

Viennin Kauppahuone

**FESH**

Finnish Export Sales House

# Financing of Exports (Finnish examples)

# Financing of Exports

►► To start exporting (as well as starting a business/expanding) a capital / long-term credit is required



# Financing of Export / product planning and preparation phase

- For this purpose, the Finnish government grants an annual fund from it's budget to the promotion of exports



- This support is channeled through the following operators:

# Centre of Economic Development, Transport and the Environment (ELY Centre)

- ▶ Individual enterprises can apply to the Centre of Economic Development, Transport and the Environment (ELY Centre) for an aid in their internationalization projects
- ▶ In addition to internationalization projects, enterprise development support is available for investments and other key business development projects



Elinkeino-, liikenne- ja  
ympäristökeskus

# ELY Centre

## Aid to Individual Enterprises

- ▶▶ Valid costs for the internationalization projects aid include:
  - ✓ staff wages
  - ✓ travel expenses
  - ✓ use of external services and specialists
  - ✓ participation in trade fairs and exhibitions
    - It does not apply to exports and marketing, advertising, setting up of sales or distribution networks, or other running costs!
  
- ▶▶ The maximum aid amount for internationalization projects accounts for 50% of approved costs in export operations
  
- ▶▶ More Info: <http://bit.ly/2F8TvHG>

# BUSINESS FINLAND FUNDINGS FOR EXPORTING COMPANIES

- **R&D FUNDING\_** ENABLES A COMPANY TO DEVELOP PRODUCTS OR SERVICES, PRODUCTION METHODS AND BUSINESS MODELS

**More info:** <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/research-and-development/>

- **TEMPO:** ACCELERATING THE GROWTH OF EXPORTING COMPANIES

**More info:** <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/startup/tempo-funding/>



# BUSINESS FINLAND FUNDINGS FOR EXPORTING COMPANIES

➤ **INTO: INNOVATION EXPERTISE IN SUPPORT OF YOUR INTERNATIONAL GROWTH**

**More info:** <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/research-and-development/into/>

➤ **Explorer : BUY EXPERTISE TO MAKE PROGRESS IN A NEW INTERNATIONAL MARKET**

**More info:** <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/explorer/>

➤ **Horizon 2020 project preparation**

**More info:** <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/horizon2020-preparation-funding/>

➤ **Business Finland´s funding services in brief:**  
<https://www.businessfinland.fi/en/for-finnish-customers/services/funding/in-brief/>

# FINNVERA: Finland's export credit agency

- ▶▶ Finnvera is Finland's export credit agency, the Export Credit Agency (ECA)  
<https://www.finnvera.fi/eng/>
  
- ▶▶ ***Ostajaluottotakuu (Buyer credit guarantee)*** : is a security to the lender in case of a credit risk caused by a foreign buyer, the buyer's bank or country
  - The exporter receives payment in cash for goods sold on credit -> the credit risks are transferred from the exporter to the lender and further to Finnvera
  
- ▶▶ ***Remburssitakuu (Letter of credit guarantee)***: protects a bank from commercial and/or political and/or sovereign risks related to a confirmed Letter of Credit
  1. Normal coverage -> 95% commercial risks, 100% political & sovereign risks
  2. Risk sharing -> maximum coverage of 50% commercial, political and sovereign risks



# FINNVERA: Finland's export credit agency

- ▶ ***Pankkiriskitakuu (Bank risk guarantee)***: protects the bank of a Finnish export company against risks involved in bank guarantees given to the exporter to secure payment of the purchase price. It covers:
  - ▶ Commercial risks arising from buyer's bank
  - ▶ Political risks arising from the country of the buyer's bank
- ▶ ***Rahoitustakuu (Finance guarantee)***: a security for the credit institution granting an export credit to the exporter.
  - ▶ Protects the bank from the risks relating to repayment of the credit
  - ▶ Coverage varies depending on the enterprise and project in question



# FINNVERA: Finland's export credit agency

- ▶▶ **Vastatakuu (Bond Guarantee):** Under a Bond Guarantee, the exporter can insure:
  - ✓ a bid bond,
  - ✓ an advance payment bond,
  - ✓ a performance bond or
  - ✓ a maintenance period bond(Usually as a counter security of guarantee)



- ▶▶ **Raaka-ainetakuu (raw material guarantee)** may be issued as security for a loan granted to a foreign borrower in connection with a long-term contract with a Finnish buyer concerning import of raw materials
- ▶▶ **Alustakaus (ship guarantee):** intended as security for credits granted to Finnish companies engaged in shipping or shipbuilding
- ▶▶ More Info: <https://www.finnvera.fi/eng/>

# Enterprise Europe Network

- ▶▶ The Network provides a wide range of services
  - from disseminating information on EU-related issues to searching for international partners
- ▶▶ Another partner search option provided by the Network is **browser-based databases**, such as its Business Cooperation or Technology Transfer databases
- ▶▶ The Enterprise Europe Network helps small businesses to make the most of the European marketplace
- ▶▶ More Info: <http://een.ec.europa.eu/>



# Banks Export Financing

- ▶▶ The Bank may finance the exporter to a foreign buyer payment period granted by either buying the exporter's export receivables or transferable by making a financial agreement with the buyer directly
- ▶▶ **Vientiperittävä:** (Export collection) is a payment method where the banks transfer documents
- ▶▶ **Remburssi- (Letter of Credit):** Usually used when the client's country is economically and/politically unstable, or in which legislation or other regulations that require
- ▶▶ Standby L/C (Letter of Credit) is a L/C form given document on-demand type guarantee
- ▶▶ **A bank guarantee** is a bank guarantee for the foreign customer that the exporter fulfils it's obligations under the agreement (used often by advance payments)
- ▶▶ Links: <https://www.pohjola.fi/pohjola/corporate-customers/international-services?id=327000&srcpl=8&kielikoodi=en>
- ▶▶ <https://www.nordea.fi/en/corporate-customers/>



# Credit Insurance Companies



- ▶▶ ATRADIUS (formerly Gerling) ,EULER HERMES and COFAS
  
- ▶▶ Credit insurance protects e.g. from following risks:
  - Buyer's default or late payments
  - Administrative barriers to the performance of the contract or the payment of fees
  - Political risk
  - War or natural disasters that prevent the fulfillment of the contract
- ▶▶ **Takausvastuu (quarantor responsibility):** This guarantee insurance is required in projects for which there is a need to convince the customer that contractual obligations would be met
- ▶▶ Debt Collection Services
  
- ▶▶ **More information**
  - ✓ ATRADIUS: <http://www.atradius.com>
  - ✓ Euler Hermes: <http://www.eulerhermes.com/Pages/default.aspx>
  - ✓ Coface: <https://www.coface.com/>



# Other Financing Possibilities

- ▶▶ ***Suomen Teollisuussijoitus Oy***: Finnish Industry Investment Ltd is a government investment company that promotes through capital investment Finnish business, employment and economic growth  
See: <http://www.industryinvestment.com/>
  
- ▶▶ ***Sitra***: makes venture capital investments in the program areas of business. Companies should have the ability to expand when they desire to venture in international markets. See: <http://www.sitra.fi/en>
  
- ▶▶ Nopef-Fund Nordic competitiveness of Nordic SMEs by providing low-cost loans to part-finance the feasibility studies:
  - ✓ Feasibility studies aim to support international companies entering the project, as well as the export of projects
  - ✓ Operates in Asia, Europe( outside EU) and Africa
  - ✓ More info: <https://nopef.com/>
  
- ▶▶ NEFCO (Nordic Environment Finance Corporation)
  - ✓ Operates in Eastern and Central Europe
  - ✓ More info: <https://www.nefco.org/>



# Other Financing Possibilities

- ▶▶ *Finnpartnership* Business Partnership Support is a financial support for the planning, development and training phases of projects aiming at establishing commercial activity in developing countries
- ▶▶ More info:  
<https://finnpartnership.fi/en/frontpage/>
- ▶▶ Other investors ( corporations /private)  
See:
  - <https://www.fiban.org/>
  - <http://paaomasijoittajat.fi/en/finnish-venture-capital-association/>
  - <https://is.gd/lrOr2G>



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**Thank You!**

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