

Guidance for Loan Officers

Guidance for loan officers in filling out additionality checklist

This document is intended to serve as a guide for when it is appropriate for loan officers to check certain boxes of the new additionality checklist (see Appendix A). The checklist is a guide to the factors used to determine if, and on what grounds, a transaction qualifies as additional. It provides both definitions of various categories, as well as potential supporting evidence. All supporting evidence should be described in the board/decision memo as well. The potential evidence listed in this guide should not be considered exhaustive. Loan officers should check ALL boxes that apply, regardless of whether one category already has been deemed to apply (e.g., even if Category I applies, Category II (and III) should be reviewed and completed as well).

Category I: To meet competition from foreign, officially-sponsored, export credit agency(ies).

At a minimum, for each major product in the sale, needs to establish that qualified foreign technical competition (specifically identified) is readily available and known to buyer, **and** that the ECA of any competitor would likely be readily available, **and** that commercial financing would not be available at rates and terms that make the U.S. export competitive. ECA support being a documented (as described below) pre-requisite for bidding can offset the availability of commercial financing and/or a lack of evidence of foreign financing competition; however, some degree of confirmation of foreign technical competition must still exist.

- (a) **Existence of Foreign Technical Competition:** To establish that there is a foreign alternative to the U.S. export that would reasonably be considered technically capable of replacing the U.S. export.

Potential Evidence: Written evidence, preferably directly from the exporter/applicant/buyer. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

Note: There does not need to be a formal bid process; the foreign alternative being readily available, technically qualified, and known to the buyer is enough.

- (b) **Commercial financing which makes the U.S. export competitive is not available:** To establish that commercial financing is not available at rates or terms that make the U.S. export competitive.

Potential Evidence: Written evidence, preferably (*but not limited to*) directly from the exporter/applicant/buyer, that commercial financing was unavailable at rates or terms that make the U.S. export competitive. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context, and timing of oral confirmation.

- (c) **Competition from OECD-compliant official ECA financing:** To establish that the U.S. export faces competition from a foreign competitor backed by an ECA subject to and following the OECD arrangement.

Potential Evidence: Written evidence, preferably directly from the exporter/applicant/buyer, or through specific, third-party confirmation. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

- (d) **Government financing support that does not follow OECD arrangement terms:** To establish that the U.S. export faces competition from a foreign competitor backed by either an ECA not subject to arrangement, or by an ECA providing financing not covered by the arrangement.

Potential Evidence: Written evidence (.e.g., bid), preferably directly from the exporter/applicant/buyer, or through specific, third-party confirmation. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

- (e) **China Competition:** the U.S. exporter faces competition from China

Potential Evidence: Written evidence, (e.g., bid) preferably directly from the exporter/applicant/buyer. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

- (f) **Attempting to Influence Supply Chain:** When the U.S. exporter is offered support by a foreign government financing entity on the basis of sourcing more of supply chain from the foreign country in future transactions. In this case the U.S. export would still go forward but supply chain products are put at risk.

Potential Evidence: Confirmation of credible foreign ECA to support (either available generally, or actual offer), or quid pro quo evidence (ideal evidence).

- (g) **ECA Support if documented (as described below) pre-requisite for bidding:** To establish that the foreign sponsor/buyer requires availability of ECA financing to even bid on project.

Potential Evidence: Written evidence, (e.g., RFP) preferably directly from the exporter/applicant/buyer. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

Category II: Structural or Risk Constraints: Is commercial financing unavailable due to regulatory or other constraints

- (a) **Bank regulatory requirements constrained one or more elements of commercial financing:** Post-financial crisis regulations generally preclude commercial financing on terms appropriate to financing need of transaction.

Potential evidence: Evidence is showing gap between terms exporter/buyer says is needed, and the terms (tenor/rate/amount) offered by commercial financing. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

The key is establishing that commercial financing is not available on terms needed and demonstrating impact of offered commercial terms on project viability.

- (b) **Commercial Financing is unavailable due to one more “non-regulatory” risks, or a combination thereof:** While there is no specific regulatory driving factor, suitable commercial financing is unavailable from the private sector. Such factors could be country/political risk, credit/repayment term risk, or the fundamental nature of the transaction.

Potential evidence: Identify non-regulatory factors, and explain why commercial financing is unavailable. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

The key to either is establishing why risk is beyond commercial financing, but not too risky for an ECA (best way is connecting constraint to non-commercial considerations).

Category III: Other/Not-identified

The category other reasons could justify the additionality of EXIM’s support. Note that these reasons should normally only be used to supplement categories I & II.

- (a) **EXIM Bank support will attract private sector capital:** A small amount of EXIM bank support will attract other private capital that will allow a project/export to go forward, via EXIM’s “halo” effect.

Potential Evidence: Applicant certifies that EXIM support is needed. Statements from private sector that they get comfort from EXIM participation. Evidence that the private capital would withdraw in the absence of EXIM’s financing. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

- (b) **Foreign Buyer Seeks Diversification of funding, including dedicated allocation of funding from ECAs:** the foreign buyer has typically high capital expenditure each year, and includes ECAs in the sourcing mix.

Potential evidence: Buyer has verified existing lines/relationships with other ECAs. Buyers use of ECA lines rises when credit conditions tighten. Oral evidence is acceptable only if documented in the form of a memorandum by the loan officer identifying the source, context and timing of oral confirmation.

- (c) **Reason the purpose is not identified:** This language comes directly from the Charter. It is unlikely to ever be checked, as it will never be appropriate to do a transaction without an identified reason.

Additionality Checklist

Guidance for Establishing Additionality

The following are possible justifications for EXIM Bank support being additional. More than one reason may apply to a transaction; **check all reasons that apply, regardless of whether one Category has already been checked.** This checklist is a guide to what factors are considered in establishing whether a transaction is additional, and on what grounds. A detailed explanation of the reason(s) for EXIM Bank support for the transaction is contained in the body of the board/decision memo.

Main Purpose Guidance:

For the purposes of categorizing the transaction in APS, if any box in category I (competition) is checked, foreign competition is the main purpose. In category II, regulatory (meaning structural) reasons take precedence over non-regulatory reasons if multiple boxes are checked.

Category I: To meet competition from foreign, officially sponsored, export credit agency(ies).

- (a) The exporter faced, is facing, or expects to face competition from one or more foreign companies from an OECD country, **and**
- (b) Commercial financing is not available at rates and terms that make the U.S. exporter competitive (this must be documented, to the extent practicable as described in the Guidelines), **and**
- (c) The foreign competitor(s) was, is, or expects to be supported by OECD-compliant financing from their official export credit agency(ies).
Competing ECA(s):

- (d) The exporter faced, is facing, or expects to face competition from one or more foreign companies with government financing support that does not follow OECD Arrangement terms.
Competing Government(s)/agency(ies):

- (e) The exporter faced, is facing, or expects to face competition from China.
Competing Chinese Company(ies)/agency(ies):

- (f) One or more foreign ECAs is pursuing a similar transaction in an attempt to influence the current and future supply chain for components in the final exported item, and that such influence is credible (see Guidelines).
Competing ECA(s):

- (g)* ECA support is a documented (as described in the Guidelines) pre-requisite for bidding on a project/contract.

Notes:

- Even if Category I applies, please proceed to Category II (and III) and check all that apply.
- ECA support being a documented pre-requisite for bidding, reason g marked with an *, can offset the availability of commercial financing (reason b) and/or lack of evidence of foreign financing competition (reasons c and d).

Category II: Structural or Risk Constraints: Is commercial financing unavailable due to regulatory or other constraints?

- (a) Bank regulatory requirements constrained one or more elements of commercial financing to the extent that the resulting financing was inadequate or insufficient to facilitate the export sale.

What was the term/rate/structure of commercial financing offered:

- (b) Commercial financing is unavailable due to one or more “non-regulatory” risks, or a combination thereof, and/or other considerations, as identified below.

- (1) Country / Political Risk
- (2) Credit / Repayment Term
- (3) Nature of transaction (e.g., nuclear)
- (4) Small business exporter
- (5) Other:
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If the private sector has expressed a willingness to match the same terms as those offered by EXIM (i.e., no Category II constraints apply), then go to Category III to document reason(s) why EXIM is proceeding.

Category III: Other/Not-Identified. Other reasons that could justify EXIM support. Note that these reasons should normally be used only to supplement the reasons in Categories I and II. In rare circumstances, with strong support, they may be acceptable on their own¹.

- (a) EXIM Bank support for, and participation in, this transaction or project will attract private sector capital to finance the remainder of the same transaction or project.
- (b) The foreign buyer seeks diversification of funding, including dedicated allocation of funding from ECAs.
- (c) Reason the purpose is not identified: _____

¹ Any transaction processed solely on the basis of category III will have further explanation in the annual additionality report.