



External economic relations and Europe

German Federal foreign trade and investment promotion

Export Credit and Investment Guarantees



Contents



- ▶ Export Credit Guarantees (ECA-Cover or so called “Hermes Cover”)
- ▶ Foreign Direct Investments (FDI)



Basic information: Export Credit and Investment Guarantee Scheme

► **Export Credit Guarantees:**

support exports by securing suppliers against
economic and political risks (buyers-/country risks)



► **Foreign Direct Investments:**

support direct investments of German companies by
covering political risks and by offering investors
long term protection



Basic information: Export Credit and Investment Guarantee Scheme



► The Federal Republic of Germany

- entrusts a consortium of Euler Hermes and PricewaterhouseCoopers with the management of Export Credit Guarantees and Investment Guarantees
- takes basic and important decisions
- bears the budgetary responsibility



Requirements for Export Credit Guarantees

► **Business that qualifies for official support:**

- Export transactions (supply, works/services and financing contracts) of a German exporter with goods of mainly German origin

► **Criteria for the granting of cover:**

- the transaction is eligible for support
- the risk is justifiable
- the terms of the contract are in conformity with intergovernmental agreements (e.g. OECD Arrangement rules on payment terms and credit periods etc.)
- budgetary restrictions

► **Figures as per 09/2011:**

- overall exposure: EUR 74.25 bn (Statutory maximum exposure limit: EUR 135 bn)
- new cover (worldwide) for exports in 2011: EUR 21.37 bn



German Federal Investment Guarantee Scheme

► Purpose of the scheme:

- The Federal German Government supports direct investments of German companies abroad by covering political risks and by offering investors long-term protection

► Criteria for cover:

- German investment
- Eligibility for promotion
- Sufficient legal protection (mainly by bilateral investment treaties between Germany and the host country)

► Figures as per 09/2011:

- Overall exposure: EUR 30.5 bn (Statutory maximum exposure limit: EUR 50 bn)
- New cover (worldwide) for investments in 2011: EUR 4.0 bn



Cover Policy for Greece

► Export Credit Guarantees

Medium/Long-Term Business, i. e. risk periods of more than 2 years:

- no formal restrictions
- credit periods of up to 8.5 years
- longer credit periods possible for project finance (14 years), renewable energy projects (18 years) and power plants (12 years)

Collateral: case by case decision (not generally required)

Short-Term Business: not eligible due to EU regulations

Covered German exports to Greece: EUR 87.6 million (2010 - 08/2011)

► Foreign Direct Investment

- cover in principle possible / no active guarantees at present



Benefits ECA / FDI Instruments

- ▶ facilitating and support of medium/long-term transactions
- ▶ access to funding sources for large investments
- ▶ promotions of German exports and direct investments
- ▶ reliable support at all times
- ▶ profiting from reputation and experience of ECA
- ▶ increasing contacts to international exporters/banks
- ▶ FDI offers useful protection for direct investments abroad and additional loss prevention options
- ▶ FDI scheme and Export Credit Guarantees may be combined with other governmental programs



Definitions: Project Finance/Structured Finance

► Project Finance (PF):

- implementation of a Special Purpose Company (SPC)
- project has to earn sufficient revenues to cover operating costs and debt service
- off balance sheet finance structure

► Structured Finance:

- “conventional” Export Credit transaction related to already existing borrowers with additional collateral (e. g. assigned export revenues) and further project finance elements



Project Finance – Key Benefits

- ▶ legally and commercially independent project company (SPV) provides a solid ring-fence against third-party interventions
- ▶ economic viable project (= requirement of sufficient cash flows to cover operating costs and debt service commitments) as pre-condition for cover ensures that PF projects are favourable for all involved parties (sponsors, lenders, Export Credit Agency)
- ▶ no or limited recourse against project equity providers facilitates investment decisions
- ▶ clearly defined/examined budget as part of the due diligence process protects sponsors and lenders interest (reduced/limited cost overrun risks)



Renewable Energy – Prospects Greece



- ▶ German exporters have considerable competence in the sectors of wind, solar thermal and photovoltaic power
- ▶ favorable financing opportunities under the Sector Understanding for Renewable Energy Projects with ECA-Credit Cover:
 - ▶ a loan tenor of up to 18 years is possible
 - ▶ repayment in equal annual installments
 - ▶ a Grace Period of 18 months and flexible repayment structures are possible under certain pre-conditions
 - ▶ Project Finance structures are possible



Thank you for your attention!

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments.

In addition to this framework, it is also possible to cover the commercial and the political risks of untied loans relating to projects which are in the overriding national interests of Germany.

The German Government has mandated a consortium formed by Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungs-gesellschaft to manage these promotion schemes.

