Financial Support for Internationalization in African Countries

20th January 2011

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Traditionally weak bilateral economic relations with Sub-Saharan Africa:

- Low trade level: 1.5% of Spain’s total exports and 3.1% of total imports (of which 40% oil from Nigeria) in 2009
- Very low investment level: 0.3% of Spain’s total FDI abroad, concentrated in South Africa and Namibia.
Spain’s Internationalization Policy

Structure

SE for Foreign Trade

DG TRADE & INVESTMENT

CONVENTIONAL Trade Policy

BILATERAL Trade Policy

OCDE OECD

ICEX

Sectoral promotion & information

INVEST IN SPAIN

Official Capital-Risk

Official Insurance

Investment attraction

WTO OMC

Official Risk

Capital

OECD

Cofides

Cesce
Spain’s Financial Support for Internationalization

1. Export credit with official support
   - Goods & services (loans): FIEM
   - Technical assistance (grants): FEV (FIEM)

2. Subsidies for internationalization costs
   - Projects: FAIP, FC
   - Setup: PIEX, Marcas, Imagen-modamoda...
   - Investment: PAPI, ICEX-CDTI, PROSPINVER, PDINVER
   - Managed Lines: ICO-Internacionalización, APEX (ICEX)
   - Direct Lines: GINVEX, PROINVEX, CAF

3. Official capital-risk
   - Funds: FIEX, FONPYME
   - Lines: FINSER, FINTUR, FINCARBONO
   - Country Lines: AFRICA

4. Trade & Investment Insurance with Official support
   - Insurance policies <2 years
   - Insurance policies >2 years
   - Interest rate insurance: CARI

5. Technical Assistance
   - En licitaciones
Spain’s Financial Support for Internationalization

Export credit with official support

- **FIEM**: Export credit G2G with or without grant element
  - Target: no project loss for lack of funds
  - Supplier: Spanish company
  - Client: Normally public entity normally with Sovereign Guarantee
  - Financer: Government of Spain, via ICO (pagador)
  - Debtor: Recipient government (if concessional loans, only < 3.075 USD)
  - If Concessional loans (only eligible non-HIPC countries in non-commercially viable projects): long repayment and low interest rates (implicit grant element): Minimum Grant Element (GE):
    - >35% in general
    - >50% for LDCs
    - 100% for HIPC

- **Awarding**:
  - International tender with financial support only for Spanish companies
  - International tender with financial support for any company (LDC & HIPC)
  - Limited tender for Spanish companies
Spain’s Financial Support for Internationalization

Export credit with official support

Tied Aid loans (MIC)
Untied Aid loans (LDC)
Grant only (HIPC)
Commercial only

LDC
HIPC
Spain’s Financial Support for Internationalization

Project Debt Swaps

Debt Swaps Programs

- **MAURITANIA**
  - 0,4 M€ (1)
  - 8,1 M€ (1)

- **BURKINA FASO**
  - 2,2 M€ (1)

- **CAMERÚN**
  - 8,5 M€ (1)

- **GHANA**
  - 12,1 M€

- **UGANDA**
  - 4,8 M€ (1)
  - 6,9 M€

- **TANZANIA**
  - 4,3 M€
  - 3,0 M€

- **MOZAMBIQUE**
  - 4,7 M€

40% of amounts put in Countervalue Funds

Programs

- Program Africa Plan 2005
  - 21,0 M€

- Program Debt Act 2007
  - 61,4 M€

(1) Signed
Spain’s Financial Support for Internationalization
Technical assistance for recipient countries

- **FEV**: Grant for Feasibility Studies or sectoral reforms
  - Target: no project lost for lack of prior feasibility study. A subsequent project is required, with enough funds to be carried out
  - Provider: Spanish consultancy company
  - Client: Public entity
  - Donor: Governement of Spain, through ICO (payer)
  - Grant: Payment done for Spanish company at beneficiary’s request
  - Awarding:
    - Restricted tender between Spanish companies
    - Internacional tender if Spanish awardee
    - Direct awarding (exceptional)
  - Studies to be financed: Infrastructure: water, alternative energies, technology…
Spain’s Financial Support for Internationalization

Subsidies for Internationalization costs

- Productive investment costs
- Subsidiary or joint-venture creation costs
- Investment prospection costs
- Tender preparation costs
Spain’s Financial Support for Internationalization

Official Risk capital

- **Funds**
  - **Funds of COFIDES.** Temporary participation in equity (<30% equity), quasi-capital or long-term loans 0.25 to 3 M€
  - **Funds managed by COFIDES (FIEX & FONPYME)** Temporary participation in equity (<40% equity), quasi-capital or long-term loans (<50% equity) 0.25 to 25 M€

- **Country-Specific Lines**
  - **Líneas** Sub-Saharan Africa, China, Morocco, Mexico, Brazil... Better conditions
  - **Línea EFP** (European Financing Partners), with BEI + IFIs investment in ACP countries, 1-25 M€ hasta 50% proyecto

- **Sector-Specific Lines**
  - Tourism (FINTUR), Environment (FINAM), Services (FINSER), CERs (FINCARBONO), Branding (FINBRAND), Franchises (FINFRANQUICIA)
Spain’s Financial Support for Internationalization

Official ECA

❖ **Short-Term policies (< 2 years)**
  ❖ Póliza Master
  ❖ Póliza Individual de Crédito Suministrador/Documentario
  ❖ Póliza Abierta de Créditos Documentarios

❖ **Middle to Long-Term Policies (>2 years)**
  ❖ Póliza de Crédito Comprador
  ❖ Póliza Individual de Crédito Suministrador
  ❖ Póliza de Seguro de Obras y Trabajos en el Exterior
  ❖ Seguro a Fiadores/Exportadores por Riesgo de Ejecución de Fianzas
  ❖ Póliza de Garantías Bancarias
  ❖ Póliza de Seguro de Operaciones de Compensación
  ❖ Seguro de Operaciones de Project-Finance
  ❖ Póliza de Seguro de Inversiones en el Exterior

❖ **Interest Reciprocal Adjustment (CARI)**
Spain’s Institutional support for Internationalization

Bilateral legal framework
Investment Promotion and Protection
Reciprocal Agreements (APPRI)

Double-Taxation Agreements (CDI)

Ministry of Finance

GOBIERNO DE ESPAÑA

Spanish company in Country X

Company of Country X in Spain

Government of Country X

Spanish company in Country X

Ministerio de Industria, Turismo y Comercio

Secretaría de Estado de Comercio Exterior
Spain’s Institutional support for Internationalization

Bilateral legal framework

Investment Promotion and Protection Reciprocal Agreements (APPRIs)
Spain’s Institutional support for Internationalization
Economic & Commercial Offices Network
European Development Fund (EDF)

ACP and OCT countries

10th EDF (2008-2013): Revised Cotonou Agreement. EUR 22,680 M

ACP countries: EUR 17,766 M to the national and regional indicative programmes, EUR 2,700 M to intra-ACP and intra-regional cooperation and EUR 1,500 M to Investment Facilities.

Increased share devoted to regional programmes (regional economic integration)

“Incentive amounts” for each country (extra resources for good governance, in particular, management of their financial, tax and legal systems).

EU-Africa Infrastructure Trust Fund

Within EU-Africa Infrastructure Partnership

Interest subsidies for multi-country commercial private infrastructure projects and feasibility studies
Multilateral Financial Support for Internationalization: MFI

World Bank

- In 2010, $11.5 billion in new project lending in Africa, $1.1 billion in grants, and 90 analytical studies.

African Development Bank

- In 2009 181 operations totaling UA 8.06 billion (UA=1.55733 $ = 1.10125 Euro) of which: Loans UA 6.62 billion (64 operations), Grants UA 888.0 million (77 operations), HIPC UA 372.6 million (7 operations), Guarantees UA 11.6 million (2 operations), Equity Participation UA 142.5 million (13 operations), Loan Reallocation UA 4.5 million (1 operation), Special Funds* UA 27.8 million (17 operations)
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