

Local Cost Disbursements Loans and Guarantees

Credit Administration
Office of Board Authorized Finance



Reducing Risk. Unleashing Opportunity.

Local Costs: Definition and Examples



What are local goods and services?

- Goods manufactured or produced in host country (buyer's or end-user's country)
 - Examples: concrete, pipe, materials
- Local labor and services provided by a locally registered business entity in the host country
 - Examples: installation, surveying, construction, engineering, in-country freight costs
 - Note: U.S. labor employed by local company is not considered eligible local costs
- Import/customs duties, value-added taxes (VAT), other local taxes
- Approved by EXIM

Local Costs: EXIM Support



What amount of local costs will EXIM support?

- Up to 30% of the Net Contract Price of all approved U.S. exporters' supply contracts in the transaction
 - Net Contract Price is the sum of U.S. goods and services and eligible foreign content shipped from the U.S.
 - Net Contract Price does not include Excluded Goods and Services and Local Costs
- Local costs must meet availability and eligibility criteria and be approved by EXIM

Local Costs: Availability Criteria



Standard Medium-Term Loan and Guarantee Transactions:

- U.S. exporter must prove:
 - The availability of official export credit support for the local costs
or
 - Private market financing for local costs is difficult to obtain
 - Availability determined by EXIM at time of application

Above availability criteria do not apply to the following categories of medium-term transactions:

- Special Initiative Programs:
 - Environmental exports
 - Medical exports
 - Transportation Security Exports Program
- Project finance transactions
- Engineering multiplier program

Local Costs: Availability Criteria (continued)



Long-term Loan and Guarantee Transactions:

- Automatic local cost support
- No availability criteria applicable

Local Costs: Eligibility



For medium-term loan and guarantee transactions (except as noted), eligible local costs must be:

- Functionally connected to U.S. exporter's scope of work (except for medium-term project finance transactions)
- Originated/manufactured in the host country
- Services must be provided by a locally registered business entity in the host country
- Certified to by U.S. exporter in Exporter's Certificate (except for medium-term project finance transactions)
- Approved by EXIM (e.g. listed in EXIM credit approval)

Local Costs: Eligibility (continued)



For long-term loan and guarantee transactions and medium-term project finance transactions, local costs must be:

- Beneficial to the project
- Originated/manufactured in the host country
- Services must be provided by a locally registered business entity located in the host country
- Certified to by the Borrower that the local cost support was not used to cover products that could reasonably be purchased in the U.S.
- Approved by EXIM (e.g. listed on Acquisition List, EXIM credit approval, etc.)

Local Costs: Disbursement Documents



The following disbursement documents are required for local cost disbursements:

- Invoice from approved Local Cost Provider for approved local cost goods and services
 - Evidence of payment of invoice
 - Examples: Payment letter, commercial bank advice of payment, cancelled check, etc.
 - For all medium-term transactions (except for medium-term project finance), Exporter's Certificate signed by U.S. exporter
 - Anti-lobbying Certificate signed by Local Cost Provider (direct loans only)
- NOTE: The term "Local Cost Provider" refers to either the U.S. exporter or local business entity depending on the sales contract between the buyer and seller. For example, if the U.S. exporter provides local cost goods and services under its supply contract with a foreign buyer and invoices the foreign buyer, the U.S. exporter is the Local Cost Provider. EXIM will identify the approved Local Cost Provider.



Local Costs Disbursements: Medium- and Certain Long-term Guarantees under the Electronic Compliance Program



- Local costs may be disbursed by lender at any time once the transaction becomes operative
- Types of disbursement methods:
 - Reimbursement to borrower for paid local cost invoices
 - Letter of credit payment to Local Cost Provider for local cost invoices
 - Direct disbursement by lender to Local Cost Provider for local cost invoices
- Invoices in local currency are converted to USD using reasonable and customary exchange rate up to 5 business days prior to disbursement date
- No cash payment requirement for local costs
- The lender certifies that the disbursement documents are in compliance as part of the electronic request for disbursement approval
- Refer to Medium-term Master Guarantee Agreement, Annex C, for details:
<https://www.exim.gov/sites/default/files//forms/mtmgaannexes.pdf>

Local Costs Disbursements: Loans and L/T Guarantees



- Local costs may be disbursed at any time once the transaction becomes operative
- Types of disbursement methods:
 - Reimbursement to Borrower for paid local cost invoices (most common method)
 - Invoices in local currency are converted to US\$ by Borrower up to 5 days prior to date of reimbursement request
 - Exchange rate referenced in Credit Agreement (usually www.oanda.com)
 - Letter of Credit may be used in limited situations for both U.S. and local cost goods and services
 - U.S. exporter must be beneficiary of letter of credit
 - Invoices must be in US\$
 - Letter of credit must be issued, confirmed, or advised by U.S. commercial bank
 - Letter of credit must be pre-approved by EXIM
- Borrower requests contain required local cost certifications
- No cash payment requirement for local costs



Local Costs: Additional Information



Refer to www.exim.gov for:

- EXIM Local Cost Policy: <https://www.exim.gov/policies/local-cost>
- Credit Administration and Disbursements: <https://www.exim.gov/tools-for-exporters/credit-administration-and-operations>