago's principal earning asset, but we expect American National's bank and nonbank subsidiaries to provide the parent an additional means of support if needed.

Irving Trust Company
New York, New York

Ratings

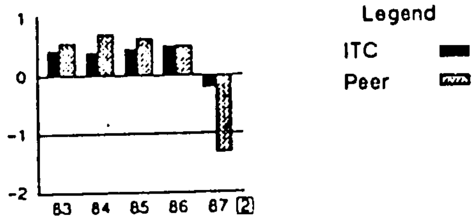
Category	Moody's Rating
Bank Deposits	
Long-term	A2*
Short-term	P-1
Parent - Irving Bank Corporation	
Senior	Baa1*
Subordinated	Baa2*
Commercial Paper	P-2*

Contacts

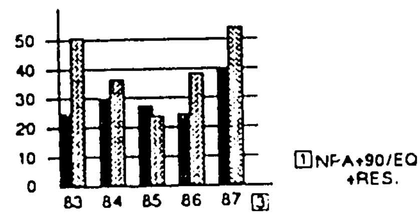
Analyst	Phone
Rosemarie Conforte	(212) 553-1653
Masaru Kakutani	

* On review with direction uncertain as of February 17, 1988.

Return On Assets



Asset Quality [1]



Operating Statistics

Irving Trust Company
[4] Peer Group Median

	[2] 1987		1986		1985		1984		1983		CAGR/Avg.	
ROA(%Incls SLOCs)	-1.32	-0.20	0.51	0.50	0.64	0.46	0.72	0.40	0.56	0.44	0.48	0.43
ROE(%)	-27.82	-5.31	11.44	11.53	12.79	11.52	13.10	9.88	11.92	10.42	11.88	10.67
NI Margin(%)	3.13	2.33	3.50	2.76	3.81	2.73	3.10	2.68	2.92	2.75	3.37	2.73
Net ch.-off/Ln.(%)	0.63	0.56	0.89	0.68	0.47	0.28	0.41	0.20	0.55	0.24	0.58	0.33
Bank NI/Consol.(%)	99.2	202.1	77.9	81.2	75.1	83.2	73.5	80.3	83.3	85.1	85.2	82.4

Balance Sheet Statistics

Irving Trust Company
[4] Peer Group Median

	[3] 1987		1986		1985		1984		1983		CAGR/Avg.	
Assets ($bil.)	43.1	21.6	43.4	21.1	12.8	18.7	12.1	17.2	12.2	16.9	[5]	5.18
Eq+Rs/Lns+SLOC	8.77	8.66	8.01	8.27	8.56	8.08	8.81	9.12	8.39	8.97	7.19	8.62
Res/Loans(%)	4.56	3.15	1.82	1.62	1.59	1.42	1.41	1.41	1.26	1.33	1.36	1.43
NPA/Lns+OREO	4.98	4.02	3.66	2.40	2.50	2.67	3.91	3.08	4.26	2.49	—	—
Net Pch. Fund Rel.	58.02	68.69	59.28	67.44	41.08	71.91	60.70	60.70	70.61	70.70	61.31	68.15
Bk Asst/Consol.(%)	84.2	90.4	86.5	87.0	72.2	86.2	74.2	90.6	75.6	90.9	89.2	89.1

[2] For the nine months ended September 30. [3] As of September 30. [4] Bank's peer group is based on total assets.
[5] Compound annual growth rate.

Opinion

Irving Trust Company's rating for long term deposit obligations was downgraded in February, 1988 but remains under review. The principal concerns are the bank's substantial LDC exposure and the announcement by The Bank of New York Company, Inc. to acquire Irving Bank Corporation by means of a hostile takeover.

We are assessing the impact of such an event on holding company creditors as well as bank depositors. Previously, efforts to enhance earnings permitted the bank to enter the middle market and to increase its consumer portfolio. A sharp rise in commercial loan losses caused the overall charge-off ratio to accelerate. Emphasis on fee income should offset increases in overhead.

Regulatory capital minimums have reduced the bank's interbank book; however, it is strong compared with that of other large banks. Although core deposits have increased, reliance on purchased funds is high and is expected to remain so. A small interest- sensitivity gap minimizes rate risk.

Irving Trust accounts for 87% of consolidated assets of its parent, Irving Bank Corporation. Although parent funding is augmented by community bank subsidiaries, the parent company depends on the lead bank for its debt and dividend servicing.

Commerzbank A.G.

Frankfurt, Federal Republic of Germany

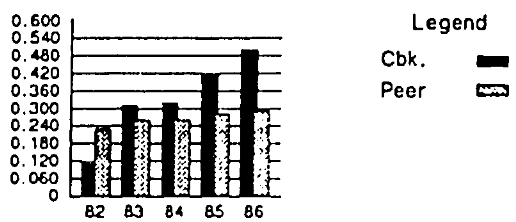
Ratings

Category	Moody's Rating
Bank Deposits	
Long-term	—
Short-term	P-1
Long-term Debt	
Senior	—
Subordinated	—
Commercial Paper	P-1

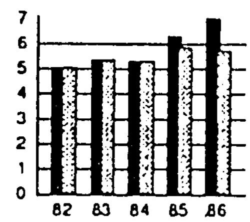
Contacts

Analyst	Phone
Guenther J. Stur	(212) 553-1653
Roger B. Arner	
Christopher T. Mahoney	

Return On Credit Volume



Equity to Credit Volume



Operating Statistics

Commerzbank A.G.
[2] Peer Group Median

	[1] 1986		1985		1984		1983		1982		CAGR/Avg.	
ROA	0.23	0.32	0.21	0.27	0.18	0.22	0.18	0.23	0.15	0.09	0.19	0.23
ROE	6.91	6.71	7.38	6.64	6.53	5.95	6.48	5.87	6.55	2.45	6.57	5.52
Margin (%)	1.82	2.64	1.95	2.80	1.99	2.91	2.22	3.02	2.63	—	2.12	1.96
Net Overhead (%)	52.47	73.00	50.04	68.63	53.03	72.93	52.13	69.60	55.61	66.16	52.66	70.06
Cap Form. Rate (%)	1.85	1.57	1.98	1.98	2.33	2.27	2.56	1.97	1.46	—	2.04	1.95

[1] For the 12 months ended December 31. [2] Peer group = Deutsche Bank, Dresdner Bank, Commerzbank, Bayerische Vereinsbank, Bayerische Hypotheken-und Wechselbank, Berliner Handels- und Frankfurter Bank, Bayerische Landesbank, Hessische Landesbank, and Westdeutsche Landesbank.

Balance Sheet Statistics

Commerzbank A.G.
Peer Group Median

	[1] 1986		1985		1984		1983		1982		CAGR/Avg.	
Assets (DM bil.)	105.4	90.8	99.8	82.6	90.9	72.8	85.3	66.9	83.6	66.2	[4]4.3	—
[2]Equity (DM bil.)	3.16	4.30	2.61	3.34	2.48	2.71	2.35	2.58	2.22	2.50	[4]3.22	—
[2]Equity/Assets (%)	3.20	4.73	2.94	4.04	2.95	3.73	3.06	3.85	3.23	3.78	3.08	4.03
[3]Eq./Cred Vol (%)	5.74	7.44	5.86	6.31	5.31	5.31	5.36	5.36	5.05	5.05	5.46	5.89
Ret on Cred Vol (%)	0.29	0.50	0.28	0.42	0.26	0.32	0.26	0.31	0.23	0.12	0.26	0.33

[1] As of December 31. [2] Equity = Paid-in capital, statutory and free reserves (excludes loan loss provisions). [3] Credit volume = Loans plus off-balance-sheet risks. [4] Compound annual growth rate.

Opinion

Moody's Prime-1 rating of Commerzbank for its short-term deposit obligations recognizes the bank's reestablished sustained earnings capacity and its importance as West Germany's third-largest private banking group. The bank has made good use of the mostly favorable banking environment and could increase its profits and capital .

Moody's favorably views the bank's stated commitment to apply a major part of its own trading profits to bolster loan loss reserves. The bank continues to provision against the LDC risk elements of its relatively large international credit portfolio. Favorable stock market trends in the past, in addition to new capital-raising techniques permitted by West German regulators, have also enabled the bank to align its capital adequacy to the already high levels of the larger German banks. The bank reacted well to, and was almost unaffected by, more recent developments in the capital markets.

Commerzbank has further built upon the success of the revised asset/liability management strategies necessitated by the negative experiences of the early 1980s. We believe the bank has reestablished its domestic and international market strengths under a capable and well-experienced centralized management.

Credit Lyonnais

Paris, France

Ratings

Category	Moody's Rating
Bank Deposits	
Long-term	Aa1
Short-term	P-1
Long-term Debt	
Senior	Aa1
Subordinated	—
Commercial Paper	P-1

Contacts

Analyst	Phone
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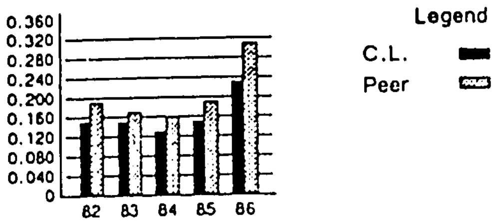
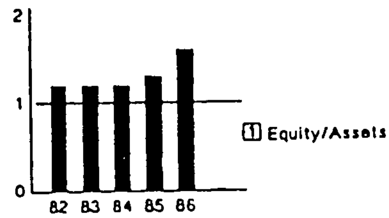
Jan B. Konstanty	

Return On Assets



Leverage [1]



Operating Statistics

Credit Lyonnais
[2] Peer Group Average

	[3] 1986		1985		1984		1983		1982		CAGR/Avg.	
ROA	0.31	0.23	0.19	0.15	0.16	0.13	0.17	0.15	0.19	0.15	0.20	0.16
ROE	15.20	13.99	12.67	11.77	11.71	10.83	12.70	11.99	13.92	12.67	13.24	12.25
Margin	3.92	3.62	3.51	3.29	3.41	3.40	3.60	3.58	3.68	3.65	3.62	3.51
Int. Cap. Growth	17.39	17.68	11.83	11.25	10.56	10.47	12.30	13.05	11.90	12.68	12.80	13.03
Overhead ratio	64.85	65.54	68.44	68.84	69.50	67.71	68.13	67.82	68.91	70.39	67.97	68.06

Balance Sheet Statistics

Credit Lyonnais
[2] Peer Group Average

	[4] 1986		1985		1984		1983		1982		CAGR/Avg.	
Assets (FF bil.)	839.1	852.6	837.2	842.7	884.5	868.1	766.5	735.6	655.5	650.5	[5] 8.8	9.62
Equity (FF bil.)	20.1	16.7	13.8	10.9	12.3	10.6	10.7	9.4	8.5	7.7	[5] 21.7	20.27
Equity/assets (avg.)	2.04	1.6	1.52	1.3	1.39	1.2	1.35	1.2	1.34	1.2	1.53	1.32

[2] Peer group consists of Banque Nationale de Paris, Credit Lyonnais and Societe Generale. [3] For the 12 months December 31, based on consolidted figures. [4] As of December 31, based on consolidated figures.
[5] Compound annual growth rate.

Opinion

Moody's rates Credit Lyonnais Aa1 for long-term deposits, reflecting the bank's capital adequacy and profitability, which are somewhat lower than those of its peers. The rating also recognizes the strength generated by the bank's substantial domestic market position, with some 10% of total deposits in France. The common voting stock is currently owned by the Republic of France, but the bank must be privatized by 1991. Support by the French regulatory authorities should not change as a result of privatization. While Credit Lyonnais has taken steps to improve its capital structure, through the issuance of subordinated and junior subordinated debt, as well as preferred stock, plans to increase capital still further may be slowed by current market transition.

Asset quality is generally sound; retail loans account for one-third of total loans. Credit Lyonnais's balance sheet is also quite liquid, with money market instruments and interbank placements accounting for 40% of assets. Deregulation should not result in a material increase in the bank's risk profile.

Profitability may be somewhat understated because of high loan loss provisions, particularly relative to LDC debt. The bank has made progress in improving profitability. However, lending margins will continue to be eroded by competition. Margin compression will be offset to the extent the bank succeeds in expanding retail and middle-market lending and in raising the level of fee income.

Hongkong and Shanghai Banking Corporation

Hong Kong, Hong Kong

Ratings

Category	Moody's Rating
Bank Deposits	
Long-term	—
Short-term	P-1
Long-term Debt	
Senior	—
Subordinated	—
Commercial Paper	P-1

Contacts

Analyst	Phone
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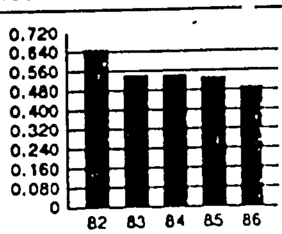
Masaru Kakutani	

Return On Assets [1]



Legend

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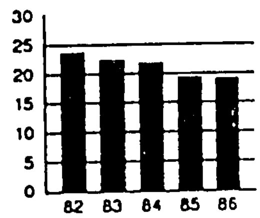
[1] Bank only consolidated

Capital Adequacy [2]



EQ./Loans

[2] Bank only, unconsolidated disclosed figures.

Operating Statistics

[1] Hongkong and Shanghai Banking Corporation

	[2] 1986	1985	1984	1983	1982	5Yr. CAGR/Avg.
ROA	0.49	0.53	0.54	0.54	0.65	0.55
ROE	12.64	12.73	12.77	13.01	14.89	13.21
Capital Growth	4.64	3.60	3.81	3.92	4.81	4.19

Balance Sheet Statistics

[1] Hongkong and Shanghai Banking Corporation

	1986	1985	1984	1983	1982	5Yr. CAGR/Avg.
Assets (U.S.$ bil.)	39.8	32.4	26.4	25.0	25.2	10.77
Equity(U.S. $ bil.)	3.9	2.3	2.2	2.0	2.0	12.80
Equity/Assets(%)	6.90	7.50	8.15	8.00	8.41	7.79
Loans/deposits(%)	44.52	45.65	46.46	45.47	41.35	44.69
Liquid/deposits(%)	45.44	43.81	41.56	44.49	49.93	45.05

[1] Consolidated, bank-only figures undisclosed. [2] For the twelve months ended December 31.
[3] Bank only, unconsolidated disclosed figures as of December 31.

Opinion

Moody's Prime-1 rating of the Hongkong and Shanghai Banking Corporation for its short-term deposit obligations recognizes the bank's good liquidity, strong capital structure, and record of sound operating performance. A low level of reliance on purchased funds and the existence of significant undisclosed inner reserves offers additional support for liquidity and capitalization.

Slower economic growth in several key operating areas and the need to make provisions for the bank's exposure to certain shipping companies have depressed published earnings growth, but we expect to see a return to stronger earnings and asset quality in measurements in the near term from its Hong Kong operations. Moody's believes Hongkong Bank will continue its global expansion to diversify its earnings. In 1987, it increased its ownership in Marine Midland to 100% and made an initial 14.9% investment into Midland Bank PLC.

Founded in 1865, Hongkong Bank is the largest bank in Hong Kong, maintaining an extensive network of operations in the Asia-Pacific region, the Middle East, Europe, and the United States. The bank offers a broad range of retail and commercial banking services and through subsidiaries is active in merchant banking, insurance, and other financial services. In addition to its traditional banking functions, Hongkong Bank serves as Hong Kong's principal note-issuing institution.

ANNEX C

A.I.D. Policy Papers

- Trade Development
- Private Enterprise Development
- Co-Financing
- Financial Markets Development

(Available upon request from PPC)

A.I.D. Policy Paper
Trade Development

U.S. Agency for International Development
Washington, D.C. 20523
July 1986

PN-AAV-461

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A.I.D. Policy Paper

PRIVATE ENTERPRISE DEVELOPMENT

(REVISED)

U.S. Agency for International Development
Washington, D.C. 20523
March 1985

A.I.D. Policy Paper

CO-FINANCING

U.S. Agency for International Development
Washington, D.C. 20523
May 1983

A.I.D. Policy Paper

Financial Markets Development

Bureau for Program and Policy Coordination
U.S. Agency for International Development
Washington, D.C. 20523

August 1988

ANNEX D

DESIGN OF THE TECHNICAL ASSISTANCE PORTION OF THE SMALL AND MEDIUM IMPORTER GUARANTEE FACILITY

Prepared For:

Agency for International Development
Office of Investment
Bureau for Private Enterprise
(Contract No. 170 Task 28)

Prepared By:

Kenneth J. Angell

International Science and Technology Institute, Inc.

1129 20th St., NW
Washington, D.C. 20036

January 1989

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DESIGN OF THE TECHNICAL ASSISTANCE PORTION
OF THE SMALL AND MEDIUM IMPORTER GUARANTEE FACILITY

I. Introduction and Methodology

The purpose of this task was to design a marketing plan to promote a financial product, the Forfaiting Guarantee Facility (FGF). This product involves the guarantee of supplier credit from U.S. exporters for small and medium importers in AID-assisted countries. The task included developing a program to disseminate information on the concept of forfaiting to exporters in the U.S. and importers in AID - assisted countries. The project consisted of designing a marketing plan, identifying linkages with other U.S. Government agencies and developing a budget.

II. Summary

The proposed marketing plan for promoting the FGF encompasses a two fold approach - a domestic program aimed at U.S. exporters and an overseas program directed at small and medium importers in AID-assisted countries. The domestic program combines promotion of the FGF to exporters in general and a targeted group of export industries. The FGF is promoted broadly using linkages with U.S. Government Agencies and outreach programs. Promotion to a targeted group of companies focuses on personal contacts with the exporters along with the exporters being repeatedly exposed to the FGF through a variety of methods - hearing about the program at an association and reading about the program in newspapers, newsletters, magazines to which the exporters subscribe. The overseas program involves use of U.S. Government Agency programs and offices overseas.

III. Marketing Plan for the Forfaiting Guarantee Facility

Forfaiting is an export financing option for U.S. exporters producing cost effective goods which the normal, traditional banking sector cannot service because commercial bankers perceive less-developed countries as too great a risk. The FGF has been created to promote U.S. trade by assisting U.S. exporters. The beneficiaries of the FGF are exporters in the U.S. and importers in the AID-assisted countries. In promoting the facility, it is necessary first to make these parties aware of the concept, then arouse their interest in the program and finally to get them to utilize the facility. Promotion of the FGF can be divided into two categories - domestic (U.S. exporters) and overseas (importers in AID-assisted countries).

A. Domestic

A marketing strategy for the FGF, directed at U.S. exporters, can take two approaches - target select exporting industry groups or a broad dissemination of the program to all exporting industries. Initially a combination of these two approaches should be adopted -promote the program broadly to all exporters yet work closely with a small number of industries which have a few exporting companies in order to assess the program and ensure successful utilization.

The advantages of promoting the FGF to selected industries with few exporters are as follows:

1) The exporters can be contacted directly by PRE/I to explain the program and assist in program utilization.

2) It is easier to concentrate marketing resources on smaller groups for frequency and repetitive promotion.

3) Working with a smaller group of exporting companies can lead to successful utilization of the FGF which in turn builds upon the success.

The first step in a marketing plan for the FGF is a market research survey. This would be performed on some exporters (chief financial officers of various industries) and some intermediaries such as bank loan officers. The survey would determine the sense of awareness of the concept of forfaiting and assist in determining how best to educate the exporters in utilizing the program.

Additionally, the market survey would identify types of export groups which can be targeted. It is suggested that export industries be identified which fulfill the mandate of the program, i.e., exporters able and willing to export to AID - assisted countries on which the forfaiting intermediary financial institutions are willing to take risk. Exporters in this category might include farm equipment, irrigation equipment and food processing equipment.

Information derived from a market survey would also be used to create the proper collateral material, such as brochures, and formulate a media campaign to promote the FGF.

Collateral material are all types of information which explain the program and can be distributed to interested parties. These include brochures, pamphlets, or a video. All of these materials should contain the following factors:

1) Awareness - explain forfaiting and how it works
- emphasize that it is not a new concept

2) Interest - explain the benefits of forfaiting

- give case examples of exporters using forfaiting

- later promotion could include a testimonial of a U.S. firm which used FGF

3) Utilization - explain the steps necessary to use the FGF
- have a contact person for further information

The collateral material is a key part in promoting the FGF as it is the most far-reaching of any promotional device. It will be sent to interested parties by direct mail, distributed at seminars or speaking engagements and used with outreach programs.

Brochures involve design, typesetting and printing. The cost depends on two major factors - (a) if any of the design work is done by AID in house and (b) the number of copies to be printed. A large number of brochures will be required both in the U.S. and overseas, particularly to promote the program initially. It is estimated that $15,000 - $20,000 should be set aside if all aspects of the brochure are prepared outside. A list of some design and typeset firms used by U.S. Government Agencies is provided in Appendix B.

A different type of collateral material to be considered is the production of a video. This is an effective way to get a message across. A visual description of a program can have greater impact rather than just relying on the written word through brochures. A video could be produced for about $20,000. Distribution and incoming orders could be handled by fulfillment houses. Income from videos sold rather than given to interested parties would go toward paying for the productions costs.

Another important part of promoting the FGF is media communication. This includes press releases, articles for newspapers, newsletters, magazines and trade publications. This type of promotion involves little cost as the press releases and articles can be prepared in-house through AID's public affairs office. These are then mailed to various media outlets. A listing of newspaper, magazines and newsletters to be reached can be found in 'Bacon's Publicity Checker'. The 'Gale Directory of Publications' list newspapers and magazines published by city and state.

Several U.S. Government Agencies such as the Department of Commerce (DOC), Small Business Administration (SBA) and the Export-Import Bank of the United States (Eximbank) have various programs which PRE/I could use to promote the FGF at little cost.

The DOC has 49 district offices and 18 branch offices in the United States. Regional meetings for the officers are held periodically during the year. Additionally, the DOC (Washington) holds weekly conference calls with the regional directors wherein the FGF could be highlighted. The DOC has a program, called EXPORT NOW, which is designed to inform the business community of the many export assistance programs and services provided by the government and private sector.
Contact: Gordon Studebaker, FCS
Bob Lee, ITA.

The SBA with over 90 offices in the United States primarily promotes export opportunities to Canada and Europe. Like the DOC, the SBA holds regional meetings periodically during the year. The SBA is also organizing training sessions for its field officers commencing in February 1989. This will be conducted by Julius Toma, Trade Finance for Small Business, who will travel around the U.S. reviewing the SBA programs. The SBA is willing to promote the FGF, being a new product, as part of the training seminar.
Contact: Catherine Whitehurst, Public Affairs.

Eximbank mainly promotes its programs for exporters through banks. This is done by means of direct mail, orientation seminars, and contacts with bank officers. Several of Eximbank's programs are aimed at U.S. financial institutions acting as intermediaries for export financing transactions.

Eximbank has several mailing lists it uses to keep bankers and exporters abreast of its programs. These are available to PRE/I without charge on a U.S. Government basis. The mailing lists would be helpful as the bankers and exporters listed are familiar with exporting through the Eximbank programs.
Contact: Anne Frey, Marketing Division

Other Eximbank programs to take advantage of are the briefing programs and training seminars. Eximbank has one and two day briefing programs designed to give exporters and bankers an introduction to Eximbank and Foreign Credit Insurance Association (FCIA) programs and how they may be used to enhance export sales. Eximbank offers four day seminars designed to give bankers and exporters a working knowledge of the Eximbank and FCIA programs as well as programs of other U.S. Government and international agencies that support exports. Mr. George Donegan, Deputy Vice President in the Marketing Division, indicated a willingness to include PRE/I on the two day briefing and four day seminar to promote the Forfaiting Guarantee Facility.

The 1989 schedules for the two day briefings and four day seminars are as follows:

Two Day Briefing	
January	17-18
February	6-7
April	17-18
May	8-9
June	12-13
July	10-11
September	18-19
October	2-3
November	6-7
December	4-5

Four Day Seminars	
January	9-12
March	6-9
April	10-13
June	5-8
July	24-27
September	11-14
October	23-26
December	11-14

In addition to the above programs which are held in Washington, DC, Eximbank periodically holds three day seminars in other U.S. cities. On March 16, 1989, Eximbank will hold its annual bankers and exporters meeting in Washington, D.C. The seminars and annual meeting are further opportunities to spread the word on the FGF.

The FGF can also be promoted through "outreach programs" by tapping into networks which have been developed and are utilized by EXIM, DOC and SBA. This can be done through letters, brochures, pamphlets, and other publications as well as through speaking engagements. Groups to be contacted include trade associations, state and local organizations promoting export development, Chambers of Commerce, and export trading companies.

Individual states are becoming increasingly aggressive about promoting exports because they realize that exports generate employment. Some states have trade offices located overseas, (i.e., Ohio and Michigan have trade offices in Africa). State and local organizations to be contacted include:

1) National Association of State Development Agencies

2) National Governor's Association

3) National League of Cities

4) U.S. Conference of Mayors

5) National Conference of State Legislators

6) Chambers of Commerce

The major expenses for outreach programs are travel for speaking engagements and brochures. Forfaiting intermediary financial institutions such as Midland Bank Aval already have a speaking program in place for several of the outreach organizations. They would be willing to promote the FGF at no cost.

B. Overseas

The purpose in promoting the Forfaiting Guarantee Facility overseas is to make foreign small and medium-sized importers of U.S. goods and services aware of the program. This awareness can lead to utilization of the program through discussions with U.S. exporters for suppliers credit. The main avenue for disseminating the information overseas should be the Foreign Commercial Service Offices (FCSO) and the AID Missions. The reason for this is two-fold:

1) These people have knowledge of the local business community and know which vehicles can best promote the program in the country, i.e., media, business forum and local associations.

2) U.S. exporters in country frequently contact the FCS offices for information on local importers and regulations.

Another U.S. Government Agency wich could be used to promote the FGF overseas is the U.S. Information Agency (USIA). USIA, through its satellite speakers group, employs five different formats to promote U.S. Government programs and ideas overseas. These formats range from teleconferencing, video taping and satellite transmission for television.

In addition to the FCSO and AID Mission outlets, the FGF should be promoted to select institutions in AID-assisted countries which promote U.S. trade. Some examples of these institutions are overseas American Chambers of Commerce and World Trade Centers. As of December 1988 there were 59 American Chambers of Commerce in 54 countries and three regional American Chamber of Commerce organizations. There are fifteen World Trade Centers overseas with another ten centers proposed over the next two years. Promotion to these institutions would consist of brochures with a cover letter and if necessary, a speaker to address their membership.

IV. Recommendation

Once the FGF is approved, it is recommended that the following action plan be adopted:

A. Domestic

1) Perform marketing survey.

2) Prepare collateral material on FGF (brochures).

3) Promote the FGF using linkages to U.S. Government Agencies (primarily EXIM, DOC, SBA, AID) as follows:

a) Send memo and brochures to EXIM, AID, and field offices of DOC and SBA.

b) Highlight FGF to DOC regional directors through weekly conference call.

c) Brief SBA Trade Finance Specialist, who is conducting training sessions, on FGF.

d) Work with AID Office of Small Business Utilization to promote FGF.

e) Prepare description of FGF for "Exporters Guide to Federal Resources for Small Business" which is published by the SBA and will be updated in mid-1989.

f) Initiate direct mail campaign to bankers and exporters using mailing lists from EXIM and AID.

g) Get on the agenda of the annual meeting of Eximbank March 16, 1989 to make a presentation of the FGF.

4) Promote the FGF broadly to media (press releases and news articles for newsletters, magazines, newspapers) and outreach organizations (memos and brochures to trade associations, export trading companies and state and local organizations).

5) Promote the FGF to selected exporting companies as follows:

a) PRE/I meet the export companies at their offices (preferably the chief financial officer or appropriate export finance decision makers) to discuss the FGF and attempt to identify export opportunities which would qualify for the FGF. Prior to the meeting a letter should be sent to the exporters explaining the program and a list of eligible countries. The visit may be made in conjunction with a forfaiting intermediary financial institution.

b) Send press releases and brochures to associations of which the selected export industries are members.

c) Send news articles to trade publications to which the selected export industries subscribe.

d) Offer to speak about the FGF to associations or forums to which the selected industries belong or would attend.

As the promotion of the FGF expands, the number of selected export companies can be increased. Speaking engagements by PRE/I which up to this point would be limited to meetings with selected export companies and their related trade associations, can also be increased to broader audiences such as other trade associations, state organizations and U.S. Government agencies.

B. Overseas

1) Send a memo introducing the program to FCSO and the AID Missions.

2) This should be accompanied by brochures describing the program. The brochures should be the same as or as close as possible as those distributed in the United States to provide continuity and ease of understanding.

3) Send a speaker to FCSO and AID Mission regional meetings to explain the FGF.

4) Work with USIA to promote the program through an "electronic dialogue".

5) Promote the FGF to overseas organizations which promote U.S. Trade.

V. Budget

A rough approximation of the expense of such a marketing plan is summarized below:

Market Research Study	$5,000 - $10,000
Collateral Materials	
- Brochures	$15,000 - $20,000
- Video	$20,000
U.S. Government Agencies	-
Outreach Organizations	-
Direct Mail/Press Releases	$5,000 - $10,000
Select Exporting Companies (Travel Expenses)	$10,000 - $15,000
Speaking Engagements (Travel Expenses)	$20,000 - $40,000

Mission buy-in to promote the FGF can best be accomplished by first identifying the AID-assisted countries which have strong trade links with the United States or could develop trade links if the FGF were operational. After identifying the countries, a meeting should be held with the Missions to present the FGF, explain how it would assist trade in the country and identify opportunities for use of the FGF.

APPENDIX A

Contacts

U.S. Government Agencies

AGENCY FOR INTERNATIONAL DEVELOPMENT
Betty Briscoe (875-1551)

DEPARTMENT OF COMMERCE
Gordon Studebaker (377-0703)
United States and Foreign Commercial Services

Bob Lee (377-3277)
International Trade Administration

EXPORT-IMPORT BANK OF THE UNITED STATES
Jim Cruse (566-8861)
Anne Frey (566-4490)
George Donegan (566-8981)

OVERSEAS PRIVATE INVESTMENT CORPORATION
Robert Jordan (457-7092)

SMALL BUSINESS ADMINISTRATION
Sheryl Swed (653-7794)
Catherine Whitehurst (653-7794)

TRADE AND DEVELOPMENT PROGRAM
Percy Reynolds (875-4357)

U.S. INFORMATION AGENCY
John Vince (485-2769)

Private Companies

MIDLAND BANK AVAL
Scott Branch ((212) 207-6611)

PRIVATE EXPORT FINANCE COMPANY
Jack Duchler ((212)557-3100)

VENTURE MARKETING COMPANY
William Delphos (337-6300)

WORLD TRADE CENTER, WASHINGTON, D.C.
Richard Anderson (684-6630)

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APPENDIX B

Design and Typeset Firms

GOVERNMENT PRINTING OFFICE
Walt Burroughs (275-2185)

GRANHAM DESIGN
Sam Ferro (833-9657)

T.F.W. DESIGN
Sharon Fassler (745-0447)

PRINTING BROKER
Jim Bell (854-6467)

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