Oesterreichische Kontrollbank AG

Financing on Concessional Terms

(soft loans)

Tunisia

Credit Department
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EXPORTSERVICE

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1 Financing on concessional terms (soft loans) - Preface

In addition to export finance facilities on commercial terms, the Austrian export industry can make use of financing on concessional terms under certain conditions (see chapter 1 to 6). Financing on concessional terms can only be provided to qualified countries and for specific projects.

Soft loan policy

Soft loan financing is used in accordance with the soft loan policy of the Federal Ministry of Finance to assist Austrian exporters competing in international markets with the overall objective of fostering sustainable development in recipient countries. The financing is solely done in EURO.

Exporter's qualification

Export companies/general contractors domiciled in Austria must employ staff at the Austrian company's site with the relevant technical know-how in the relevant sector and which is trained to further develop its knowledge. Furthermore the exporter/general contractor must show a track record of projects already realized with this staff at non-concessional terms in the relevant sector and continue to do so.

Types of soft loans

Soft loan financing is available in the form of a **pre-mixed credit** (this is a loan with a low interest rate, a grace period and long repayment terms). These attractive terms and conditions are made possible by official support from Austrian public authorities.

The Federal Ministry of Finance offers, as a special measure, an additional grant in order to reduce the total costs for the recipient country. This is done until further notice.

Transactions in Austria's interest

Soft loan financing is provided in the form of tied aid credits, i.e. it is restricted to the export of mainly Austrian goods and services. The maximum permissible foreign content (which means foreign content from third countries plus local costs) is limited to 50 % of the value of the contract.

Assessment

Within OeKB the Department for Project and Environmental Analyses is in charge of assessing projects. In order to do so the exporter has to complete a questionnaire which must be added to his application for an export guarantee.

For so-called de-minimis projects - projects with a contract value below 2 million SDR (Special Drawing Rights) - a simplified questionnaire is foreseen. It contains questions concerning the project itself as well as questions about the export company and the character of the project.

Thus, Austrian exporters can benefit from Austrian soft loans only if they can verify to have the relevant know-how in Austria to realise the project they apply for. In case of pure/predominant services according to the Austrian soft loan policy the questionnaire also includes a clear description of possible soft loan eligible services.

In addition to the requirements on the Austrian exporter's credit rating and performance risk, the application procedure considers more intensively the exporter's ratio between business financed on commercial terms and business financed on soft loan terms.

2 Soft loan eligibility of the recipient country

in accordance with

- the OECD Consensus, meaning countries whose per capita GNI does not exceed the current limit of USD 3.975,– and
- the Austrian cover policy, these are countries for which medium- and long-term cover is available or
- the Austrian soft loan policy, these are countries which are explicitly defined as soft loan target countries.

Potential Restrictions

If required, country and transaction limits may be applied for selected countries within this group of countries eligible for soft loans. Such measures might be necessary in case the recipient country is affected by negative economic and/or political developments.

No soft loans are granted to countries for which the Austrian cover policy provides no cover.

3 Soft loan eligibility of the product/project

3.1 According to the OECD Consensus

- projects which lack capacity with appropriate pricing determined on market principles to generate cash flow sufficient to cover the projects operating costs and to service the capital employed (Financial Non-Viability, First Key Test)

or

- projects for which no financing on market or Arrangement terms is available from other OECD-countries (Availability of Funds, Second Key Test).

For information purposes and to get an idea whether a product/project can possibly qualify for soft loan financing, the OECD publication “Ex Ante Guidance for tied aid” may prove useful. The Ex Ante Guidance is a collection of experience concerning the soft loan eligibility of products/projects gained since 1992.

3.2 According to the Austrian soft loan policy

3.2.1 Services

If pure/predominant services shall be financed on concessional terms special criteria are used for assessment.

The service must be customized, clearly identifiable, shall not be consumed right after its performance and endure for a long time. The service must stand for itself and must not be a preparatory measure for a possible soft loan project which follows this service.

3.2.2 Market entry

Soft loans should be a "door-opener" into a new market with the expectation that in the foreseeable future soft loan projects will be followed by transactions financed on commercial terms. Soft loans will not be granted on a continual basis.

For the assessment of this criterion Austrian exporters have to submit a concept that explains how the new market will be opened up including a timeframe. Such a concept is only required for projects with a contract value above SDR 2 million.

3.2.3 Relevance in terms of economic policy

including technological spill over effects

In this context the product's/service's or the exporting firm's/producer's impact on other sectors of the Austrian economy is examined. The result of this study enters into the overall assessment of a soft loan application.

In the case of healthcare projects an intensified Austrian reference is needed:

- Special attention will be given to the actual Austrian added value,
- in an individual project the delivery of non-Austrian equipment must not exceed on a value basis the Austrian deliveries according to the regulation of the certificate of origin,
- as a matter of principle healthcare projects which encompass the delivery of equipment only and/or which shall be implemented in multiple locations will not be supported.

For projects with a contract value below SDR 2 million a simplified procedure is applied.

3.2.4 Sustainability of the project

Projects that benefit from Austrian soft loan terms and conditions should foster economic growth and consequently contribute to the sustainable development in the recipient country. Therefore aspects relevant to sustainable development are incorporated in the assessment of a product/project.

The evaluation of the sustainability of the project is made after delivery/implementation of a project. For projects with a contract value below SDR 2 million a final report is demanded.

Projects with a contract value above SDR 2 million require a monitoring procedure. Magnitude and intensity of the monitoring are set individually for each project.

Differences in procedures between projects with a contract value below/above SDR 2 million can be seen in the questionnaire.

4 Soft loan terms and conditions

The OECD Consensus requires soft loans to have a concessionality level of at least 35 %. Soft loans for "Least Developed Countries" according to the UN-Classification (LDC-countries) must show a grant element of at least 50 %.

Concerning soft loan eligible countries which are subject to the "Sustainable Lending Initiative" the grant element has to be furthermore in conformity with the requirements of the International Monetary Fund (IMF).

In order to reach the afore mentioned concessionality level, soft loan financing is calculated in the form of a **pre-mixed credit** (this is a loan with a low interest rate, a grace period and long repayment terms).

Please remember that the following terms and conditions are only for information purposes and can be changed at any time. There is no right to financing based on the following conditions. The terms and conditions have to be clarified on a case-by-case basis with OeKB's Credit Department in accordance with the soft loan assessment criteria.

4.1 Terms and conditions for soft loan eligible countries

valid from January 15th, 2012

4.1.1 According to OECD country risk category 3

pre-mixed credit	
100 % of the refinanced project value	
Terms of the contract:	18-year soft loan, 25 half-yearly instalments, the first being due after a 5.5-year grace period
Interest rate:	0.40 % p.a.
Concessionality level:	≥ 35 %
Guarantee charge:	0.70 % p.a.

5 Application procedure for soft loan financing

5.1 Contract award by means of bidding

As soon as an Austrian exporter intends to take part in bidding, he has to inform us at least 40 working days before the bid closing date. For this purpose a form has to be filled in and sent to the Credit Department of Oesterreichische Kontrollbank AG within this period. A so called "Zustimmungserklärung zur Notifikation" (declaration of consent for notification) has to be sent to the Credit Department at the same time. The appropriate guarantee and financing applications should be submitted without delay after the tender award, but in any case before signing the delivery contract.

In case of tenders with a bid period shorter than 40 working days, the exporter has to inform us of his participation within the first 5 working days of the bid period.

We should like to emphasise, that the Austrian exporter is not eligible for soft loan financing for the relevant export business if he fails to notify us of his participation or if he does not observe the deadline.

5.2 Contract award by means of direct negotiation

In case of direct negotiations, the Austrian exporter/commercial bank has to apply for a guarantee and soft loan financing at the beginning of the delivery contract negotiations, but in any case before signing the delivery contract. Otherwise no soft loan financing will be available for this project.

6 Program of the Federal Ministry of Finance for the purpose of supporting the identification and/or preparation of projects

by means of grants - in short "project preparatory program soft loan"

Within the framework of this program, project identification and/or project preparatory measures in connection with **soft loan eligible** exports can be supported by grants provided by the Federal Ministry of Finance. This program will be available for recipient countries in the OECD country risk categories 3-7 (in special cases OECD country risk category 2) and in those sectors, in which projects are basically eligible for Austrian soft loans.

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