135. Another institution which has recently entered the export credit financing field is the Rheinische Girozentrale und Provincialbank, one of the twelve Girozentralen in the Federal Republic of Germany. It is owned by the state of North Rhine Westphalia, the Landschafts-Verband Rheinland and the Sparkassen-Verband Association of savings banks of the Rhineland. It functions mainly—as the name indicates—as a clearing office for the savings banks in the Rhineland as well as a state bank, granting credits to the municipalites and floating bond issues on their behalf. Owing to the availabilitiy of long-term private savings funds deposited with it, this institution has recently begun granting long-term loans to domestic borrowers and providing some medium-term and long-term export credit financing.

FINANCING PROCEDURES

Medium-term suppliers' credits

136. An insurance policy is a prerequisite for obtaining credits with maturities of twenty-four months and more (*see* the section below on Export credit insurance). Exporters are expected to send their credit applications to the AKA through their commercial banks. When financing is granted under AKA credit line "A", the foreign buyer is expected to make a down payment of 20 percent of the contract value and the exporter is expected to provide financing for 20 percent of the remaining 80 percent (that is 16 percent of the contract value). The AKA is unlikely to provide financing for more than 64 percent of the contract value under credit line "A". The interest rate (in 1965 6.5 percent) is determined by the member banks of the AKA and is in principle based on the discount rate of the Deutsche Bundesbank.

137. When financing is granted under credit line "B", the foreign buyer is expected to make a down payment of 20 percent of the contract value and the exporter is expected to finance at least 40 percent of the contract value, so that the financing provided by the AKA is unlikely to exceed 40 percent of the contract value. The interest rates for credits granted under credit line "B" are strictly bound to the discount rate of the Deutsche Bundesbank, being 1.5 percent above that rate.

138. The Rheinische Girozentrale und Provincialbank has no uniform rules regarding the percentage of the transaction to be financed.

Long-term suppliers' credits

139. These are financed in two parts: cover for the first five years after delivery (four years in the case of credit line "B") is secured through medium-term financing from the AKA (*see* above); in addition the exporter after securing insurance coverage contacts his commercial bank, which submits an application to the KfW for financing to cover the remaining maturities. The financing of the later maturities may be provided for up to the percentage of the credit covered under the insurance policy, with the exporter providing 20 percent of the financing.

Buyers' credits

140. These credits are made available to developing countries for large-scale projects costing at least DM 5 million. Disbursements to the supplier are made by the KfW one year (considered as a warranty period) after the completion of the project in the developing country, and the credit is reimbursed to the KfW by the buyer in eighteen semi-annual instalments. The financing provided by the KfW is unlikely to exceed 76.5 per cent of the cost of the project, since the exporter must make a down payment of 10 per cent and the export credit insurance institution will guarantee 85 per cent of the remaining 90 per cent. The exporter must sign a commitment with the KfW assuming responsibility for 20 per cent of the financed portion of the project. The cost of the KfW credit for the buyer usually ranges between 5.75 and 6.0 per cent, plus a commitment charge of 0.25 per cent. Financing to cover the production and warranty period may be provided by the German commercial banks or the Girozentrale, which are completely reimbursed by the KfW at the end of the warranty.

EXPORT CREDIT INSURANCE

141. Export credit insurance is provided jointly by the Hermes-Kreditversicherungs AG and the Deutsche Revisions-und-Treuhand AG (Treuarbeit). The two companies act as agents of the Federal Government and funds are allocated annually in the federal budget to cover their administrative costs and possible