Finexpo is an inter-ministerial advisory committee managed by the Directorate financial support to exports (B2) within the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation and by the Administration for International and European Financial Affairs of the Federal Public Service Finance.

The name Finexpo combines two key words: financing and export. The objective of Finexpo is to support the export of Belgian capital goods and related services.

Finexpo aims to open international markets to Belgian producers and gives them the opportunity to build international references and continue from there on their own.

Finexpo targets to promote the Belgian companies’ image and reputation abroad, as well as conciliate free trade with the necessity of keeping its exporters’ competitiveness while contributing to the economic and social development of the recipient country.

All Finexpo advices and decisions respect the Organization for Economic Cooperation and Development (OECD) Arrangement on Officially Supported Export Credits as well as OECD anti-bribery measures and the Development Assistance Committee (DAC) recommendation on untying aid.

Finexpo’s action focuses on financing conditions for credits.

Finexpo has two types of instruments: one commercial instrument and several concessional instruments. The choice of an instrument is determined by the nature of the project, the country one wishes to export to and the preference of the exporter, the bank or the country concerned.
1. Commercial instrument: interest stabilization

The Finexpo stabilization program fixes the interest rate of export credits offered by Belgian exporters of equipment, investment goods and associated services to their clients in any country.

The Belgian exporter can propose to his client, a private organization or a public institution, to benefit from a fixed rate throughout the credit period. As a consequence, the client will pay the same rate throughout the reimbursement period of the credit. This is an advantage for the Belgian exporter over the competitors who don’t offer the same payment conditions.

The fixed rate guaranteed to the buyer under an interest rate stabilization procedure is the commercial interest reference rate (CIRR). The CIRRs for the different currencies are published each month by the secretariat of the OECD on the basis of specific economic parameters and are notified to the Member States.

In a stabilization procedure, Finexpo intervenes based on the difference between the guaranteed stabilized rate (the CIRR euro) and the interest rate at which the bank obtains refinancing on the short-term market (Euribor or Libor), increased by a bank commission (currently 0.75%).

The following criteria must be respected:

- Maximum contract amount: 100 million euros.
- Clear Belgian content or interest:
  - a minimum of 30% Belgian content is required.
  - the project must have obtained the guarantee of Credendo.
- Currencies: priority is given to the Euro. Are also possible: USD, Yen, Swiss Franc and other stable OECD currencies for which a CIRR is available.
- Eligible countries: all.
2. Concessional instruments

Within the concessional instruments we distinct tied and untied aid. Tied aid is directly linked to the export of Belgian capital goods whereas untied aid is attributed directly to a development country without any link to a Belgian exporter.

Regardless the fact that the project falls under the tied or untied aid program, Finexpo’s support is conditional upon the needs and interests of the recipient country. The project should fulfil rational economic, social and environmental needs of the recipient country and should significantly contribute to its economic and social development.

The financial terms and conditions of the Finexpo tools require that the support contains a concessional element of minimum 35% of the whole contract value.
2.1. The Belgian Tied aid program

Tied aid is aid given to a developing country with the obligation of obtaining capital goods and services from a Belgian company.

The tied aid program is the main part of Finexpo’s activity. Eligible projects must:

- be of high quality
- contain a considerable Belgian economic interest (minimum 50%)
- show a clear socio-economic and development relevance for the beneficiary country
- be a priority for the recipient country
- have no commercial viability

Finexpo’s tied aid program does not pursue a sectoral policy. However, in respect of the OECD Arrangement on Officially Supported Export Credits, Finexpo only supports projects which are not commercially viable. Finexpo also respects the OECD minimum concessionality level of 35% for tied aid and takes into account the list of eligible beneficiary countries.

The support concerns only capital goods and related services.

Tied aid can be given through the following instruments:

- Grant
- Interest bonification (if desired with additional upfront grant)
- State-to-State Loan
- Mixed credit
- Grant for technical assistance
- Instrument to support innovative products of SME’s
Due to the low differentiated discounting rate (DDR) for 2020 the interest bonification and mixed credit are not possible in 2020 but the combination between the interest bonification and State-to-State Loan is possible. You can find all the possible combinations of instruments for 2020 further in the brochure.

Taking into account the DAC definition on Official Development Assistance (ODA), these Finexpo tied aid instruments are recognized and notified as ODA.

Countries that can benefit from tied aid:

Cape Verde
Egypt
El Salvador
Georgia
India
Indonesia
Kenya

Korea, Dem.
Rep (North)
Moldova
Mongolia
Morocco
Nigeria
Pakistan

Papua New
Guinea
Philippines
Sri Lanka
Swaziland
Tunisia
Ukraine

Uzbekistan
Vietnam
West Bank and Gaza Strip
2.2. Tied aid instruments

2.2.1. Grant

The grant is an aid instrument for which Finexpo must meet the 35% minimum grant component requirement in accordance with OECD rules as for the other aid instruments. The 35% grant component of the contract amount is paid during the implementation period of the project. The balance of 65% has to be provided in the form of commercial financing or be paid in cash.

One of Finexpo’s objectives is to support SMEs wishing to engage in major export activities. The grant is a simple aid instrument to support these companies.

While for the other aid instruments the burden on Finexpo is spread over a large number of budget years, in the case of a grant, the payment is made in a very short term and immediately affects the budget of the year to which the grant is charged. This is why the use of grants is limited to small projects for which long repayment periods are not justified. While grants are not exclusively reserved for SMEs, they are earmarked for contracts of up to 8.571.529 euros.

The grant simplifies procedures. It avoids long repayment periods. As a consequence, the credendo premium (export insurance) will also be cheaper.
2.2.2. State-to-State Loan

Tied State-to-State loans (SSL) are granted by Belgium to developing countries to finance development projects carried out by Belgian companies. This mainly concerns Belgian infrastructure projects or Belgian projects for the export of equipment and associated services. Examples of sectors: water supply, sanitation projects, health care, etc.

State-to-State loans are granted at very favorable conditions that change every year depending on the interest rate.

The credit period of the Tied State-to-State loans in 2020 is 35 years including a grace period of 16 years in order to comply with the OECD concessionality requirement of at least 35%.

As the recipient country will be responsible for the timely repayment of the State-to-State loan, Finexpo must receive from the highest government levels (the President, the Prime Minister, the Minister of Finance,...) of the country concerned a letter confirming the project priority.

State-to-State loans serve a dual objective: they support the development of the countries receiving the aid and the Belgian economy by stimulating major exports.

In order to offer a sufficient number of companies the opportunity to introduce a request, the amounts for State-to-State loans cannot exceed 10 million euros.
2.2.3. State-to-State loan combined with a grant

The State-to-State loan can also be combined with a grant. The maximum contract amount in this case will be 18,5 million euros. (SSL of maximum 10 million euros and grant of 8,5 million euros. In this case the credit period for the SSL will be 40 years including a grace period of 20 years.

2.2.4. State-to-State loan combined with a grant and a commercial credit

A commercial credit can also be added to the combination of State-to-State loan with a grant which increases the contract amount to 19,9 million euros. In this case the credit period for the SSL will be 40 years including a grace period of 20 years for a SSL of maximum 10 million euro. The grant will have the same conditions as the grant separately. The commercial credit can be maximum 1,4 million euros.

2.2.5. State-to-State loan combined with an interest bonification

Both instruments can be combined for a project of a maximum amount of 20 million euros (10 million euros of SSL and 10 million euros of interest bonification). The amounts of both instruments always need to be the same (for example for a contract amount of 17 million euros it needs to be 8.5 million euros of the State-to-State loan combined with 8.5 million euros of the interest bonification).

The credit period of the SSL in this combination in 2020 is 40 years and is currently including a grace period of 20 years.

The grant component of the interest bonification is attained by combining a contractual interest rate of 0% for the buyer with a long repayment period (between 10 and 15 years). The length of the repayment
period of the credit depends, amongst others, on the differentiated discount rate (DDR) set by the OECD, which varies from year to year.

An additional grant is added in order to make the repayment period shorter (e.g.: if one reduces the grant component percentage of the interest bonification from e.g. 38% to 20%, paying the difference in the form of a 18% grant, the repayment period will shorten considerably). As a consequence, the credendo risk premium will also be lower.

With the interest bonification, Finexpo bears the full interest rate linked to the credit (contractual amount plus credendo premium minus the grant) granted to the client, who in fact will only pay back the capital. Depending on the amount, the payment of the grant can be extended over several budgetary years without exceeding the execution period. Finexpo calculates the length of the repayment period for each individual dossier.
2.2.6. Technical assistance

Technical assistance is one of the instruments for which tied aid is allowed even in countries where one should normally untie aid. Technical assistance consists in financing services related to an investment project in a developing country.

These services:

- give the opportunity to civil servants and employees from the recipient country to build expertise related to an investment project
- take the form of technical trainings, advise and support by personnel from the donor country

Criteria:

- The grant can only be obtained by a Belgian firm;
- The client needs to be a public institution;
- Maximum amount of the grant: 1 million Special Drawing Rights (SDR) or 3% of the contract amount (the lowest amount is taken into account);
- The Belgian content within the technical assistance has to be 50%.

Belgian companies can only solicit the grant for technical assistance for services:

- Related to investment projects executed by the same Belgian company that are financed by untied development aid;
- Related to investment projects executed by the same Belgian company that are financed under commercial conditions.

Therefore the grant for technical assistance cannot be combined with a grant, an interest bonification, a tied State-to-State loan or a combination of these instruments. However, it can be combined with an untied State-to-State loan or an interest stabilization.

For instance, a Belgian company that wishes to export buses on a commercial basis to a developing country can request a grant for
technical assistance. With this grant the Belgian company can offer trainings to local bus drivers without having to put the cost of training in the commercial contract. The company can thus lower its prices which gives a competitive advantage compared to other foreign competitors. The same can be done if the company participates in an international tender related to untied aid. The company can take the training out of the offer and thus reduce her prices giving the company a competitive advantage.

### 2.2.7. SME Instrument

The SME instrument allows Belgian SME’s to export an innovative product for the first time with a grant that covers between 80,01% and 100% of the contract value. This showcase project can increase the chances for the company to find a foreign market for its new product.

The product has to be exported to lower and middle income countries which are listed on the DAC list. It has to be the first export of the product.

The client has to be a public institution.

The products and related services, that are developed need to be fully functional. This means that the products and related services cannot be in a test phase.

The products have to be also innovative. To determine if a product is innovative the definitions will be used of the regional, federal or European public institutions/ agencies. Products that are developed with public innovation support will be as such acknowledged. This support can have taken place during the R&D phase or the product or process development. Products which aren’t developed with public support can still be taken under consideration. The innovative character needs to be thoroughly motivated in the request form and will be evaluated by Belspo.

Only projects of Belgian SME’s with sufficient Belgian content (30% or 50%) can benefit of this instrument. The percentage Belgian content
determines the level of support. The European definition will be used to determine if an enterprise is a SME or large enterprise. For projects with a Belgian content of 50% contracts up to an amount of 700,000 euros will be paid for 100% with the grant.

The maximum contract amount can be 874,000 euros but the part above 700,000 euros has to be paid by the client except for the LDC countries where the maximum contract amount is 700,000 euros. For projects with a Belgian content of 30% contracts up to an amount of 500,000 euros will be paid for 100% with the grant. The maximum contract amount can be 624,000 euros but the part above 500,000 euros has to be paid by the client except for the LDC countries where the maximum contract amount is 500,000 euros. The maximum contract amounts need to be respected because the OECD arrangement demands a gift element of 80% and for LDC countries 100%. The innovation related costs need to be at least 40% of the total contract amount.

2.3. Untied aid program

Finexpo also has an untied aid program. Untied aid is aid given to a developing country without the obligation of obtaining infrastructure goods and services from companies from the country granting that aid. In the case of untied aid, an international tender is issued. Any company from any country may carry out the project in this case. Eligible host countries are Least Developed Countries (LDCs), Highly Indebted Poor Countries (HIPC’s), Other Low-Income Countries (OLICs) and IDA-only countries and territories for which Belgium has the experience and capacity to guarantee follow-up and control.

Countries that can benefit from untied aid:

Afghanistan  
Angola  
Bangladesh  
Benin  
Bhutan  
Bolivia  
Burkina Faso  
Burundi  
Cambodia  
Cameroon  
Central African Republic  
Chad  
Comores  
Congo Brazzaville  
Djibouti  
Equatorial Guinea  
Eritrea  
Ethiopia  
Gambia  
Ghana  
Guinea  
Guinea Bissau
Untied aid is exclusively given through State-to-State Loans (SSL) and has:

- a 0% interest rate;
- a reimbursement term of 35 years preceded by a 16 years grace period during which the beneficiary country does not have to make any repayment.

According to OECD rules, untied aid must comprise a minimum grant element that depends on the country to which will be exported. To know the exact grant component a country has to comply with, you can contact the Finexpo Secretariat.

In order to give a sufficient amount of developing countries the opportunity to apply, untied SSL amounts are limited to 8 million euros.

Finexpo mostly supports projects in the following sectors: rural electrification, public transport, water, health, education and governance, and research & development.

Belgian companies that participate in the international tender have no certainty that they will be awarded the contract.
Contact:

Finexpo Secretariat:
FPS Foreign Affairs,
Foreign Trade and Development Cooperation:
Eric.strauwen@diplobel.fed.be
Joeri.colson@diplobel.fed.be
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Hilde.vandenhouten@minfin.fed.be
Laura.muls@minfin.fed.be
http://iefa.fgov.be

Procedure:

To benefit from Finexpo tied aid support, companies must compile a dossier on the basis of a questionnaire. The economic aspects of the project and its relevance for development can be examined on the basis of this questionnaire.

For most instruments, a Credendo questionnaire has to be completed simultaneously and transmitted to the Finexpo Secretariat. For untied aid, the beneficiary country must compile a dossier on the basis of the questionnaire for untied aid.

The Finexpo Committee will examine the dossier and deliver an opinion to the Council of Ministers. The Council of Ministers will then decide whether or not to grant the requested Finexpo instrument.

The commercial contract cannot be signed before the project has been approved by the Council of Ministers.
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<th>tied or untied</th>
<th>countries</th>
<th>client</th>
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<th>max. grant amount</th>
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<th>priority letter</th>
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