



# OPIC Small Business Guide to Federal Programs for International Business

*In an effort to better assist small businesses in their search for government support when investing abroad, OPIC has compiled a list of some of the services - counseling, insurance, financing and matching - offered by U.S. government agencies. This information is only a summary of some of the programs offered, and is based upon the best information available as of March 1, 1999. OPIC urges small businesses interested in obtaining more information to contact the particular government agency or department directly. While every effort has been made to ensure the accuracy of the information provided, the information is subject to change without notice and cannot be guaranteed to be current.*

*OPIC is committed to helping America's small businesses grow through investments in emerging markets around the world.*

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*OPIC is a self-sustaining federal agency that sells investment services to small, medium and large American businesses expanding into some 140 developing nations and emerging markets around the world. Since 1971, OPIC has supported \$121 billion worth of investments that will generate \$58 billion in U.S. exports and create more than 237,000 American jobs.*

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Information via the Internet: [www.opic.gov](http://www.opic.gov)



## **I. Counseling Services**

### **U.S. Department of Commerce:**

#### **Trade Information Center (TIC)**

The Trade Information Center is the first stop for companies seeking export assistance from the government and comprehensive export counseling programs. TIC trade specialists: 1) advise exporters on how to find and use government programs; 2) guide businesses through the export process; 3) direct businesses to market research and trade leads; 4) provide information on overseas and domestic trade events and activities; and 5) supply sources of public and private export financing. The TIC trade specialists also inform callers on how to access reports and statistics from the computerized National Trade Data Bank (NTDB) and direct businesses to state and local trade organizations that provide additional assistance. Country information is also available on Western Europe, Asia, Western Hemisphere, Africa, and the Near East. [www.ita.doc.gov or call 1-800-USA-TRADE]

#### **The U.S. and Foreign Commercial Service (US&FCS)**

The mission of the U.S. and Foreign Commercial Service is to support U.S. firms (especially small- and medium-sized companies) in their efforts to increase exports. The U.S. and Foreign Commercial Service maintains a worldwide service delivery network with offices in 104 cities in the United States and 76 countries overseas. The global capabilities of US&FCS provide seamless service to U.S. firms interested in exporting, from basic market research to arranging meetings with potential foreign buyers.

#### **The Export Assistance Center Network**

The U.S. Department of Commerce, the U.S. Small Business Administration (SBA), the Export-Import Bank (ExIm), the U.S. Agency for International Development, and the U.S. Department of Agriculture have formed a unique partnership to establish U.S. Export Assistance Centers (USEACs). USEACs, which are located in major metropolitan areas throughout the United States, are one-stop shops that provide small- and medium-sized businesses with hands-on export marketing and trade finance support. In addition, there are Export Assistance Centers (EACs), which provide small- and medium- sized businesses with export promotion assistance. The Export Assistance Centers work closely with federal, state, local, public and private organizations to provide the highest level of service possible to help American businesses compete in the global marketplace. The Export Assistance Centers are responsible for providing in-depth, value-added counseling to U.S. firms seeking to expand their international activities, as

well as to companies that are just beginning to venture overseas. Export Assistance Center Trade Specialists: 1) identify the best markets for their products; 2) develop an effective market entry strategy based on information generated from overseas commercial offices; 3) facilitate the implementation of these strategies by advising clients on distribution channels, key factors to consider in pricing, and relevant trade shows and missions; and 4) provide direct assistance to trade finance programs available through the federal government, and access to state, and local public sources and private sector entities.

#### **The Advocacy Center**

The Advocacy Center's primary focus is supporting U.S. businesses bidding on projects where there is a foreign government or government-controlled entity that has decision-making influence over the project. [www.ita.doc.gov/advocacy or 1-202-482-3896]

#### **The Infrastructure Division**

The Infrastructure Division of the Department of Commerce coordinates government assistance and helps U.S. firms to compete for major infrastructure and industrial projects overseas. [202-482-4336]

#### **Multilateral Development Bank Operations (MDBO)**

The MDBO counsels U.S. firms about opportunities associated with funding by the World Bank, the Asian, African, and Inter-American Development Banks, and the European Bank for Reconstruction and Development; ensures project information is available on a timely basis; and organizes and develops outreach programs throughout the United States. The development banks assist in financing social and economic infrastructure and privatization projects in developing countries. The liaison officers in each of these institutions are dedicated to the identification of these projects at the earliest possible stage. They provide in-depth counseling to U.S. firms on bank opportunities and advocate on behalf of U.S. firms. [Contact ITA at 1-202-482-3399]

### **Small Business Administration (SBA):**

The SBA provides business development assistance to exporters, including trade counseling, training, legal assistance and publications.

#### **Counseling**

Counseling is available through SBA's resource partners: the Service Corps of Retired Executives (SCORE), the Small Business Development Centers (SBDCS) and Small Business Institutes (SBIs).

## **SCORE**

SCORE is an organization of nearly 13,000 retired and active executives who volunteer their time to provide management and technical assistance to small businesses. A SCORE counselor can also assist you in developing an international business plan. The local SBA office can match you with a SCORE volunteer experienced in exporting. [www.score.gov]

## **SBDCS**

Small Business Development Centers are located on college and university campuses, and provide a wide variety of information services at more than 900 locations nation-wide. SBDC services include, but are not limited to, financial guidance, marketing, production, organizational development, engineering and feasibility studies, and technical assistance. Some SBDCs have designated international trade centers; all SBDCs provide export counseling, referrals and/or training. [www.sba.gov.sbdc]

## **SBIS**

In conjunction with colleges and universities across the United States, the SBA has established over 500 Small Business Institutes. Under the supervision of instructors, upper-level undergraduate and graduate business students provide intensive management assistance to small businesses that need special help.

## **Legal Assistance**

Under the Export Legal Assistance Network (ELAN), your local SBA office can arrange a free initial consultation with an attorney to discuss international trade questions. This is possible through an agreement among the Federal Bar Association, the SBA and the U.S. Department of Commerce. Questions may include contract negotiation, agent/distributor agreements, export licensing requirements, credit collection procedures, documentation and much more. [Call 1-800-ASK-SBA for the address and phone number of an office near you or contact ELAN's National Coordinator at 202-778-3080.]

# **II. Insurance**

## **Export Credit Insurance**

### **Export-Import Bank(Ex-Im Bank) Insurance Programs:**

The Ex-Im Bank is an independent federal corporation which provides loans, guarantees and insurance programs to assist in export financing of U.S. goods and services. [Contact: 1-

800-565-EXIM. Internet address: <http://www.exim.gov>.]

### **Small Business Insurance Policy**

Ex-Im offers a short-term (up to 180 days) insurance policy geared to meet the particular credit requirements of smaller, less experienced exporters.

### **Umbrella Policy**

The Umbrella Policy enables state agencies, export trading and management companies, insurance brokers and similar entities to act as intermediaries (administrators) between Ex-Im Bank and smaller exporters to assist these exporters in obtaining export credit insurance.

### **Short-Term Single Buyer Policy**

For exporters who do not want to insure all of their short-term, foreign credit sales under a multi-buyer type of policy (which Ex-Im also offers), the single buyer policy is available to cover single or repetitive sales to one foreign buyer.

### **Medium-Term Insurance and Guarantee & Insurance Policy**

Medium-term insurance (up to five years repayment for export orders not in excess of \$10 million) and a Guarantee and Insurance Policy is available for exporters. To determine which program is most suitable for your company's needs, please contact Ex-Im at the numbers listed above.

## **Political Risk Insurance**

### **Overseas Private Investment Corporation (OPIC) Programs:**

#### **Small Business Insurance Contract**

#### **OPIC's Small Business Definition**

- ⊕ All companies, both service and industrial, with annual sales of less than \$250 million (taking into account the consolidated sales of the parent company)
- ⊕ Entities with no revenues per se, such as individual private investors or newly-formed companies, with net worth or stockholders' equity of less than \$67 million

The Small Business Contract is designed to provide simplified, streamlined, and comprehensive political risk insurance coverage to small businesses that invest equity or parent company debt in their overseas projects. The contract offers coverage for a term of up to 20 years for inconvertibility, expropriation, and political violence for assets and business income.

### **Contractors & Exporters**

OPIC's program for contractors and exporters insures against:

- ⊕ wrongful calling of bid, performance, or advance payment guaranties, customs bonds, and other guaranties;
- ⊕ loss of physical assets and bank accounts due to confiscation or political violence, and inconvertibility of proceeds from the sale of equipment used at the site; and
- ⊕ losses due to certain breaches by the foreign buyer of the contractual disputes resolution procedure.

This insurance can protect small businesses acting as contractors in international construction, sales, or service contracts, and exporters of heavy machinery, turbines, computers, medical equipment and other goods. Typically, coverage is issued when the company has a contract with a foreign government buyer, with a secure source of funding. For transactions covered by the contractors and exporters program, the term is generally equal to the duration of the underlying contract or agreement.

### **Loan Guaranty**

The purpose of this product is to provide coverage for small businesses providing loan guaranties to U.S. financial institutions that are lending to overseas subsidiaries or projects. All three coverages - inconvertibility, expropriation, and political violence - are offered for amounts paid out under the terms of the guaranty that cannot be recovered from the foreign enterprise due to covered political events.

### **Technical Assistance**

A small business may provide technology or services, e.g., a license of patented technology or the provision of consulting services, under a technical assistance contract to a foreign enterprise. Under the technical assistance contract, the small business will be paid by the foreign enterprise for services rendered. OPIC insurance can protect the insured against political risks - inconvertibility, expropriation, and political violence - that cause a disruption in the payment stream and result in the small business remaining unpaid by the foreign enterprise.

### **Other Insurance Products**

OPIC's other insurance products may also be used by small businesses. Go to OPIC's website at [www.opic.gov](http://www.opic.gov) for a full description of OPIC products or call 202-336-8400.

## **III. Financing**

### **Small Business Administration (SBA) Programs**

The SBA works with intermediaries, banks, and other lending institutions to provide loans and venture capital financing to small businesses unable to secure financing through normal lending channels. There are over 100 Small Business Development Centers across the country that provide training, counseling, research and other specialized assistance at nearly 1,000 locations nationwide. [Contact: SBA Answer Desk, 1-800-8-ASK-SBA. Internet address: <http://www.sba.gov>.]

### **Export Working Capital Program:**

The Export Working Capital Program (EWCP) helps small businesses obtain working capital to complete export sales. The EWCP can support single transactions or multiple export sales. Under this program, SBA can guarantee up to 90 percent or \$750,000, whichever is less, of a private-sector loan. Loan maturities are generally for 12 months; revolving credit lines may be renewed twice, up to a total of 36 months. [[www.sba.gov/financing](http://www.sba.gov/financing) or 1-800-827-5722]

### **Use of Proceeds:**

Guarantees can be extended for pre-shipment working capital, post-shipment exposure, or a combination of the two. A pre-shipment guaranty is used to finance the production or acquisition of goods and services for export. A post-shipment guaranty is used to finance receivables resulting from export sales.

### **Interest Rates**

Under the Export Working Capital Program, the maximum interest rates are negotiable between the applicant and the lender.

### **Preliminary Commitments**

Under the EWCP, you can apply directly to the SBA for a preliminary commitment for a guaranty. With SBA's preliminary commitment in hand, you can then convince your lender to extend the credit. The lender must apply to SBA for the final commitment.

## ***Regular Business Loan Program***

Under this program, the SBA can guarantee up to 90 percent of a bank loan or \$750,000, whichever is less.

### ***Use of Proceeds***

Small businesses that need money for fixed assets or term working capital may be eligible for the SBA's regular 7(a) Loan Guaranty Program. Loan guaranties for fixed-asset acquisition have a maximum maturity of 25 years. Guaranties for general purpose working capital loans have a maximum maturity of seven years.

### ***Eligibility***

To be eligible, the applicant's business generally must be operated for profit and fall within size standards set by SBA. Export trading companies (ETCS) and export management companies (EMCS) also may qualify for the SBA's business loan guarantee program. Ineligible borrowers include businesses engaged in speculation or investment in rental real estate.

## ***International Trade Loans***

The International Trade Loan Program provides long-term financing to help small businesses compete more effectively and to expand or develop export markets.

Under this program, SBA's guarantee can extend up to \$1.25 million. SBA's maximum share for facilities and equipment is \$1 million; the maximum share for working capital is \$750,000. Loan maturities cannot exceed 25 years, excluding the working capital portion of the loan.

### ***Use of Proceeds***

Proceeds may be used to purchase or upgrade facilities or equipment, and to make other improvements that will be used within the United States to produce goods or services,

No debt payment is allowed. Proceeds can be used to buy land and buildings; build new facilities; renovate, improve or expand existing facilities; and purchase or recondition machinery, equipment and fixtures. The working capital portion of the borrowing could be in the form of either an EWCP loan or a portion of the term loan.

## ***Eligibility***

Applicants must establish either of the following to meet eligibility requirements:

- ⊕ Loan proceeds will significantly expand existing export markets or develop new ones; or
- ⊕ The applicant's business is adversely affected by import competition.

## ***Small Business Investment Company Financing***

A Small Business Investment Company (SBIC), approved and licensed by the SBA, may provide equity capital or working capital exceeding the agency's \$750,000 statutory maximum. To be eligible for SBIC financing, at least half of the small business's assets and operations must be in the United States. Unlike the SBA, SBICs can invest in export trading companies in which banks have equity participation as long as other SBIC requirements are met.

## ***EXIM Bank Financing Programs***

### ***Working Capital Guarantee Program***

The Working Capital Guarantee Program helps small and medium-size businesses obtain critical pre-export financing from commercial lenders. Ex-Im Bank will guarantee 90 percent of the principal and interest on transaction-specific loans or revolving lines of credit that are extended to eligible exporters. The funds may be used for pre-export activities, which include the purchase of raw materials, labor, overhead, performance bonds, retainages, and warranties. Loan amounts of over \$833,333 are processed by Ex-Im Bank. Lower amounts go to the Small Business Administration (SBA). [www.exim.gov/ or 1-800-565-3946]

### ***Direct Loans and Guarantees***

This program extends direct loans to foreign buyers or guarantees to financing intermediaries for creditworthy entities who purchase U.S. capital goods or services. The loans and guarantees offered are for 85 percent of the U.S. export value. Direct loans provide competitive fixed-rate financing to the foreign buyer. The guarantee coverage provides protection to the finance source against payment default for either political or commercial reasons. Interest rates for the guarantees are negotiated between the finance source and the seller and are typically floating rates. Political only guarantee coverage is available. In addition, Ex-Im Bank is willing to provide support for a broad range of environmental exports. There are specialized transaction structures for certain lease transactions, industrial design, architectural or engineering services, and overseas operations and maintenance contracts.

### ***Limited Recourse Project Finance Program***

The Limited Recourse Project Finance Program provides financing for projects that are dependent on the cash flows of the project for repayment, not on recourse to a foreign government, financial institution or established corporation. Combinations of direct loans, political risk only coverage, or comprehensive guarantees for commercial bank loans are available. While traditionally Ex-Im Bank limited its construction period coverage to Political Risk Only guarantees, pre-completion comprehensive coverage is now available for select projects. Ex-Im Bank offerings include: financing up to 85 percent of the U.S. export value, financing of interest during construction, financing of host country local costs of up to 15 percent of the U.S. contract value and up to the maximum repayment terms consistent with OECD guidelines.

## ***U.S. Department of Agriculture***

### ***Facility Guarantee Program***

The Facility Guarantee Program provides credit guarantees for the sale of manufactured goods and services to enhance and establish agribusiness-related facilities overseas that primarily handle, store, distribute or process U.S. agricultural products and commodities. The FGP assists importers in acquiring needed manufactured goods and services while protecting exporters from most of the risk of nonpayment by the foreign bank. [www.fas.usda.gov or 1-202-720-3241]

## ***OPIC Finance Programs***

OPIC provides financing through direct loans and loan guaranties that provide medium- to long-term funding to ventures involving significant equity and/or management participation by U.S. businesses.

OPIC can provide financing on a project finance or a corporate finance basis. Rather than relying on sovereign or sponsor guaranties, project financing looks for repayment from the cash flows generated by projects. Therefore, OPIC carefully analyzes the economic, technical, marketing and financial soundness of each project. There must be an adequate cash flow to pay all operational costs, service all debt, and provide the owners or sponsors with an adequate return on their investments. To the extent that such project financing is appropriate, sponsors need not pledge their own general credit beyond the required completion undertakings. Corporate finance looks to the credit of an existing corporate entity other than the project company to support debt repayment.

OPIC can provide medium- and long-term financing in

countries where conventional financial institutions often are reluctant or unable to lend on such a basis. Since its programs support private sector investments in financially viable projects, OPIC does not offer concessionary terms usually associated with government-to-government lending, nor does it typically offer financing of export sales unrelated to long-term investments in overseas business. OPIC will not finance projects that can secure adequate financing from commercial sources.

Financing Techniques: OPIC provides loan guaranties, which are typically used for larger projects, and direct loans, which are reserved for projects involving U.S. small businesses and cooperatives. OPIC can normally guarantee or lend up to \$200 million per project. The standard minimum loan size has been reduced for small businesses from \$2 million to only \$250,000.

### ***Other Finance Products***

OPIC's other finance products may also be used by small businesses. Go to OPIC's website at [www.opic.gov](http://www.opic.gov) for a full description of OPIC products or call 202-336-8400.

### ***OPIC Funds***

Allied Capital Small Business Fund: This OPIC supported fund provides financing of between \$3-5 million for small businesses. The Fund is primarily interested in companies that can generate between \$20-200 million in sales per year, and seeks to support small businesses which have a local investor or expertise in the sector in which the company is operating. Contact Rick Fearon at 202-331-1112.

## ***IV. Grants***

### ***U.S. Trade and Development Agency***

The U.S. Trade and Development Agency (TDA) funds feasibility studies, orientation visits, specialized training grants, business workshops, and various forms of technical assistance. TDA enables American businesses to compete for major infrastructure projects in mid-income and developing countries. To qualify for TDA funds, the proposed project must have export potential, identified financing resources, foreign competition, and serve as a development priority for the host government. [Contact: TDA Information Resource Center, (703) 875-4357; fax (703) 875-4009. Internet address: <http://www.tda.gov>.]

### ***Feasibility Studies***

A primary activity of TDA is the grant funding of feasibility studies and other project planning activities for major projects in developing and middle-income countries. The studies are conducted by U.S. private sector firms and represent a wide range of host government high priority sectors, including: energy, transportation, telecommunications, information technology, manufacturing, minerals development, and the environment. Feasibility studies assess the economic, financial, and technical viability of a potential project. Applications for feasibility studies are accepted with host country endorsement.

### ***Technical Assistance Grants***

The agency funds activities designed to bring U.S. technical assistance to bear on a variety of projects.

### ***Definitional Missions (DM)***

After receiving a request to fund a major study for a new project, the agency hires a technically qualified U.S. consultant to visit the country and discuss the plan with the project sponsors. In addition to making recommendations as to whether the project should be funded, the definitional missions consultant works with the project sponsor to define the work program for the proposed feasibility study.

### ***Trust Funds for U.S. Firms at the Multilateral Development Banks***

The U.S. Trade and Development Agency maintains trust funds at five multilateral development banks (MDBs): the World Bank, the International Finance Corporation, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and its private sector arm, the Inter-American Investment Corporation. These funds can be used for technical assistance and for feasibility studies. Most are known as Evergreen Funds. TDA maintains a minimum balance that is readily available to fund project opportunities for U.S. firms or to help U.S. businesses take advantage of time-sensitive projects. Since MDBs finance many of the capital projects in the developing world, TDA's close relationship with them is advantageous for the U.S. business community. In addition to the valuable project information gained through the MDBs, which TDA passes on to American firms, working with bank projects ensures that a potential funding source has been identified -a plus toward successful implementation. [Contact ITA at 1-202-782-3399 or TDA at 1-202-875-4357]

### ***Training Grants***

TDA has authority to offer training grants in support of short-listed companies on a transaction-specific basis. These grants frequently enable a company to cover the cost of training local personnel on the installation, operation, and maintenance of equipment specific to its bid proposal.

## ***V. Business Matching Systems***

### **Department of Commerce**

Export Finance Matchmaker: The Export Finance Matchmaker is designed to match over the internet U.S. exporters with sources of export financing or risk mitigation. Matching will be done by comparing information collected from the exporter to corresponding offerings of the export finance/risk mitigation firms. [www.ita.doc.gov or 1-202-482-3050]

### **Agency for International Development**

Global Technology Network: GTN is a trade lead/business matching program that facilitates the transfer of U.S. technology and services to address global development problems. This is accomplished by matching a country's development needs with U.S. firms equipped to provide the appropriate technological solutions. GTN focuses on the following sectors: agricultural technology, communications and information technology, environment and energy technology, and health technology. [www.info.usaid.gov or 1-202-663-2660]