

TÜRK EXIM BANK

TURKISH EXPORT CREDIT BANK INC.

THE COUNTRY BUYER'S CREDIT PROGRAM FOR THE TURKISH MACHINERY MANUFACTURING SECTOR THROUGH THE COOPERATION OF THE MACHINERY AND PARTS EXPORTERS UNION AND TURKISH EXIMBANK

Under the cooperation protocol between Turkish Eximbank and the Machinery and Parts Exporters Union, country buyer's credits are made available for Turkish machinery exporters in order to enhance their international competitiveness and to provide them with new financing possibilities.

OBJECTIVE:

The objective of the program is to support Turkish machinery exporters through medium- and long- term cash and non-cash credits.

SCOPE:

I- The Country Buyer's Credit Program is aimed mainly at North African and certain Central Asian countries as well as those countries which account for the large part of the foreign sales by the Turkish machinery manufacturing sector and have reliable banking systems, such as the EU member countries and the USA (groups 0 to 5 in the OECD country risk classification) (see pages 11 to 13). In this framework:

- a) Buyer's credit will be extended to direct buyers (importers) in the relevant countries under the guarantee of banks proposed by them and acceptable to Turkish Eximbank; or
- b) Possibilities of buying on credit may be created for buyers in the relevant countries by establishing credit lines for acceptable banks.

II- In those countries which are included in groups 6 and 7 in the OECD country risk classification, financing support is provided to buyers, on terms and through methods agreed with the country in question, under a state guarantee or by establishing credit lines for state banks or state organizations determined by intergovernmental protocols.

BORROWER

The borrower is either the buyer or the bank for which a credit line is established.

Where credit is extended directly to a buyer, the buyer must, as a condition of the credit agreement, provide a guarantee letter from a bank acceptable to Turkish Eximbank.

CONDITIONS:

Rate of credit financing and rate of local contribution

- The amount of credit is limited to 85 % of the goods to be shipped from Turkey.
- The payments for the portion of 15 % not financed by Turkish Eximbank will be made by the buyer in cash or in parallel to credit disbursements.
- The rate of local contribution for the goods to be exported from Turkey, as determined by the Machinery and Parts Exporters Union, must be 50 % as a minimum.

Term:

- Total of 3 years with a non-repayment period of 6 months to 1 year for transactions up to 250,000 Dollars
- Total of 4 years with a non-repayment period of 6 months to 1 year for transactions between 250,000 and 1,000,000 Dollars
- Total of 5 years with a non-repayment period of 6 months to 1 year for transactions greater than 1,000,000 Dollars

Interest and Risk Premium:

The rate of interest applicable to the borrower under the credit agreement will be 6 months Euribor / Libor + spread, and the rate of interest and the risk premium will be calculated in view of the term of the transaction, the OECD risk group of the relevant country and the riskiness of the guarantor bank.

Risk premiums will be deducted from payments made to the exporter pro rata during credit disbursements.

OFFICIAL APPLICATION:

The credit application will be made by the prospective borrower. In this framework, direct buyers or banks for which credit lines are established may officially apply.

In the event of a direct application by the buyer, the latter must indicate in the application preferably 3 banks from which guarantee letters can be provided.

Banks for which credit lines are established will make separate applications for every transaction, indicating the buyer, the seller and the goods subject to the transaction.

DOCUMENTS REQUIRED FROM THE EXPORTER:

Following the credit application by the buyer or bank in the relevant country to Turkish Eximbank, the exporter will submit:

- 1- A copy of the contract signed with the buyer;
- 2- Information concerning the machinery to be exported;
- 3- Reports issued by the Machinery and Parts Exporters Union documenting that the rate of local contribution for the goods to be exported is 50 % as a minimum; and
- 4- The necessary company information for the intelligence report.

ASSESSMENT OF APPLICATIONS:

Applications will be assessed in view of the Turkish Eximbank credit extension criteria and the OECD regulation.

In buyer applications, Turkish Eximbank will make a status inquiry on the buyer, examine the bank alternatives offered by the buyer, and notify the buyer of the acceptable bank/banks which may provide a guarantee.

The buyer will obtain a letter of intent from the acceptable bank preferred by the buyer to the effect that it can provide a guarantee for the transaction in question, and will communicate that letter to Turkish Eximbank.

If the buyer's application is found appropriate, a credit agreement will be signed with the buyer, and the agreement will stipulate receipt of the bank guarantee letter by Turkish Eximbank as a pre-condition for its entry into effect. The guarantee letter must state that the guarantor bank unconditionally guarantees to pay in cash and immediately upon Turkish Eximbank's demand all obligations of the buyer (borrower) to Turkish Eximbank under the credit agreement, including principal, interest etc.

Applications by banks will be assessed in the framework of the credit line agreements signed with them.

ENTRY INTO EFFECT OF THE CREDIT AGREEMENT AND PRINCIPLES OF IMPLEMENTATION:

The credit agreement signed with the buyer will enter into effect after the buyer provides the guarantee from the acceptable bank. At this stage, the exporter will sign the "Turkish Eximbank Principles of Implementation", which cover issues such as the exporter's conduct of the export transaction in accordance with the credit agreement, provision of the necessary documents to Turkish Eximbank at the specified times, payment of the risk premium, and closure of the export commitment.

In applications by banks for which a credit line is established, the above-mentioned principles of implementation will be signed with the exporter after the application is accepted.

OPENING OF THE LETTER OF CREDIT, SHIPMENT OF THE GOODS, AND DISBURSEMENT OF THE CREDIT:

After the credit agreement and the principles of implementation are signed, an irrevocable and non-transferable letter of credit will be opened by the buyer at the intermediary Turkish commercial bank preferred by the exporter and acceptable to Turkish Eximbank through the bank providing the guarantee.

When the conditions of the letter of credit are fulfilled after the shipment of the goods, the intermediary Turkish bank will make a request for credit disbursement, sending the customs declarations of the goods to Turkish Eximbank. If the documents are found appropriate, the credit disbursement will be made to the exporter's account, deducting the risk premium.

PRINCIPAL AND INTEREST PAYMENTS:

The principal and interest payments will be made by the borrower as specified in the credit agreement. Principal and interest will be paid in periods of 6 months. The principal repayments will begin at the end of the non-repayment period, during which interest payments will be due.

*Credit applications by firms that hold the TURQUM (Turkish Quality of Machinery) quality certificate will be given priority in assessment.

**TURKISH EXIMBANK has the right to modify the terms and conditions of the program.

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WORK FLOW CHART

OFFICIAL APPLICATION

It is made by the buyer or the bank for which a credit line is established. In the case of a direct application by the buyer, 3 banks from which a guarantee letter can be provided must be indicated.

SUBMISSION OF THE DOCUMENTS REQUIRED FROM THE EXPORTER

- I. Copy of the contract with the buyer
- II. Information concerning the machinery to be exported
- III. Report stating that the rate of local contribution for the goods to be exported is 50 % as a minimum.
- IV. Necessary company information for the intelligence report

ASSESSMENT OF APPLICATIONS

- I. A status inquiry on the buyer will be made.
- II. The alternative banks will be examined and the buyer notified of the bank(s) that can provide a guarantee.
- III. A letter of intent addressed to Turkish Eximbank will be received from the bank preferred by the buyer.
- IV. The credit agreement with the buyer will be signed. (In the case of bank applications, action will be taken under existing credit line agreements.)

ENTRY INTO EFFECT AND PRINCIPLES OF IMPLEMENTATION

The credit agreement will enter into effect after the bank guarantee letter is provided. Later, the exporter will sign the Turkish Eximbank Principles of Implementation. In the case of applications by banks for which a credit line is established, the implementation will enter into effect following the acceptance of the application.

OPENING OF THE LETTER OF CREDIT, SHIPMENT OF THE GOODS, AND DISBURSEMENT OF THE CREDIT

- I. The buyer will open a letter of credit at the intermediary bank selected by the exporter and acceptable to Turkish Eximbank through the bank providing the guarantee.
- II. The goods will be shipped.
- III. The intermediary Turkish bank will make a credit disbursement request to Turkish Eximbank.
- IV. If the documentation is found appropriate, the risk premium will be deducted.

PRINCIPAL AND INTEREST PAYMENTS

The principal and interest amounts will be paid in periods of 6 months. The principal repayments will begin at the end of the non-repayment period, during which interest payments will be due.

COUNTRY RISK GROUPS DETERMINED BY THE OECD

Afghanistan	7	Ecuador	7	Liberia	7	Saint Lucia	-
Albania	6	Egypt	4	Libya	6	Saint Vincent and the Grenadines	-
Algeria	3	El Salvador	4	Liechtenstein	-	Samoa	-
American Samoa	0	England	0	Lithuania	4	San Marino	-
Andorra	-	Equatorial Guinea	7	Luxemburg	0	Sao Tome and Principe	-
Angola	6	Eritrea	7	Macao	-	Saudi Arabia	2
Antigua and Barbuda	6	Estonia	4	Macedonia	5	Senegal	6
Argentina	7	Ethiopia	7	Madagascar	6	Serbia	6
Armenia	6	Faeroe Islands	-	Malawi	7	Seychelles	-
Aruba	-	Fiji	-	Malaysia	2	Sierra Leone	7
Australia	0	Finland	-	Maldives	7	Singapore	0
Austria	0	France	0	Mali	6	Slovakia	0
Azerbaijan	5	French Polynesia	-	Malta	0	Slovenia	0
Bahamas	3	Gabon	5	Man Islands	-	Solomon Islands	-
Bahrain	3	Gambia	7	Marshall Islands	-	Somalia	7
Bangladesh	6	Gaza	7	Mauritania	7	South Africa	3
Barbados	-	Georgia	6	Mauritius	3	South Korea	0
Belarus	7	Germany	0	Mayetta	-	Spain	0
Belgium	0	Ghana	6	Mexico	3	Sri Lanka	6
Belize	6	Greece	0	Micronesia	-	Sudan	7
Benin	6	Green Cape Islands	6	Moldova	7	Surinam	-
Bermuda	-	Greenland	0	Monaco	-	Swaziland	6
Bhutan	-	Grenada	0	Mongolia	6	Sweden	0
Bolivia	6	Guam	-	Montenegro	6	Switzerland	0
Bosnia-Herzegovina	7	Guatemala	5	Morocco	3	Syria	6
Botswana	3	Guinea	7	Mozambique	6	Taiwan	1
Brazil	3	Guinea Bissau	7	Myanmar	7	Tajikistan	7
Brunei	2	Guyana	-	Namibia	3	Tanzania	6
Bulgaria	4	Haiti	7	Nepal	7	Thailand	3
Burkina Faso	7	Honduras	6	Netherlands	0	Timor	-
Burundi	7	Hong Kong/China	1	New Caledonia	-	Togo	7
Cambodia	6	Hungary	0	New Zealand	0	Tonga	-
Cameroon	6	Iceland	0	Nicaragua	7	Trinidad and Tobago	2
Canada	0	India	3	Niger	7	Tunisia	3
Cayman Islands	-	Indonesia	4	Nigeria	5	Turkey	4
Central African Republic	7	Iran	6	North Korea	7	Turkmenistan	6
Chad	7	Iraq	7	North Marianna Islands	-	U. A. E.	3
Channel Islands	-	Ireland	0	Norway	0	Uganda	6
Chile	2	Israel	0	Oman	2	Ukraine	7
China	2	Italy	0	Pakistan	7	Uruguay	4
Colombia	4	Ivory Coast	7	Palau	-	U. S. A	0
Comoro Islands	-	Jamaica	6	Panama	3	Uzbekistan	6
Congo	7	Japan	0	Papua New Guinea	5	Vanuatu	-
Costa Rica	3	Jordan	5	Paraguay	5	Venezuela	7
Croatia	5	Kazakhstan	5	Peru	3	Vietnam	5
Cuba	7	Kenya	6	Philippines	4	Virgin Islands	-
Cyprus	0	Kiribati	-	Poland	2	Yemen	7
Czech Republic	0	Kosovo	-	Portugal	0	Zambia	6
Democratic Congo	7	Kuwait	2	Puerto Rico	-	Zimbabwe	7
Denmark	0	Kyrgyzstan	7	Qatar	2		
Djibouti	-	Laos	7	Romania	4		
Dominica	-	Latvia	5	Russia	4		
Dominican Republic	5	Lebanon	7	Rwanda	7		
Dutch Antilles	5	Lesotho	5	Saint Kitts and Nevis	-		

Source: www.oecd.org