

**U.S. Federal Assistance for Investment in  
Central/Eastern Europe and the former Soviet Union**

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## INTRODUCTION

An increasing number of U.S. government programs offer federal assistance and incentives to U.S. investors interested in doing business in Central/Eastern Europe and the former Soviet Union. These programs offer a wide range of services, spanning all regions and sectors of business, as well as an increasing amount of funding opportunities including loans, grants, insurance, and feasibility studies.

This document serves as an introduction to the programs currently available from the U.S. government, outlining the services and funding for each of the programs. We maintain more detailed files on each of the programs and continue to update the information as the programs expand and change.

Please be aware that because of the results of the recent Russian elections, Eximbank unofficially downgraded Russia to an "E-" credit rating, making OPIC the only realistic vehicle for loan guarantees at this time.

If you are interested in further information on the region, federal assistance programs, and working with the various agencies, please contact Michelle Siren at (202) 778-1753 or Lucy Marcus at (202) 778-1758.

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## **EXPORT-IMPORT BANK**

The Export-Import Bank (Eximbank), an independent U.S. Government Agency, provides support for U.S. exports through short and medium-term export credit insurance, medium and long-term loan guarantees, medium and long-term direct and intermediary loans, working capital guarantees, and project financing. The types of programs and monetary limitations available for any given country depend upon Eximbank's periodic country risk assessments. Belarus, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Russia, Turkmenistan, Ukraine, and Uzbekistan are eligible for Eximbank's assistance.

### **Eximbank Requirements**

There are several requirements that U.S. companies must meet in order to have projects considered. The Bank will only assist the export of U.S. goods and services containing at least 50 percent U.S. content. Under short term insurance, coverage applies to the value of the entire shipment. Under medium and long-term programs, if a U.S. export product contains foreign made components, Eximbank will cover up to 100 percent of the U.S. content only provided Eximbank's support does not exceed 85 percent of the export price.

Eximbank requires a reasonable assurance of repayment of all transactions. In order to determine the likelihood of repayment, the Bank considers the economic condition of the importing country, the size and nature of the transaction, and the individual borrower. For many countries, including the independent states of the former Soviet Union, Eximbank will usually require sovereign guarantee.

Under law, the Bank must deny financing for projects that cause direct injury to U.S. production and employment. Therefore, before providing any financing, Eximbank is required to assess whether its loans or guarantees are likely to have adverse impact on U.S. industry.

Exports supported by Eximbank long-term financing transported by ocean vessel must be shipped in vessels of U.S. registry, unless the foreign buyer obtains a waiver from the U.S. Maritime Administration.

### **Eximbank Financing Programs**

Eximbank programs differentiate between short, medium, and long-term transactions. Short-term credit sales generally are transactions involving consumer goods, fertilizers, pharmaceutical, spare parts, chemicals, industrial raw materials, etc. The repayment term for short-term sales is typically six months or less. Eximbank offers only credit insurance for short-term transactions and is the U.S. Government's only program to support short-term exports.

Medium and long-term transactions generally involve large industrial machinery. Eximbank can insure medium-term transactions and offer guarantees and loans for both medium and long-term transactions.

### **Export Credit Insurance**

Eximbank's export credit insurance, through loans or reimbursement, protects an exporter against losses should a foreign buyer default. Eximbank offers a wide range of policies that accommodate many different short and medium-term export credit insurance needs. Some of these policies include: multi-buyer policies that provide coverage for an exporter's short-term credit sales (generally up to 180 days) and insure a reasonable spread of an exporter's sales; single buyer policies that insure short or medium-term single or repetitive sales to one buyer; protection of banks against losses on irrevocable letters of credit issued by foreign banks in connection with liberalized requirements, for short-term sales by small companies (companies that fall under the specifications put forth by the Small Business Administration).

### **Trade Credit Insurance Division (TCID)**

The TCID, a part of the Eximbank replacing the now-private Foreign Credit Insurance Agency, provides export credit insurance to cover commercial and political losses. The TCID facilitates exports by (1) protecting against the failure of foreign buyers to pay for commercial or political reasons; (2) encouraging exporters to offer competitive terms of payment; (3) supporting an exporter's prudent penetration of higher risk foreign markets; and (4) providing exporters and their banks with greater financial flexibility in handling overseas receivable. TCID thus lowers costs, making American exports more competitive. Services and leasing contracts may also be covered.

TCID offers short-term single buyer, multi-buyer export, medium-term, new-to-export, and umbrella policies. TCID's country programs and eligibility are based on Eximbank's country risk assessments. Albania, Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Kazakhstan, Latvia, Lithuania, Poland, Romania, Russia, Turkmenistan, Ukraine, and Uzbekistan are eligible.

### **Guarantees**

Eximbank guarantees provide repayment protection for private sector loans to credit-worthy buyers of U.S. goods and services exports. The Bank offers medium and long-term loan guarantees, carrying repayment terms of over one year, that cover up to 85 percent of the U.S. export value. Eximbank will guarantee fixed or floating interest rate export loans.

Although most guarantees provide comprehensive coverage of both political and commercial risks, guarantees covering only political risks also are available. Political-risk-only guarantees are often used when the buyer abroad is an affiliate or subsidiary of the exporter.

Any reasonable party may apply for an Eximbank offer of financing, or a preliminary commitment. Adequate information must be provided. A preliminary commitment outlines the amounts, fees, and other terms and conditions of a guarantee or loan that Eximbank is prepared to authorize for a potential export.

### **Direct and Intermediary Loans**

Eximbank provides medium and long-term fixed interest rate loans for U.S. exports. Eximbank extends direct loans to foreign buyers of U.S. exports and intermediary loans to responsible parties that extend loans to foreign buyers.

Eximbank loans cover up to 85 percent of the U.S. export value. They carry repayment terms of one year or more with repayment beginning six months after shipment or installation. Eximbank's interest rates, usually fixed, are set in accordance with international guidelines and are related to market levels.

For intermediary loans, financing institutions unrelated to the exporter may borrow from Eximbank at lending rates established by the Bank.

### **Working Capital Guarantees**

Eximbank's working capital guarantees encourage commercial lenders to make loans to U.S. businesses for various export related activities. The guarantees help small and medium-sized businesses that have exporting potential but need funds to produce or market goods or services for export. Pre-export activities include inventory, raw materials, marketing, and manufacturing.

Eximbank has two main concerns regarding working capital guarantees: the exporter's capability to perform satisfactorily and a reasonable assurance of payment of sale.

### **Project Financing**

Eximbank provides project financing that does not require sovereign guarantee for projects that will generate sufficient foreign currency. The Bank provides this support in the form of either loans or guarantees. Under international guidelines, the repayment term can extend as long as 8 1/2 years, plus an installation period.

### **Eximbank programs for the Newly Independent States**

Eximbank currently has programs available to support U.S. exports to certain Newly Independent States of the former Soviet Union. To meet the "reasonable assurance of payment" requirement, Eximbank ordinarily will require sovereign guarantees. In practice, this means that Eximbank either channels its financing through an NIS bank designated as a

sovereign borrower, or the Bank lends to another borrower with the designated NIS bank guaranteeing payment.

Project financing is also available for the republics listed below. No sovereign guarantee is necessary for this latter form of financing.

### *Russia*

Export credit insurance, medium-term (up to two years for installation and up to five years repayment) guarantees, and medium-term loans are available for Russia. The Russian Bank for Foreign Trade (Rosvneshtorgbank/VTB) and the Bank for Foreign Economic Affairs (Vnesheconombank/VEB) carry the full faith and credit of the Russian Federation. If VEB or VTB issue an irrevocable letter of credit (ILC) or guarantee or act as borrower, Eximbank will grant financing.

Eximbank also has a \$15 million medium-term credit facility and a \$30 million short-term limit with the International Moscow Bank (IMB), a private commercial bank.

Eximbank has agreements with VEB and VTB whereby Eximbank notifies them upon receipt of an application and they indicate their intention to issue the ILC or guarantee before Eximbank considers the transaction. Therefore, companies seeking a preliminary commitment from Eximbank are advised to have the buyer approach the approved Russian bank for an ILC or guarantee.

### *Ukraine*

Only short-term export credit insurance and project financing are available for Ukraine. Eximbank requires an ILC or guarantee from the Export-Import Bank of Ukraine (EIBU). The same pre-clearance mechanism that applies for the Russian banks also applies for the EIBU.

### *Belarus*

Only short-term credit insurance and project financing are available for Belarus. Eximbank requires an ILC or a guarantee from The Bank for foreign Economic Affairs of the Republic of Belarus (Belvnesheconombank).

### *Kazakhstan*

Only short-term export credit insurance and project financing are available for Kazakhstan. Eximbank requires an ILC or guarantee from the Alembank Kazakhstan (Kaznesheconmbank).

### *Turkmenistan*

Only short-term export credit insurance and project financing are available for Turkmenistan. Eximbank requires a an ILC or guarantee from the State Bank for Foreign Economic Affairs of Turkmenistan (Turkmenvnesheconombank).

### *Uzbekistan*

Only short-term export credit insurance and project financing are available available for Uzbekistan. Eximbank requires a an ILC or guarantee from the National Bank for Foreign Economic Activity for the Republic of Uzbekistan.

## **THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)**

Established in 1971, The Overseas Private Investment Corporation (OPIC) is a self-sustaining, independent agency of the U.S. Government. It is designed to promote economic growth in developing countries by encouraging U.S. private investment. OPIC (1) assists in financing investments through direct loans and/or loan guarantees; (2) insures investments against a broad range of political risks; (3) operates a match-making service; (4) organizes investment missions; and (5) assists with project development.

OPIC now has bilateral agreements with all of the Newly Independent States that provide for subrogation of rights, clearances of proposed OPIC transactions, and similar operational features; and all of the agreements are in force with the exception of Moldova and Azerbaijan. OPIC is currently offering its services in the Newly Independent States with which it has agreements in force.

### **Investment Finance**

American investors planning to share significantly in the equity and management of an overseas venture can use both OPIC's finance programs for medium to long-term financing available through loan guarantees and/or direct loans. OPIC's loan guarantees cover both commercial and political risks. Guarantees are issued to US lending institutions on behalf of eligible US investors and typically range from \$2 million to \$50 million. All OPIC loan guarantees carry the full faith and credit of the United States of America. OPIC's direct loans, reserved for overseas investment projects involving \$500,000 to \$6 million. OPIC will participate in up to 50 percent of the project cost for a new venture, and up to 75 percent of the cost of an expansion.

The Clinton Administration has granted OPIC \$1 billion of authority over the next 18 months for project finance in the NIS.

### **Investment Insurance**

OPIC insures US investments in developing countries against three types of political risks: political violence (war, revolution, insurrection and civil strife) affecting assets and/or business income; expropriation without fair compensation; and the inconvertibility of currency. In addition to ensuring parent company equity and debt investments, OPIC also provides coverage for institutional loans, leases, technical assistance rights and property, as well as contractors' exposure in connection with bid and performance bonds, custom bonds, equipment and other risks. Coverage is available for new investments and for expansions and modernization of existing plant equipment. In order to be eligible for insurance, an investor must apply for and receive an OPIC Registration Letter before the investment is made or irrevocably committed. Packages including all three coverages are available to small and medium-sized investors at reduced rates.

## **Investor Services**

OPIC Investor Services consist of five principle components: Advisory Services; Investment Missions; the Opportunity Bank (a database to match prospective buyers with US companies); the Investor Information Service which provides basic data and information; and an Outreach program. Each of these components is designed to assist small and medium-sized businesses in successfully planning and implementing overseas investment projects.

## **Project Development Program**

The Project Development Program (PDP) is funded through the US Government's American Business Initiative (ABI) for Central and Eastern Europe. PDP is open for projects in all of the republics of the former Soviet Union except Azerbaijan and Uzbekistan. Agreements with these countries are expected to be finalized in the near future.

This three year program will provide eligible U.S. investors with up to 50 percent of their total costs (75 percent for small businesses) of conducting the following types of evaluations to determine the commercial viability of proposed investments throughout the region: market entry strategy assessment, business plan development, prototype "pilot" project implementation, feasibility studies, and other pre-inventive analysis. OPIC's maximum participation is limited to \$150,000 per project, with the U.S. sponsor required to contribute at least 50 percent of the cost of the study (25 percent for small businesses). Should an investment project proceed based on the preliminary efforts funded by OPIC, the sponsor will be required to pay a predetermined success fee.

## **Central and Eastern European Growth Fund**

OPIC's Central and Eastern European Growth Fund is privately owned and is underwritten by OPIC. The Fund invests in new companies, established companies planning to expand, and state-owned companies being privatized. By raising the capital to finance productive business enterprises in Eastern Europe, the Fund will generate new economic activity, private sector growth, and employment opportunities.

## **The Russian Country Fund**

OPIC has provided a \$75 million loan guaranty to help establish the Russian Country Fund (RCF). The RCF will be a \$100 million investment fund that will provide equity to newly formed or privatized enterprises in Russia. RCF will focus on joint-ventures, connected to the United States economy, that will generate hard currency through exports (primarily oil and gas, mining and environment).

## **U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)**

U.S. Agency for International Development, USAID, offers a number of funding and informational services. Under the American Business Initiative, USAID will implement projects covering agribusiness, energy, the environment, housing, and telecommunications to facilitate the transfer of U.S. commercial expertise and the flow of U.S. capital to Eastern Europe. The Initiative is designed to increase the participation of small and medium-sized American companies in this market. (This program works in conjunction with the Commerce Department)

USAID funded projects have worked towards aiding in the development of a number of areas, including the energy efficiency/market reform, environmental policy and technology, health care improvement, food system restructuring, democratic pluralism efforts, housing sector reform, economic restructuring and financial sector reform, exchanges and training programs, and the strengthening the private sector.

### **Capital Development Initiative**

USAID Capital Development Initiative (CDI) encourages investment in Central and Eastern Europe's infrastructure. Energy, environment, and telecommunications are the initial sectors where American companies have a comparative advantage. Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, and the Slovak Republic are eligible.

The CDI identifies opportunities; provides advice in technical policy, and financial areas; and offers the Development Cost Support Fund. This Fund provides up to 50 percent of estimated development and feasibility costs. Companies/consortia must be already in business in the field it seeks to pursue in Eastern Europe.

### **Private-Sector Revolving Fund**

The Private-Sector Revolving Fund considers loans or guarantees for projects in developing countries that have substantial development impact by (1) sustaining sound environmental development, (2) generating sound environmental development, (3) earning net foreign exchange, and (4) developing managerial and technical skills, or transferring technologies. Specific replicable programs supporting leasing, privatization, small business, U.S. exports, franchising, and expansion of financial markets are available. Financing/guarantees are available for up to a range of \$150,000 to \$6,000,000. The maximum term is 10 years.

## **ABC Centers**

The American Business Centers are part of the American Business Initiative designed to promote the involvement of small and medium-sized firms in the Eastern European market. The ABC's objective is to provide a "soft landing" for American businesses that are in the process of establishing commercial operations within Eastern Europe. By providing temporary office space and assistance, the ABC allows American firms to establish a foothold in the market quickly and without hassle.

The ABC provides private office space with a telephone, personal computer, and printer. Copiers, faxes, typewriter services and conference room facilities are also available. The centers can act as a mail stop and message center. ABC staff are also able to provide in-house secretarial assistance with word processing, spread sheets, bilingual conference calling, and appointment scheduling. They can also act as a liaison with local service providers, such as interpreters and translators.

## **Eurasia Foundation**

The Eurasia Foundation is a new, privately managed grant-making organization established with financing from the USAID. The Eurasia Foundation supports technical assistance, training, educational, and policy programs in the NIS covering a wide range of activities in economic and democratic reform. Eurasia Foundation grants will be made to American organizations with partners in the NIS and directly to NIS organizations.

The Eurasia Foundation's initial programmatic focus will include the following areas:

**Private Sector Development:** including management training, economic and education, curriculum development, policy advice, and information systems.

**Public Sector Reform:** including public administration, public policy advice, and development of non-governmental sector.

**Media and Communications:** involving development of and support for print, broadcast, and electronic media.

The Eurasia Foundation's charter allows it to support U.S. 501(c)(3) institutions or comparable institutions in the NIS and government entities in the NIS. It may also on occasion make grants to private for-profit institutions if the grant serves a charitable or educational purpose related to economic reform or democratic institution building and private shareholders or individuals do not benefit from the grant.

When fully operational, the Eurasia Foundation will make grants totaling approximately \$16 million per year. Although there is no legal limit on the size of Eurasia Foundation grants, as a matter of policy the Foundation expects the majority of its grants to be small (generally

\$50,000-\$75,000). The Foundation will occasionally make grants in the \$100,000-\$150,000 range. In relatively rare circumstances, the Foundation may consider larger commitments.

All grants awarded by the Foundation will support private sector development and/or democratic institution building; produce a significant and sustained effect on the ground in the NIS; and represent a genuine transfer, adaptation, or creation of skills in the NIS.

The Eurasia Foundation will actively seek collaborative relations with other institutions and individuals interested in reform in the NIS. It will also welcome private funds in collaboration with or in support of its work.

The Eurasia Foundation plans to establish a number of field offices during its first year of operations in Russia, Ukraine, and Central Asia. Field office personnel will be responsible for carrying out small grant programs on the ground. They will also assist the Washington DC office in evaluating grant proposals and monitoring grantee projects. The Washington DC office is responsible for overall planning and management of the Foundation's programs and works directly with US-based institutions seeking funding to carry out field programs in the NIS. The Foundation will respond rapidly to on-the-ground, small grant needs through both its field office network and the Washington DC headquarters.

## **U.S. DEPARTMENT OF AGRICULTURE**

The U.S. Department of Agriculture (USDA) is actively involved in provides a wide variety of food and agricultural assistance, including export credit guarantees, export subsidies, and food aid. The USDA supports the sales of American agricultural products (including fresh water fish and forestry products) through the Commodity Credit Corporation (CCC) and the Export Enhancement Program (EEP). The CCC guarantees repayment of short-term loans (6 months to 3 years) made to eligible countries purchasing American farm products. Bulgaria, the Czech Republic, Hungary, Romania, Albania, Estonia, Latvia, Lithuania, and the Independent States are all eligible for his program. The EEP challenges unfair trade practices by major U.S. competitors.

Authorized by the Food, Agriculture, Conservation and Trade Act of 1990 and administered by USDA's Foreign Agriculture Service, the Market Promotion Program (MPP) promotes a wide variety of U.S. commodities in almost every region of the world. Surplus stocks or funds from the CCC are used to partially reimburse agricultural organizations conducting specific foreign market development projects on eligible products in specific countries.

## **U.S. DEPARTMENT OF COMMERCE**

The U.S. Department of Commerce provides a variety of services to firms interested in trade and investment opportunities in Eastern Europe. Although not every service is currently available in every Eastern European country, they expect that in the near future most of the services will cover the region. A majority of these services are available through U.S. Department of Commerce District Offices, and may require a small fee. Such services include a wide range of regional and in-country informational services, overseas trade fairs and missions, and market research capabilities.

### **Consortia of American Businesses in the Newly Independent States (CABNIS) Program**

In 1992, the US Department of Commerce established the Consortia of American Businesses in the Newly Independent States (CABNIS) grant program. The CABNIS program is designed to assist small and medium-sized US firms develop a commercial presence in the former Soviet republics. Each grantee will form a non-profit consortium, consisting of for-profit US firms, and establish one or more commercial offices in the NIS. The consortia will provide their members with a variety of valuable export information, marketing, and promotion services. At the same time, the consortia will assist local entrepreneurs, academicians, and government officials in developing a commercial environment that will stimulate two-way trade with the United States.

Under CABNIS, the recipients will each receive a \$500,000 one-time grant to be matched over a three-year expenditure period with nonfederal resources. The grant will help to defray the start-up costs for establishing the commercial offices.

The CABNIS program will serve as a venue for U.S. exporters that otherwise would not be in a position to enter such a new and complex market alone. As a result of the CABNIS program, U.S. firms will be in the position to pool their commercial expertise and other resources to gain a foothold in the former Soviet republic.

### **Consortia of American Businesses in Eastern Europe (CABEE)**

CABEE is the predecessor for Eastern Europe of the CABNIS program. Launched under the American Business and Private-Sector Development Initiative for Eastern Europe, as of 3/5/93 this program has made five awards to business consortia operating in industries such as agribusiness, food processing, the environment, telecommunications, housing and building materials.

## U.S. DEPARTMENT OF DEFENSE

### **Nunn-Lugar Funds**

The United States has signed a safe, secure dismantlement umbrella agreements with Russia, Belarus, Kazakhstan, and Ukraine, providing the legal framework for the transfer of up to \$800 million of U.S. Department of Defense (DOD) funds authorized by U.S. Public Law 102-229 (The Nunn-Lugar Program) . The Nunn-Lugar Program, signed into law in December 1991, authorized the expenditure of DOD appropriations to facilitate the transportation, storage, safeguarding and destruction of nuclear, chemical, and other weapons of the former Soviet Union, as well as prevent weapons proliferation.

The umbrella agreements allow the parties to enter into implementing agreements to accomplish the main objectives of the Nunn-Lugar Program. In order to meet the supplies and services assured by the implementing agreements, part of the funds allocated by the DOD for each implementing agreement will be contracted out to experienced U.S. companies.

\$40 million of the \$800 million will be directed for defense conversion projects. \$20 million will be provided to projects in Belarus and the remaining \$20 million to projects in Russia.

Those U.S. companies interested in bidding on implementing agreement contracts must follow general DOD bidding procedures. Descriptions of prospective contracting opportunities along with a point of contact are announced in the Commerce Business Daily as soon as the requirements for a contract have been defined.

## U.S. ENTERPRISE FUNDS

The Enterprise Fund concept was originally authorized by Congress in the 1989 Support for Eastern European Democracy (SEED) Act. The Funds are privately managed equity pools designed to foster small and medium-sized enterprises in their investments in Eastern Europe.

The Enterprise Funds provide a range of options including loans, grants, equity investments, feasibility studies, technical assistance, insurance, guarantees and other help to a variety of small and medium-sized businesses. To date there are Enterprise Funds for Bulgaria, the Czech and Slovak Republic, Hungary, Poland, and most recently the Baltic States (Lithuania, Latvia, Estonia) and Russia. + ROMANIA

### **Bulgarian-American Enterprise Fund**

Founded in January, 1992, the Bulgarian-American Enterprise Fund is being funded at \$55 million over three fiscal years. The Funds activities include starting new businesses and encouraging entrepreneurship in Bulgaria, establishing joint ventures, expanding and broadcasting Bulgaria's capital markets, providing management and industry assistance to Bulgarian businesses and government, assisting in the privatization of state enterprises, and broadening the understanding of private enterprise among managers, government and the Bulgarian public. The Fund will focus primarily -- but not exclusively -- on agriculture and agribusiness such as agricultural inputs and food processing and distribution. The Fund will make loans, grants, and equity investments.

### **Czech and Slovak-American Enterprise Funds**

The Czech and Slovak-American Enterprise Fund began operations in July 1991 with \$5 million in authorized capital. Subject to further appropriations, the total grant to the Fund from AID will be at least \$60 million plus \$5 million for Technical Cooperation. The Fund provides equity capital or credit to new or existing private entrepreneurs, as well as to assist the process of privatization.

### **Hungarian-American Enterprise Fund**

The purpose of the Hungarian-American Fund is to aid in the development of private enterprise in Hungary, as well as to increase Hungarian capital markets and develop policies and practices beneficial to the Hungarian private sector. Its focus is primarily small and medium-sized businesses, agricultural projects and joint ventures between Hungarian and U.S. businesses or entrepreneurs through equity investments, loans, grants, feasibility studies, technical assistance, insurance, and guarantees.

### **Enterprise Investors (Formerly: Polish-American Enterprise Fund)**

The Polish-American Enterprise Fund capitalized at \$240 million in May of 1990. In November 1992 the Polish Private Equity Fund was established. A \$50 million Enterprise Fund participation in the new fund attracted an additional \$101 million from EBRD, private institutional investors and pension funds, bringing the combined capital base of the two funds for investment in Poland to \$341 million.

The Polish-American Enterprise Fund promotes private sector development in Poland through equity investments, grants, feasibility studies, technical assistance, insurance, guarantees, and training, as well as supporting the implementation of policies and practices conducive to such development. It invests primarily with Polish-owned companies, Polish-American joint ventures, and, less frequently, with subsidiaries of American companies with operations in Poland. The Fund will take an equity position in small and medium-sized ventures. The Fund will consider investment in individual projects at levels up to 10 percent of its committed capital, although in practice most of the fund's investments are much smaller. The Fund wishes to be used as a seed fund to help develop Polish businesses, to assist American companies with commercial opportunities in Poland and to support the growth of a free-market infrastructure. Private partners must assume risk as well, and the Fund prefers to have third-party investors in each project.

The Polish Private Equity Fund is a closed-end investment fund established by the Enterprise Fund. It seeks to achieve a superior rate of capital growth through investment primarily in small and medium-sized enterprises in Poland. The Polish-American Fund and the Polish Private Equity Fund have separate boards of directors and investment committees but are advised by the same newly created management company - Enterprise Investors. In most cases, both funds participate in the same investments, with their percentage shares based on the amount of capital that each has available to invest.

In December 1990 the Enterprise Credit Corporation (ECC) was organized. The ECC now operates as a free-standing company and works with nine regional Polish commercial banks which provide loan generating offices throughout the country. The ECC was organized for the special purpose of providing loans to small businesses in Poland. With maximum credit limits of \$75,000 and an average loan of \$22,500.

### **Baltic-American Enterprise Fund**

On June 22, 1993, Secretary of State Warren Christopher announced the establishment of the Baltic-American Enterprise Fund. The Fund will promote private sector development in Lithuania, Latvia, and Estonia.

The U.S. plans to capitalize the Fund with \$50 million in foreign assistance appropriations over a 3 to 4 year period. It will have the authority to make equity investments and loans and offer technical assistance to promote new private companies, entrepreneurs, and privatization, with special emphasis on the promotion of small and medium-size enterprises. The Fund will be encouraged to use its U.S. capitalization to attract other resources for private-sector development in the Baltic States.

### **Russian-American Enterprise Fund**

Created in September, 1993, the Fund will be capitalized by grants from AID totaling \$340 million, beginning in fiscal year 1993. The RAEF will engage in several activities. It will make loans and investments to qualified enterprises in Russia, it will provide technical assistance in direct support of Fund Investments and potential investments, and it will help identify and highlight opportunities that may facilitate the development of the private sector and private investment in Russia.

Price Waterhouse has been appointed as auditors to this fund.

### **Russian-American Enterprise Fund II**

The development of a Russian American Enterprise Fund specifically for large state owned enterprises (SOE's)

### **Ukraine, Belarus, Moldova - American Enterprise Fund**

### **Stanzs-American Enterprise Fund**

Enterprise fund specifically dedicated to the Stanzs. Kazakhstan, Uzbekistan, Kyrgyzstan, Turkministan.

## **U.S. SMALL BUSINESS ADMINISTRATION**

The U.S. Small Business Administration (SBA) provides financial and business development assistance to encourage and help small businesses in developing export markets. The SBA offers three main guarantee programs: the Regular Business Loan Guarantee Program, the Export Revolving Line of Credit Program, and the International Trade Loan Program. Because these are guarantee programs, they all require participation of an eligible commercial bank. Although the SBA does not have any specific programs designed for Eastern Europe, qualified companies doing business in the region may obtain SBA financing.

The SBA defines a small and medium-sized business as an independently owned and operated for-profit business that does not dominate the market which exists. To obtain SBA financing, the applicant must first seek a loan from a bank or other lending institution. If the lender is unable or unwilling to provide the financing directly, the lender should be encouraged to contact the nearest SBA field office.

SBA can guarantee up to 90 percent of a bank loan up to \$155,000. For larger loans, the maximum guaranty is the lesser of 85 percent or \$750,000.

### **Regular Business Loan Program [7(a)]**

7(a) provides loan guarantees to small businesses that need money for fixed assets and working capital. Guarantees for fixed-asset acquisition carry a maximum maturity of 25 years, while guarantees for general working capital loans have a maximum maturity of seven years.

### **Small Business Investment Companies**

Licensed by the SBA, firms whose investment strategies include export activities may receive equity capital or term working capital in excess of SBA's \$750,000 statutory limit.

### **Export Revolving Line of Credit (ERLC)**

Under the ERLC program, a small business can receive a government-guaranteed loan to support various activities, including: financing labor and materials for manufacturing or wholesaling for export; developing foreign markets; financing foreign accounts receivable; and in some cases, funding business travel and participation in trade shows.

ERLC offers a credit line up to 36 months from which any number of withdrawals can be made as long as they do not exceed the dollar limit of the credit line, and the disbursements are made within the stated maturity period. Although loan maturities are generally for 12 months, they may be renewed for up to three years. Proceeds from the loan must be used to finance goods and services which have at least 50 percent US content.

## **International Trade Loans**

The International Trade Loan (ITL) program guarantees a combination of long-term fixed-asset financing and short-term working capital in the form of ERLC or a portion of the term loan. Proceeds are not intended to be used for debt payment; they may be used to purchase or upgrade facilities or equipment and to make other improvements, within the U.S., for production of goods or services. The funding can be used to buy land and buildings; build new facilities; and purchase or recondition machinery, equipment and fixtures.

Loan maturities under this program cannot exceed 25 years, excluding the working capital portion. The SBA guaranty cannot exceed 85 percent of the total loan, thus precluding loans of \$155,000 or less. The agency can guarantee up to \$1 million for facilities and equipment, plus \$250,000 for working capital.

The SBA is also involved in a cosponsorship with the North Carolina Department of Commerce. They have developed a search-for-partners program. Strong firms interested in foreign investment are identified by their network of public and private trade promotion and economic development organizations in Europe, Asia, and Americas. Our network partners all facilitate cross-border, high tech ventures. They know and can find capable firms which can be screened and matched to the requirements of US firms. Once specific venture opportunities are identified, prospective partners are brought face-to-face to define the venture. Technical support is then provided to make it viable. They specialize in several sectors: information management, telecommunications, medical, and environmental remediation.

## U.S. TRADE AND DEVELOPMENT AGENCY

The U.S. Trade and Development Agency (TDA) is a commercially-oriented U.S. Government foreign assistance agency. It promotes economic development and trade in developing countries by providing grants for feasibility studies, consultancies, training programs and other project planning services. In Eastern Europe, TDA identifies major projects in the public sector that offer export or investment potential for American companies.

TDA activities cover a wide range of sectors of high priority to host governments and international development efforts. U.S. technological expertise can help accelerate the development process in many sectors. They include but are not limited to the following: telecommunications, energy development, food development, minerals development, industry, transportation, educational technology, and waste management. The feasibility studies are conducted by U.S. private sector firms. TDA's participation usually ranges from \$150,000 to \$750,000 for public-sector projects. TDA also offers Technical Assistance Grants designed to bring U.S. technical assistance to bear on a variety of projects.

All proposed projects must have the host government's development priority, U.S. export potential, and untied financing. The host government agencies are responsible for requesting financing, either directly to the TDA or through the local U.S. Embassy, but U.S. companies may bring these projects to the attention of the TDA. TDA's programs are available in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, the Independent States, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia.

In recent years the TDA has established grants at the World Bank and other multilateral development banks (MDB). These MDBs use TDA funds to hire U.S. consultants for projects being considered for financing by the multilateral banks. The TDA funds are designed to ensure that multilateral bank-funded projects use technical specifications and standards that favor or at least do not discriminate against U.S. companies. TDA exercises its right to veto projects that are unlikely to benefit the U.S. economy.

TDA has developed a list of high priority sectors for its activities in the NIS. The sectors include oil and gas, power plants and distribution networks, transportation infrastructure, defense conversion, and electronics.