

# Global Trade Finance Program





# The IFC Difference



IFC, a member of the World Bank Group, focuses on the private sector to promote growth, reduce poverty, and improve people's lives in developing countries. IFC is the world's largest multilateral financier for companies that do business in emerging markets. We finance and advise clients to support profitable and sustainable business development in these markets.

Established more than 50 years ago and owned by 182 shareholder countries, IFC has unparalleled experience in helping private companies succeed in emerging markets worldwide—we are **global**.

We are also **local**—with offices in more than 80 countries and active programs in many others.

We can work with clients **anywhere** in the developing world. Behind every IFC venture is a strong network that links people, institutions, ideas and capital. We are your connection to success in the emerging marketplace.

In fiscal year 2010, IFC committed \$12.7 billion and mobilized an additional \$5.4 billion through syndications and structured finance for 528 investments in 103 developing countries. Our Advisory Services portfolio comprised 736 active projects valued at more than \$850 million. Countries served by the International Development Association, or IDA, accounted for nearly half our investments—255 projects totaling \$4.9 billion—and more than 60 percent of our Advisory Services expenditures.

## IFC: Key Facts

**Credit Rating:** Triple-A (Moody's, Standard & Poor's)

**Portfolio:** \$48.8 billion, representing 1,656 investments in 120 countries (as of June 30, 2010)

**Total Staff:** Approximately 3,300 (50 percent of whom are based outside of Washington, D.C.)

**Investments Committed in FY10:** 528 in 103 countries

**Industry Coverage:**

- Global financial markets; private equity and investment funds
- Global manufacturing and services; agribusiness; health and education
- Infrastructure; information and communication technologies; oil, gas, mining and chemicals; sub-national finance

**Our Vision** is that people should have the opportunity to escape poverty and improve their lives.

**Our Core Corporate Values** are

- Excellence
- Commitment
- Integrity
- Teamwork

**Our Purpose** is to create opportunity for people to escape poverty by

- Promoting open and competitive markets in developing countries
- Supporting companies and other private sector partners where there is a gap
- Helping to generate productive jobs and deliver essential services to the underserved
- Catalyzing and mobilizing other sources of finance for private enterprise development

# About the GTFP

## THE GLOBAL TRADE FINANCE PROGRAM

IFC Global Trade Finance Program (GTFP) guarantees the trade-related payment obligations of approved financial institutions in emerging markets (Issuing Banks) across all regions of the world. Through the GTFP bank network, local financial institutions can establish working partnerships with a vast number of major international and regional banks (Confirming Banks) in the program, thus broadening access to finance. By tapping the risk mitigation provided by the GTFP, international trade finance providers can enhance their global reach confidently, gain familiarity in new markets, and build relationships with quality counterparty banks in growth markets around the world.

The GTFP extends and complements the capacity of banks to deliver trade finance by providing risk mitigation on a per-transaction basis in challenging markets where trade lines may be limited. The program gives priority support to trade flows that promote critical sectors such as agriculture and energy efficiency, while maintaining strategic focus on SME importers and exporters, trade between emerging markets, particularly trade with IDA countries (the poorest developing markets as classified by the World Bank). With its global mandate, dedicated trade specialists, and over 400 banks already in the GTFP, participants can finance their imports and exports conveniently by accessing a program that links them to an extensive network of bank partners worldwide. Please refer to [ifc.org/gtfp](https://ifc.org/gtfp) for updated country and bank coverage.

### What are the Business Benefits?

GTFP delivers global reach and maximum flexibility to assist trade finance deals by:

- Linking banks to a global network of partnerships
- Covering up to 100 percent of transaction value
- Offering market-driven pricing
- Delivering 24-48 hour-turn-around
- Providing tenors of up to three years to support capital goods imports

### How Does a Bank Participate?

1. Contact the GTFP Team to discuss needs and eligibility criteria
2. Sign the master documentation
3. Consult with the GTFP team for a guarantee fee quote for a specific trade
4. There are no up-front fees or commitment fees associated with joining the GTFP

### What are the Advantages for Confirming Banks?

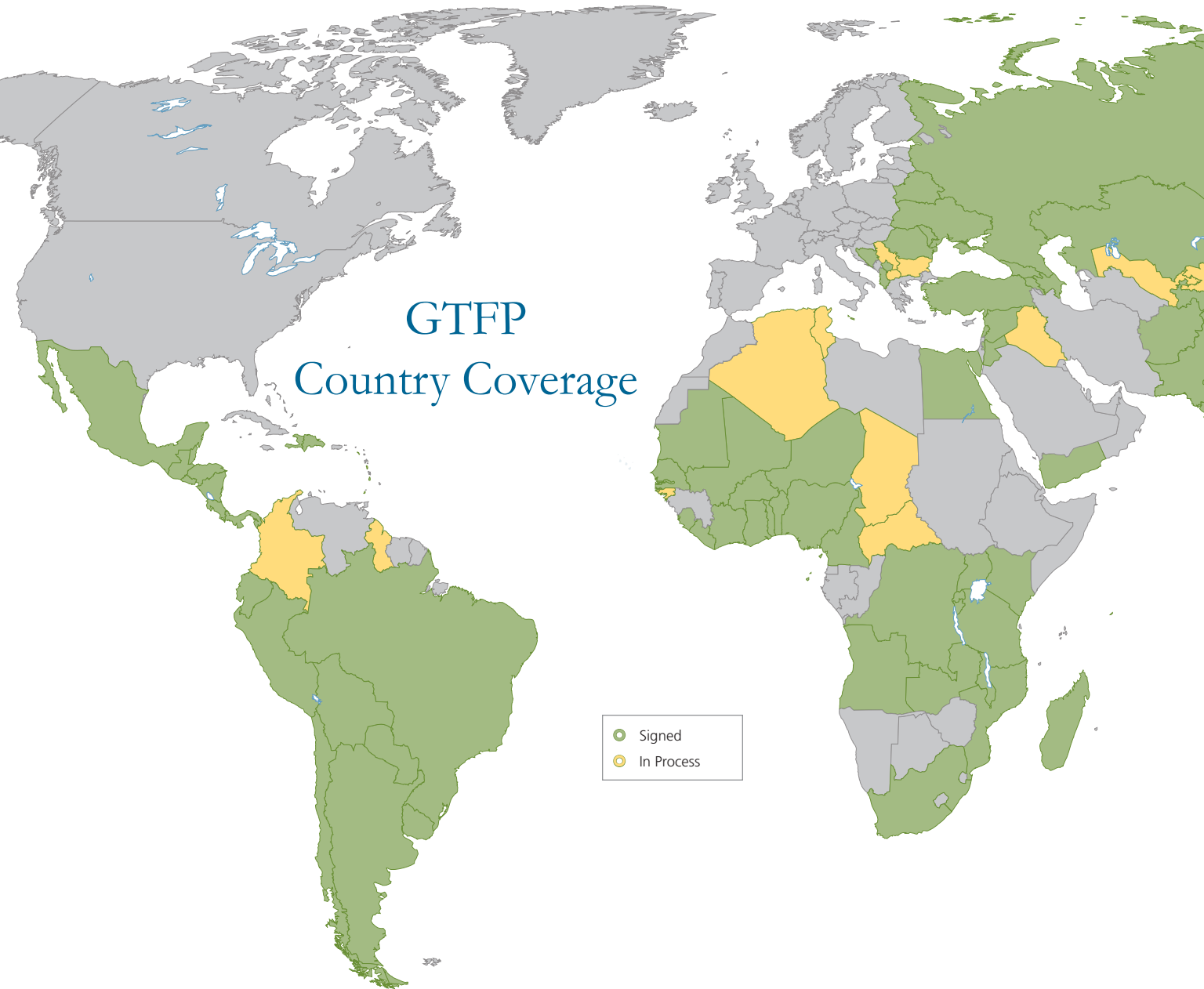
For banks receiving guarantee coverage, the GTFP:

- Expands geographical coverage for servicing export clients
- Provides risk coverage to leverage trade lines in new or challenging markets
- Builds new correspondent bank relationships on a low-risk basis
- Mitigates provisioning and Basel II capital requirements

### What are the Advantages for Issuing Banks?

The GTFP supports Issuing Banks by:

- Offering opportunities to build relationships with new correspondent banks
- Facilitating trade financing via a global network of GTFP Confirming Banks
- Mitigating risk profile to counterparty banks
- Eliminating cash collateral needs
- Delivering advisory services and training to improve operating standards



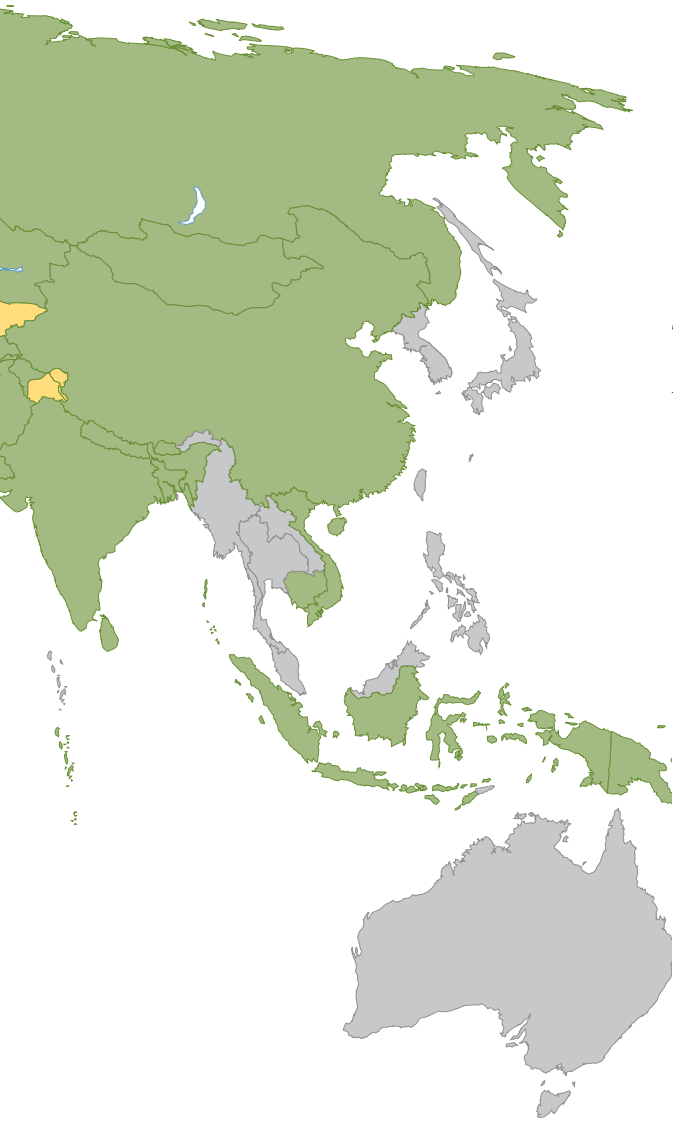
## GTFP Product Line

### COVERAGE FOR UNFUNDED TRADE TRANSACTIONS

IFC covers import letters of credit (LCs) and standby letters of credit (SBLCs), as well as the obligation of the issuer of performance bonds, bid bonds, and advance payment guarantees.

### COVERAGE FOR FUNDED TRADE TRANSACTIONS

IFC covers the obligation of the issuer of a financial instrument for trade financing on-lent to its clients. Instruments such as promissory notes, standby LCs, or credit guarantees in favour of participating Confirming Banks that provide funds to the Issuing Bank can be covered under full or partial guarantees from IFC. Trade finance credit from Confirming Banks supports LC bill discounting or negotiation, bankers acceptance financing, pre-export or post-shipment financing, and post-import financing on a trade asset portfolio or for individual trade transactions.



## The GTFP provides coverage for a variety of trade related instruments

### TRANSACTION EXAMPLES:

**Advance Payment Guarantee:** Construction of a power plant in Nigeria by a Japanese engineering company. The Issuing Bank is a local private sector bank in Nigeria. The Confirming Bank is based in the United Kingdom and requested the GTFP to issue a 100 percent guarantee of the transaction value of \$11 million.

**Letter of Credit:** Large energy efficiency transaction facilitating the import of environmentally-friendly technologies for the construction of a new-generation coal-powered plant in Russia. The Issuing Bank is a local private sector bank in Russia. The Confirming Bank is a Danish bank operating out of Finland. The GTFP was requested to provide a 100 percent guarantee of the transaction value of \$23.9 million.

**Irrevocable Reimbursement Undertaking:** Fertilizer exports to Togo from Estonia. IRU issued by a private sector bank in Benin. The Confirming Bank is based in France and the GTFP provided 45.79 percent guarantee for \$1.7 million.

**Discount against Acceptance of LC documents:** Raw cotton imports into Bangladesh. The Issuing Bank is a local private sector bank based in Bangladesh and the Discounting Bank was based in Australia. The GTFP provided a 100 percent guarantee for \$785,400.

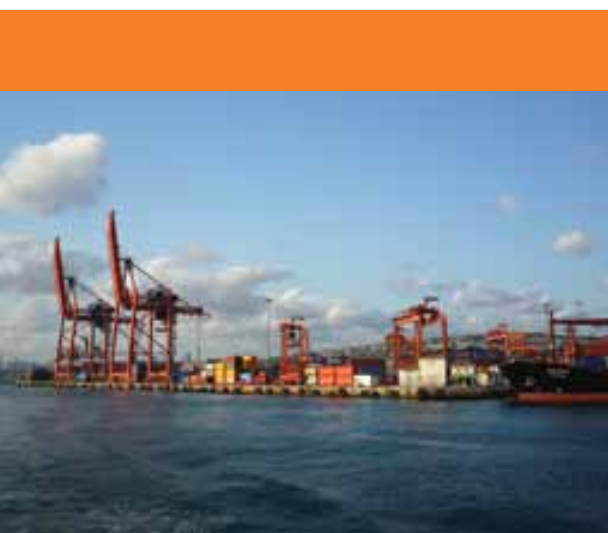
#### **Promissory Note:**

**Pre-Export Financing:** 6 month financing of rice from Paraguay to Brazil and Chile. The Lending Bank is based in the United States and provided \$850,000 in pre-export funding to the Issuing Bank in Paraguay under a 100 percent guarantee from GTFP.

**Post-Import Financing:** 6 month financing of medical equipment from China to Costa Rica. The Lending Bank is based in Spain and provided \$123,000 in post-import funding to the Issuing Bank in Costa Rica under a 100 percent guarantee from GTFP.

**Bid Bond:** Implementation of an electronic check clearing system in the Dominican Republic by a Jordanian IT company. The Issuing Bank is a local, private sector bank in Jordan. The Confirming Bank is based in the United States. The tenor was for six months and the GTFP provided 100 percent cover for the transaction value of \$20,000.

**Performance Bond:** Supply of furniture from Pakistan to Saudi Arabia. The Issuing Bank is a local, private sector bank in Pakistan. The Confirming Bank is based in Saudi Arabia and the GTFP provided a 100 percent guarantee for \$15,000.





# Achieving International Standards through Trade Advisory Services

The Trade Advisory Program is an integral component of the GTFP. It is designed to help participating banks build their capacity in the areas of trade finance and international trade operations. Since June 2006, over 2,800 participants from more than 360 banks benefited from 137 trade finance training courses as well as on-site advisory services. This advisory services initiative is supported by IFC and donors including Japan, Switzerland, the Netherlands, Sweden, Ireland, Spain, and Israel.

## Benefits:

IFC provides local financial institutions with training and support in order to:

- Transfer current international best practices in trade finance to local markets
- Upgrade the operational and technical skills of trade finance back offices
- Improve trade finance risk mitigation techniques
- Upgrade skills in structuring basic and complex trade finance transactions

## How does a Bank Participate?

In order to identify the relevant trade advisory services for a particular client bank, IFC advisory services initially conducts a diagnostic study to assess needs and develop appropriate terms of reference. IFC advisory services will then work with the client bank to procure a suitable consultant to deliver the services proposed in the terms of reference.

For more information please contact:  
[gtfptraining@ifc.org](mailto:gtfptraining@ifc.org)

## TYPES OF TRAINING PROVIDED:

**GTFP On-Boarding Training:** This is a one-day workshop designed for banks who have just joined IFC's GTFP Program. The workshop will cover the operational aspect of GTFP Program, including the documentation, eligible transaction criteria, required documents to request IFC guarantee, approval process, flow of transaction processing, etc.

**Trade Operations Training:** The course provides a systematic approach on how to achieve a well-controlled and cost-effective back office that meets international standards. Practical aspects of trade financing and back-office activities are also covered. The course also covers the basics in trade-related payment options and financial

instruments, understanding risks, and the advantages and disadvantages of each instrument. Participants will gain an understanding of the available payment and credit options with the object of minimizing operational risk, transactional uncertainty and the possibility of loss.

**Trade Products Training:** This course covers all aspects of trade finance and provides an overview of all trade payment methods. At the end of the course, participants will have a very good understanding of all the trade products, especially the most commonly used products as well as more sophisticated products that are used internationally.

**Trade Sales Training:** This intermediate-level course covers the basics in trade-finance products and services. The Trade Sales course focuses on the development and sales of the trade product within a commercial bank. The course is interactive and largely case-study based. Participants play the roles of a trade sales person and of a client during the course. At the end of the training program, participants will have the skills and confidence to operate in a trade sales capacity and be able to cross-sell other products and create strategies to promote regional trade and networking among banks.

**Exporters/Importers Workshop:** This module is a one-day workshop designed for one specific bank and its clients. The goal of this workshop is to raise awareness for the participating bank's existing and prospective clients about the viability of trade finance.

**Trade Finance Risk Management Seminar:** This seminar is intended to strengthen the risk-management skills related to trade transactions. This is a tailored session designed for staff working in credit and risk management who will prepare and approve proposals containing trade finance solutions.

**Trade Finance Certification Program:** IFC has developed an e-learning certification program together with ICC (International Chamber of Commerce) to provide knowledge of updated international documentary credit rules for trade finance bankers all over the world.

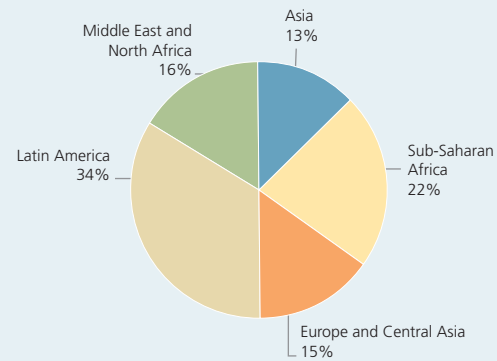
**Correspondent Account KYC Workshop:** The workshop is designed to inform banks of international best practice standards to support an application for a correspondent banking relationship or to respond to a request from a bank related to its internal KYC compliance procedures. The main objective of this workshop is to assist Issuing Banks from the emerging markets in providing KYC compliance information to their Confirming Bank network in a timely and comprehensive manner.

**Resident Advisory:** In-house placement of trade-finance professionals to provide training and advisory services in back-office operations including compliance and best practices. The duration is determined by the needs of client banks, and can range from one to 12 months.

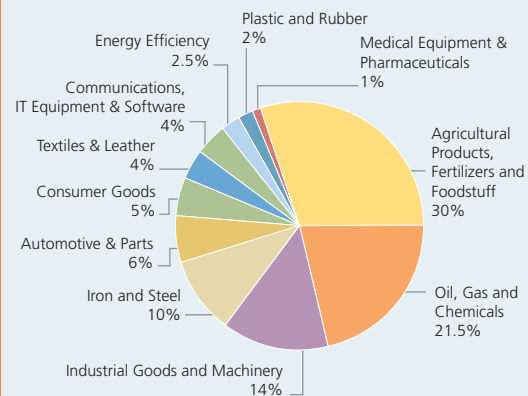
## GTFP Highlights

- Links over 400 banks into a **global network** of trade partnerships
- Covers the risk of **over 200 participating Issuing Banks**
- **Simple master agreements** executed by participating banks
- **24-48 hour turnaround** for guarantee issuance
- Offers commercial pricing with **no commitment fees**
- Covers **up to 100 percent** of country and commercial risk
- Guarantees issued for tenors **up to three years**
- Over **7,300 guarantees** for over \$9 billion issued to date

### REGIONAL BREAKDOWN OF THE GTFP GUARANTEES Fiscal Year 2010



### GOODS SUPPORTED BY THE GTFP Fiscal Year 2010



# The GTFP Team

## Management

### Scott Stevenson

Senior Manager – Trade  
Tel: +90.212.385.2573  
Email: SStevenson@ifc.org

### Bonnie Galat

Global Head – Business  
Development & Risk Distribution  
Tel: +1.202.473.5335  
Email: BGalat@ifc.org

### Rogers LeBaron

Senior Advisor  
Tel: +1.202.458.7518  
Email: RLebaron@ifc.org

## Africa

### Gboyega Songonuga

Regional Head  
Tel: +27.11.731.3133  
Email: GSongonuga@ifc.org

### Souleymane Traore

Principal Country Officer  
Tel: +233.302.214.627  
Email: STraore@ifc.org

### Olivier Buyoya

Trade Finance Officer  
Tel: +27.11.731.3025  
Email: OBuyoya@ifc.org

## Europe & Central Asia

### Mark Rozanski

Regional Head  
Tel: +1.202.473.4640  
Email: MRozanski@ifc.org

### Aleksey Nikiforovich

Trade Finance Officer  
Tel: +7.495.411.7555  
Email: ANikiforovich@ifc.org

## Latin America

### Antonio Alves

Regional Head  
Tel: +1.202.458.5056  
Email: AAlves1@ifc.org

### Jose Vivanco

Trade Finance Officer  
Tel: +52.55.3098.0232  
Email: JVivanco@ifc.org

### Susanne Kavelaar

Trade Finance Officer  
Tel: +54.11.4114.7211  
Email: SKavelaar@ifc.org

## Asia

### Priyamvada Singh

Regional Head  
Tel: +1.202.458.4786  
Email: PSingh3@ifc.org

## Middle East

### Shehzad Sharjeel

Regional Head  
Tel: +20.2.2461.4270  
Email: SSharjeel1@ifc.org

### Ahmed Hanaa Eldin Mohamed

Trade Finance Officer  
Tel: +20.2.2461.4275  
Email: AMohamed5@ifc.org

## Marketing

### Sabrina Borlini

Senior Business Development  
Manager – Europe & Africa  
Tel: +32.478.947.087  
Email: SBorlini@ifc.org

### Zeynep Ersel

Senior Business Development  
Manager – Latin America &  
Middle East  
Tel: +1.202.458.2502  
Email: ZErsel@ifc.org

### Michelle Abboud

Analyst  
Tel: +1.202.473.9016  
Email: MAbboud@ifc.org

## Operations

### Bilge Ozisik

Global Head – Trade Operations  
Tel: +90.212.385.2542  
Email: BOzisik@ifc.org

### Murat Ayik

Supervisor – Trade Operations  
Tel: +90.212.385.2359  
Email: MAyik@ifc.org

### Montserrat Ganuza

Supervisor – Trade Operations  
Tel: +1.202.458.5615  
Email: MGanuza@ifc.org

### Li Tang

Trade Operations Officer  
Tel: +1.202.473.7678  
Email: LTang@ifc.org

### Beatrix von Heintschel

Trade Operations Officer  
Tel: +1.202.473.0071  
Email: BVonheintschel@ifc.org

### Hande Berdan

Trade Operations Officer  
Tel: +90.212.385.2523  
Email: HBerdan@ifc.org

## Advisory Services

### Gimhani Talwatte Seneviratne

Head, Trade Advisory, Global  
Phone +27.11.731.3005  
Email: GTalwatte@ifc.org

### Makiko Toyoda

Donor Relationship Manager  
Tel: +1.202.458.0142  
Email: MToyoda@ifc.org

### Astou Sylla

Coordinator – Trade Advisory, Asia  
Tel: +62.21.2994.8001  
Email: ASylla@ifc.org

### Claudia Sandrine Ngassa

Coordinator – Trade Advisory, Africa  
Tel: +27.11.731.3210  
Email: CNgassa@ifc.org

### Claudia Gutierrez

Coordinator – Trade Advisory,  
Latin America  
Tel: +511.611.2566  
Email: CGutierrezdelgad@ifc.org

## Administrative Support Team

### Therese Ndeme

Program Assistant  
Tel: +1.202.458.2232  
Email: TNdeme@ifc.org

IFC

2121 Pennsylvania Ave., NW  
Washington, DC 20433, USA  
ifc.org/gtftp



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