

THE NEED FOR CONCESSIONAL FINANCING

Following the apparent low level of utilization of concessional financing prior to 1988, exports covered by the study in recent years have relied more frequently on concessional financing. Whereas only 10 transactions were signed in the years 1980 to 1987, in the subsequent three years, 40 transactions required support. Even excluding the 30 sales to China during the 1988 to 1990 period, 10 sales required support during that three year period - as many as in the previous eight years.

Exporters identified approximately \$9 - 10.5 billion in potential sales over the next five years that would require concessional financing. This would mean (at 35%) some \$700 per year in concessional financing. These potential sales can be categorized as follows:

- Over \$100 million (mega-projects): 27;
- \$50 to \$100 million: eight; and
- Less than \$50 million: 32.

Moreover, three large exporters have identified additional projects valued at almost \$1.5 billion over the next five years in a selection of countries.

Study findings strongly suggest that the need for concessional financing is primarily a function of the markets being pursued. Even for mega-projects the buyer market will determine, by and large, whether such financing will be required. This observation is supported by the fact that virtually all long-standing exporters interviewed have in the past concluded a large volume of export sales, including mega-projects, to unspoiled markets without concessional financing support.