



**NEW ZEALAND  
EXPORT CREDIT  
OFFICE**

# Export Credit Guarantee

**Assisting Exporters to Offer Extended Credit Terms to  
International Buyers....while covering risks of non-payment**

**An Export Credit Guarantee available from the New Zealand Export Credit Office (NZECO) enables exporters to offer overseas buyers repayment terms longer than one year. This can make an exporter's bid more competitive, providing them the opportunity to secure new or larger export sales. NZECO will indemnify the exporter (or their bank) in the event their buyer subsequently fails to pay due to commercial or political events.**

## **Eligibility**

It is typically best suited to firms who:

- have a credit worthy buyer;
- sell goods or services with an economic life longer than the term of the loan and a NZ value-added component of at least 30%;
- have export orders of at least NZ\$1 million (note, this may be over a number of shipments);
- export into developing countries where banking systems are limited so finance terms are valued by their buyer;
- have a proven trading history, managerial, technical and financial capabilities.

The NZECO does not directly finance the transaction but works with the exporter and their financier to structure a finance package. Talk to NZECO on 04 917 6060, or email [eco@treasury.govt.nz](mailto:eco@treasury.govt.nz) to discuss transaction eligibility; for an assessment of your buyer's country; or a letter of support.

## **Key Benefits to the Exporter**

- Offering finance to the buyer can add to the attractiveness of your sales package.
- The exporter can receive payments as they normally would via its financier (eg, a bank disburses payments to the exporter prior to shipment or on shipment and the bank waits for repayment from the buyer over the life of the loan).
- Enables exporting into new markets with more confidence.
- Enables a loan to be offered to your buyer without impacting your credit facilities.
- The exporter is relieved of the collections process.
- The financier and NZECO bear the majority of the commercial and political risks. Performance risk is not covered.

## **Key Benefits to International Buyers**

- Obtain favourable extended credit terms (longer than 1 year) at fixed or variable rates. With a fixed rate option the buyer will know their funding costs and can budget accordingly.
- Obtain a predictable repayment schedule that does not directly affect their existing banking arrangements.
- Offering finance may allow your client to advance purchase decisions or increase the scale of their orders.

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For further information and application forms visit: [www.nzeco.govt.nz](http://www.nzeco.govt.nz) | 04-917-6060

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# Export Credit Guarantee

## Key Benefits to International Buyers (continued)

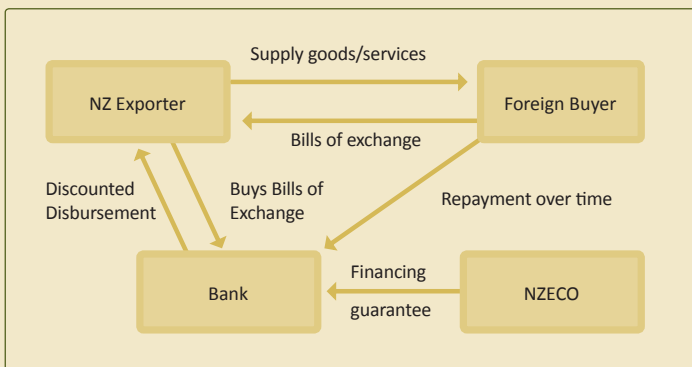
- May obtain better interest rates than their local cost of debt.
- The transaction can be structured in the major trading currencies.

## How it Works

The NZECO Export Credit Guarantee covers three types of finance offers:

- vendor finance (known as a **supplier credit**); or
- forfeiting of vendor finance with the exporter's bank (known as a **financing guarantee**); or
- direct loans to the buyer via the exporter's bank (known as a **buyer credit**).

A typical export credit transaction using a financing guarantee is outlined below.



NZECO also offers a **pre-credit guarantee**. This is for exporters who may have a long production period or who produce custom-made products. With this product NZECO can cover the risk that your buyer may cancel the contract prior to delivery, leaving you with incurred costs that cannot be recouped.

## To apply - financing guarantee example:

### Exporter:

- considering offering a buyer (or buyer seeks) credit terms, approaches NZECO and their bank for indicative support

### NZECO and Bank:

- provides indication of support including pricing

### Exporter:

- approaches buyer with conditional offer of credit terms as part of the supply contract

### Buyer:

- accepts conditional offer and provides information for a full assessment\*

### Exporter:

- makes formal application to NZECO and their Bank\*\*

### NZECO:

- undertakes detailed credit assessment of the buyer and country risk
- decision and binding letter of offer including premium pricing

### Exporter:

- agrees final supply contract and finance terms with Buyer (Bank and NZECO may need to be involved.)
- receives buyer deposit
- pays NZECO premium, NZECO on cover
- performs contract

### Bank:

- assigned debt obligations and NZECO guarantee
- funds exporter
- repaid over time by Buyer

\* NZECO will assess the creditworthiness of the buyer and requires audited accounts, credit reports, and forecasted cashflows and information about the buyer's market.

\*\* including application fee of 0.1% of the credit amount or \$2000 (whichever is greater)

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**The New Zealand Export Credit Office (NZECO) provides financial guarantee products for New Zealand exporters. Our products help these exporters manage risk and capitalise on trade opportunities around the globe. As well as working directly with exporters, we work closely with commercial financiers in New Zealand and offshore to support and improve the competitiveness of New Zealand exporters. NZECO is currently located in the Treasury and obligations to third parties are guaranteed by the New Zealand Government.**