

Introduction

Laycon Finance's main focus:

Financing of exports, infrastructure projects, agricultural, medical, environmental and climate protection projects in developing countries.

We are specialized in project finance advisory of exports for various fields such as renewable energy (solar, biomass), infrastructural (ports, airports, bridges, etc.), thermal power generation and transmission (hydro and thermal), agro-industry, Medical (hospitals, Health care centers, etc.) and educational (universities, vocational training centers, student hostels, etc.) projects across emerging countries .

We keep supporting the internationalization and the competitiveness of emerging market companies and the EU exporters.

Overview on the European Export Credit Agent (ECA) Umbrella

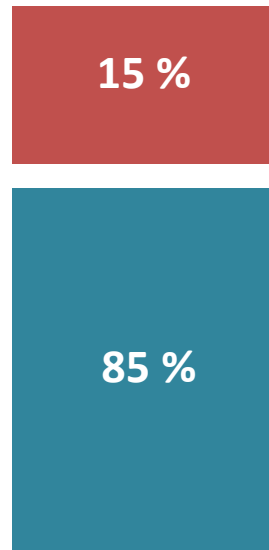
- › ECAs are Government departments of exporting countries
- › ECAs are tasked with promoting of equipment / services from home countries.
- › ECAs simplify access of credit for foreign buyers when they need to pay for imports from ECA countries.
- › ECAs work with commercial banks in their home countries and encourage them to lend by providing them with guarantees covering the borrower's repayment obligations.
- › Banks usually act as lenders under the ECA loans (although some ECAs can do so themselves).
- › Banks record the exposure under the loan as the sovereign risk of the ECA rather than a risk on the underlying borrower.

What does ECA umbrella exactly mean ?

- Export Credit Agencies (ECAs) are institutions set up by governments to support their export orientated industries through offering subsidised support,
- ECAs are found in all OECD countries and major emerging markets e.g BRICS (Brazil, Russia, India, China and South Africa)
- They provide support to the exporter in the following way:
 - a) provide a payment guarantee to the exporter's Lender, transferring repayment risk from the exporter /importer to the agency;
 - b) Give insurance cover to the Lenders and suppliers, concerned about payment performance,
 - c) Provide direct lending to importers of goods from their country,
- The cover can be for Commercial risk – inability of importer to pay i.e. credit risk; and/or Political Risk - CEND plus currency transfer and convertibility risk;
- ECAs can cover projects for :
 - Longer periods,
 - At competitive costs compared to other insurance offers,
 - They can take on more risk and are flexible to accommodate most situations.

OECD & Other Requirements

Requirements for ECA-covered loans to be reflected in payment terms under the commercial contract



Down and / or interim payments (minimum)

medium and long-term financing (supplier's credit or buyer's credit)

OECD & Other Requirements

Chemicals, fertilizer consumer products, equipment with consuming product character	180 days
Capital goods, machines	usually 3 - 5 years
Turn-key projects / project with a volume exceeding EUR 15 million	up to 10 years
Equipment for power station	up to 12 - 15 years
Equipment for renewable power projects/ infrastructural projects	up to 15 - 18 years

Our Finance Advisory Approach

- ◆ **European Exports Financing** (ECA covered, Commercial loans, Project finance, Asset-based Financing)
- ◆ **Project with an European Sponsor** (Project Finance, Corporate Finance, ECA Covered, Commercial loans)
- ◆ **Commodity Trade Finance** (Loan schemes, Commodity and structured Trade Finance, ...)

ECA Structuring & Advisory Services

Laycon Finance expertize:

- ◆ We have a long term experience and relationship with various E.U.'s ECA's,
- ◆ We do have structuring capabilities to diversify and to optimize funding sources in order to match debt requirements,
- ◆ Professional analysis of export contracts, ECA application steps, premium/pricing, etc.

ECA Structuring & Advisory Services

What our clients can expect:

- Dedicated expertise in making use of export credit agencies and cover instruments,
- Hands-on structuring approach with focus to optimize the financing structure,
- Strictly adhering to applicable export credit cover regulations and practise to enhance both a loan credit/coverage approval process and internal credit management during tenor loan life,
- A team of experienced and committed ECA experts.

Non-Negotiable OECD Parameters

- ❖ Down and interim payments
- ❖ Repayment of principal and payment of interest,
- ❖ Commencement of the credit period - Starting point
- ❖ Maximum credit periods
- ❖ Capitalization of interest
- ❖ Local costs - Content

Overview about the ECA Market

ECAs take political and economic risks of non-fulfillment of loan agreements

Main criteria for eligibility for ECA-cover

- › Transactions to safeguard or create jobs, principally in the country where the respective ECA is located.
- › Goods to be delivered are important for the economy of the buyer's (importing) country

Main criteria for eligibility for ECA-cover

- ECA stipulate the requirements for cover of each country taking into account:
- › Financial strength and economic policies of the country concerned;
 - › Macro-economic and political factors;
 - › The foreign buyer's / guarantor's creditworthiness and his payment record;
 - › No cover to be provided in case of high loss probability or in case the buyer is already in delay with repayments related to other funded projects.

Advantage of ECA for the Borrower

- **Competitive Pricing:** Floating and fixed interest rates with very low spreads relative to market,
- **Extended Tenors:** Repayment terms of up to 10 to 12 years (plus drawdown) are available,
- **Multi Currency:** Facilities are available in most freely convertible currencies,
- **Diversification:** Allow Borrowers to diversify their source avoiding stressing any particular source
- **Availability:** ECA facilities are often available when other sources are exhausted.

EU Export Credit Agencies



Austria (AA+)
➤ **OeKB**



Belgium (AA)
➤ **OND**



Czech Rep. (AA-)
➤ **EGAP**



Denmark (AA+)
➤ **EKF**



Finland (AA+)
➤ **Finnvera**



France (AA)
➤ **COFACE**



Germany (AAA)
➤ **HERMES**



Italy (BBB-)
➤ **SACE**

S&P Rating Levels

AAA
AA+
AA
AA-
A+
A
A-
BBB+
BBB
BBB-
BB+
BB
BB-
B+

Netherlands (AA+)
➤ **Atradius**



Poland (A-)
➤ **KUKE**



Portugal (BB)
➤ **COSEC**



Slovak Rep. (A)
➤ **EXIMBANKA**



Spain (BBB)
➤ **CESCE**



Sweden (AAA)
➤ **EKN**



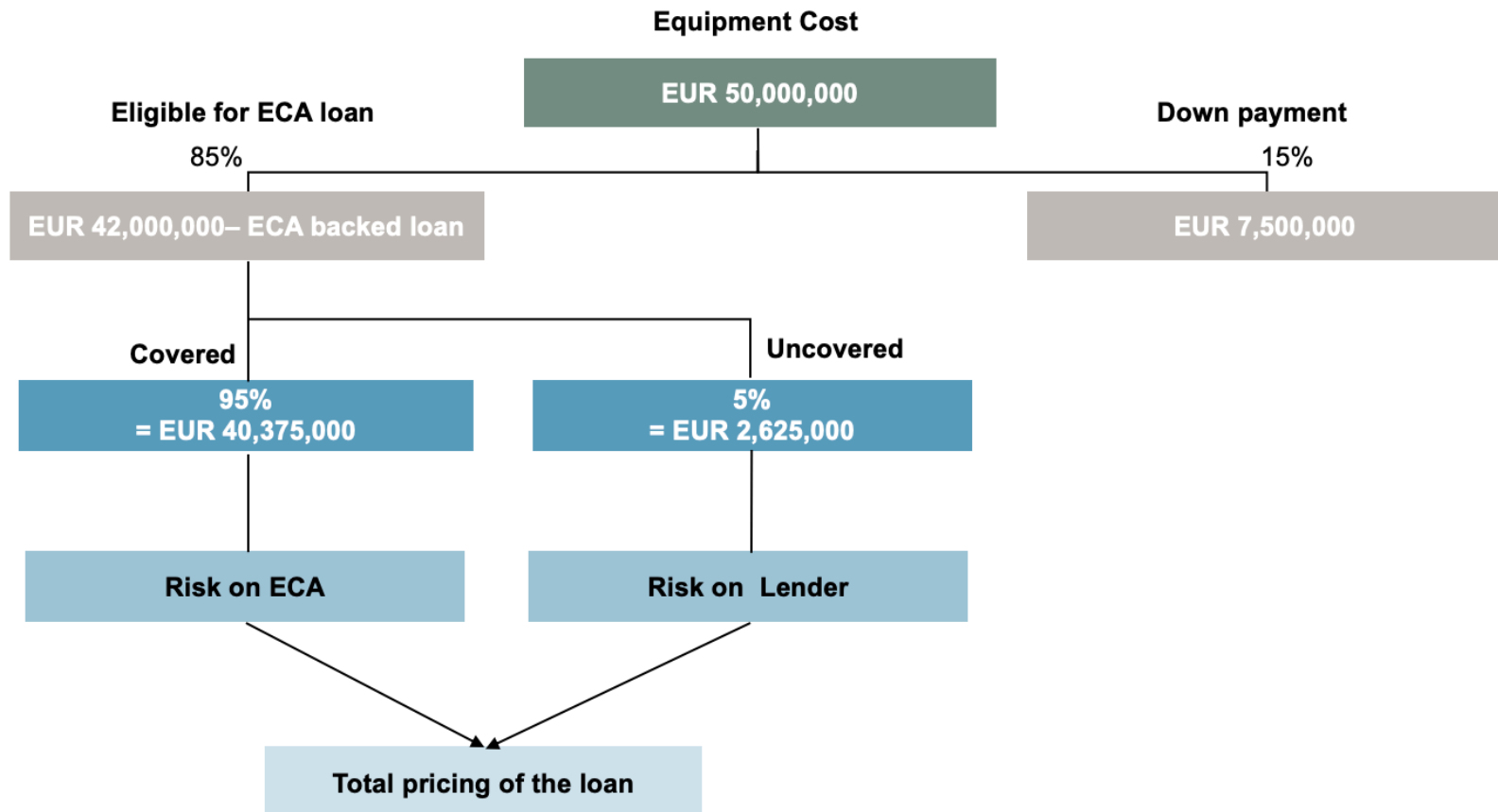
South Africa (BBB-)
➤ **ECIC**



Switzerland (AAA)
➤ **SERV**



ECA Overview Schema



OECD CONSENSUS

›“OECD Consensus”: Arrangement on Officially Supported Export Credits

›To encourage competition among exporters based on quality and price of goods and services rather than on the most favorable officially supported financial terms and conditions

›Arrangement initially came into effect in April 1978 and is of indefinite duration

›Participants currently are: Australia, Canada, the European Union (= 28 countries), Japan, Korea, New Zealand, Norway, Switzerland and the United States.

›For EU countries, OECD Consensus having status of a law

Of all international regulatory frameworks, the OECD Consensus has the most significant repercussions on the loan.

OECD NON NEGOTIABLE TERMS

Repayment of principal and payment of interest

- › Principal sum of an export credit to be repaid in equal installments.
- › Principal to be repaid and interest to be paid no less frequently than every 6 months.
- › First installment of principal and interest to be effected not later than 6 months after the starting point of credit.
- › Interest due after the starting point of credit shall not be capitalized.

OECD Advised Terms

Maxim Credit Periods – Linked Tenors

Order value in EUR	Maximum term
150,000 to 225,000	4
225,000 to 300,000	4½
300,000 to 2.500,000	5
2,500,000 to 5,000,000	6
5,000.000 to 7,500,000	7
7,500,000 to 10,000,000	8
10,000,000 to 17,500,000	8½
over 17,500,000	10

Longer terms are still possible but subject to special cases

Costs Of an ECA-Cover Buyer Credit

ECA Premium

This part of the ECA premium is harmonized in the OECD:

- › Every buyer country is categorized from 0 to 7:
 - › 0 = high income OECD countries, eg. US, UK etc.
 - › 7 = LDCs
- › Premium category is discussed annually by OECD Premium Experts Group based on latest economic data,
- › “Permitted Exceptions” possible, i.e. political risk premium below the minimum premium benchmark, e.g.:
 - › third country unconditional payment guarantee
 - › local currency financing, But general reluctance of ECAs to apply Permitted Exceptions

Check List Of an ECA-Cover Buyer Credit Check List/Info to Provide

Project Data:

- › Name of the supplier(s), contact person(s) incl. address(es), phone number(s) etc,
- › Name of the buyer & Goods / equipment to be delivered, Commercial contract value, Delivery, Commissioning schedule, Payment conditions, Project status, and other important project data.

Financing terms and conditions requested

Interest basis (fixed or variable) & Interest margin
ECA Premium (including assumptions for calculation)
Up front fee(s), Commitment fee and Other fees (if any)

ECA Borrower Financing Advantage

Competitive Pricing: Floating and fixed interest rates with very low spreads relative to market

Extended Tenors: Repayment terms of up to 10 to 12 years (plus drawdown) are available

Multi Currency: Facilities are available in most freely convertible currencies,

Cash Flow Matching: Drawings only when funds are required to the supplier, thus reducing the negative carry. Syndicated term loans or bonds to be raised for a ticket size,

Availability: ECA facilities often available when other usual avenues are exhausted.

Diversification: Allows Borrowers to diversify their funding source avoiding stressing any particular source.

Case Study



250 Ambulance Vehicles for the National Ambulance Service in Country X:

- Loan amount: € 40 million,
- Maintenance is included

The Challenge:

- The financing of **250 vans** to be converted into ambulance vehicles and mobile clinics by XXX GmbH and their delivery to the Republic of X
- First commercial facility in X country in 15 years

The Solution:

- Buyer Credit supported by the German Export Credit Agency of Euler-Hermes
- Subsidized German CIRR Loan according to the OECD-Consensus

The contribution of the Commercial bank X:

- Bilateral export credit facility

**Thank you for
your attention!**

Project Finance Advisory

ECA Workshop avec IFaS – October 2019