2014

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berneunion 80

Contacts

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Andreas Klasen


Ralph Lai


Karin Apelman


John Hegeman

Berne Union 2014

PRESIDENT
Daniel Riordan
CEO, Zurich Global Corporate in North America

Dan Riordan joined Zurich North America in 1997 to establish and manage the global Political Risk and Trade Credit business. Before his current post, Dan also led a combined international Surety, Credit, and Political Risk group and served as President of Zurich's Specialty Products unit. Prior to joining Zurich, Dan was a senior executive managing Overseas Private Investment Corporation's (OPIC) portfolio of long-term investments in developing countries. Dan has been active in the Berne Union over the course of his career, serving as Vice Chairman and Chairman of the Investment Insurance Committee and as Vice President in 2011. Dan is a graduate of the State University of New York at Oswego, and earned a masters' degree in international development from the School of International Service at American University, Washington, D.C.

VICE PRESIDENT
Andreas Klasen
Partner, PwC Germany

Dr Andreas Klasen leads PwC's Economics & Policy practice. He is also Managing Director of the official German export credit and investment insurance programmes, the EH/PwC consortium responsible for management of the German ECA on behalf of the Federal Government. Before joining PwC in 2008, Andreas was Head of Guarantees and Export Finance with Airbus' parent company EADS and advisor to the European Commission and the German Government on trade and industry policy. He read law and finance at universities in Germany and the United Kingdom and holds a doctoral degree in finance from the University of Northumbria at Newcastle.

Short Term Committee

CHAIR
Ralph Lai
Commissioner, HKEC Hong Kong

Ralph Lai has been the Commissioner of Hong Kong Export Credit Insurance Corporation (HKEC) since July 2009. Prior to this, he held various senior regional positions with multinational financial institutions in trade finance and credit insurance. He was the Managing Director, Greater China Trade Finance for GE Capital before becoming the first head of HKEC from the private sector. Under his management, the Corporation had record business growth with commitment and net assets at historic highs. Mr Lai holds an MBA from Bath University, UK and is a graduate of Chinese University of Hong Kong.

VICE CHAIR
Khemais El-Gazzah
ICIEC

Medium/Long Term Committee

CHAIR
Karin Apelman
Director General, EKN Sweden

Karin Apelman joined EKN, the Swedish Government's ECA, in 2002, as a member of the Board of Directors, and later served as second Vice Chairman 2006-2007. She was appointed Director General in 2007. Karin is a member of the Swedish Radiation Safety Authority's financing delegation (SSM) since 2009, a member of the Board of Directors of Swedavia since 2010, and a member of the Advisory Council at The Legal, Financial and Administrative Services Agency (Kammarkollegiet) since January 2011. Karin was the Chief Financial Officer at LFV Swedish Airports and Air Navigation Services 2001-2007. Before that she served in various executive capacities at SAAB Aircraft Leasing and Scandinavian Airlines (SAS). Karin received her MBA from Stockholm School of Economics in 1986.

VICE CHAIR
Jing Fenglei
SINOSURE

Investment Committee

CHAIR
John Hegeman
Senior Vice President AIG Trade & Political Risk, AIG United States of America

John Hegeman is the global head of AIG Political Risk Insurance business. John has been with AIG since 1985 and has many years experience in Credit and Political Risk Insurance. Before joining AIG John worked for FCIA for 10 years where he was Senior Vice President and the chief underwriter. John worked in London from 1987-1994 managing AIG's Credit and Political Risk business in Europe. He is a graduate of Colgate University where he studied Marine Biology and has a Masters Degree in Finance from Boston College.

VICE CHAIR
Vinco David
ATRADIUS

Prague Club

CHAIRMAN
Karim Nasrallah
Managing Director, LCI, Lebanon

Karim Nasrallah is the Founder and the Managing Director of The Lebanese Credit Insurer (LCI), Partner with Atradius. LCI is the first private independent Credit Insurance Company in Lebanon and the Middle East. Through his different ventures Mr. Nasrallah has been involved for more than 20 years in all aspects of Credit Management ranging from Credit Insurance and Factoring to Credit Information and Debt Collection, in the Levant and the Middle-East regions. Since December 2013, Mr. Nasrallah has been the Chairman of Prague Club, part of the Berne Union. The Prague Club is an association of new and maturing insurers of export credit and investment which supports its members in developing their activities.

Secretariat

Fabrice Morel
Deputy Secretary General

Abbey Sturrock
Assistant Director

Songhee Cho
Secondee, K-SURE

Management Committee Members

ASHRA	ATRADIUS
COFACE	COSEC
EH GERMANY	EGAP
MIGA	NEXI
SINOSURE	SLECIC
US EXIM	ZURICH

2014 Meetings

March	**SME Specialist Meeting**	Amsterdam, ATRADIUS
May	**BU Spring Meeting**	London
June	**PC Spring Meeting**	Ljubljana, Slovenia, SID Bank
July	**INV Technical Panel**	USA, Zurich
October	**Berne Union Prague Club General Meeting**	Moscow, EXIAR
November	**Claims & Recoveries Specialist Meeting**	Budapest, EXIM HUNGARY
December	**Specialist Meeting**	Tel Aviv, ASHRA


Khemais El-Gazzah


Jing Fenglei


Vinco David


Karim Nasrallah


Fabrice Morel


Abbey Sturrock

Reliable partner of the Czech export

During its 22-year existence,
EGAP has insured the export of:

- 4,770 buses
- 4,220 trucks
- 1,550 tractors
- 991 trolleybuses
- 251 trams
- 86 turbines



Foreword

Berne Union members continue to evolve to meet the demands and challenges of the export credit financing sector. By Jonathan Bell, editor-in-chief, TXF.

This is a particularly big year for the Berne Union, which has now been supporting exporters, borrowers, investors and the overall export financing sector for the past 80 years. It is also a celebratory year, as few organisations have such an excellent and consistent track-record of performance in global trade. In the case of the Berne Union, members have consistently supported global trade flows through the good times and the bad, without fail.

In recent years, the retrenchment from certain areas of trade finance by some of the commercial bank community has left many gaps to be filled. And some of these gaps – particularly the provision of finance for small- and medium-sized (SME) enterprises, have been damaging to many. However, the export credit agencies (ECAs), development financing institutions (DFIs) and multilateral financial institutions (MFIs) rose admirably to the rescue through the global financial crisis of 2008-2009, and for the most part they continue to perform to keep global trade flows on track. In this regard, Berne Union members have been, and continue to be, particularly flexible, inventive and open to dialogue with all parties.

The increased focus on the SME sector is one which Berne Union members continue to explore, knowing that these companies form the ‘life blood’ of the exporting supply chain. Members’ attention to the challenges these companies face through open discussion and committee sessions will prove to be invaluable, today and in future years.

It is an entirely different scene to that perceived of the sector in the late-1990s, for example. Today, agencies are very much the driving force and innovators. As increased regulation has impacted on the commercial banking community, so the banks and corporates have sought the safe haven of working in a particular market with agencies, of one form or another. The benefits of partnering with AAA-rated institutions has also opened up many new avenues for the commercial banks, many of whom are keen to explore new territories with better margins – but only if the backing is behind them.

Jonathan Bell

Innovation by agencies is, of course, taking many forms, and not least is the drive to increase liquidity in the sector. In certain cases this has led to the involvement of new investors, and this is something which will undoubtedly be a bigger feature over the next few years. And the increasing involvement of capital market mechanisms is providing some positive benchmark tools for players in select markets and sectors. At the same time, direct lending solutions and mechanisms have been brought into play, and these measures have often supported industrial sectors and projects – such as renewables and satellite financing – where financing may have been hard to achieve.

With continued extensive and varied risks in many markets, and the seemingly never-ending news of new conflicts, credit and political risk insurance is, and will continue to play a crucial role in the export credit sector and global trade at large. And with a broadening vision, the Berne Union is the prime organisation to house the discussions and provide the umbrella for all members to work under.

Bringing all members together in order to share experiences, knowledge and importantly new ideas, is the desired objective of the leadership, secretariat and members alike. The future looks healthy and bright for the Berne Union in this respect.

As this is the 80th anniversary year, it is a time not only to reflect, but also to look forward, and this is very much achieved in the articles written by the members and others for this Yearbook. We hope you find the feature articles interesting and informative, and the data and directory useful tools for your work in the year ahead. ■

Changed perceptions as members enter a wider sphere

Jonathan Bell, editor-in-chief at TXF, talks with Dan Riordan, president of the Berne Union, about taking the organisation forward in its 80th year.

Dan Riordan, CEO, Zurich Global Corporate in North America, took over the presidency of the Berne Union in October last year, and in doing so he became the first representative of a private insurer to be elected president in 30 years. He comes in as president at a time when export credit agencies (ECAs) and export credit financing are arguably playing a more important role in global trade than ever before.

The export credit sector has changed immensely since the global financial crisis (GFC) of 2008-2009. Agencies and insurers have stepped-up to work with borrowers and exporters in a highly proactive way that could not have been predicted before the GFC. It is a changed paradigm. And as an organisation, the Berne Union is playing its part as it looks to work with a positive forward vision for its members and the export credit sector at large. With 2014 being the 80th anniversary of the Berne Union, it is also a big year for the organisation.

"The Berne Union is a membership association made up of a tremendously interesting group of people. We are a diverse group from around the globe who have a common interest in export credit and investment insurance," says Riordan. "That has been true since day one." In 1934, a public sector agency came together with three private credit insurers in Berne for the first meeting of what ultimately became the Berne Union and Prague Club, membership associations of nearly 80 companies representing over 60 countries.

Dan Riordan

"In coming in as the new president especially in our 80th year, it was important to me that our organisation provides to the members what they value most, while staying true to our guiding principles. What I've learned through discussions and review of past documents is that keeping the spirit of the Berne Union alive in the context of today's world has been a challenge for my predecessors, and one that I accepted gladly late last year. In a collective process engaging with our members, staff, and past members we set out initially to understand just what that value is. How do we improve and how do we maximise our activities to create that type of environment?" Riordan states: "We were really challenged by the members over the year to develop more transparency, openness and communication, and we have made good progress on that since October 2013."

Riordan stresses that the organisation

"Making sure that we are meeting expectations for our members is paramount. On the other hand, how we build on the existing reputation of the organisation is important as well. There is a tremendous amount of experience and knowledge housed within the existing membership, and some closely-tied alumni."

provides an avenue for the members to network and share experiences, learn new techniques and come together as a community. He adds: "It is a very powerful association. We are looking now at more regular communication, so that we keep this organisation relevant. How we use the data within the Berne Union will be a main contributor to ensuring that we deliver on that task. At the present time much of that capability remains untapped. Refining how we approach, collect, and analyse member data has real significance."

"Making sure that we are, at a minimum, meeting expectations for our members is paramount. On the other hand, how we build on the existing reputation of the organisation is important as well. There is a tremendous amount of experience and knowledge housed within the existing membership, and some closely-tied alumni. How do we position the Berne Union in industry, for instance?"

Fostering further cooperation

Closer contact between members of the Berne Union and the Prague Club is a priority in reducing complexity and modernising the groups. To that end, there is an added benefit that the groups have much to learn from and to teach one another. Business with small- to medium-sized enterprises (SMEs) and understanding of the associated requirements is one such scenario where the two groups can leverage knowledge and experience. For the first time in 2014, the autumn Annual General Meeting will bring together Berne Union and Prague Club members.

"This is what we see in our individual businesses and in the outside world. Trade, and its finance, is more interconnected than at any other point in history," remarks Riordan. "Many of the Prague Club members have already been focused on SMEs, a trend that Berne Union members have become more involved in as well. This is one commonality that can encourage more cooperation between members."

He also points out: "Not only are the parallels between members growing, as in the SME example, the range of conversation is changing as well. Our bi-annual general meetings have been the banner events for many years, but lately members have found more ways to get together to attract specialist activities. Just in the last 12 months small specialist meetings have focused on issues such as SMEs, country risk, and claims and recovery trends. In this way more people are attracted to the community. Whereas it used to be the senior most representative, now we see the real practitioners – new underwriters, or middle-level mangers – exchanging real time experiences."

With the broadening of the subject matter and level of discussions, the meeting experience is enhanced all around."

Being receptive to new ways of operating and new ideas is the mark of a progressive institution. In recent years, the Berne Union has become much more open which has led to greater avenues of cooperation with other organisations, and it is widely felt that this is something that needs to be encouraged further.

"We are not a shy group, but still I encourage members to offer feedback about new ideas and concepts. This is important. For the last few years there has been a member-driven effort to increase cooperation with multilateral organisations such as the WTO and World Bank. Former Berne Union president Angus Armour was a big proponent of becoming more involved with these entities and getting more involved with the G20 at the same time. Johan Schrijver continued much of that good work and I want to also take that forward. I think the members want this too," states Riordan. "I am also a firm believer in focus – and we can't do everything that we would like to. Initially, we should be focusing on a few things and doing them well," he adds.

"To provide a forum for our members, organisations that support exporters and investors in tough markets, and to allow them the opportunities to better support their businesses, I think that's really where the Berne Union shows its worth."

Members continue to rise to the challenges

In hindsight, one thing is without question, and that is that Berne Union and Prague Club members have shown their importance throughout the GFC. This ability of the members to be flexible and proactive is something that Riordan is particularly proud of.

He states: "If we look at how members have helped facilitate trade and investment in what has been the toughest economy since the great depression, we can clearly see that a lot of members rose to the challenge. Some of them became de facto lenders, some have expanded their business models, they have increased their limits, and they have become more creative in structuring to answer the needs in the global economy. ”

“At the same time they have been working in an environment where the banks were not lending, but rather sitting on cash. To a certain extent, that is still a reality. Banks are starting to lend and starting to be more trade finance oriented, but over the past five or six years, the private and public members of the Berne Union have had to really step-up to support the sector. ”

“We say that 10% of world trade is facilitated by Berne Union members, but I actually thing that it is higher than that. In USD that is over 1.8 trillion of exports and foreign direct investment. I think this could go as high as 20%. That’s the exciting part – we facilitate through insurance and finance, and it grew on the finance side quite substantially because of the lack of willingness to lend by banks in response to the global financial crisis.”

Direct lending, new tools and growth

In certain industrial sectors, and renewables is certainly one of those, ECAs increased the volume of direct lending as demand has come from the market since 2009. Sometimes this has been a controversial issue with commercial banks, sparking heated debate.

However, Riordan explains: “In the midst of the GFC, in relation to the lack of funds available in the commercial bank market – particularly for SMEs – ECAs in many markets got involved to find solutions. Acting as direct lenders on a temporary basis was one such result. As we see economies improve and increased involvement from the banks, some of the ECAs will pull back a bit as their role is not to be a direct competitor of a bank’s lending operation. There is a role for each, investment and credit insurer as well as lender in a transaction.”

Now, well into 2014, with demand for financing intensifying in most industrial and infrastructure sectors, so is increased requirement for greater liquidity. As Riordan points out: “The global economy is thawing now and our members, public and private, are looking at new ways they can raise funds and capital to help support exporters. There is a lot of work continuing in the capital markets. We have also seen more ECAs and multilaterals get involved using their guarantees or insurance capabilities to get more capital into the market for lending purposes.”

As an example of this, in September last year the Multilateral Investment Guarantee Agency (MIGA) supported a €400-million ($553.6 million) financing backed by notes to be issued by Hungarian Exim. Specifically, MIGA’s guarantee provided coverage against non-honouring of the sovereign financial obligation for the principal and interest on the bond notes. This deal represented MIGA’s first use of this cover for a capital markets issue.

If we have a good concept then we ought to share it,” Riordan says. “We have also seen proactive work with EKF in Denmark working with the Pension Fund of Denmark to create more loan capabilities. They are very focused on their wind industry, so they need more

“If we look at how members have helped facilitate trade and investment in what has been the toughest economy since the great depression, we can clearly see that a lot of members rose to the challenge. Some of them became *de facto* lenders, some have expanded their business models, they have increased their limits, and they have become more creative in structuring to answer the need in the global economy.”

"We will grow and change with the times ... we will always be looking for new ways to provide information and education to appropriate stakeholders, be it internal or external."

capacity and by partnering with the pension funds they have created more export finance."

Denmark' PFA Pension, the country's largest pension fund is working in concert with EKF to provide loans to foreign companies to help Danish groups including wind companies such as Vestas Wind Systems. The programme has been highly successful and can expect to be emulated with pension funds and ECAs elsewhere in due course.

Looking ahead

With ever an eye on the future in all aspects of the sector, Riordan sees continued strong demand for export credit financing, with financiers continuing to also look at ways to increase liquidity. He notes: "There will continue to be calls for longer-term finance and related insurance. The capital markets will continue to assist with this. There will be increasing emphasis placed on the development of infrastructure and also a manufacturing renaissance in the US."

"I also think that securitisation will continue as a way to get more of the funds out there in the wider market. The demand is there, and even picking up, in developed and emerging economies. The pent up demand for investment in infrastructure – particularly in energy, whether upstream or downstream oil and gas, shale oil development, alternative energy, for instance, are all going to be big. These will require funding, and in many cases will showcase expertise of Berne Union and Prague Club members."

"Some of these infrastructure developments will also involve multilaterals. And we see IFC as key in this regard. They are quite creative in their facilities – securitisation, lending and insurance – and they are active in setting up reinsurance capabilities as well. We are looking at ways to bring our two organisations closer together for the benefit of our members and their customers. That will be an exciting thing for us."

"Political and economic shifts on a global basis are already underway. By the end of 2014, 40 national elections will have taken place across the globe, the effects of which will be broad across geographies and sectors. Energy independence in North America is also creating a very interesting dynamic, potentially starting a chain reaction through the region, and simultaneously through current energy providers in the Middle East, as they brace for related impacts. It is these types of shifts that underwriters are prepared to assess and address."

And as a private insurer, how does Riordan see the role of these companies within the sector overall? "I certainly see a greater role for private insurers within ECA-backed activity. The private members that are already within the BU have brought a lot of collective expertise and innovation into the group as it exists today," he believes, "This has generated a lot more cooperation – which has led us to do more co-insurance and re-insurance between the public and private sector. It used to be an event when a private insurer did something with an ECA – but that is no longer the case. It is business as usual. That has created a very welcoming environment within the Berne Union.

On a final note, Riordan states: "I do see more complexity and interdependence globally. There is increasing regulation. Some of this makes for a challenging environment, which is becoming ever more interconnected and complicated – and this can become a roadblock to exports and investment. So there has to be a good balance. Local interests and the interests of companies need to be protected, but, as a global economy, we should be enabling an environment that encourages trade and investment. So that is really the balance for us all.

"What is the Berne Union's role in that? We are practitioners of the export credit and investment insurance sector, and as such a source of information and expertise. We will grow and change with the times, as will many of the things we have discussed here, but in all likelihood, we will always be looking for new ways to provide information and education to appropriate stakeholders, be it internal or external." ■

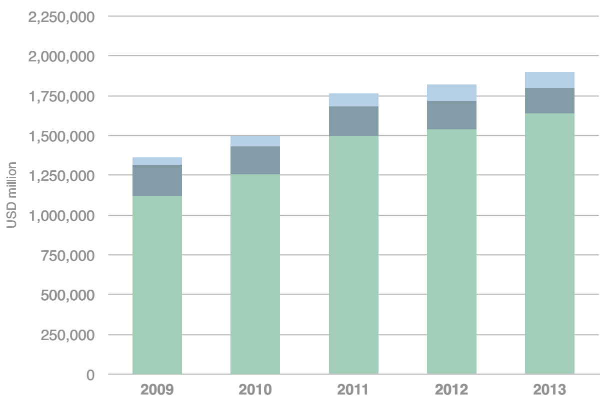
2

Data and Statistics

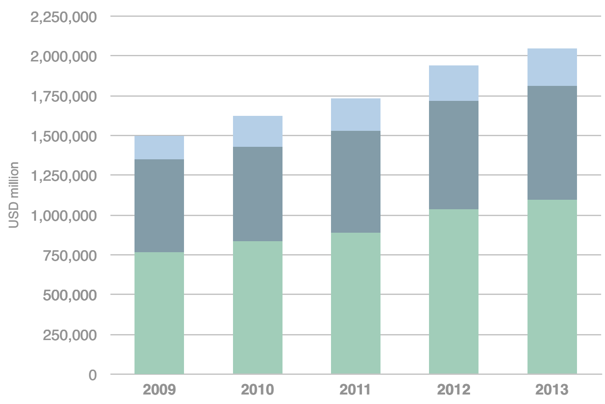
Berne Union: Totals

Key
- INV – Investment Insurance
- MLT – Medium/Long Term Export Credit Insurance
- ST – Short Term Export Credit Insurance

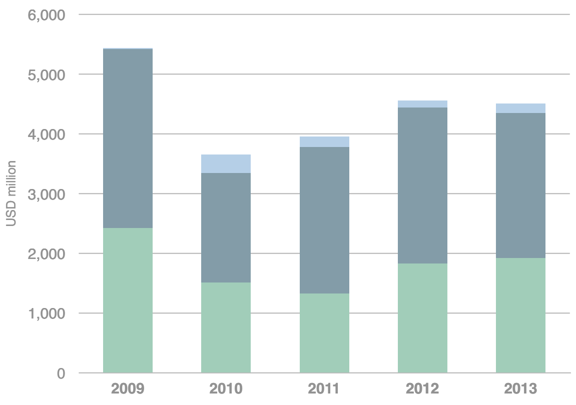
New Business – during each year



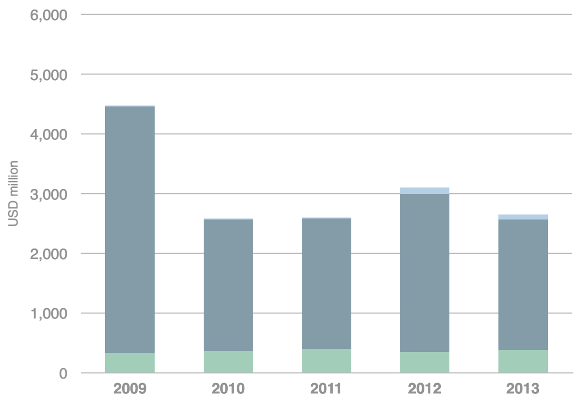
Exposure – at year end



Claims Paid – during each year

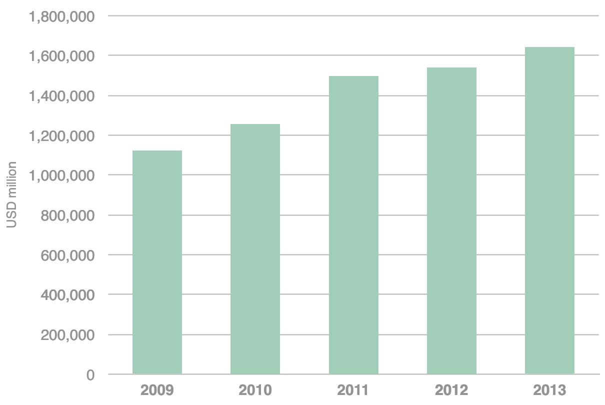


Recoveries – during each year

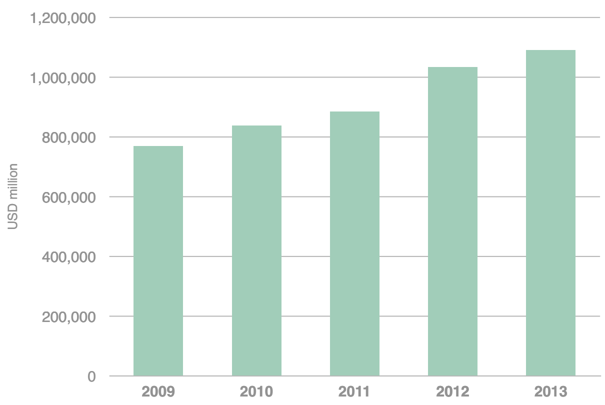


Berne Union: Short Term Export Credit Insurance

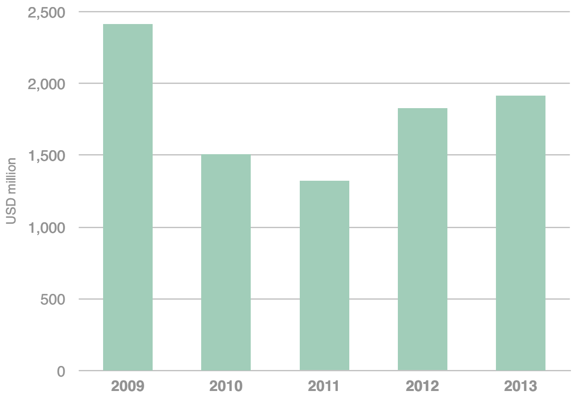
ST New Business – insured during each year



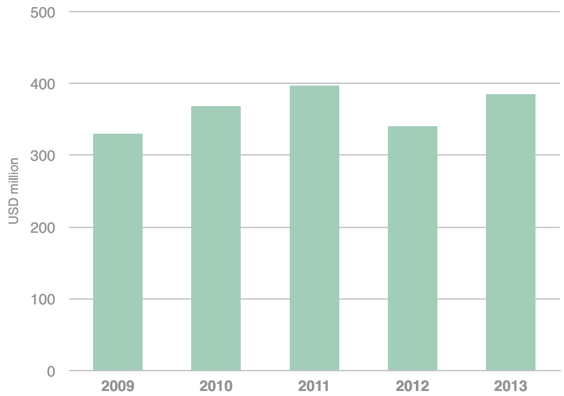
ST Exposure – at year end



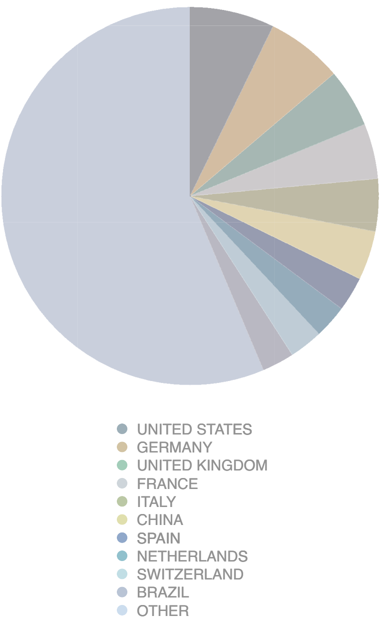
ST Claims Paid – during each year



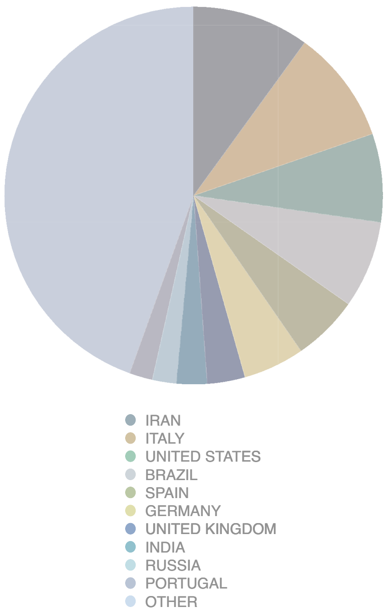
ST Recoveries – during each year



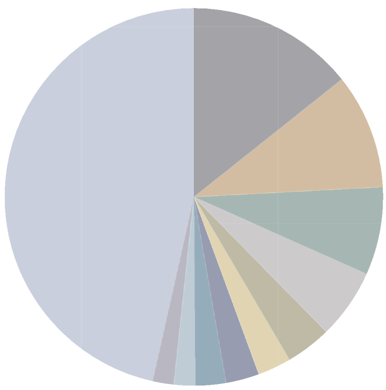
ST Exposure 2013: Top 10 Countries



ST Claims Paid 2013: Top 10 Countries

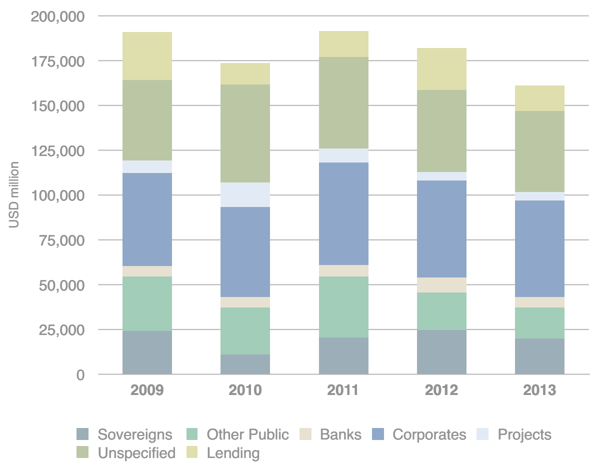


ST Recoveries 2013: Top 10 Countries

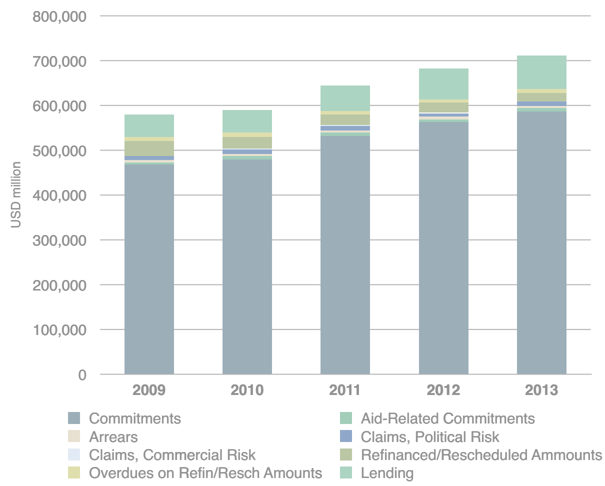


Berne Union: Medium/Long Term Export Credit Insurance and Lending

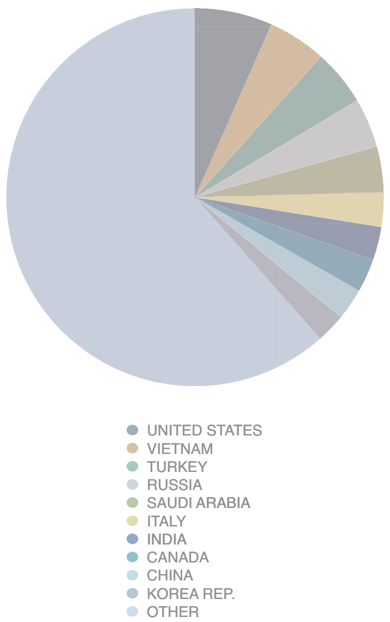
MLT New Business – insured during each year



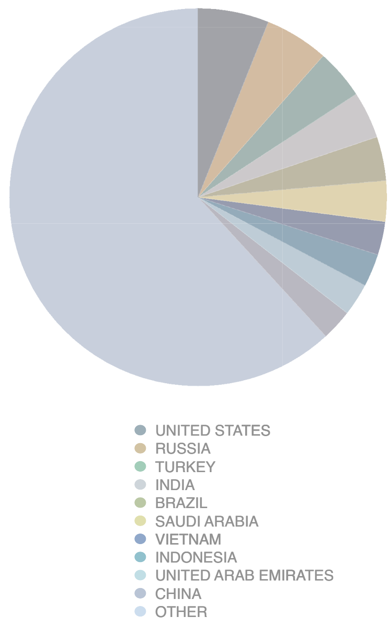
MLT Exposure – at year end



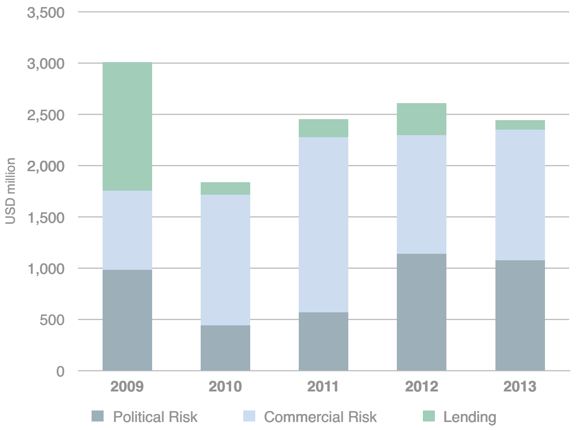
MLT New Business 2013: Top 10 Countries



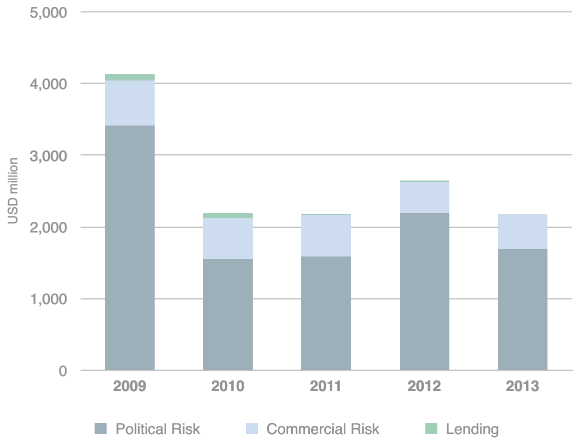
MLT Exposure 2013: Top 10 Countries



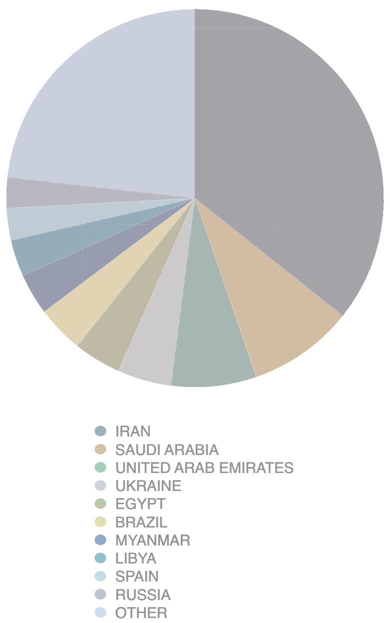
MLT Claims Paid – during each year



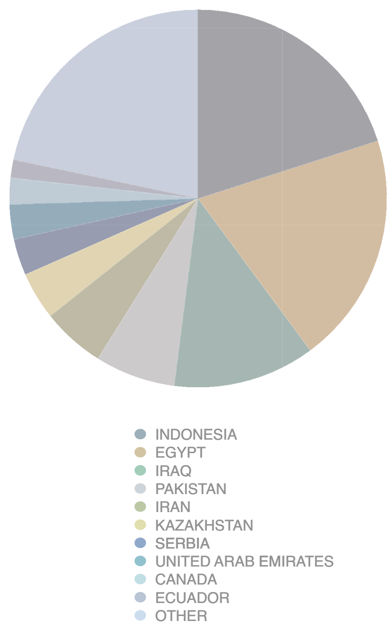
MLT Recoveries – during each year



MLT Claims Paid 2013: Top 10 Countries

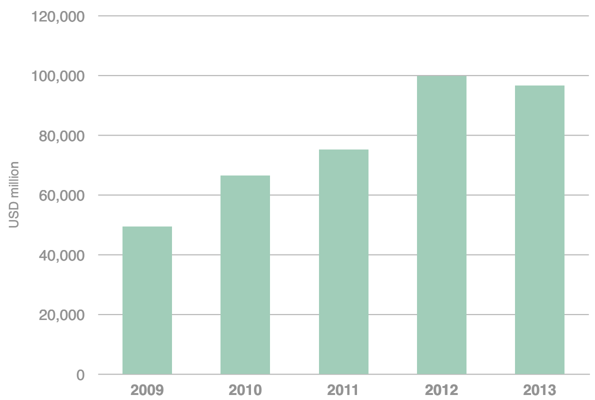


MLT Recoveries 2013: Top 10 Countries

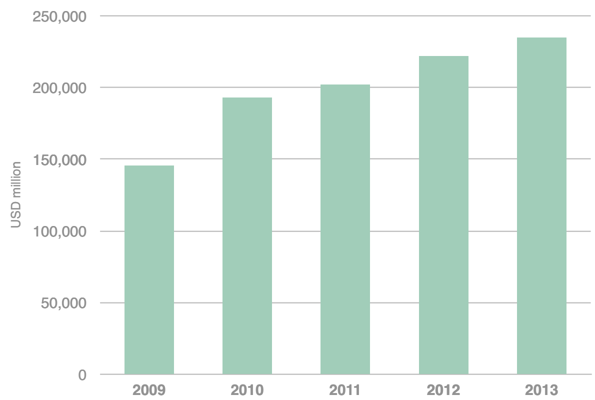


Berne Union: Investment Insurance

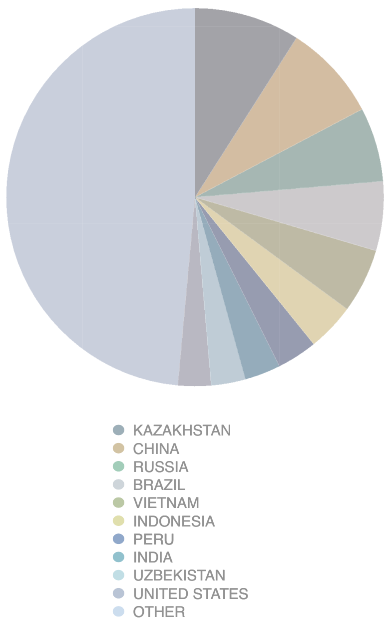
INV New Business - insured during each year



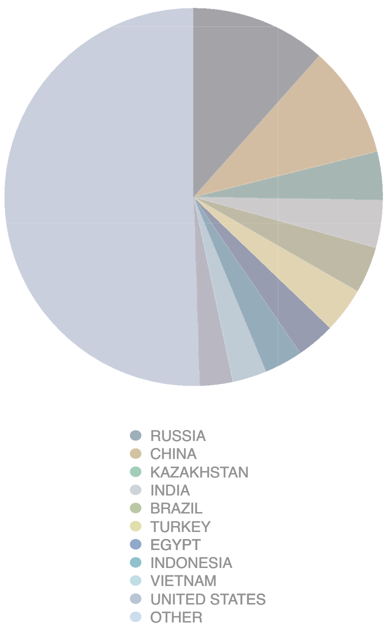
INV Exposure - at year end



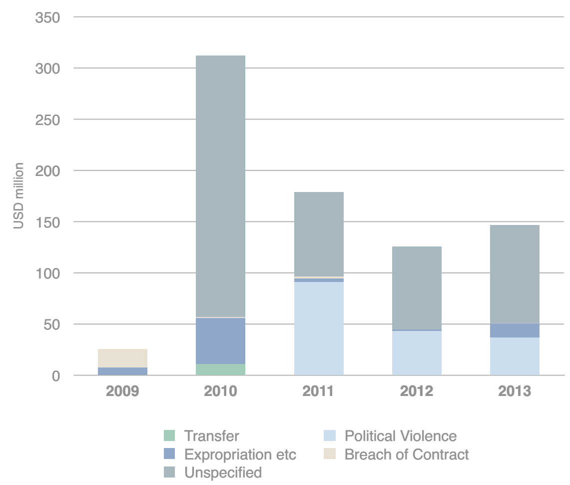
INV New Business 2013: Top 10 Countries



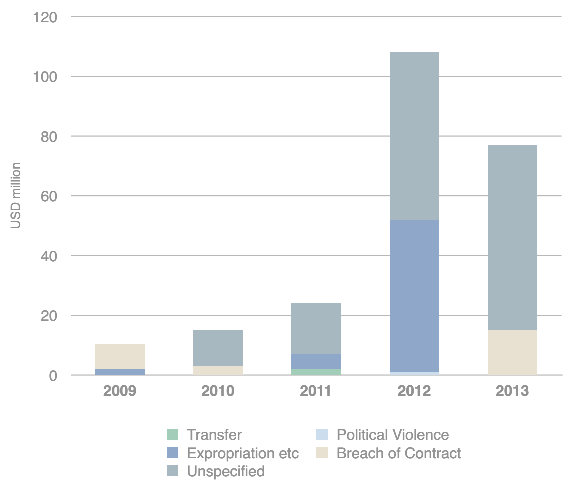
INV Exposure 2013: Top 10 Countries



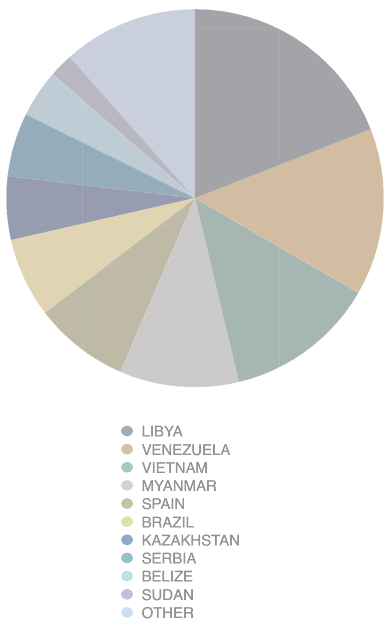
INV Claims Paid – during each year



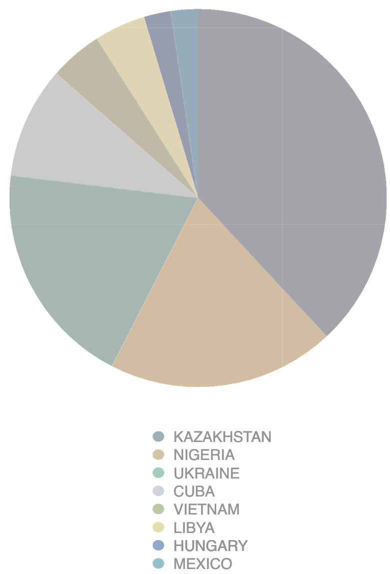
INV Recoveries – during each year



INV Claims Paid 2013: Top 10 Countries



INV Recoveries 2013



Berne Union members on the way to cover $2 trillion of export credit and investment

By Fabrice Morel, deputy secretary general, Berne Union

Export credit insurance reaches $1.9 trillion in 2013

While international trade seems to have increased towards the end of 2013, the growth for the whole year has remained sluggish. Against this backdrop, the volume of exports and investments covered by members of the Berne Union increased by approximately 4% driven by growth in short-term export credit insurance. The total amount of cross-border transactions facilitated in 2013 reached $1.9 trillion.

Out of the total business volume, more than $1.6 trillion represented short-term (ST) export credit insurance, while medium and long-term (MLT) export credit insurance amounted to just over $160 billion. Newly underwritten investment insurance (INV) transactions totalled close to $100 billion.

Based on export figures for the first three quarters of 2013 published by the United Nations statistics division, global exports grew by 1% compared to the same period in 2012. The growth rate for export credit insurance was therefore significantly higher, and Berne Union members supported 10% of international trade in 2013.

Total claims paid by Berne Union members during 2013 amounted to $4.5 billion, a slight reduction compared to the previous year. While ST and INV claims moderately increased, MLT claims reduced by approximately 6%.

Since the beginning of the global financial crisis in 2008, Berne Union members have paid more than $24 billion to exporters and investors to compensate them for losses suffered due to defaults by buyers or other obligors.

Within the continued volatile risk environment, Berne Union members provide ample insurance capacity to support international trade transactions and foster sustainable economic growth.


Fabrice Morel

Short-term business – healthy growth and good results

Short-term business represents insurance of exports with repayment terms of less than one year – often 30, 60 or 90 days. These transactions are typically shipments of consumer goods, and the evolution of ST export credit insurance is closely linked with the ups and downs of the global economic environment.

The volume of ST export turnover insured by Berne Union members grew by 5.7% in 2013 and reached over $1.6 trillion. This is significantly higher than the growth rate for international trade previously mentioned, and may reflect an increased demand for risk mitigation products to protect international sales transactions.

To support these international sales, the insurance capacity provided by Berne Union members, measured by the amount of credit limits approved and granted to exporters at a given point in time, stood at over $1 trillion throughout 2013. At the end of the year, the capacity reached $1.1 trillion – the highest level ever.

ST claims paid by Berne Union members to exporters to indemnify them for defaults on their trade receivables went from $1.8 billion in 2012 to $1.9 billion in 2013. This 4.7% increase is slightly lower than the growth rate of the business and reflects a sound underwriting by the industry. It is noteworthy that the total claims figure is influenced by one of the large Berne Union members, who suffered an over proportional rise in claims. For most of the membership, ST claims paid have actually remained stable or even reduced year over year.

In spite of strong pricing competition in some areas of the market, it seems that Berne Union members have been able to command adequate premium rates, commensurate with the risks they bear. Although not all 2013 data is fully available at this stage, the ST loss ratio for Berne Union members as a whole is expected to be stable or slightly lower than in 2012.

Historically, export credit agencies (ECAs) tend to have higher ST loss ratios than private market insurers. A plausible explanation is that, by mandate, the role of ECAs has always been to support their national exporters and to cover transactions across the full risk spectrum, and where insurance cover might otherwise be difficult to obtain.

The highest volumes of ST claims paid per country in 2013 resulted from defaults in Iran ($191 million), Italy ($186 million), the United States ($145 million), Brazil ($143 million), and Spain ($108 million).

Many Berne Union members paid claims due to buyer defaults in Western European countries and the United States. This is quite normal and reflects the fact that these countries are those with the largest volumes of international trade and, as a consequence, with the largest ST exposures for Berne Union members. Trade with Brazil has significantly increased in recent years and therefore the amount of insured transactions and related claims paid has risen as well.

Currently, only a few Berne Union members continue to insure ST exports to Iran. The exposure on Iran is small and the high volume of claims paid is the result of a limited number of insurers who have indemnified significant amounts to exporters.

Medium and long-term business – high demand for ECA cover

The MLT statistics of the Berne Union capture insurance coverage provided by state-backed ECAs only. Alongside insurance business, some ECAs in the Berne Union also provide financing, which is also reflected in the data and represents approximately 10% of the total business reported.

MLT export credit insurance covers exports of capital goods. These are transactions with longer repayment terms of typically 5-7 years, and up to 10 years or even 15 years in some cases. Most of the business is done with banks as the insured.

The total portfolio of MLT transactions insured by Berne Union ECAs reached $657 billion at the end of 2013. This represents an increase of 4.5% and is the highest level of exposure ever recorded.

While the situation remains volatile, it is business as usual for export credit insurers who are used to dealing with commercial and political risks and are well equipped to handle these.

New business in 2013 reduced by 11% to $161 billion of insured transactions, which is lower than the historical records of the years 2009 and 2011 ($191 billion in both years), but still higher than before the global financial crisis.

It might appear counterintuitive that the total portfolio is growing while new business is reducing. This can be explained by the fact that reductions of the existing portfolio – expirations or cancellations of insurance policies – have been limited.

New business has decreased for most of the large providers of MLT cover, certainly for the ECAs in OECD countries. This is not a result of a change in cover policy by the ECAs but reflects the underlying deal flow upon which ECAs are dependent on. In a continued challenging global risk environment, Berne Union ECAs continue to offer risk mitigation capacity to protect banks from obligor defaults.

Claims paid to customers by ECAs under MLT transactions reduced by 6% from $2.6 billion in 2012 to $2.4 billion in 2013. The highest amounts of claims paid per country were due to defaults in Iran ($871 million), Saudi Arabia ($221 million), United Arab Emirates ($178 million), Ukraine ($113 million), and Egypt ($99 million).

The background to the various claims situations is specific and differs significantly from country to country. A number of Berne Union ECAs have been affected by the Iranian situation, where obligors experience difficulties to transfer payments abroad. The Iranian claims are linked to long term transactions signed prior to the imposition of the sanctions. Hardly any new cover on Iran has been issued in 2012 and 2013.

Although the circumstances are

completely different, a number of ECAs have been affected by losses also in Ukraine. This is different from the claims profile for Saudi Arabia, the United Arab Emirates and Egypt, where the bulk of claims paid were born by one or two ECAs respectively.

If it were not for the Iranian claims, the losses in the MLT class of business in 2013 would have been at their lowest level since 2008. However, the fact that a single situation significantly affects a large number of exporters in multiple countries illustrates the need for risk mitigation in cross border transactions. Given the political and economic uncertainties in the global environment, the support of ECAs appears to be more than ever crucial to help banks and exporters trade internationally.

Investment insurance – stable at top levels

Investment insurance protects investors and lenders against political risks linked to foreign direct investments. Due to the long term character of investment, coverage can typically be granted for extended tenors, up to 20 years or even more, depending on the risk appetite of the respective ECA or private market insurer. Also loans to sovereign or quasi-sovereign entities can be insured against payment default and fall under this class of business.

After phenomenal growth of new business in 2012 (an increase of 33% compared to 2011), new business reached $96 billion in 2013. This was 3.5% lower than the record level of the previous year but, nevertheless, new investment insurance reached double the volume of 2009, when global financing was at a low point. Total portfolio figures amounted to $235 billion of insured investments at the end of 2013, an increase by 6% and the highest level ever attained.

Total claims paid by Berne Union members in investment insurance in 2013 amounted to $147 million, an increase by 17%. High claims countries included Libya ($28 million), Venezuela ($21 million), Vietnam ($19 million), and Myanmar ($15 million).

Compared to the exposure, claims levels have generally been low in this class of business over the past few years. While this reflects solid underwriting, it must not be forgotten that investment insurance is typically "lumpy" business, where only one large claim could wipe out years of premium income. Insurers therefore need a strong capital base or state backing to be prepared for the worst.

Outlook – a strong industry prepared to handle international risks

With the exception of claims on Iran, 2013 has been a very good year for Berne Union members. The economic outlook is characterised by mildly positive signs for the recovery in Europe and other industrialised countries, while the growth in emerging markets has started to look less robust in recent months.

While the situation remains volatile, it is business as usual for export credit insurers who are used to dealing with commercial and political risks and are well equipped to handle these.

Parts of the credit insurance market experience strong competition which leads to ample capacity and attractive pricing for exporters and banks. However positive the situation was in 2013, past losses serve as a reminder that pricing of risk mitigation products needs to be commensurate with the risks taken.

As usual, the performance of credit and investment insurers in 2014 will depend on global trade and global growth. With strong risk management tools and underwriting processes in place, Berne Union members, both public and private, have a major contribution to make in sustaining trade flows and further strengthening economic growth.

Celebrating its 80th year in 2014, the odds are that Berne Union members will top the $2 trillion mark very soon. Very best wishes to the Berne Union! ■

The economic outlook is characterised by mildly positive signs for the recovery in Europe and other industrialised countries, while the growth in emerging markets has started to look less robust in recent months.

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Expert analysis

Nothing changed – but everything different: the paradox of the Berne Union

By Dr Hans Janus, member of the board of management, Euler Hermes AG

Global trade and foreign direct investments have seen dramatic changes in the 80 years since the Berne Union was founded. Not surprisingly, the Berne Union itself has changed in tandem with these. But the world of the Berne Union is more complex than this simple picture. One of the characteristics of the Berne Union is its remarkable ability to preserve the qualities, strengths and unique features of a diverse and truly global organisation over decades while international politics and the world economy have changed fundamentally –more than once.

We do not know very much about the early years of the Berne Union. But from the last thirty to forty years, we do know from our own experience, and from contacts with colleagues active in the Berne Union before us, that one core value has always been a cornerstone of the uniqueness of the Berne Union and helped to preserve its genuine club atmosphere: friendship. Despite different business approaches and the growth of the organisation, and even transcending their competition in the markets, the delegates of member companies have very often developed a bond of real personal friendship.

The regular attendance at Berne Union meetings for a couple of days once or twice a year is a high investment in time for senior executives in the credit and investment insurance industry, particularly in our fast-moving times. But the great continuity with which leaders of our industry have attended the meetings for many years demonstrates that this investment pays dividends.

I have had the chance to play an active role in the Berne Union for more than 20 years now. This is no more than a quarter of Berne Union's entire history. This short period alone, however, has shown dramatic changes in our business, and there is no reason to assume that the first sixty years might have been less dynamic. The promotion of global trade and foreign direct investment has always been the overarching purpose and the key competence of the Berne Union.

Hans Janus

Recipe for success

The recipe for the Berne Union's success is quite simple: bring together the most experienced colleagues from member companies and invite external experts from banks, research institutions and multilateral organisations for an extensive professional exchange on developments in the markets. The focus in this is always clearly possible future developments, since credit and investment insurers have to cope with the challenge of predicting future risk scenarios and taking appropriate decisions to deal with them.

Fundamental changes in the organisation of the union became necessary and were carried out in the 1990s. At that time the world of export credit and investment insurance was still clearly dominated by official export credit agencies (ECAs) operating under various legal forms for their respective national governments. Private credit insurers were strong in domestic short-term credit insurance and bonding business. But in the 1980s several private insurers were already starting to develop their short-term export credit businesses; they set up branches or subsidiaries in other countries, they acquired existing companies and diversified their product range, and they exhibited a rapidly growing risk appetite. This development only became possible after the world's leading reinsurance companies gave up their extreme reluctance to reinsure the commercial risks of export transactions. For political export risks it even took a few more years until they became reinsurable on a larger scale.

These developments triggered a very

fundamental debate in Europe about competition between public and private insurers operating in the same market for short-term export credit insurance. The radical step taken in the UK in 1991 to privatise the short-term business of ECGD and sell it to the Dutch NCM (today Atradius) was only a logical consequence of this, but one which dramatically changed the entire landscape of credit insurance in Europe. Malcolm Stephens, chief executive of ECGD, president and later secretary general of the Berne Union, was a driving force behind these developments.

Adapting to change

The Berne Union had to adapt to this changed situation, which was a long and difficult process. Many of the established ECAs wanted to defend their exclusiveness. To understand just how deep and radical the needed reforms were, one has to bear in mind that until the 1990s, with the exception of FCIA in the USA, Trade Indemnity from the UK (later Euler Hermes), SIAC from Italy (later Euler Hermes) and Eidgenössische/Federal from Switzerland (later Winterthur and then AXA), only government-linked institutions were members of the Berne Union.

This contrasts the mere foundation of the union. Originally founded in 1934 by private and public insurers, the ECAs got more and more important after the Second World War since export credit insurance was mainly done by them. The open conflict which broke out concerning the membership application of NCM UK, the former short-term arm of ECGD, in 1993 was probably the most critical threat ever faced by the friendship-based Berne Union community. Although the application was rejected this event symbolises the entrance of the Berne Union into a radically new phase of its history.

The 1990s were also a period which saw growth in membership. Important emerging markets' ECAs joined the union. Turk Eximbank, PICC (today Sinosure), TEBC (Chinese Taipei), SBCE of Brazil and others applied for membership. But the real challenge for the Berne Union was the number of private credit insurers interested in becoming members. John J. Salinger, president of AIG Global Trade & Political Risk, had for years already argued for more cooperation between public and private credit insurers. He finally led AIG as the first newly entering purely private insurer into the Berne Union in 1999.

One year earlier at the annual general meeting in Cape Town in South Africa in October 1998, the Berne Union had set the course for its enlargement by private credit insurers. This was the completion of a multi-year strategic debate which was driven forward in particular by the presidents Soledad Abad of Cesce (Spain) and François David of Coface (France) and the then secretary general, Anne van't Veer.

A no less important result was the splitting up of the export credit insurance committee into two committees for short-term and medium and long-term business. With this separation, the short-term committee could be opened up for private companies whereas the MLT committee remained a closed shop for government-linked ECAs only. This limitation is still in place but it will not persist very much longer. The investment insurance committee has also gradually opened up for private political risk insurance companies (PRI) since Cape Town. Several new members joined the union after the groundbreaking decisions had been made in Cape Town: AIG, Sovereign, Zurich, Chubb, Hiscox.

The global geopolitical changes in Europe in the early 1990s following the fall of the Berlin Wall in November 1989 also changed the Berne Union enormously. New ECAs were founded in most of the former Comecon countries. The Berne Union proved to be the ideal organisation to ease the birth of these new agencies.

Together with partners from multilateral agencies and the banking industry, the Berne Union and its members will always generate solutions for fostering global trade and foreign direct investment.

With the help of funds channeled through the newly founded European Bank for Reconstruction and Development (EBRD), the Prague Club convened for the first time in Prague by invitation of Czech EGAP in 1993. Other Eastern European ECAs such as KUKE (Poland), MEHIB (Hungary), SID (Slovenia) rapidly joined and later became Berne Union members as well. Today the Prague Club has more than 30 members from all parts of the world and its integration into the Berne Union is planned.

When I compare 2014 to the late 1980s or early 1990s, I see two fundamental developments which have completely reshaped our industry and thus the Berne Union with it.

First, there is a great shift in the centres of world trade. Asia has become a new centre of gravity on the world map of foreign trade activities. China, Korea and India have not only tremendously increased their export business, they also play a very important role nowadays in the Berne Union together with Japan, the traditional strong player from Asia. Important steps forward in this development were the very successful presidency of Hidehiro Konno from Japan, the first president of the Berne Union coming from an Asian country, and the highly constructive role Geetha Muralidhar from India played as vice president a few years later.

The second great shift is that from political to commercial risk. Only 25 years ago approximately 90% of all claims paid and reported to the Berne Union were political claims. ECAs worldwide suffered from the international debt crisis of the emerging markets and developing countries. Claims payments were extremely high, many ECAs had to report financial losses and the underwriting of new business became very cautious. The transformation from state planned economies to market economies in Eastern Europe in the 1990s marked this historic turning point.

Political risk lost its dominance for credit insurers and in particular the currency conversion and transfer risks disappeared entirely as a consequence of the abolition of currency controls in most of the countries. This changed the work of the Berne Union: country discussions became less important, the assessment of private buyer risks took centre stage. Is a maxi devaluation and a consecutive corporate insolvency a commercial or a political risk? How should corporate restructuring schemes be treated? The Berne Union had to deal with questions which hitherto had played a rather minor role.

The global financial crisis

The Berne Union's most dramatic phase, however, was the global financial crisis. The annual general meeting in Banff in Canada in October 2008 was an unforgettable event. During the meeting in the heart of the Canadian Rocky Mountains which was mainly dedicated to corporate social responsibility matters, sustainability and environmental topics, the delegates were suddenly confronted with a historically unprecedented plunge in stock markets all over the world. The Berne Union decided, for the first time ever and spontaneously in an early breakfast meeting, to launch an initiative to maintain cover open and to assure the industry of the countercyclical approach of ECAs based on the strong intention to help to stabilise trade flows and support the real economy. This message was much appreciated by international organisations, governments, exporters and their associations around the globe, and helped to stabilise a very critical and highly volatile situation.

The global financial crisis also shifted the focus of the Berne Union's debates to the financial dimension of export credit insurance. The severe difficulties of exporters to get bank financing for their business superseded the risk situation of the transactions. Direct lending and guaranteeing the availability of financing for exporters, but also securing the refinancing for banks, became the most pressing needs and the hottest topics for Berne Union members. Basel III and the global financial crisis led to a completely different approach to export credit insurance and gave it new importance. The business figures of Berne Union members went up dramatically during the crisis and maintained or even increased this level in the following years. It is no exaggeration to say that ECAs, and with some time lag, the private credit insurers too, helped to pull the world's real economy out of the most severe crisis of the last decades.

The future challenge for the Berne Union will be to spearhead risk assessment, risk coverage and risk transfer in the field of export credits and foreign direct investment. Short-term, medium and long-term export credit insurance, direct lending, project finance, ship and aircraft finance are all areas in which the union has expertise as well as claims, multilateral reschedulings, corporate restructurings and debt recovery. Together with partners from multilateral agencies and the banking industry, the Berne Union and its members will always generate solutions for fostering global trade and foreign direct investment. With a combination of the highest professional expertise, global networks and best practice solutions, and based on mutual understanding and personal friendship, the Berne Union will be able to remain unchanged and different at the same time: a highly efficient group of experts, ready and able to cover the financial risks of the future. ■

Yet another upheaval?

By Peter Hall, chief economist, EDC

"It's different this time." A simple phrase, but a potent one. Its reappearances all feel novel, and more's the pity. It seems we repeatedly forget that these four words are a bellwether of upheaval. They wreaked havoc with the world economy in the latter years of the last cycle, inducing excessive risk-taking which produced over-activity, creating a mountainous, planet-wide surplus of goods and productive capacity. More than five years later, the same phrase has again been trotted out, proclaiming that the structural fallout of the crisis will keep growth suppressed indefinitely.

Perhaps this time, the phrase and its consequent predictions will prove correct. Yet if history is any guide, it's unlikely. Without a doubt, every economic cycle has new features, but each cycle tends to operate in roughly the same fashion. Economic recovery always comes as something of a surprise. At the early stages of the growth cycle, businesses are typically caught flat-footed, scrambling to hire workers and put plant and equipment in place that will ensure they meet their burgeoning order-book. If this pattern is indeed typical, is there any chance that we face an imminent positive shock to global growth?

Without a doubt, every economic cycle has new features, but each cycle tends to operate in roughly the same fashion. Economic recovery always comes as something of a surprise.

Peter Hall

Key indicators seem to suggest so. The OECD leading indicator saw an uninterrupted 16-month increase through January, unseen since the false rebound in 2009-10. Most indicators within the 34-country club supported this upswing, a strong message on the depth and breadth of the growth. True, there was a flattening in February, but much of that was related to severe North American weather disruptions. Early indications point to a rebound in March. Cynics would rightly note at this point that pinning hopes on such high-frequency data movements is flimsy at best, and at worst, a desperate attempt to put a positive spin on the same old sluggishness. Surely there is more evidence? Indeed there is.

Basic requirements surface

To be sustained, growth needs an underlying driver. In the current situation, it's pent-up demand. In the world's richest economies, consumers have delayed purchases for years, as they were in many ways able to live off the excesses of the prior boom. Those excesses are long since exhausted, particularly in America; meeting basic needs now suggests an imminent upsurge in growth – one that has already begun in certain sectors.

Industry is also guilty of under-spending. Anxious to preserve the bottom line, businesses have filled orders by using current capacity as much as possible. Capacity is now considerably tighter, and in certain cases, approaching pre-recession peaks. Flush with cash, businesses the world over are poised to spend, but have been shackled by a 'you-first' investment psychology.

That, too, is changing. After years of uncertainty, confidence is growing. Businesses are definitely more upbeat in Japan and Europe. In both the US and Europe, consumer confidence is on an impressive uptrend, and now out of the recession-zone. This general improvement in market sentiment is all the more eye-catching precisely because of our prolonged stay in the psychological abyss. Pessimism has an alarming ability to become self-fulfilling, and moreso the longer it is present. As such, the developed world's nascent emergence from its slough of despond is probably one of the most remarkable developments of 2013. Its message is simple: pent-up demand says we all have to get out and spend; improved sentiment shows that for the first time in a long spell, we want to.

These fundamental strengths are getting a push from an unlikely source.

Government spending and taxation measures have for years exacted a scathing toll from OECD economies, thanks to deep austerity programmes. It is obvious from recent data that the measures have done the trick: one by one, economies all over the OECD are posting dramatic improvements in public finances, even among the most conspicuous of the fiscal sinners. Simply put, the cuts are no longer needed. Governments will be far less of a drag on economic growth this year and next. It is a timely, coordinated fiscal dividend that will contribute no small amount to near-term global economic growth.

If realised, the 'new-growth' story is the best news OECD economies have heard since the crisis. That covers about half of global GDP. What of the other half? News in emerging markets has been on the grim side for months. Excesses in China, bumbling in India, delays and insurmountable capacity constraints in Brazil, conflict in Russia – from a large-emerging-market perspective, nothing seems to be going well. Moreover, the effect is cascading to their smaller cousins.

It's tempting to see in this a leveling, or rebalancing, of developed and emerging market growth. But that would be short-sighted. For the moment, emerging markets as a whole are still followers, capitalising on growth in the wealthier economies. Decoupling from the richer economies during the crisis occurred only because their pre-crisis earnings funded substantial stimulus measures. Now they find themselves between the end of policy-propelled growth and the return of global trade. The imminent revival of the latter is expected to spur on emerging market growth through 2015.

Proper preparation prevents poor performance

Thus far, the story is a surprisingly happy one. It runs cross-grain to 'new normal' thinking, the fashionable story-line perpetuated by a large group of pundits who believe it is different enough this time to hold world growth back. In this context, growth will be a refreshing change, but we are so unprepared for it that it is likely to come as a great shock. Take, for example, labour markets. Their overplayed dirge chronicles high unemployment rates and laments the fate of the long-term unemployed. However, a rush of growth could run headlong into markets with rapidly aging populations. It seems preposterous at this point, but in many economies, labour markets in the coming cycle will have much narrower bandwidth than usual. This time around, it's not just an OECD-area problem.

A second threat is business investment. Not investment itself, but the means to invest. Once businesses catch on to the fact that the growth they see is here to stay, there will be no shortage of willingness to invest. Neither will there be a shortage of funds – in most developed countries, corporations are cash-rich. Rather, the problem lies in the world economy's capacity to absorb the investment demand. Will we indeed be able to put machinery in place and build new facilities quickly enough to absorb growth? Time will tell, but tightening industrial capacity utilisation suggests the possibility of

Industry is also guilty of under-spending. Anxious to preserve the bottom line, businesses have filled orders by using current capacity as much as possible.

a sudden tsunami of business spending.

Both the labour and investment situations point to the possibility of another problem. Tighter-than-normal capacity on both fronts suggests that prices may be somewhat tougher to control. Central banks will want to stem price increases in an effort to manage our expectations around pre-set target levels. The opposite – nagging disinflation – is their present problem, but the tables may turn rapidly. Complicating the task is the vast amount of excess liquidity that is currently available.

At this point, the tale takes an interesting twist. The injection of vast amounts of liquidity, primarily by the Federal Reserve Board (Fed), is historically unprecedented. For decades to come, academics and business analysts will be dissecting its effects. Even so, the experiment is only half done. Withdrawal of the liquidity – which theory states is exactly the same mechanism as injection, only in reverse – has also never been done before. Weathering the effects of the unwinding of quantitative easing could well be the greatest near-term risk the global economy faces.

We already have a sense of the effects we can expect. The mere mention that the Fed might be considering tapering the $85 billion of monthly bond purchases sometime in the near future, maybe, was enough to throw markets into turmoil immediately. Emerging markets felt the effects disproportionately. Their stock markets tumbled. Currencies did the same. Bond rates soared. To make matters worse, commodity prices – particularly base metals and energy – swooned. The effects have continued with the onset and continuation of tapering.

Guidance from the Fed has enabled markets to attempt pricing-in the expected effects, but it's not clear at this point if markets foresee a net withdrawal of currency once tapering is complete. At the very least, we can expect that emerging markets' access to capital will be somewhat constrained. Excessive worry about these effects may be misplaced, though; in the turbulence, it will be important to remember that growth itself is the catalyst for the unwinding of policy measures. One hopes that any unintended asymmetric effects, if they occur, will not be too exaggerated.

Well-capitalised banks and institutional lenders, not to mention sovereign wealth funds, are almost sure to face a greater range of high-growth lending options.

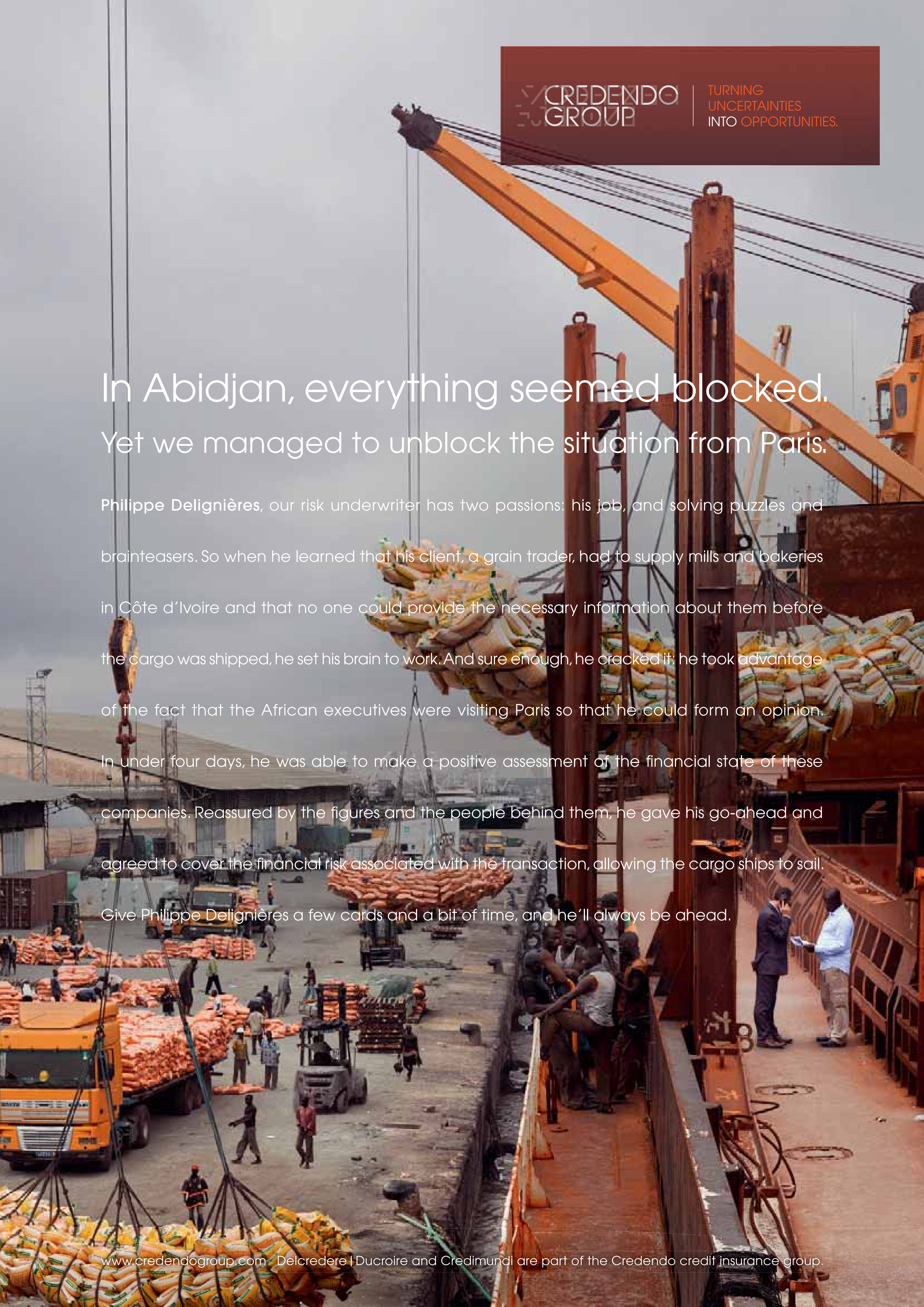
Taking off the blinkers

Amid the turbulence, an opportunity. Those with ready access to capital might find that as growth ramps up, their access to faster-growing emerging markets increases. Well-capitalised banks and institutional lenders, not to mention sovereign wealth funds, are almost sure to face a greater range of high-growth lending options.

Other risks to look out for include financial market vulnerability. Growth together with revamped regulatory measures is helping to heal structural weaknesses. Still, unforeseen disruptions could still have unpleasant domino effects, a lingering threat that could produce more hesitant lending, exacerbating tighter-than-normal access to capital. In addition, although improved, the fiscal picture in certain locales is fragile. Also making the short-list is what may well prove to be a lasting legacy of this downturn: political unrest. If the nascent cycle does prove to be an uneven expansion, unrest is more likely to persist.

Negative forces are less likely to interrupt growth than to make it a wilder ride. Given fundamental strengths, it's reasonable to see US growth rise to just under 4% in 2015. This will be instrumental in pulling along other industrialised markets. Collective OECD growth will enable emerging markets to regain momentum – enough to get world economic growth above the 4% mark in 2015.

It's different this time. Of course it is. But it's important to entertain the notion that, at this point in the economic cycle, it may not be different enough to produce the sluggish 'new normal' growth trajectory that is currently all the rage. If that four-word phrase works its prescient magic, and the world economy is indeed set to heave in an unexpected way, at least it will be an *up*-heaval. ■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The political risk imperative

By Professor Alyson Warhurst, CEO of global risk analytics company Maplecroft

Having turned their attention further towards developing economies to compensate for a lack of demand from traditional western markets following the global financial crisis, export credit agencies (ECAs) now face a progressively complex global, societal and political risk landscape.

The factors driving this risk environment are increasingly interrelated, with key flashpoints around the world, especially in the emerging markets, sharing significant commonalities. These include rising political oppression, the unfulfilled aspirations of growing middle classes, high levels of corruption and the inequitable distribution of wealth derived from foreign direct investment and natural resources.

As more countries see these issues combine, the risks are multiplied and the likelihood of societal and labour unrest and regime instability increases. As a result, the increased potential for heightened levels of conflict and political violence, legal and regulatory uncertainty, increased risks of resource nationalism and expropriation, and an elevated likelihood of the imposition of sanctions are being experienced by a growing number of countries.

The refocusing of ECAs' operations to the developing economies has resulted in greater risk exposure of assets and investments, creating a highly challenging environment for these agencies to operate and prosper in. However, by assessing the root causes of political risk over time, it is possible to identify not only those countries with a heightened risk profile, but also those which are making the necessary reforms to support the long term growth environment, thus providing key opportunities for investors.

Since 2010, a rising trend of conflict and societal unrest has seen almost 10% of the 197 countries assessed by Maplecroft experience a significant increase in the level of dynamic, short-term, political risk.


Alyson Warhurst

Maplecroft's *Political Risk Atlas 2014*: The political risk landscape, hotspots, drivers and trends, are as follows.

1. 10% of countries see a significant rise in political risk

Since 2010, a rising trend of conflict and societal unrest has seen almost 10% of the 197 countries assessed by Maplecroft experience a significant increase in the level of dynamic, short-term, political risk. Unsurprisingly, given the turmoil which continues to dominate the region in the wake of the Arab Spring, more than half of the countries experiencing this deterioration are located in the MENA region.

The situation in Syria (ranked 2nd most at risk after Somalia in Maplecroft's 2014 Political Risk – Dynamic – Index), Libya (8th) and Egypt (15th) has now deteriorated to such an extent that these countries will be mired in exceptionally high levels of dynamic political risk for years to come. This 'vicious circle' reflects the self-reinforcing impact of extremely poor governance, conflict, high levels of corruption, persistent regime instability and societal dissent and protest.

East Africa has also seen a considerable rise in political risk, primarily due to significant increases in political violence in countries such as Tanzania (ranked 61st highest risk in Maplecroft's Political Violence Index) and Mozambique (62nd). When coupled with extreme levels of political violence in Somalia (5th) and South Sudan (10th), along with the high risk in Kenya (24th), which saw 67 people killed in an Al Shabaab terrorist attack in September 2013, this has contributed to East Africa overtaking Central Africa as the highest risk region for political violence in sub-Saharan Africa.

East Africa's dynamic political risk profile for 2014 is further intensified by a significant increase in the likelihood of 'soft' resource nationalism, which has pushed the regional average from 'medium' to 'high risk' over the past year. This score change reflects a substantial increase in mining royalties paid in Kenya and the imposition of capital gains taxes in Mozambique. Combined with the trend of increased political violence, this presents significant operational challenges for the oil and gas sector at a time when investors are increasingly attracted to the region following the discovery of substantial hydrocarbon reserves.

2. Increasing trend of societal risk

Many of the dynamic short term political risk trends currently being witnessed are driven by underlying longer term structural challenges. As a result, monitoring structural political risk trends, including the level of human rights risk, particularly human security factors, such as arbitrary arrest and detention and extra-judicial killings by security forces, as well as the level of societal resilience, can provide a leading insight into countries which have a propensity towards instability and civil unrest. This insight can then enable ECAs to take steps to mitigate their risk exposure.

Over the past four years, more than 20% of countries have experienced a significant increase in the level of long term structural political risk. This dramatic shift has been driven by a host of factors, pre-eminent among which is the increase in human security risk and the undermining of political freedoms by oppressive regimes. The repression of these freedoms creates a significant risk for investors, either via their direct operations, or through their supply chains.

In the short-term, the immediate impact of an increase in the level of oppression in a country is reputational, as investors may be perceived as complicit in human rights abuses committed by the state, especially where state security forces are seen to act with impunity. However, this source of reputational risk is also central to driving the wider risk of societal unrest and political instability in the medium to long-term, potentially creating significant operational risks, including increased security challenges and disruption to logistics and transportation.

The failure of a government to accommodate the demands of an evolving society significantly increases the risk of societal unrest, which may ultimately result in societally forced regime change. Even if this structural risk does not manifest in regime change, government efforts to placate societal groups may manifest in policies which undermine the business environment. These can include increased taxes, local content requirements, resource nationalism and asset expropriation.

As seen in Figure 1, a number of countries (located in the shaded areas) are host to significantly higher levels of social gains than established political freedoms. Demonstrating how this imbalance can provide a leading indicator of the potential for a significant increase in political and business risks, the year prior to the Arab Spring, Libya had the largest disparity between the key structural factors of social gains and political freedoms of any country in the world. In addition, Tunisia, Syria and Egypt were also among the top 20. In all four countries, an increasingly educated, politically aware and IT-literate youth with a burgeoning middle class grew frustrated with the failure of the ruling political class to either reform sufficiently quickly to address corruption and growing youth unemployment, or seek to halt a rise in human rights abuses by the state security forces.

Emerging risk hotspots can be identified by examining those countries which are host to a rapid deterioration in their level of political freedoms. The increase in tension created by the loss of rights which were previously enjoyed significantly increases the potential for unrest and instability, particularly in countries with comparatively high levels of societal, including educational development.

The value of this trend analysis is aptly demonstrated by recent events in Ukraine. The downward trajectory for the country (illustrated in Figure 2) was the result of a significant deterioration in the level of political freedoms over the past four years. In particular, during the tenure of former President Viktor Yanukovych, the undermining of civil and political rights and judicial independence and a significant increase in human rights violations by the security forces combined with 'extreme risk' levels of corruption created the conditions for societally forced regime change.

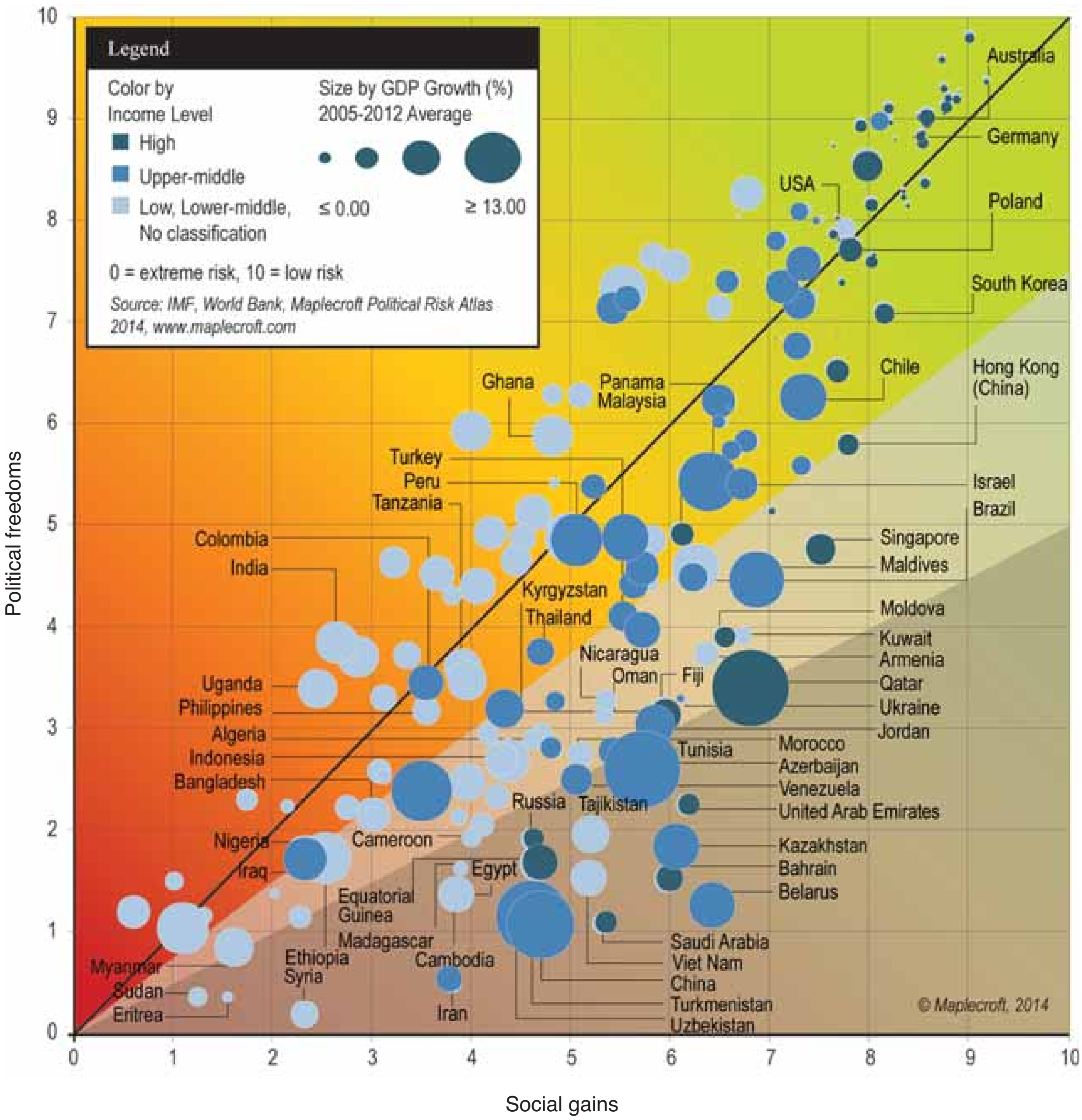
In contrast, while countries such as China are identified as being host to a critical disparity between political freedoms and social gains, Maplecroft believes that the current pace of government reform is sufficient to keep pace with popular expectations. Recent significant reforms include the further loosening of investment restrictions on foreign and private capital, the relaxation of the one child policy, and the introduction and enforcement of anti-corruption measures.

A further example is Myanmar, which although presenting significant challenges particularly with regard to human rights, it is host to one of the fastest improving legal and regulatory environments, highlighting the potential for a significant improvements in the investment environment.

3. The growth of the global middle class

In the long term, the expansion of a country's middle class should significantly

Figure 1: Social gains vs. Political freedoms



reduce both dynamic and structural political risks, considerably improving the investment climate by increasing stability and reducing complicity risks. However, in the short to medium term the rise of this income group has substantial implications for the political risk environment, with the following issues presenting particular challenges for investors:

1.) Increased pressure to combat corruption, which is significantly raising compliance challenges for investors.

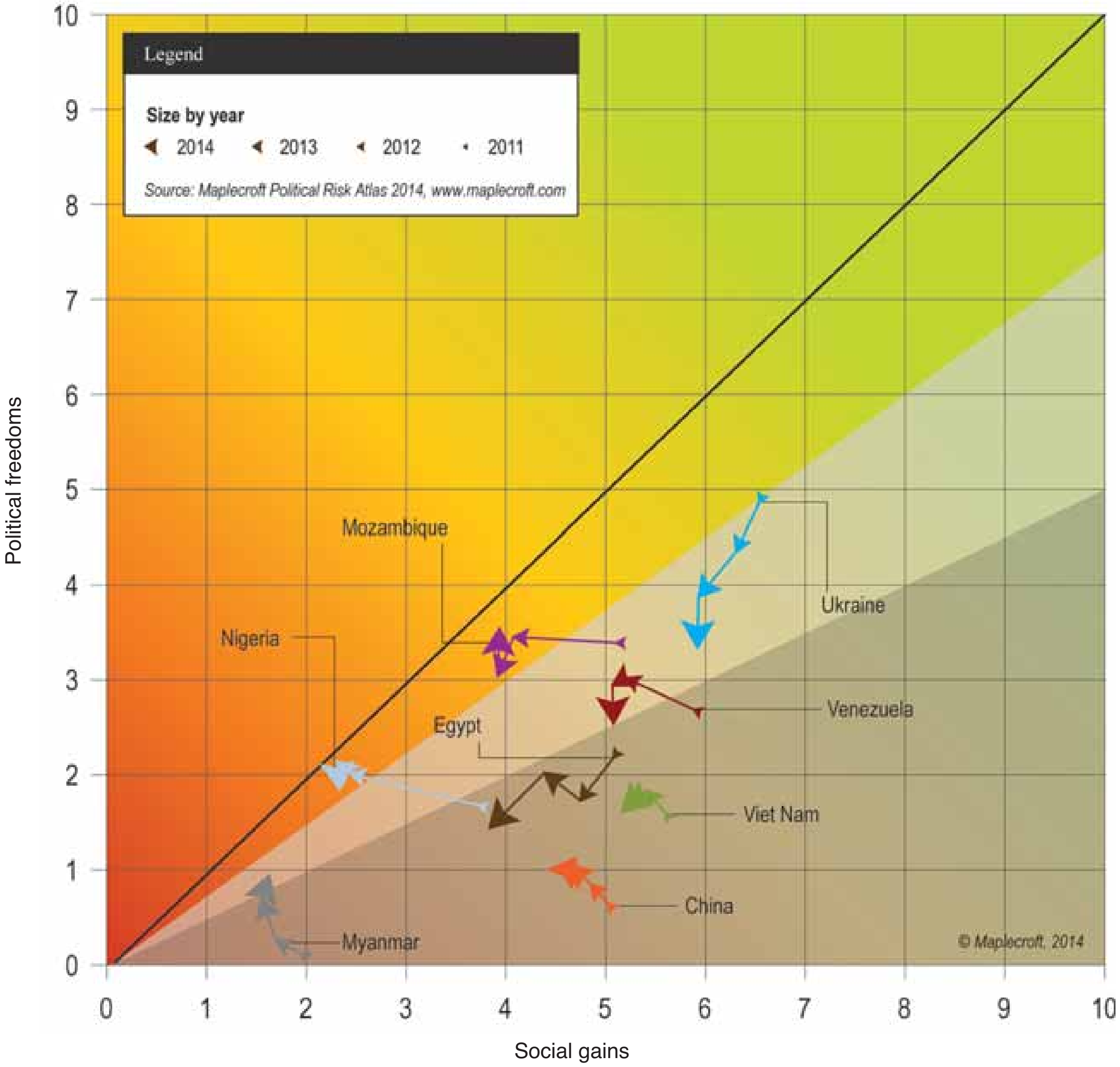
2.) Demands for political accountability and improved services, aspirations which, if unmet, may result in widespread protests, as witnessed in Brazil and Turkey in 2013.

3.) Rising inequality and the risks associated with the failure to maintain high levels of economic growth to which populations have become accustomed significantly increase the potential for societal unrest.

4. Heightened political risk in developed economies due to the fallout of the global financial crisis

In the wake of the global financial crisis, a heightened level of political risk also continues to prevail within the USA and Europe. Despite a tentative return to economic growth in the majority of developed economies, the impact of the global financial crisis remains evident. High

Figure 2: Social gains vs. Political freedoms in selected countries 2011-2014



levels of unemployment combined with austerity measures introduced in order to address fiscal deficits and restore investor confidence, have contributed to growing income inequality and stagnating or declining living standards. The dissatisfaction created by this decline is contributing to the rise of populist parties both in Europe and the USA, leading to the fragmentation and polarisation of the political landscape.

The influence exerted by emerging parties and pressure groups, and the response provoked in mainstream political parties as they attempt to retain their support base, has undermined the stability and predictably of governments, significantly increasing macroeconomic, regulatory and operational uncertainty for investors.

How do planners allocate risk for each country?

By quantifying risk, it is possible to compare the relative risk in different countries, either for the overall level of political risk, or for a specific issue of concern. This enables ECAs to assess their risk exposure, and to take steps to diversify their portfolio where necessary. Using this insight, they can also identify countries which are performing comparatively well, and thus present significant opportunities.

A number of leading growth economies have experienced a significant fall in the level of political risk over the past four years, reducing both the reputational and operational challenges in these countries. Examples include the Philippines, India and Uganda, which were all host to a significant reduction in the level of political violence, while Ghana has seen its risk level improved by continued improvement in its business environment and in the rule of law.

When allocating resources, it is also important to assess the sub-national variation in the level of risk across a country. The risk of political violence for example, is rarely uniform across an entire country. By assessing risk at a sub-national level, it is possible to take advantage of opportunities in regions which might otherwise have been dismissed if one had simply focused on the 'headline' risk level. India, Philippines and Colombia are among the countries which Maplecroft classifies as 'extreme risk' in the Political Violence Index 2014, but all have areas which experience significantly lower levels of conflict and terrorism, reducing operational risks to businesses operating there.

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By quantifying and continuously monitoring political risks – in particular the structural risks which serve as leading indicators of the potential for unrest and instability – ECAs should be well placed to reduce their risk exposure in the short, medium and long-term. ■

Professor Alyson Warhurst is CEO and founder of risk analysis and mapping company Maplecroft. Over the last 10 years she has built Maplecroft into the leading source of extra-financial risk intelligence for the world's largest multinational corporations, financial institutions, governments and NGOs. Coming from an academic background, she now advises at board level on societal and political risks, human rights, supply chain management, corporate reputation and sustainability. Alyson is a consultant to the World Economic Forum, where she is also part of the faculty; she is a contributor to the Clinton Global Initiative and on the board of trustees at Transparency International UK. She is a non-executive director of the FTSE 250 listed New World Resources. From 1999 to 2009 Alyson was professor of strategy and international development at Warwick Business School, where she won the inaugural Faculty Pioneer 'Beyond Grey Pinstripes Award' (called by the FT the 'Business School Oscars') and regularly won the 'Outstanding Teacher Award'. She was made an honorary professor in 2010. She is an accomplished speaker at high-level international events and has written several books and more than one hundred articles, including a column for Business Week. In 2010, Alyson was a recipient of a Business Insurance Magazine 'Women to Watch' award.

An update on the short-term credit insurance market

By Ralph Lai, commissioner, Hong Kong Export Credit Insurance Corporation

Capacity in short-term credit insurance has been steadily returning since the 2008 global financial crisis (GFC) and premiums have recovered. According to Berne Union's data, commitment of its short-term members has come back to the pre-GFC level since late 2012 (America and Asia even exceeding, Europe slightly below). It may not be in the same exuberant mood as before the crisis, but supply is coming to the market strong.

One strong supporting factor is that the loss ratios have been on the low side over the last few years, and in general corporate performance in advanced economies has been improving. Although the market expects a slight increase in loss ratios in 2014, overall sentiment of credit insurers is quite positive.

In reinsurance, the January 2014 renewals saw reinsurance premium very stable. Placements have frequently been heavily oversubscribed, given the return of some large reinsurers to the credit and surety market, as well as new entrants even as late as in early 2014. Ceding insurers are now enjoying favourable reinsurance commissions, highest levels since the GFC. If asked how well they are prepared for another financial crisis, credit insurers would now argue that underwriting is still very prudent, and an efficient warning system has been implemented to monitor buyer's payment.

While there is obviously more supply, demand is affected by both positive and negative factors. For the latter, exporters are fully aware of the low loss ratio, and improved buyer performance, and thus self-insurance is gaining its ground.

Ralph Lai

Self-insurance is never a difficult choice for exporters, especially those who do not have established internal credit management guidelines. The premium payment, already meagre, is frequently deemed as an expense (rather than what insurers would argue as an investment), and is quite often taken out from the cost formula as soon as the economy recovers.

On the positive side, world trade is set to grow modestly but steadily. In mid-April 2014, the World Trade Organisation (WTO) forecast a 4.7% growth in world trade this year (IMF 4.3%). Some may argue that growth in emerging market economies was still sluggish and some experienced capital outflows and currency depreciation. There is also the common belief that China is going to grow much slower, as can be seen in the country's export growth in February and March of this year, which was negative. However, the biggest export country of the world is still forecasting a 7.5% growth of its $2.2 trillion-strong export volume.

Technology plays important roles in international trade. World trade in high-tech goods will outpace growth in total merchandise exports. Developed countries are leading the supply chains for high-tech products through global supply chains. Global products (such as smart phones) are wooing the rapid growing middle class in the

Although the market expects a slight increase in loss ratios in 2014, overall sentiment of credit insurers is quite positive.

developing economies. Besides further strengthening Western brands positions in these markets, it also opens up the local markets in developing their own brands. Technology advancement also helps the increase in non-traditional payment methods. Already, uncollectible receivables were on the rise, due to the sheer growth in B2B payment, especially in China (someone called the China e-Commerce market the "most important business battlefield in the world").

Short-term credit insurance and banks

Banks continue to be restrictive in growing their on-balance sheet assets due to more stringent regulation. They are more willing to seek credit enhancement either to grow their asset-backed lending (such as factoring in short-term business) or simply to reduce capital requirement. Traditionally the need is more for longer-term commitments, but considering the revolving nature of short-term business, the aggregate commitment and exposure may well be worth the bank's while to seek support from credit insurance. The experience of many Berne Union members is that they are now doing more with commercial banks.

Furthermore, some structures which are normally for longer term transactions are now being considered for short-term as well, such as buyer credit. This also illustrates the strength of those who can leverage their international presence to offer efficient financing options to the bank customers in the global supply chain.

On the other hand, partly due to banks' internal counterparty risk management, thus affecting their capability to finance export, and partly due to the straight-forward need to cover risks in trading with emerging markets, exporters or their banks may turn to credit insurers for insurance against the non-payment of letter of credit (LC) issuing banks. This may not be the conventional arena for a credit insurer. However, through such an arrangement, the credit insurer in fact is reaching out to overseas buyers (ie. the LC applicants) who otherwise may be declined a buyer limit by the credit insurer.

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Public export credit agency

Export credit agencies (ECAs) who endeavoured to fill the market gaps during the GFC continued to play a significant part in the pursuing years. While in some parts of the world, ECAs still serve as the insurer of last resort, and only cover 'non-marketable risk', in other parts of the world, ECAs' short-term business flourished. According to Berne Union's figures, ECA members of the short-term committee contributed to 43.5% of all the short-term insured business volume in 2013, compared to 23.8% in 2008. The Asian members contributed much to this growth, given the leading position in exports they enjoyed in the last decade, with China surpassing Germany and then the US as the world's number 1 exporting country.

Public ECAs will continue to be important players for international trade especially when financing is harder to come by. Many ECAs who operate at no cost to the taxpayers have satisfactory experience in short-term business. Since there is a vast portfolio of self-liquidating short-term

Since there is a vast portfolio of self-liquidating short-term receivables, whose performance can be monitored regularly, ECAs normally cover short-term business with their own resources (and with the help of private reinsurers). It is one of the drivers in fast-growing economics in pursuing export-growth economic models.

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Emerging markets

On short-term world trade, traditional attention is on the trade flows from the Asian countries to the US and Europe. It is now very much noticeable that growth in South-South trade (between emerging markets) and intra-regional trade is leading the growth. As supply chains become more international, movement of parts and semi-finished products are adding to world trade, albeit covering shorter distance among the production bases in each region. To illustrate, in 2000, intra-regional trade only accounted for 41% of Asia's total trade, and in 2012, it was 53%, adding a 12% share in its $5.6 trillion of exports.

Short-term business to emerging markets still sees limited growth as households in developing economics tend to consume local products, except for global products such as smart phones. That said, the international supply chain does render global production an important demand for short-term business. Electronics in the cluster of smart phone production are key merchandise under short-term cover. Volumes on those transactions are huge, but pricing usually is thin, further exerting pressure on premium rates.

Development

Credit insurance not only turns export opportunities into sales, it could also be the exporter's companion in the whole process from negotiation of sales contract to payment. Insurers in short-term business are often asked to think more in terms of innovation, besides just providing capacity.

In addition to the standard credit check function, insurers can now cover pre-shipment risk, in the event the overseas buyer goes bankrupt before the shipment is made. Besides suffering losses in material, the exporter still needs to repay the bank who provides pre-export finance. And in some other cases, even if shipment has been made, the goods may not have been delivered (such as in an in-transit warehouse). As long as the sales contract is enforceable, insurers can still cover losses arisen before the actual delivery. Given the closer cooperation with banks, more products are being developed with banks: some ECAs may go further in insuring the banks export finance, especially the pre-export portion.

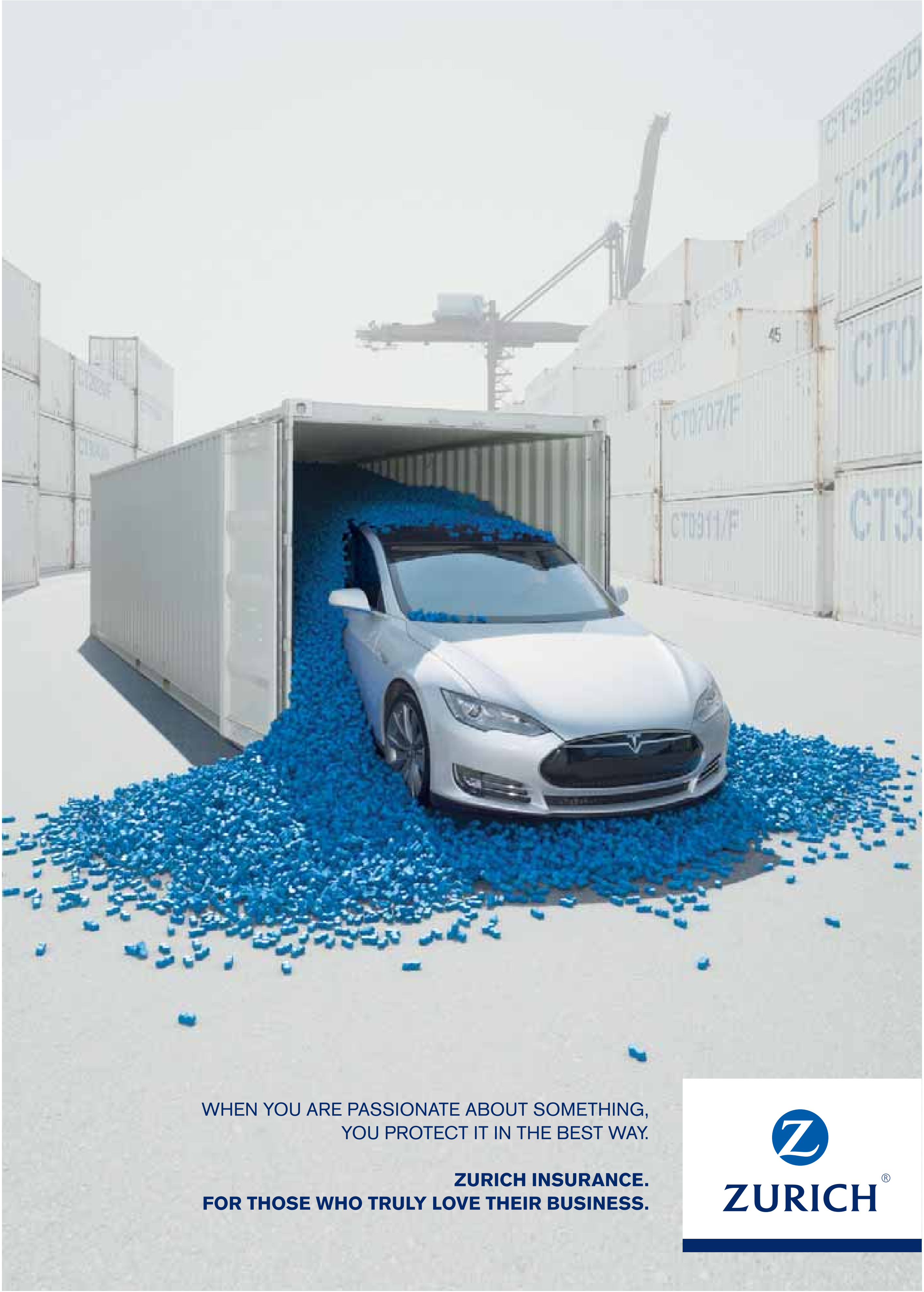
In recent Berne Union meetings, members discussed the application of E-commerce and many are using online systems to address the burden of high frequency and voluminous declaration and buyer limit applications. Easier online access to information online by the insured is another developing area.

For ECAs, to further enhance its service, they may need to liberalise their cover to meet the challenge of the global supply chain. As most ECAs do not operate in any country other than their own, in order to support local companies going overseas, they may enter into a reinsurance arrangement with another ECA if the latter happens to be in a country where the exporter sets up an overseas operation.

Credit insurance not only turns export opportunities into sales, it could also be the exporter's companion in the whole process from negotiation of sales contract to payment.

During the GFC, the biggest drop in policyholders was from the SMEs. Berne Union members are sharing experience in how to address the need of the SME exporter mass. Some are developing new insurance policies, some devising simplified administration and policy management.

One of the key challenges post-GFC is the need for the short-term credit insurers to rebuild their reputation. Among the innovation in the market, many aim at the certainty of cover, such as non-cancellable limits, excess of loss policies. The process will continue for the insurers and the insured to find the equilibrium among innovation, affordability and consistency of quality service. ■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Continuous high demand for medium and long-term risk mitigation

Medium and long-term export credit insurance and lending is often crucial to the enabling of global trade. Cooperation among different market players is a key factor, explains Karin Apelman, director general of EKN.

When I was appointed chairman of the medium and long-term (MLT) committee at the annual general meeting last October, the total volumes for insurance of long-term export credits worldwide had once again reached the highest level ever for the first half year. We might not see record levels in the years ahead, but I am positive that the world economic developments over the last year have created a new platform of demand for long-term risk coverage in global trade. This new level of demand implies both challenges and opportunities for us being part of the export credit insurance sector.

I am delighted by this vote of confidence and I look forward to managing the working partnership within the Berne Union committee for medium and long credit terms. Furthermore I am also pleased to lead this committee together with Jing Feng Lei from Sinosure as deputy chairman.

ECAs and banks are needed

Some years ago, before the financial crisis, the role and existence of export credit agencies (ECAs) were sometimes subject to discussion. The lingering uncertainty following the crisis confirms that the guarantees offered by ECAs are still in high demand for guarantees to high, middle and low income countries. Since 2009, notably the demand for guarantees covering export transactions to OECD's high income countries has increased significantly. As growth strengthens in the USA and in Japan – as well as in the European countries which were severely hit by the last recession – it is likely that exports to countries in Asia, Africa, Latin America and the Middle East will once again dominate the requests for ECA guarantees.

In other forums, where efforts are being made to analyse issues regarding export finance in a global perspective, the necessity and benefits of cooperating with banks has lately been discussed. It has become customary in many global transactions to put together a team with exporters, financiers and ECAs in order to offer a competitive financial solution, which is jointly structured and monitored throughout the entire maturity period. I am convinced that the ability of international companies to obtain security and funding has been further strengthened by this cooperative approach.


Karin Apelman

Steady long-term growth

Looking at the statistics of the Berne Union for the latest six or seven years, one would note that medium and long-term commitments stand at an all-time high, $657 billion for 2013, representing a steady growth from the $292 billion of 2005. In comparison, new business has not been showing the same upward trend without exception as has the total MLT exposure at each year end. However, the differences are not very important, but may be explained by the heavy increase in demand for MLT cover during the years of the financial crisis, leading to long-term repayments of export

Before the financial crisis the need for risk mitigation was very often questioned but nowadays it is generally recognised that official support is necessary.

credits which are still not completely reimbursed.

These figures are also – to some extent – dependent on the exchange rate of the US dollar versus all other currencies which gives a somewhat "jumpy" graph around the year 2010. Short-term is an exception; here the trend is quite a steady increase and this is also valid for Investment Insurance.

Worth mentioning is the increasing exposure that Berne Union members have on their own country, assumed to represent in all or part support of working capital. Some members have introduced working capital credit guarantees much later than others, which could prove that the product itself is not only a relevant tool in crises but a much needed standalone guarantee.

A better world – steady growth in emerging countries

Twenty years ago many of the sovereign states that defaulted on their external debt payments, are now emerging economies with healthy finances. Not too many years ago, people in the Western part of the world were becoming accustomed to reports of soaring government debt and reduced credit ratings. Yet on continents beyond Europe and North America, steadily the opposite trends are developing.

The development of new more SME targeted guarantees has led to an interest from large corporates, even though the product was first intended to meet SME demand.

A while ago, EKN, the Swedish ECA that I am heading, conducted a survey that showed that most Swedish companies exaggerate the risk of payment default on their exports to emerging economies in Latin America, Africa and Asia. Their assessment is considerably more pessimistic than EKN's which also exposes them to another risk, the risk of losing key export opportunities.

Moreover, to determine generally the most important reasons for a positive development is not an easy task. It could depend on a variety of favourable market conditions or decisive political decisions. Some of the factors that are often identified are reduced indebtedness, rising commodity prices and reforms. As growth picks up, infrastructure and other areas are improved, which in return generates new growth.

ECAs from emerging markets are increasing their activities much faster than other Berne Union members. Three of these ECAs are now in the top ten. Significant increases are reported for SBCE, K-sure and Sinosure. Another group of ECAs that have increased their activities can be found in the Nordic countries with increases of about 400% in outstanding MLT commitments. It should also be noted that all ECAs have expanded their activities during this time period, which partly reflects the need for official support during the financial crisis.

All markets available

In recent years, economic activity has been rising in the emerging and developing countries of the world. Behind this positive trend, growth-promoting policies have been implemented for a long time. In contrast to high income countries, the public sectors in most emerging and developing countries are moderately indebted. These countries have become increasingly important for the world economy.

The extensive purchases of government bonds by the central banks of the USA and Europe have also contributed to this trend. The liquidity in global financial markets has thereby increased and its ability to supply capital to many emerging countries has been strengthened.

An important motive for the expansion of the private sector is direct investment and the transfer of knowledge to emerging and developing countries. Over the last twenty years, direct investment has increased nearly ten-fold, demonstrating the production benefits that many emerging and developing countries are enjoying. For another set of developing countries the key to earn hard currency and to import essential commodities and services, are the high prices of raw materials which hopefully will remain a stable source of revenue for these countries.

All markets need to be available in order to create growth opportunities for exports. For eighty years, the members of the Berne Union have been offering security in export transactions. More and more companies in the world consider ECAs as a strategic partner in their business planning and credit insurance as a natural part of the business model.

Increased focus on SMEs

During the most recent encounters between members, an increasing number of ECAs have reported a stronger focus on small and medium-sized enterprises (SMEs), describing how they have established new teams and in what way they both meet demand from SMEs and how they market their products towards SMEs.

In terms of the products offered to SMEs, both MLT and short-term (ST) products have proven to be relevant. The development of new, more SME targeted guarantees has led to an interest from large corporates, even though the product was first intended to meet SME demand.

Opportunity to influence

Experience shows that trade is important for development if it is done responsibly. MLT credits provide an opportunity to influence how companies manage environmental and human rights issues. With the relatively new UN guiding principles on business and human rights, ECAs are explicitly targeted as important institutions with a particular responsibility to respect human rights. As trade promoters I believe we have a responsibility to ensure trade is positive and build confidence within and between societies.

> **We can in the future foresee that there will be a gradual increase in the cooperation between the ECAs in the world.**

As most business development, also sustainability is a never-ending journey, where ambitions are constantly raised. Experience proves that there is a connection between sustainability issues and financial risk. Inadequate management of CSR-issues can cause disruption in the production, for example as a result of government intervention, riots or other types of unrest. In addition to assessing environmental and social issues in the transactions, anti-corruption measures and sustainable lending to poor indebted countries are also included.

The development of new sustainability processes must be done in close collaboration with the exporters to ensure that the application of for example the UN guiding principles on business and human rights fits with the exporters' and banks' sales and finance process and is specific to the issues of the particular industry.

A new landscape

Globalisation is being increasingly evident in the transactions guaranteed by all Berne Union members and international cooperation is becoming increasingly important to all of us. It has become inevitable as many companies have production, research and development, marketing and management operations both in their home countries and abroad. The issuing of guarantees for subsidiaries is an example of how ECAs can promote the internationalisation of business.

Recent years' world economic developments have created a new platform of demand for long-term risk coverage in global trade. However, ECAs have an important role to play in any market condition. Before the financial crisis the need for risk mitigation was very often questioned but nowadays it is generally recognised that official support is necessary, as a complement to the market players and then most notably during a situation of market failure.

From this point of view, one can see the strong need for ECAs to continue our activities. During the last few years different attempts have been made to create a level playing field among ECAs in the world. From different sources initiatives have been taken to streamline the activities on a worldwide basis. The International Working Group (IWG) is an initiative to create a level playing field among ECAs from all parts of the world.

We can in the future foresee that there will be a gradual increase in the cooperation between the ECAs in the world. In different forums the need for cooperation among ECAs and other players has been discussed. The cooperation could take different forms, stretching from bridge-building activities with IFIs to creating funds and also pooling of risks among ECAs. During our upcoming meetings I foresee extensive discussions around cooperation among ECA's and private insurers, partnership with banks and continued focus on sustainable trade. ■

Unlocking Uzbekistan

Uzbekistan contains some of the most promising investment opportunities in the world, and some of the most stable conditions in the CIS. However, as with all emerging markets, the key to successfully unlocking the upside is effectively to cover the downside.

No insurance company is better placed to offer you political risk insurance for trade with, investing or doing business in Uzbekistan than Uzbekinvest International Insurance Company Limited (UIIC).

The main objective of the company is to offer political risk insurance to encourage new foreign investment in the infrastructure, natural resource development and industrial production in Uzbekistan.

UIIC plays an integral part in stimulating trade and investment flow into Uzbekistan. Since its establishment, UIIC has issued 164 policies for suppliers and investors from 14 countries with total trade and investment coverage issued approximated USD 1/2 billion, which by combining all co-insurance activities with AIG has encouraged more than USD 1.74 billion of foreign trade and investment into economy of the Republic of Uzbekistan.

UIIC shares the risks on co-insurance basis with AIG. All business insured by UIIC is accepted on its behalf by an underwriting agency, AIG Uzbekinvest Limited, established for this purpose and owned 51% by AIG and 49% by NEIIC ”Uzbekinvest”. The use of such an agency enables the company to be established in a cost-effective way and to employ the considerable world-wide resources of AIG to assist in the production of business. Underwriting process, claim handling and other insurance issues are affected in the United Kingdom.

UIIC has access to both unrivalled local knowledge and unparalleled international expertise. As such it is the vital key to unlocking successful investment in this remarkable market.

Easing the regulatory challenges facing export finance

By Henri D'Ambrieres, ICC advisory board member

Export credit is a tool which has been used for decades to support exports in a world where the main driver of economic growth has been international trade. The need for export finance has been questioned for 40 years, but today after several years of crisis, most people recognise the importance of this tool to support the economy.

The main stakeholders of this lending activity are the export credit agencies (ECAs – and the authorities they represent), the banks, the exporters and the importers. The interventions of the first two groups in that business are highly regulated with cross-border rules. In a changing world, the regulatory frameworks are becoming stricter and stricter. Export finance will have to adapt itself to these rules or convince regulators that there is a need for some amendments to make them applicable to export finance.

Relevant frameworks

The relevant framework for the organisation of ECA business and its self-regulation is the consensus of the OECD.

ECAs were established by most OECD countries after World War II as a tool to support their own exporters – and develop exports – competing with exporters from other countries and offering financings to importers that faced difficulties in raising funds. In 1978, ECAs agreed on rules for fair competition (the arrangement) and since then they have respected a soft law, although it has no strict legal value.

While most people do not accept state-aid, and others even question the validity of any public support to the industry, ECAs have to show to their stakeholders that they are a sustainable activity in their home countries. Two good reasons for this are:

- They support their exporters and exports out of their home countries (being more flexible to consider the impact of globalisation on foreign and local content) and are an efficient counter-cyclical instrument to support the economy in tense situations when no other solution is available.
- They are a profitable activity over a long-term period. The objective is not to make large profits, but to prevent the need for any subsidy from the tax-payers. This was achieved over the last 15 years thanks to the Knaepen Package, which imposed minimum premiums, and a better selection of risks. It should not be forgotten.

Henri D'Ambrieres

The consensus has to integrate evolutions of a globalised economy and to recognise that it will be effective if its rules remain stable, simple and acceptable to non-participants.

Some challenges ECAs will have to deal with are:

New exporting countries: The arrangement was designed by rich countries which were the largest exporters of capital goods. Over the last 10 to 15 years, some emerging countries have seen the emergence of national providers of capital goods which compete efficiently with the established ones. Without being a member of the OECD, Brazil supported the last agreement on aircraft (ASU). Will it be possible to extend this beyond aircraft? The extension of the consensus would be important to maintain a level playing-field among old and new exporters.

A new financing landscape will be designed by financial rules under implementation (Basel III): Banks were the traditional financial actors dealing with ECAs; they will be affected by limitations on long-term funding for large amounts. Other fund providers looking for long-term investments exist but are less flexible. A refinancing is an opportunity for a commercial bank which looks for new activities generating fees, but it is a threat for an investor which selects stable long-term investments to pay for a retirement plan. Contrary to investors, banks manage easily large and flexible drawing periods. The capacity to accommodate opposite but complementary constraints will be a key challenge for ECAs and fund providers.

The focus on sustainable projects as most shareholders (ECAs, financial institutions, large corporates) cannot put at risk their reputation:

- The need to know perfectly its customers, being exporters or importers, imposes itself on banks and ECAs.
- Global warming is a growing concern. ECAs will have to accommodate the need for a cleaner industry, in order to contribute to the prevention of global warming and to make this activity compliant with the expectations of civil society. This should not prevent them from supporting projects with a high-carbon intensity as long as they comply with local and international regulations and they support the general trend. As an example, some low-income countries might have no other resources other than a coal-fired power plants to support their initial growth at an affordable cost for the local economy.
- Prevention of corruption is recognised (apart of any moral consideration) as an efficient tool to support growth by limiting the costs of the projects financed through ECA loans.

On the contrary, ECAs should not be used for purposes other than their mission of supporting exporters. The respect of human rights in a country is important, but it is a political issue as long as the corporates involved in a project respect them.

Financing of contracts awarded to SMEs: These contracts usually require for export credits with limited amounts. They also involve as borrowers smaller companies which have often weaker ratings, if any, than large corporates, thus presenting higher risks of defaults. As costs of implementation of small export credits are mostly fixed (and then proportionally higher for small loans than for large ones) and costs of risks are higher, commercial banks consider them reluctantly. While maintaining a safe risk-analysis, simplified (and less-costly) procedures will have to emerge for small projects. The 'one-size fits all' approach explains the vanishing offer in small export credits, and simpler processes are required for these smaller loans.

Its image of a subsidised activity: Insiders know that ECAs have been able to develop a self-supported business since the implementation of the Knaepen Package in 1997. However, the general perception remains that it is a highly subsidised activity as it was the case in the mid 80's. In addition, the crisis which appeared in 2007/2008 made clear their contra-cyclical role to support international trade when other financings vanished. In a fiscal constrained environment for most governments, ECAs should make their positive contributions to global growth even more visible.

Simplicity and stability

Simplicity is very important: the consensus is a soft law which cannot be dealt with in a court. As such, it has to be easily accessible to its users. Today, ECAs use two different guidelines for the analysis of environmental impacts, promoted by the World Bank for sovereign and public entities on the one hand, and by IFC for corporates on the other hand. Hence corporates established in the public sector are in a grey area. One unique set of applicable environmental rules would make sense as long as it also recognises that a $10 million investment does not require the same analysis as a $5 billion one.

The strength of a rule comes from its stability. The consensus has to manage trends and should not be used to deal with provisional situations. As an example, a stable rule for the determination of the Commercial Interest Reference Rates (CIRR) (treasury bonds + 100 basis points) was very efficient for decades and will be efficient again in a stabilised financial market once Basel III becomes operational.

Rules established by the consensus apply first to the ECAs themselves, but then to financial institutions, exporters and importers. While a dialogue, more or less extensive, exists in most individual countries among these stakeholders, global exchanges are rather limited.

The stakeholders' meeting organised by the export credits group of the OECD is the only place where stakeholders of different countries meet once a year. The Berne Union also sometimes invites its partners to some meetings. These large gatherings are very important, but not the right place for in-depth exchanges. Focused working groups (like an advisory board) with limited assistance might make sense if an important reform (such as minimum floating rates) were to be considered. ■

Standardising export credit in the post-crisis environment

By Andreas Klasen*, partner at PwC and vice-president of the Berne Union

Export-oriented economies benefit from new jobs, more innovation, reduced welfare costs and economic stability. Creating growth through trade is an elemental part of the policy approach of many industrialised economies. Although emerging countries were latecomers to global trade, they have considerably benefited from trade liberalisation. India and Brazil, for example, have developed competitive export industries over the past decade and have been rewarded with significant economic growth.

Supporting exporters in global trade

Export credit insurance for large industrial sectors such as manufacturing, aerospace or shipbuilding is of great importance in mature economies. For example, order values for Airbus aircraft insured by the German export credit agency added up to $4.8 billion in 2013, accounting for more than 10% of total new insurance cover. Innovative small and medium-sized companies (SMEs) engaged in the export economy also received strong support and are considered to be especially eligible for cover.

In addition to highly industrialised economies such as Germany, Italy or Korea, many developing countries have understood the importance of government financing instruments. Russia has recently established an export credit agency (ECA), known as EXIAR, and intends to further develop other foreign trade programmes. As commercial lenders in the Middle East are often not willing to finance transactions with extended credit periods, several Gulf Cooperation Council (GCC) countries have launched export promotion instruments or intend to do so. Qatar's approach is a good example: After oil and gas have contributed significantly to the country's wealth, the government now focuses on diversifying the economy and on boosting other exports with the newly established ECA 'Tasdeer'.


Andreas Klasen

Given the importance of international trade in the economic strategies of many governments and given the fiscal neutrality of export credit agencies, ECAs can make a significant contribution to growth.

Exporters frequently require insurance cover for risks linked to export transactions. Typically, these risks arise from non-payment for political or commercial reasons. As export credit coverage available from private insurance companies is sometimes restricted, export transactions can often only be realised on the basis of governmental support. Export credit agencies pursue their aims by providing export credit insurance facilities for privately financed transactions through direct lending or pure cover support. This enables buyers particularly in emerging markets to finance transactions where commercial lenders fail.

Export credit support during the financial crisis

The sovereign debt crisis in Europe and the 2008-09 recession had a massive impact on exporters. This was because banks providing financing were more selective, concentrating on primary markets and core clients as well as on smaller transactions with shorter maturities. The economic situation in emerging markets also led to a decrease in cover possibilities from private insurers. ECAs were able and willing to offer more support. For short term export credit insurance covering transactions with repayment terms of one year or less, credit limits were substantially reduced by private credit insurers which affected especially importers from EU countries. ECAs increased capacities filling the gap in export credit insurance supply.

During the financial and economic crisis, ECA coverage also grew significantly for medium and long-term cover for transactions of more than one year. Especially in highly industrialised economies, governments saw a huge increase in demand in this area. Their ECAs also proved to be flexible by adapting their supply to the high demand for cover in an environment in which general financial risk perception had increased. ECAs financially supported numerous industrial and infrastructure projects.

During and after the 2008-9 recession, there has been great innovation amongst ECAs. This has included establishing new products such as securitisation and export funding guarantees in Belgium, the Netherlands or Spain. The United States, France and the United Kingdom have been trendsetters introducing a bond cover solution for Boeing and Airbus aircraft export financing. New or amended direct lending schemes have been launched, for instance in the United Kingdom. Existing products were also improved, for example with reduced retention in France, Germany and Switzerland or enhanced working capital facilities. Governments around the world thus responded quickly by expanding operations in order to support the banking system providing liquidity and restore lending. Having facilitated international trade for many years, ECAs stepped in with new and innovative cover policies to fill the gap left by private export finance markets.

Continuous support on different levels

The footprint of government support in trade and export finance continues. Some countries have undertaken efforts for a more strategic use of government or government-backed institutions, which has been critical to export success. For example, the China Export-Import Bank, the China Development Bank and Sinosure achieve the country's goal of supporting foreign trade by providing liquidity to exporters and investors abroad. In addition, they insure commercially financed transactions through pure cover support. Using the instruments of various government institutions in a concerted manner, this strategic framework is one of the key success factors for Chinese exporters and investors.

The economic success of China's support becomes obvious, for instance, when looking at sub-Saharan Africa. Despite a number of serious challenges on the continent, countries such as Angola, Mozambique and Nigeria have been growing rapidly over the last decade, amongst others facilitated through China's economic and political support.

Construction and telecommunications are booming due to a strong involvement of Chinese exporters. Government institutions play a decisive role in financing these transactions, fostering both domestic growth and global trade. For instance, an innovative financing solution in the telecommunications sector has attracted a great deal of market attention. China's export credit agency has provided competitive advantage in terms of pricing and capacity for a large transaction involving one of Africa's largest integrated communication service providers.

China's role has resulted in positive financial effects not only for the Chinese but also for sub-Saharan economies. Through the opening up of important sectors with attractive interest rates and repayment schedules, African countries have substantially benefitted from infrastructure development. Long-term growth is also driven by investments in other sectors such as manufacturing, wholesale and retail.

Using a 'strategic econsystem'

It is important for governments to realise that policy initiatives work best when embedded in a strategic framework. Enhancing trade policies is not the only necessary measure to lead economies onto the growth path. But given the importance of international trade in the economic strategies of many governments and given the fiscal neutrality of export credit agencies, ECAs can make a significant contribution to growth. As part of a 'strategic econsystem', focused and interconnected policy programmes are a key factor for innovation and growth.

By using a 'strategic econsystem', governments also have to evaluate if their strategic aims and policies are in accordance with the motivation for exporters to apply for insurance cover. It is worth assessing if insurance products, cover policies and conditions are adequate to accommodate demand. This is in line with the question if, for example, small and medium-sized companies' needs are fulfilled.

Further considerations to simplify products and to offer specific cover solutions for SMEs might be necessary. Understanding exporters' current financing needs is highly relevant concerning product offerings. As export credit insurance provided by

If common rules for export credit agencies are developed further without excessive regulation endangering growth through trade, global standards are the appropriate way forward.

governments supports exporters in securing financial resources from commercial lenders, products have to be designed accordingly to meet demand for financing and refinancing purposes.

Standardising export credit insurance

With the global economy moving back on track, exporters face new challenges: besides continuous government support through export credit insurance as part of a national 'strategic econsystem', exporters now ask for a global equality of opportunities and competition. This applies, in particular, for the application of international rules and regulations as well as a comprehensive adoption of global standards to provide a level-playing field. Furthermore, individual measures have created cover policies which are often still focusing on the latest financial and economic crisis from a national perspective.

For decades, many ECAs have cooperated in a fair competition for the benefit of national exporters. Since the 1970s, ECAs have jointly improved rules and regulations through gentlemen's agreements like the 'OECD consensus' and the 'common approaches'. They agreed on common rules and definitions for terms and conditions for export credit cover. Examples are minimum advanced payments and interest rates, maximum credit periods as well as limits for local costs and environmental guidelines. The 'common approaches' ensure, in particular, coherence between exports supported by national governments, and environmental protection. International trade affecting the environment such as hydropower plants or large infrastructure are subject to a screening with the objective of anticipating, minimising and mitigating ecological impacts.

As the compliance with standards is limited to OECD participants, for example to Japan, Italy and the United States, there is a need to establish environmental rules and regulations on a global level. Ambitions to amend and tighten these OECD regulations might endanger the competitiveness of exporters from the OECD. Therefore, improved standards for financial terms and conditions have to be agreed upon jointly. The development and application of truly international norms ensuring 'ethical' behaviour is obviously necessary. The current multilateral initiative to build new global standards on export credits is a vivid example. Many exporters would acclaim the success of the 'International Working Group' agreeing on international rules for mandatory practices for financing global trade.

Common rules for export support are, however, not only restricted to existing OECD regulations. Many exporters regard new products introduced during or after the financial crisis only in a few economies as a competitive disadvantage for their operations. Small and medium-sized enterprises often need working capital facilities, but only a small number of governments currently offer support. Some ECAs focus more on the national interest than the national content threatening competition in global markets.

For a growing number of financial services providers, it is difficult to understand the different and often complex terms and conditions. Assessing the legal protection and financial quality of export credit insurance products is a further challenge for banks. Therefore, providing a level playing-field for exporters can also be associated with products and cover policies.

Rules and regulations have to be developed further in a changing world. This is a crucial point to substantially reduce potential negative effects. Despite premium levels and credit periods, there is a variety of reasons why common agreements for global standards on a product or cover policy level would make sense.

Conclusion

In order to foster growth through trade, export credit agencies have to provide sufficient insurance facilities. They have to confirm their strong commitment to remain reliable partners for exporters and financing banks where the private market fails to supply sufficient financing and insurance. ECAs have to act counter-cyclical and prove their capability as an effective instrument against market failure. However, it is important for governments to realise that policy initiatives work best when embedded in a permanent framework that focuses on important sectors of the economy. If they use a 'strategic econsystem', governments can make a significant contribution to growth through trade.

Will excessive regulation endanger economic growth? Do global standards impair successful examples of self-regulation? Rethinking cover policies and negotiating international rules and regulations needs a compass. There is no danger for economic growth if governments form a comprehensive 'trade policy'. If there is a willingness to create the institutional framework that provides a fertile breeding ground for trade to flourish, both exporters and governments will benefit. If common rules for export credit agencies are developed further without excessive regulation endangering growth through trade, global standards are the appropriate way forward. This includes an integration of the BRICs economies as well as other developing countries to create a level playing-field for exporters around the world.

There is a need to further develop or amend existing OECD rules to gain worldwide acceptance. Furthermore, it is crucial not to limit the question of global rules and regulations on existing approaches but to include the question of products and cover policies. By collaborating to adjust policies and practices, ECAs are in the position to improve exporters' global competitiveness. ■

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Assessing the legal protection and financial quality of export credit insurance products is a further challenge for banks. Therefore, providing a level-playing field for exporters can also be associated with products and cover policies.

Capital markets and export finance – is the third time a charm?

By Jim Cruse, senior vice president, policy and planning, Export-Import Bank of the United States

An arguably common theme in medium- and long-term (MLT) export finance circles today is that full implementation of Basel III will elicit the end of commercial banks as the funding source for long-term financing – with long term export finance[1] as one of many segments affected. Typically, export financiers assert that the capital markets must, can, and will fill in the void – either directly under a perfected export credit agency (ECA) guarantee, or indirectly as the funding source for official financing (i.e. direct lending by ECAs). This paper reviews the three attempts by the Export-Import Bank of the United States (US Ex-Im) to bring capital markets directly into case-specific long-term export finance and examines the issues surrounding the latest effort to see if more permanence may follow the current effort.

Historical evolution of capital markets and export finance

Although commercial banks and capital markets have both been involved in MLT international finance for hundreds of years, until the late 1960s there was a fundamental division of labour: commercial banks generally funded transactions with repayment terms under 10 years, while capital markets (first in Europe, then since World War II mostly in the US) tended to fund general purpose bonds to sovereigns and other major entities. If transaction-specific long-term funds were needed, governments set up special institutions[2] to provide direct lending.

Starting in the 1960's with the development of the eurodollar market, the unraveling of post-WWII capital controls, and incremental easing of regulatory limits, commercial banks began a 40 year period of expansion—sometimes rapid, sometimes ragged—of their role in international and export finance. When the banks were growing rapidly, they took over many of the roles of capital markets; when the banks were

Jim Cruse

ragged, financiers would look to see what capital markets could do.

Due to a relatively unique combination of both housing the world's major capital markets in the post-World War II era and having a domestic political environment inherently tilted to oppose government involvement in commercial activities (like lending), US Ex-Im has tried to access the capital markets directly for case-specific long term export finance three times[3] in this 40-year period. The next section briefly reviews each effort to explain why US Ex-Im made each effort and identify what issues emerged.

US Ex-Im and capital market access for individual cases

Every country (or currency area) tends to have a variety of sources of long-term debt capital (eg. pension funds, insurance companies, etc.) willing to invest funds for 5-20 years for governments, projects and buyers. Accessing these sources is typically done in one of two ways – directly (one transaction to one investor), or indirectly (through the use of a security such as a bond sold by an entity to multiple investors). While the former has advantages in its flexibility of mechanisms and handling of both the timing and number of disbursements, the latter tends to be cheaper (if there is a marketable security format available). The US is considered to have the largest and most efficient (meaning you can generally get the lowest costs) debt capital markets in the world.

Although US Ex-Im has researched the direct method every time a capital markets effort has been attempted, the responses have always been the same – there is little appetite in the investor community in being a direct investor in the fairly complicated and unusual business of export finance (and what little there is would be quite expensive).

As every US Ex-Im attempt to access capital markets was to be gauged by how well it achieved rates comparable to what US Ex-Im direct lending could provide, each attempt has focused on the indirect method. This choice means that the fundamental issues that US Ex-Im has had to address revolved around how to take an export transaction and create a marketable security with as little 'story' as possible. Developing that instrument and refining its features has taken decades.

US Ex-Im's first attempt to access the capital markets for individual cases came along in 1976. Confronted with the largest case in its history to that time (the Philippine nuclear power project), the Ford Administration pushed to use the case as a test of the feasibility of accessing the capital markets for an individual transaction. Although the transaction was successfully funded through the capital markets, it required major exemptions from the Department of Treasury, such as 100% cover and transferability of the guarantee, and it did not achieve particularly good pricing (largely due to a relatively cumbersome structure). Given changing political administrations, the lack of a 'forcing' aspect such as budget cutting, the difficulties encountered in moving the transaction into and through the capital markets, and the need for continuing exemptions from Treasury (which was not likely to be forthcoming), no further tests were tried for another 15 years.[4]

US Ex-Im's second attempt to access the capital markets for individual cases was its original capital markets guarantee 'programme' put in place in the early 1990s. This attempt was driven by a US government budget crunch greatly curtailing direct lending, and made possible by (1) Congress permitting US Ex-Im guarantee transferability, and (2) Treasury allowing US Ex-im to provide 100% cover on principal and interest. Using the just-obtained capacities US Ex-Im solved the basic problem of a marketable security form by putting each case into a single-use special purpose vehicle (SPV) and standardising how the many loose ends of an export transaction can be covered to fit capital market needs.

This programme averaged perhaps $0.5 to $1 billion per year in activity during the middle years of the 1990s, then dipped to perhaps $100 million per year as commercial banks began a decade-long practice of aggressively pricing under an US Ex-Im guarantee. Nevertheless, while eventually eclipsed by exceptional bank pricing, the programme features attained in the 90's established the tools and procedures that could regularly allow non-project finance individual cases to access capital markets at rates approximating what US Ex-Im direct loans would provide.

US Ex-Im's third attempt to access the capital markets for individual cases is its current capital markets guarantee programme, introduced in 2009. This effort was stimulated by the commercial banking collapse and subsequent pull-back following the financial crisis of 2007-2008 and Basel III regulations. The major changes in this latest attempt at capital market access are really nothing more than a) insisting that all institutions 'designing' a structure follow the same framework (thus maximising standardisation in the instrument), and b) taking full advantage of the improved Depository Trust Certificate (DTC).

The DTC is a crucial facilitator of both a centralisation of the operations of the SPV (necessary for efficiency) and to attain for individual investors a certification that they have direct access to the issuer (enabling minimum regulatory processing and costs). US Ex-Im has seen major success in the aircraft sector, as well as for large corporate buyers. However, complicated project finance structures are still figuring out how to efficiently use the mechanism to access capital markets.

Reflecting the fact that this time the forces driving the US Ex-Im attempt are fundamental changes in the availability and cost of commercial banks as funders of long-term assets, there has actually been a broad

Over the last five years US and European ECAs have accessed some $20 billion from capital markets for individual transactions.

With some innovation and experimentation, capital markets could well play a major role throughout the long-term ECA arena within the next few years.

array of attempts by ECAs in Europe to access capital markets for individual cases. Both the British and French ECAs have introduced enhanced guarantee products (so far just for aircraft products) that are being used to create marketable securities similar to what US Ex-Im's guarantee generates. Other European ECAs (eg. EKF in Denmark) are exploring (and doing) some deals that bring long-term investors (eg. pension funds) directly into specific transactions.

Over the last five years US and European ECAs have accessed some $20 billion from capital markets for individual transactions.

Future of capital markets in long-term export finance

The earlier efforts to access capital markets did not have legs because either banks came charging back to undercut both cost and ease of access, and/or the US Ex-Im effort was limited by the lack of an external driver. Today, however, there is clearly a multilateral consensus emerging that the likelihood of commercial banks coming back as a cost competitor is so low that it is worth the considerable up-front effort by ECAs to develop an ongoing capacity to access capital markets for individual transactions.

As an observer with over 40 years of experience in accessing capital markets for individual cases, US Ex-Im notes the following:

1. Capital markets are a reliably efficient source of large amounts of competitively priced funding for transactions with simple structures and short disbursement periods (like aircraft). Hence, capital markets can already be one of the tools of possible support in an ECA's tool box.

2. In its most efficient form (ie. the US Ex-Im programme today), the pricing on the capital market instruments for a specific transaction can regularly (and sometimes significantly) beat the standard arrangement CIRR level.

3. Project finance faces real obstacles to accessing capital markets funding. In particular, borrowers do not want to wait years to fix their borrowing rate (especially at the low part of rate cycles), and the capital markets can't handle the uncertainties during the construction period. Possible solutions exist within the current arrangement rules, but it will probably take some time to find the right combination of steps which will allow this part of the ECA portfolio efficient and effective access to capital market funding.

In sum, the trends look favourable today for capital markets to become a standard option for the funding of many long-term ECA cases. However, this funding source is never going to become a 'stand alone' source, able to handle on its own the many 'uh-ohs' of MLT export finance.

Except for those ECAs dominated by direct loan programmes, a successful integration of the capital markets funding source into the ECA tool box will probably require that commercial banks become the 'financing manager' of a case – doing the origination, structuring, and deciding which source of funding to use at what time and to what extent. With some innovation and experimentation (but no required changes in the arrangement), capital markets could well play a major role throughout the long-term ECA arena within the next few years. With the right kind and level of ECA and commercial bank cooperation, this 'ideal' ECA structure may emerge even more quickly. ■

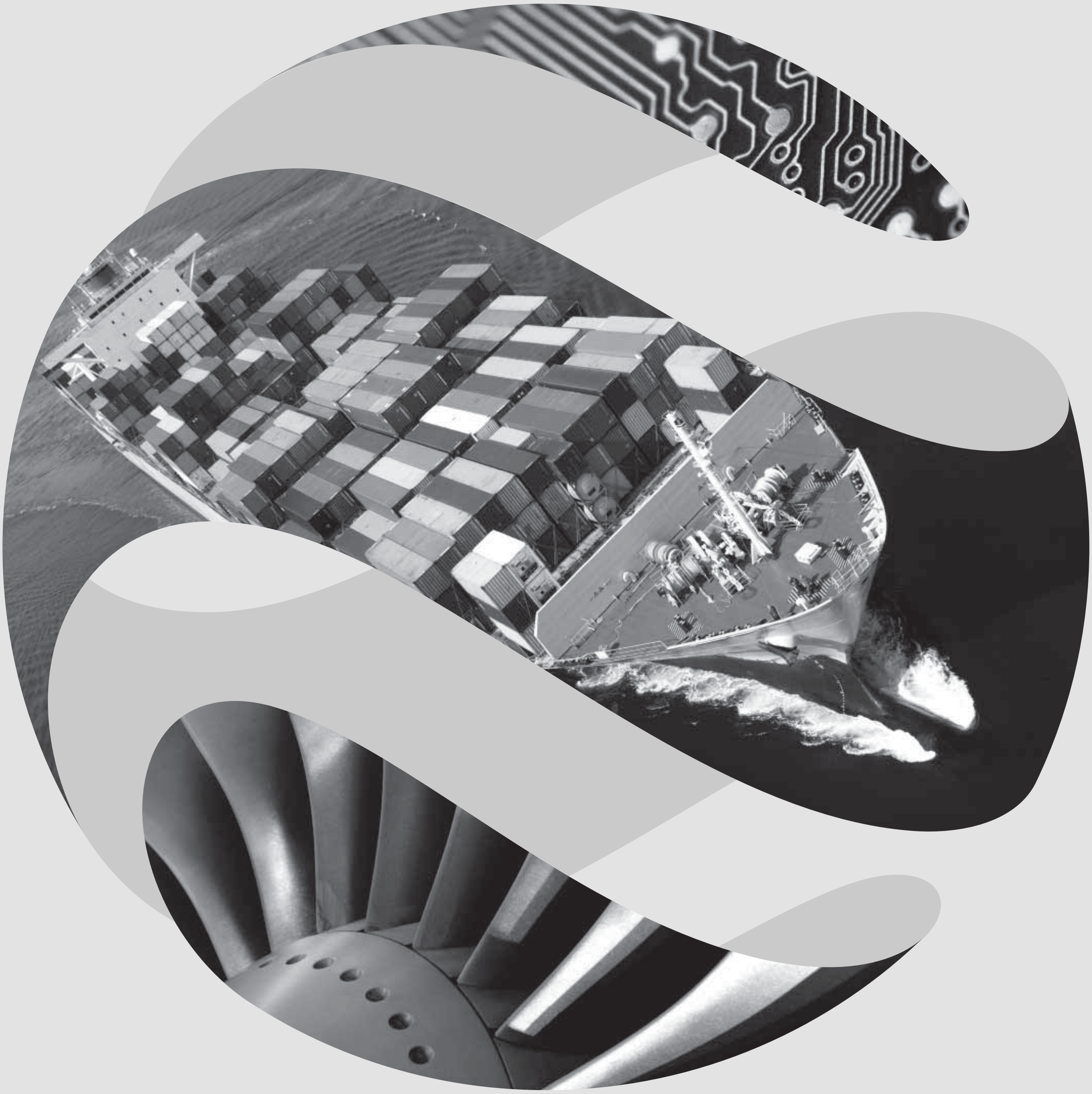
Notes

1 Long term financing defined as loans with repayment terms beyond 10 years.

2 Examples of special institutions include US Ex-Im in the 1930s, the World Bank Group in the late 1940s, and the many topic-specific European official institutions set up in the 1960's.

3 There have also been several attempts at "institutional" access to capital markets. An "institutional" access to capital markets differs from a case-specific in that a separate institution is created which finances multiple individual export finance transactions, and funds itself with general institutional notes (not related to any specific transaction) in the capital markets. Such an effort entails significant up-front cost and a long-term commitment to the business. Success here has been real (e.g. PEFCO, and a variety of "inside the bank/outside the balance sheet" entities like Citi's GOVCO), but the constraints greatly curtail the scale possible. Moreover, the financial crisis of 2009 and the resulting Basel III regulations appear to have ended (or will end) the prospects of any of the bank entities

4 This transaction also created major problems as the project never became operative.



Collaboration between ECAs and DFIs enters a new era

By Arun Kumar Sharma, chief investment officer, global financial markets, International Finance Corporation

Export credit agencies (ECAs) and development finance institutions (DFIs) have very different purposes, mandates and in the case of multilateral institutions, ownership structures. However, there are many important areas of overlap where the pursuit of different mandates and different policy objectives open up the possibility and often the necessity of active collaboration.

ECAs, by and large, are owned directly or indirectly, by the national governments and have as their principal focus, a contribution to their domestic economies by promoting and financing exports from the home country. DFIs typically have wider mandates to promote the social and economic development of their member developing countries by fostering inclusive and sustainable growth through the provision of financing, advisory services and other forms of development support.

The opportunities for collaboration arise in emerging markets where both these types of institutions are active and are serving the same customer segment from their respective perspectives. In the past this collaboration opportunity has arisen mostly in projects in developing countries which have involved the import of equipment and services from an ECA's home country and at the same time represented a source of development impact and have therefore been eligible for financing support from the ECAs. Such projects can be in a variety of sectors such as natural resources, energy, infrastructure, transportation, logistics, aviation, communication, climate change, and so on.

Collaboration between ECAs and the DFIs has been useful, and in some cases fairly active. However it has also been opportunistic, on a project by project basis, and has been fraught with challenges that emanate from a range of issues. Such issues include roles in transactions for each party, intercreditor issues, different approaches to documentation, and the availability of space in specific deals to accommodate different types of financing. The desire of sponsors to limit the number of parties in a financing has also often been a challenge to project level collaboration.


Arun Kumar Sharma

Rapid acceleration of opportunities

However, both the need and opportunities for collaboration between the ECAs and DFIs are growing rapidly. A number of factors are driving this trend. As the emerging markets' share in world economic activity grows with higher growth and consumption rates, favourable demographics, lowering of trade and investment barriers and increasing mobility of production and service locations, the demand for trade and investment flows from these markets is creating increasing opportunities and challenges for both groups of institutions.

Project sizes are also getting larger which means that any one institution is less able to finance the entire project on its own and there is a need to find other financing partners. For both the development finance institutions (DFIs) as well as the ECAs, the higher volumes of project as well as trade finance risk are giving rise to the need for better diversifying and distributing risk to other partners with an appetite for such exposures.

As Basle III recommendations are implemented by central banks, there is growing reluctance on the part of international commercial banks to take longer term exposures making it incumbent on long term lenders like the ECAs and DFIs to fill the gap. As production gets distributed across the globe and projects increasingly involve multi-country sourcing of equipment and services, there is a need to find new solutions.

The increased market volatility, especially with respect to currency risk for long term financing is driving the need for local currency financing solutions that need partnerships with DFIs. The growing role of local financial institutions in local and global project finance offers yet another opportunity for collaboration between the ECAs and DFIs.

ECAs and DFIs bring different but complementary capabilities to the table. ECAs have very significant risk appetite, high credit ratings, a willingness to provide or guarantee long tenor financing and competitive financing rates. They have a strong customer base in terms of their exporter communities of their home markets. DFIs on the other hand have a very strong presence in emerging markets, very deep local relationships, and the ability to intervene using a wide range of financial instruments across the capital structure of a transaction. DFIs and ECAs share very similar commitments to global best practices in key matters impacting their business including environmental and social standards, anti-money laundering and financing of terrorism safeguards, 'know your customer' standards and due diligence procedures.

Hurdles to overcome

At the same time many challenges to increasing collaboration remain. Each institution is governed by its own internal policies and approaches and the difference in mandates is real. This limits the number of transactions where common participation across ECAs as well as DFIs adds value to all parties. There is relatively less interaction, especially at the business operations level between the DFIs and the ECAs which as institutional groups, tend to interact more closely amongst themselves. There are differences in operating procedures, credit and pricing parameters, tenor and currency preferences, and in eligibility criteria for transactions that can be financed.

Despite all these challenges, there is a growing recognition that collaboration between ECAs and DFIs is too important an opportunity to ignore and that many of the challenges in this area, are surmountable with the right level of focused effort on the part of all stakeholders. There are several possible areas where such focused efforts

Another important step toward increasing the collaboration between the ECAs and DFIs is the leveraging of the DFI networks in emerging markets.

could go a long way in addressing the challenges and in the process unlocking the many latent synergies that the potential for collaboration between these two types of institutions affords.

One of the first steps toward greater collaboration is clearly the need for a better understanding of mutual operating practices and procedures as well as of the areas of business priority. ECAs and DFIs often operate in the same markets and speak to the same customers but do not have an efficient channel of communicating with each other to understand their respective value proposition and business approaches.

Very often there are cases where opportunities that can be shared or passed on to another entity are simply passed over due to lack of adequate cross institutional communication. Increasing communication both in terms of business approaches and business opportunities is an important first step in fostering greater collaboration.

Both ECAs and DFIs have been operating in the same markets for several years and have access to valuable data on various subjects of common interest including trade, insurance and investment volumes. Greater exchange of this data and information across these institutions will be very helpful in improving the effectiveness of market analysis and strategy development as these institutions continually adjust to fast changing political, economic and market conditions across many of the emerging markets in which they operate.

Accessing the local networks of DFIs

Another important step toward increasing the collaboration between the ECAs and DFIs is the leveraging of the DFI networks in emerging markets. Global, regional and bilateral DFIs have established a very extensive local network across emerging markets and have local offices and staff on the ground. This could be a very useful resource for ECAs who wish to expand their reach in new markets in an efficient, cost effective way as it could provide valuable commercial contacts. Local market intelligence and mutual collaboration opportunities on specific transactions could prove invaluable.

The local relationships with borrowers, state-owned agencies and local financial institutions can also be an important resource that DFIs can share with the ECAs. Most DFIs are always looking to mobilise additional sources of financing for their relationship counterparts and should be happy to support increased flow of finance from ECAs to their clients as it would represent an new source of cost effective long-term finance. This is generally in short supply in most emerging markets.

ECAs can offer to the DFIs access to their domestic client base to provide solutions in emerging markets that they cannot provide themselves. Local currency financing, equity investments, financing of smaller transactions and support to local manufacturing in a variety of ways could be sourced through the DFIs for ECA clients making the ECA value proposition more comprehensive while still being consistent with their overall mandates.

Diversification of risk benefits

Both ECAs and DFIs are keen to diversify their risks. Given the nature of their business the risk profile of their emerging market asset portfolios is quite similar and lends itself to risk sharing amongst each other. By sharing risks in large exposures to emerging market projects or clients, both groups of institutions stand to benefit from the resulting risk diversification and exposure mitigation. Risk sharing amongst ECAs and DFIs is also attractive for both as all parties tend to have very high credit ratings which renders them highly desirable risk transfer counterparties.

Policy coordination is another important area of collaboration between the ECAs and DFIs. Both these institution groups have similar objectives when it comes to global best practices on environmental and social issues, corporate governance, know your customer norms, and anti-money laundering and combating the financing of terrorism. A continuous exchange of views and incorporation of common terms in documentation will be very helpful in smooth execution of transactions involving both types of institutions.

Knowledge transfer and capacity building of client groups such as local borrowers, local financial institutions and local authorities on topics relevant to promoting trade and investment flows is also an important area of collaboration. Different institutions have different areas of interest. Expertise and coordinated delivery of these knowledge transfers will improve overall market standards and efficiency and avoid duplication of effort. A combined approach could potentially result in initiatives being launched which otherwise would not be undertaken due to individual resource constraints.

ECAs and DFIs also need to look more closely at how they can leverage further the risk capacity and transaction expertise of trade and credit insurers who are more willing to diversify their product offerings beyond traditional trade and credit insurance to longer term exposures including project finance. Some DFIs already have programmes in place where they sell down risk to trade credit insurers. Greater use of such programmes by ECAs will open opportunities to do more business in the smaller markets where the DFIs can offer greater levels of support.

Mutual benefits abound

Clearly, a systematic effort is needed to capitalise on these promising opportunities for collaboration between the ECAs and DFIs for mutual benefit and for the benefit of the emerging market countries and customers who are the common target segment. One such effort has been launched between the Berne Union and IFC which is focusing on a systematic, practical approach to address many of the possibilities discussed above. The initial discussions have generated considerable interest and support for this approach and it is expected that this will result in incremental business opportunities for all parties in the short to medium term. This initial momentum for collaboration will be sustainable only if it results in tangible and demonstrated value-added for all parties.

Such initiatives need to be encouraged at all levels. There is initial momentum for collaboration but it will be sustainable only if it results in tangible and demonstrated value-added for all parties. A clear focus needs to be maintained to ensure that the objectives are realistic and consistent with the business and policy goals of all stakeholders and all participants are fully committed. The benefits are likely to far outweigh the effort. ■

Using ECAs to secure energy supplies

Kazuhiko Bando, chairman, Nippon Export and Investment Insurance (Nexi)

When I first worked for Nippon Export and Investment Insurance (Nexi) during 2003 to 2006, seconded from the Ministry of Economy, Trade and Industry of Japan as the head of planning and administration department, Nexi was a very busy organisation. Yet, returning to Nexi as the chairman and CEO in April 2013, I realised what used to be 'busy' had become 'overloaded'.

The obvious reason for this was the changes that occurred as a result of two financial crises; the bankruptcy of Lehman Brothers and the eurozone crisis, had weakened the commercial banks and dramatically increased the needs of ECAs.

In fact, over a five-year period at Nexi, the underwritten amount of long-term insurance had risen six-fold, and the number of transactions insured had almost doubled.

Nexi's current workforce is at approximately 140, which I understand is one of the smallest among ECAs, especially taking into account the business volume we actually handle, which was more than JPY8 trillion ($78.3 billion) in 2012.

How has Nexi's headcount change since the 'busy' days in 2003 to 2006? The answer is almost unchanged, pursuant to the request of the Japanese government. Accordingly, Nexi is making every effort to fulfill the role, by being as effective and speedy as possible, while also continuing to improve customer service at the same time, even though this sometimes is a trade-off.

Kazuhiko Bando

Energy and power at the core

Among the industrial sectors, the energy and power sector is definitely one of the core areas which has been making, and will continue to make Nexi and other ECAs busy in the coming years. This is obvious from the United Nations' forecast that the world population will increase from the current seven billion and will reach 9.6 billion by 2050, and the International Energy Agency's (IEA's) views that energy demand will increase 1.3 times by 2030 accordingly. Energy company BP also forecasts world demand for energy will grow by 41% by 2035, driven by growing consumption in the booming economies of China and India.

IEA data shows that in 2011, nearly 1.3 billion people worldwide lacked access to electricity. Due to this issue, global investment in the power sector is expected to amount to up to $17 trillion through 2035. Such growth will be led by Asian economic growth, as non-OECD Asian countries' per capita power consumption is only 6.1% of

As an ECA, we understand that through the original functions of our duty to support our country's exports, our overall contribution – even partially to the energy and electricity poverty matter – is extremely important.

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that of North America. This growth has a huge buffer and the potential to increase.

The Asian Development Bank (ADB) says that the demand for energy is projected to almost double in the Asia-Pacific region by 2030 and that there is an urgent need for innovative ways to generate power in a socially, economically, and environmentally sustainable manner. This implies that there is still a long, long way to go to balance the distribution of the global accessibility to energy and power.

It is fair to state that sustaining the stability of energy concerns, human rights, climate, and overall society is the common issue for the whole of humanity. The solutions of energy and power challenges should contribute to a bright future of the developing world. As an ECA, we understand that through the original functions of our duty to support our country's exports, our overall contribution – even partially to the energy and electricity poverty matter – is extremely important. We are also aware that we should bear in mind the indirect functions of ECA's from this aspect as well.

Ensuring environmental stability

Meanwhile, balancing the stability of energy and environmental concerns also needs to be carefully focused. Reducing climate change and limiting environmental impacts from energy production and use are a global concern. IEA foresees that CO2 emissions from the power sector will rise from 13.0Gt in 2011 to 15.2Gt in 2035. It also states that today's share of fossil fuels in the global mix, at 82%, is the same as it was 25 years ago.

This should be an area in which Nexi and Japan can contribute, not only for the nation, but also for the entire world. Japan's Prime Minister Shinzo Abe made the third growth strategy speech in 2013 and stated that: "The footsteps of resource-poor Japan are a history of taking in any sort of innovation possible". After the oil crisis of the 1970's, Japan has improved energy efficiency by 40%, and this improvement is a big global lead.

Our country has been proactively engaged in the global warming issue by improving energy efficiency, and with this superior technology, we are in a position to contribute greatly to the solutions of global warming. Japan's industries have been accumulating know-how of energy efficiency, and it is important to implement them globally by integrating these technologies.

Because of the scarcity of domestic natural resources, advanced technologies were developed to convert power facilities into high-efficiency thermal power plants in order to efficiently and effectively utilise fossil fuels. Carbon capture and storage technology with Japan's major companies, for example, has a leading global market share in equipment for recovering carbon dioxide from manufactured chemicals. Japan has a number of patent-protected technologies regarding renewable energy, and as to geothermal generation based on the world's third largest geothermal resource, Japan has been maintaining outstanding market share for many years.

Japan's industries have been accumulating know-how of energy efficiency, and it is important to implement them globally by integrating these technologies.

It seems Nexi will surely and steadily be busy in the coming years as well. ■

The rising role of ECAs in enabling liquidity

There has been a marked difference in how project markets view export credit agency (ECA) support in the wake of the 2007-08 financial crisis, writes David Godfrey, chief executive, UK Export Finance (UKEF)

Although the operations of Berne Union members are diversified across various products, geographies, governance models, and regulatory systems, the growing role of ECAs in facilitating large medium- to long-term (MLT) export transactions has been clear for all to see in the years since the Lehman Brothers collapse almost toppled the world's financial systems.

The subsequent period has hosted a massive boom in MLT transaction volumes underwritten or financed by ECAs, with a particular focus on the project finance market. Commercial banks, by contrast, have struggled to provide the project liquidity that was so prevalent in earlier years, when they were regularly able to lend the entirety of a project's debt requirements, often in emerging markets.

The new financing paradigm was perfectly illustrated in mid-2013, when UKEF took a major role in a massive $12.5 billion lending package that was secured for the $19.3 billion Sadara Petrochemical Plant in Saudi Arabia. This transaction involved ECAs from six countries providing a huge $8.5 billion in financing and guarantee facilities to the two strong and experienced sponsors, Saudi Aramco and Dow Chemical (see case study below).

Sea change

The key function of export credit in the current project financing landscape is now hardly recognisable from the situation pertaining in early 2007, before the financial crisis began to break apart the benign financial climate which had prevailed for the previous five or so years. During this period, when financial institutions could lend on their own balance sheets at low costs, and the project financing was very much led by banks, ECAs were very much seen in a peripheral light, as lenders and insurers of last resort. For large project financings, it was almost perceived in some quarters as a sign of failure to seek ECA-backed financing.


David Godfrey

However in the post 2008 world, a range of major issues have afflicted the project finance market, increasing the remit of ECAs in complementing private sector financing. With pressures heaping up on banks, such as the requirements to recalibrate and recapitalise, Basel III regulations and a consequent reduction in commercial lending capacity, the inevitable result was shrinking tenors, more conservative structures and a rise in the cost of bank funding. All project participants witnessed a surprisingly large draining of commercial bank liquidity from the market, especially in cases where non-US based banks required long-term dollars.

Within this context, UKEF and other ECAs have stepped up to fill the gap and support their exporters by facilitating a far broader volume of official MLT financing. As trade and investment has re-established itself on a growth path, export credit has been especially notable for its much bigger role in project finance deals, both in terms of the quantity of deals in which it is now playing a part, and also in the indispensability of that role.

An examination of some of the major deals since 2008 in Australasia and the Middle East, in sectors such as liquefied natural gas, reveals the mobilisation of tens of billions of dollars worth of ECA facilities. Sponsors with whom I have talked since taking over the reins at UKEF tell me that not only is it now impossible to put together a large scheme without ECA involvement, but that it is almost seen as a badge of honour now to bring ECA-backed funding into their projects.

Not just liquidity

Why has the relationship between ECAs and project finance sponsors proved to be such a happy marriage? Liquidity is undeniably a key factor, given the sheer scale and size of Sadara and other projects, and the insufficient volume of private sector financing capacity. However another factor, which perhaps attracts less publicity, is that ECAs have brought to the table a new approach to structuring deals.

Effective collaboration is an intrinsic element here. Before 2008, it was unusual to have more than two or three ECAs working together, whereas the sight of half a dozen ECAs now cooperating and working closely on deals with financial and other expert advisers is now commonplace. By collaborating with regard to the due diligence and sharing collective experience, it makes for an efficient process and is a good framework for productive negotiations with the sponsor side.

Particularly noteworthy is how project sponsors and their advisors are talking directly to ECAs very early in the financing process. The 'new normal' in project finance is for ECAs and other international financial institutions to be involved in term sheet negotiations from the outset. Sadara showed just how helpful this can be for all sides in understanding what will work best and how to maximise the benefits of the ECA facility.

Arranging banks have played their full part in this, via their capability in going to sponsors early in the project process and identifying the countries which can provide competitively structured ECA support, or those with other competitive sourcing advantages, such as low local content requirements. At UKEF, we are extremely competitive, in that we can support up to 80% non-UK content, which can provide a significant leverage factor for the UK supply chain to projects. While a project's main engineering, procurement and construction (EPC) contract is always an award to be coveted, our challenge is often to link in our companies to the first tier of contracts, where the UK's distinct lead in areas such as engineering and design is seen as a stamp of genuine quality.

Trend continuation

Looking ahead, there is little reason to believe that Berne Union members will not continue their ongoing roles in facilitating some very sizeable project investments. While there are signs that dollar liquidity is returning, bringing some French and Japanese banks back into the market, the reality is that banks are constrained by leverage ratios, and penalised by some regulators for holding long-dated assets. The ability of ECAs to fund directly, or to allow free transferability of their guarantee to support capital markets issuance will all become increasingly important, and in this regard the outlook for ECA support looks very favourable.

When I look at the pipeline of UKEF's potential deals, I see such a breadth of potential business that it is difficult to envisage any near-term change to the trend. In fact the strength of our project pipeline is stronger than many have ever known. There are a healthy number of projects and programmes that need to be funded..

The 'new normal' in project finance is for ECAs and other international financial institutions to be involved in term sheet negotiations from the outset.

To help build our armoury of relevant support products, it was announced in the March 2014 UK Budget that capacity will be doubled for UKEF's Direct Lending Facility (DLF), with the chargeable interest rates also being reduced to the lowest level permitted internationally. The DLF was first announced in autumn 2012, with an initial £1.5 billion ($2.52 billion) capacity. The Export-Import Bank of the US has shown just how attractive such a tool can be, as evidenced at Sadara, where Ex-Im Bank provided nearly $5 billion in direct lending. By widening UKEF's range of services and products in this and other areas, we should be able to exert a greater influence on sponsor decisions.

One move in this direction is our introduction of two International export finance advisors. Based in Rio de Janeiro, Brazil and Istanbul, Turkey, these positions were created in order to facilitate further engagement with project sponsors in their own market and represent part of a general 15% increase in headcount over the financial year 2013-14 to allow UKEF to respond to an expected increase in business levels. Another is the target of setting up an Export Refinancing Facility (ERF) by the end of April 2014, to ensure that long-term funding is available to overseas buyers of UK exports when supported by UKEF. The ERF will provide an undertaking to banks making export loans of at least a five-year tenor that UKEF will purchase the loan 12 months after the final draw down, if it has not already been refinanced (eg. in the debt capital markets). We are also consulting on whether to amend our Act of Parliament to allow us a more generalised ability to support UK export business.

Indeed UKEF has undergone various changes over recent years. Good examples are the move from Docklands to within the Treasury building at the heart of Whitehall; and the introduction of the trade finance and insurance solutions division. We are also doing better at marketing ourselves, both through the auspices of our sister body, UKTI, and via a doubling of our regional export finance advisers.

Case study: Landmark Saudi chemicals project

The financing put together for the Sadara Integrated Chemical project in Saudi Arabia notched up a number of milestones, and could hardly have been surpassed as a demonstration of how ECAs are able to inject very large chunks of liquidity into creditworthy projects.

To support several key contracts awarded to British exporters, UKEF provided a hefty $700 million repayment guarantee on a project financing loan to the Sadara Chemical Company, a joint venture developed by The Dow Chemical Company and Saudi Aramco. The banks comprising the lending syndicate were HSBC Bank USA, National Association, JP Morgan Chase Bank, Mizuho Corporate Bank, Standard Chartered Bank and Sumitomo Mitsui Banking Corporation.

This marked the largest single project finance facility ever supported by UKEF, and was also the second largest covered ECA facility for the project, where the sheer scale and size of ECA involvement was eye-catching. The other participating ECAs were Ex-Im Bank of the United States, Korea's K-Exim and K-sure, Germany's Euler Hermes, Spain's FIEM and France's Coface. The debt package for the project also encompassed lending from the official Saudi financing institution, PIF, in addition to a ground-breaking $2 billion commercial sukuk, or Islamic bond.

Strong benefits will accrue to the UK economy from the UKEF-supported loan, which will help finance engineering and EPC contracts awarded to Jacobs, Fluor and Foster Wheeler. Other contracts awarded to UK contractors on the project may also become eligible for financing under the UKEF facility or from the other financing sources available to the sponsors.

For Saudi Arabia, the project is of vital strategic importance to its downstream capability. Formerly known as the Ras Tanura Integrated Project, the complex at Jubail Industrial City II in the country's Eastern Province will be the largest integrated petrochemical complex ever constructed in a single phase. With initial start up expected to occur in the second half of 2015, the project will comprise 26 process units and is expected to produce more than 3 million tonnes per year of ten major product families of chemical products and specialty plastics.

The output will be used in a range of industries including energy, transportation, construction, infrastructure, packaging, consumer, electrical, electronics, coatings, adhesives and sealants sectors. Key markets will include the emerging growth regions of Asia, the Middle East and Africa. The wide array of products is expected to provide very strong long term credit fundamentals, given the different end use markets for each of the products. Also the marketing expertise of Dow and Aramco is significant.

Saudi Aramco and Dow officials have been fulsome in their appreciation of the proactive part played by ECAs in structuring the financing deal, where one of the standout features was a strong partnership with the sponsors from the outset. UKEF formed part of the group of official insurers and financiers which substantially negotiated the term sheet with the project sponsors and their advisers before it was released to the commercial banks. The involvement of very able advisers on both sides was a critical success factor in what proved to be a very productive and focused set of negotiations.

This highly collaborative approach typifies the structuring process that has come to characterise most ECA-backed project finance deals since 2008. UKEF is one of a number of ECAs which are increasingly proficient at sharing their experience with each other to resolve financing and other challenges. By blending their expertise with the skill sets provided by the traditional array of legal, financial, technical, marketing, environmental and other advisors, ECAs are helping to drive best market practice for hugely complex project developments. ■

EXPERT ANALYSIS

Political Risk in the mining sector: understanding and mitigating the perils

By Jim Thomas, senior vice president and interim managing director, Zurich Credit & Political Risk

Oruro, Bolivia sits on the High Andean Plain 180 km south-east of La Paz. As the sun rose over this bucolic community of miners on 9 February, 2007, soldiers of the Bolivian Army were amassing at a nearby tin smelter. The formation of approximately two-hundred troops descended upon the smelter to seize it from its owner, a European mining company. The smelter's workers, who opposed the expropriation of the facility, stood behind the chained gate in a futile effort to block the soldiers. By midday, Bolivian President Evo Morales had arrived on the scene. He stood in front of a banner that read 'Nationalised' and declared that the smelter was now the property of the government.[1]

While the details of this actual event may appear sensational, government nationalisation of mining assets is not unusual. In fact, a recent report on the mining and metals industry by Ernst & Young cited resource nationalism as the biggest risk that mining companies face today, ahead of other risks such as capital costs and price volatility. The report states: "Resource nationalism continues to be the number one risk facing mining and metals companies as governments go beyond taxation in seeking a greater take from the sector. The uncertainty and destruction of value caused by sudden changes in policy by the governments of resource-rich nations cannot be understated."[2]

Operating in challenging environments

The growing global demand for metals means that mining companies cannot shy away from challenging operating environments. A recent United Nations study forecasts an increase of as much as 1,000% in the use of metals in the coming years due to rapid growth in the emerging economies of Asia, Africa and Latin America.[3] Unlike other industries such as manufacturing, mining

Jim Thomas

companies have limited ability to decide where to undertake projects. Simply put, miners have to go where the resources are, even if it means operating in challenging political or security environments.

For example, the Democratic Republic of the Congo has seen a number of expropriations and investor disputes in recent years, and it was ranked 181 out of 185 countries in the 2013 World Bank Doing Business report.[4] However, the country holds 50% of the world's reserves of cobalt, which is a critical component of batteries used in cellphones, laptops and electric vehicles. Mining companies will increasingly look to develop projects in challenging markets as demand for non-ferrous and precious metals, as well as rare earth elements, increases. Therefore, it is not only important for mining companies to be fully aware of the political risks that they face, but they should also understand what causes these risks and, of course, how these perils can be mitigated.

Causes of resource nationalism

There are many theories on what causes governments to pursue policies of resource nationalism. Some studies demonstrate that periods of high commodity prices are correlated with increased expropriation of assets and investment disputes.

For example, a recent Chatham House study on the political economy of natural resources states: "The propensity of a government to expropriate or intervene is often closely linked to resource prices. The recent upsurge in disputes and expropriations is reminiscent of earlier waves that also corresponded with periods of high resource prices. Compulsory nationalisation or the assumption of a controlling interest, the confiscation of foreign-owned assets, windfall profit taxes and similar measures can therefore be expected to become more common in an era of high resource prices."[5]

Alternatively, lower commodity prices have also led to instances of nationalisation where commodity-dependent governments have sought to maintain a certain level of income in the face of falling prices. This risk is particularly acute when there is a precipitous drop in prices and governments are suddenly faced with the challenge of meeting expansive budgets in the face of dwindling revenues.[6]

Mitigation strategies

There are a number of ways to help mitigate the wide array of political risks that are inherent in any mining project.

A clear understanding by all parties of the rights and obligations that are granted under the concession agreement and associated licences is essential. All efforts should be made to ensure that the host government has reasonable expectations of the anticipated revenue from the project. There are many examples of investment disputes or forced contract renegotiations that were precipitated by a government's disappointment with the amount of royalties that it was receiving for a project. In many of these cases, reliance on inaccurate production estimates and price forecasts was at the root of the problem.

Because mining concessions are usually granted by a federal government ministry or agency, it is critical that the local government and the local community are also aware of the rights that are granted to the company and that they are vested in the project. Natural resource projects are rife with sensitive issues ranging from local land rights to social, labour, and environmental considerations. A project that operates in a challenging political or security environment is far more likely to be successful if the local community benefits from the project.

Many investment disputes have originated with grievances from the local community, which in turn created problems with the regional or federal government. If the project agreements do not allocate any revenue sharing to the local community, then the project will certainly come under increased pressure to provide education, health and social programmes to the community.

Corporate social responsibility programmes — such as educational, social and environmental initiatives — not only create a lasting positive impact on the community, but can also be an effective way to mitigate project disputes. One study states that the success of corporate responsibility programmes: "is measured in terms of what doesn't happen rather than what does; the absence of local tensions, of time spent in dispute or litigation, and of not having to absorb the costs of regulatory impositions which were unplanned and unbudgeted."[7] A company that implements responsible social and environmental policies and adheres to recognised standards, such as the Equator Principles and the World Bank Environmental, Health and Safety Guidelines, might not only help reduce the political risks that it faces at the project level, but it will also find it easier to attract lenders and political risk insurers who will only participate in socially responsible projects.

Employment opportunities are the most obvious benefit to the local community, yet mining companies should consult with local community leaders while staffing their projects. A company can help reduce problems with the community by being mindful of local cultural sensitivities. For example, during a mine site visit in the Democratic Republic of the Congo, this author witnessed first-hand the tension that can be created when part of a mine's workforce believes that a certain tribe or ethnicity has been favoured in the hiring process or assignment of specific tasks.

The threat of political violence

Mining projects in challenging locations often face risks stemming from political violence, including regional conflicts, civil wars and localized violence specifically directed toward the project. The impact of political violence on a mining project can range from damage

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and destruction of assets to the inability to continue operations and possibly the forced abandonment of the project in its entirety. In recent years, a number of mining projects have experienced violence-related issues in many countries, including the Solomon Islands, Kyrgyzstan and Peru, among others.

It is noteworthy that a number of new deposits have been discovered in West Africa and several large-scale mining operations are coming on-line in that part of the world despite recent and continued political turmoil

A project that operates in a challenging political or security environment is far more likely to be successful if the local community benefits from the project.

in Sierra Leone, Liberia, Cote d'Ivoire, Guinea and other countries in the region. The Simandou Range in south-eastern Guinea could become the largest combined iron-ore mine and infrastructure project ever developed in Africa. Income from the project could more than double the GDP of Guinea, if the project can overcome significant political hurdles.

It is also important to consider that episodes of political violence can lead to expropriation or forced contract renegotiation, as it is not unusual for a new government in a politically unstable part of the world to re-examine the revenue-generating projects in the country, particularly when a new government is starved for cash after a long conflict.

The dollar revenues from a mining project can be an alluring target for a government that is experiencing prolonged current account deficits and downward pressure on its currency. While the proceeds from a mining project are usually collected in dollar-denominated offshore accounts, there have been instances where a host government has abrogated the right to sell production and maintain project-related accounts offshore.

For example, Argentina ordered oil and gas and mining companies to cash-in all of their project-related export revenue on the local foreign-exchange market in a move to protect dwindling currency reserves.[8] Apart from the problems that such actions pose to a company's cash flow management, it can also expose a company to increased taxation, as well as the risk of currency devaluation.

Conclusion

As the global demand for minerals continues to grow, mining companies can be increasingly forced to seek revenues in countries that present difficult political and security operating environments. While prudent management practices can help mitigate some risks, the nature of extractive projects and the difficult countries in which many of them operate result in heightened exposure to political risk for the mining industry. There are a variety of means to mitigate risk in this sector, and insurance is one of the most useful for risk managers and lenders concerned about low frequency, high severity political risk. ■

About the author: Jim Thomas manages Zurich's political risk and structured credit underwriting in the United States, Canada and Latin America. In his 13 years with Zurich, he has underwritten political risk coverage on numerous mining projects throughout the world and he is a frequent speaker on topics relating to political risk mitigation strategies.

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Sustainable export finance – a challenging task for ECAs and exporters

By Edna Schoene-Alaluf, head of Berlin liaison office at Euler Hermes AG

Think back some 30 years ago: what were the main concerns of an exporter participating in a large dam project requiring significant resettlement actions and with considerable effects on the ecosystem of the country? In most cases the project management was mainly focused on technical and financial risks of the transaction. The project management would not have expected the export credit agency (ECA) to exhaustively scrutinise the foreign project's environmental and social impacts, and nor did they have comprehensive internal processes to address the reputational risk of their own involvement in the undertaking of the foreign buyer. Was it the good old days then, with less bureaucratic burdens from the bank financing the export and the ECA backing it, less explanations about uncomfortable questions to the buyer and no worries to become the object of an NGO campaign?

Sustainability: awareness changes dramatically

There is no doubt that today the world for export finance stakeholders has dramatically changed compared to 30 years ago. To assess the sustainability of a project benefitting from ECA support for exports to it has become an integral part of our business. Notwithstanding the undoubtedly higher transaction efforts and costs of today's sustainability processes, this development is being embraced by most players in the business. It has emerged as a result of experience with numerous projects in emerging and developing countries with international participation, be it ECA backing or participation of a development bank.

Over the past two decades, it has increasingly been recognised by the community that infrastructure and other development projects without a concept to address possible environmental and social impacts are likely to fail in their development goals, even generating social conflict. For the companies and ECAs involved, such failure can translate into political, reputational and financial risks.

Edna Schoene-Alaluf

But not only have the risks of unsustainable projects become evident, today, many players are convinced that there is a business case for sustainability in export finance. Exporting countries such as Germany and their ECAs are considered and acknowledged as principal supporters of sound projects with higher output and life-span, lower operational costs through energy efficiency and lower risks of time and cost overruns by environmental accidents, concession withdrawals and civil opposition.

Systematic approach: establishing common guidelines

When looking at eligibility of support, environmental and social aspects of supported projects have always played an important role in the decision making process in the German export credit guarantee system. However, while these aspects were looked at entirely on a case-by-case basis for many years, in the late 1990's, export credit agencies looked for a more systematic approach. In Germany, the Interministerial Committee, the decision making body of the German scheme, established its first guiding principles for assessing environmental and social aspects in April 2001. One important target was to – out of thousands of applications each year – identify those projects in need of in-depth review due to potential adverse effects on their environment.

Secondly, there are the guidelines aimed at safeguarding a responsible assessment against a defined set of principles. Before the adoption of the guiding principles, an intense discussion with the export industry and

German NGOs had taken place, both parties of which had very differing views on what the guidelines should incorporate and in particular what standards they should refer to. Even though the guidelines were established as governmental guidelines, they were discussed in the German Parliament which by a majority supported their passage. The intense and broad discussion of the environmental guidelines for Hermes cover revealed that the Federal Export Credit Guarantee Scheme had evolved from being a technical insurance product for exporters to an instrument of political interest, closely monitored by the public.

Birth of a new idea: the 'common approaches'

In parallel to the development outlined above, international discussions on common guidelines for officially supported export credits took place in the OECD with a view to achieving equivalence among the measures taken by the members and to reducing the potential for trade distortion.

The first negotiations on 'common approaches' for OECD export credit agencies resulted in a 'draft recommendation on common approaches on environment and officially supported export credits' which the vast majority of member states agreed to apply on a voluntary basis in 2001.

Only in 2003, all OECD members agreed to a revised text. The status of the text as official recommendation of the OECD council unfolds a high level of binding force. OECD recommendations are not legally binding, but practice accords them great moral force as representing the political will of member countries and there is an expectation that members will do their utmost to fully implement a recommendation. Since 2003, the 'common approaches' have been revised three times already (in 2005, 2007 and 2012). For sustainability at Euler Hermes, the 'common approaches' are certainly the centerpiece of operations.

International standards instead of national solutions

What can be seen as the major changes triggered by the German environmental guidelines and the OECD 'common approaches'? Certainly one of the ground-breaking developments was the change from host country standards to 'international standards' as reference for the environmental and social assessment. This change was certainly not an easy one: German exporters pointed out the difficulties for them to convince their project sponsors in emerging markets or developing countries to adhere to standards other than the legal framework in the project country. Nevertheless, in the course of the discussion it became clear that not in all cases could host country standards give enough comfort to the German government to support a transaction.

Taking into account that the Federal Republic of Germany is actively involved with international institutions as part of European and multilateral development cooperation, including the World Bank and the regional development banks, it seemed appropriate to use the standards of these institutions. At OECD level, the same process of alignment with international standards took place.

Sustainability at Euler Hermes

In the process of time, the sustainability department of Euler Hermes has grown from one full time engineer at the turn of the millennium to a department with 11 experts with different academic and professional backgrounds (e.g. environmental engineers, geologists, political scientists, experts in social standards, economists and lawyers). The team screens and reviews far more than 200 transactions on average each year. Its experience and know-how is considerable due to the large number and wide variety of often complex projects being reviewed against applicable international standards. This environmental and social due diligence is conducted in the context of many buyer countries and industry sectors mirroring the diversified portfolio of German exports and industry landscape (e.g. from renewable energy such as wind, solar, geothermal power to chemical, steel, metal producing industries or infrastructure projects).

Germany constantly reports the highest number of projects to the OECD. In 2013, a final commitment for cover was made for 60 projects which had undergone an environmental and social due diligence according to the 'common approaches'. The variety of projects is significant not only in terms of sectors or buyer countries. While most projects have limited and manageable environmental and social impacts, we do see some major infrastructure projects with very challenging features requiring a high level of project management skills, engagement, hard work and political sensitivity.

The scope of sustainability grows

In the early days of the 'common approaches', the focus of attention and thus the know-how was clearly on environmental impacts of covered projects. With growing experience of ECAs and an ever increasing magnitude of projects, the focus has extended to social issues with sometimes much more complex challenges. This has increasingly required site-visits by the project manager in the sustainability department instead of mere desk-reviews, or even the utilisation of experts to assess and monitor compliance with very sophisticated international standards.

Today's understanding of a sustainable export credit scheme even goes far beyond. Euler Hermes sustainability activities includes efforts to support environmentally friendly industries, international exchange and negotiations on the further development of OECD and guidelines, bribery prevention and anti-corruption processes and a communication and transparency concept including regular stakeholder dialogues with NGOs, business associations, exporters and banks on sustainability aspects of exports credits.

The public interest in the German scheme is constantly high with around 200 external formal requests in the last four years from Parliament, media and NGOs. Euler Hermes undertakes considerable transparency efforts to act in a transparent way. However, public interest needs to be balanced with business confidentiality interests. The complexity of sustainable export finance continues to increase. Future challenges presently under discussion include further integration of project-related human rights, aspects into the due diligence and the question on how greenhouse gas emissions should be taken into account and reported.

The border zone

From the exporters' standpoint the most challenging aspects of the environmental and social due diligence are directly related to the role of the exporter within a project. Depending on the type of transaction, the exporter and thus the ECA, have a varying degree of influence on the buyer and the overall social and environmental performance of the project. Depending on the level of social and environmental risks and the level of complexity of these risks, differing informational needs of the ECAs have to be met.

The main environmental and social issues can vary significantly between sectors and host countries. For many projects, publicly available information such as environmental studies disclosed on the project's website, press releases, NGO statements, etc is limited. Usually, the exporter or the financing banks as contractual partner of the ECAs are responsible for providing the necessary information. Sometimes therefore, the sustainability requirements of ECAs are extremely challenging for exporters. It is important not to cross the border line of feasibility.

Global standards: A consistent message

In addition, the objective of contributing towards sustainable development through ECA support is depending on a level playing field for officially supported export credits. If there is no consistent message to public and private buyers worldwide that publicly supported export finance is subject to international environmental and social standards, sustainable development in the buyer countries is disfavoured. Only globally accepted standards could send the appropriate message to project sponsors worldwide that their projects would only receive ECA-backed favourable financing if those standards were applied and implemented.

Certainly one of the ground-breaking developments was the change from host country standards to 'international standards' as reference for the environmental and social assessment.

The importance of global standards, accepted by all exporting nations and not limited to the OECD, is today more obvious than ever before, taking into account the growing share of export companies from non-OECD countries in all markets. This necessity has been confirmed by Berne Union members in the medium to long-term operational guidelines to the guiding principles. Those were adopted as early as in 2008 and acknowledge the need for all Berne Union members to move in the direction of best practice in sustainable export finance in due course. ■

ECAs and their vital role in renewables financing

By Anette Eberhard, chief executive officer of EKF

The world's ECAs have been and remain a vital element when piecing together funding for renewable energy. Denmark's export credit agency, EKF, is an active partner with a portfolio that is currently completely dominated by wind turbines.

"As far as renewables are concerned, most markets are emerging markets. Obviously, some are more emerging than others, but even in the most mature markets we are constantly facing new challenges. For instance, we are currently devoting considerable resources to Cape Wind, which will be the first ever US offshore wind farm," says Jørgen Kragh, head of project finance at EKF.

Today, the Danish state's export lending scheme (ELO), which EKF administers, is a funding source just as important as the banks.

For years, EKF has been an important partner in ensuring financing solutions for renewable energy, mainly wind turbines. Over the past three decades, the Danish wind turbine industry has established itself as the global leader. Today about 30,000 employees work in Denmark at leading companies such as Vestas, Siemens Wind Power and the countless subcontractors and advisors specialising in everything from foundations to transmission solutions.

The wind turbine industry started attracting serious attention in EKF's financial statements almost 10 years ago, and since 2009 growth has been positively explosive. Wind turbine guarantees accounted for an impressive 64% of new issues in 2013, and at the end of the year amounted to 59% of EKF's total exposure of €10 billion ($13.9 billion).

Anette Eberhard

Such a large concentration naturally represents a challenge, but on closer inspection the risk is appropriately diversified. Thus, most of the wind farms for which EKF has issued guarantees are in OECD countries with strong economies such as Australia, New Zealand, Germany, the Netherlands and Belgium. Naturally, this benefits a sector that relies largely on public-sector subsidies.

The projects and their remaining useful lives also play a role. EKF's wind farm guarantees typically run for 15–18 years, yet the risk is normally highest in the initial phases, including the construction phase. In subsequent phases, it is often possible to reinsure the entire risk or parts of it – an option EKF chooses with increasing frequency. Today, EKF has reinsured 12% of its total portfolio and is experiencing increasing interest from ECAs and the private market in reinsuring risk associated with wind turbines.

Finally, it makes a considerable difference whether the wind turbines are onshore or offshore. The latter is considered a less well-tested technology subject to increased integral risk.

Offshore: growing in size and complexity

Another important distinction is between balance-sheet financing and project financing. Project financing of offshore wind farms, in particular, is an area where EKF has clearly left its mark. In 2006, EKF covered 25% of the senior debt in the first-ever offshore project financing: Q7 (later renamed Princess Amalia Wind Farm) off the coast of the Netherlands. This loan has now been paid off, and the guarantee has lapsed with no problems at all, and to date EKF has not experienced any losses on offshore wind farms.

"We have financed five offshore projects since the first one in 2006, and I expect we will close two more either this year or in the first half of next year," says Kragh.

This year EKF will head a Berne Union task force on risk sharing between ECAs and international financial institutions such as the IMF and EIB.

The importance of ECAs for offshore project financing of wind turbines can hardly be overstated. Without their participation, a long list of projects would never have been possible.

"Over the years, EKF itself has taken an increasingly large share of the risk, but we have also shared risk with other ECAs. For example, in the Northwind project in the Belgian part of the North Sea, we joined forces with our Norwegian colleagues at GIEK and Belgian colleagues at ONDD (now known as Delcredere Ducroire). There is enough risk for everyone," remarks Kragh.

This corresponds well with the trend of wind projects becoming larger and more complex. Wind financing has always involved 'club deals', but the clubs are getting bigger. Today, a range of partners are required to work together if the projects are to achieve their goals.

"I sense that the banks are to some extent returning to the market after the financial crisis – and that also applies to long loan periods. However, bank financing alone cannot satisfy demand. We are therefore seeing more alternative funding sources than just five years ago," states Kragh.

If you consider EKF's activities, the figures clearly confirm that alternative funding sources play a vital role. Today, the Danish state's export lending scheme (ELO), which EKF administers, is a funding source just as important as the banks. International financial institutions (IFIs) such as EIB and KfW also account for a large portion though they were far less involved just five or six years ago.

Accordingly, this year EKF will head a Berne Union task force on risk sharing between ECAs and international financial institutions such as the IMF and EIB.

Kragh notes: "We will try to systematise and prioritise the experiences ECAs have with co-financing and risk sharing with IFIs while focusing on project finance.

"Finally, we have concluded agreements with two large Danish pension funds, PensionDanmark and PFA, which are ready with DKK20 billion ($3.7 billion) in funding, and we will continue our efforts to encourage more institutional investors to step forward."

EKF also played a very active role in developing and improving the sector understanding on export credits for renewable energy which was agreed to in 2012.

"Our work on ensuring financing for renewables spans from specific solutions in individual projects to broad collaboration in the EU and OECD with other countries' ECAs and ministries on international rules such as the consensus agreement and the sector agreements. Danish export companies have a strong position within green ecotechnologies, so we are almost obliged to," comments Kragh.

The five-year forecast

The outlook for the coming years involves not least new and emerging markets. South America and Central America, where EKF has so far participated in nine projects, are regions already well under way, and there is plenty to indicate that the next breakthrough will occur in Africa.

Therefore, EKF was involved in March this year when the Lake Turkana Wind Power announced that financing was in place for a 300MW wind farm that will be the largest private investment in the history of Kenya. According to the plan, the park will begin operation in early 2016 and will, in due course, supply almost 20% of Kenya's total capacity.

South Africa also has ambitious plans and is currently developing a large number of projects – in some of which EKF expects to participate.

Looking a few years further ahead, Kragh has high hopes for the Asian market: "Asia has lots of countries in risk categories 3 and 4. Classic ECA territory, in other words. In fact, I recently met a group of investors from just such an Asian country, so maybe the future will arrive faster than expected? From my experience, in renewables that is almost always the case." ■

Providing support for SMEs

An increasing amount of attention has been focused on SMEs in recent years, as their role in supporting national economies has been emphasised. How have Berne Union members worked with this particular group? What are the challenges that SMEs are facing and how have ECAs specifically attempted to combat these issues? And what strategies and initiatives has the Berne Union adopted in order to better understand and support SMEs? Vinco David, Atradius, SME specialist meeting chair and Dan Mancuso, EDC, SME working group chair provide some insight and answers.

Berne Union members' support for SME

Small and medium-sized enterprises (SME) are a key driver of many national economies. However this segment faces challenges in growing and competing internationally. In an effort to better understand the growing needs of SMEs, in May 2013 the Berne Union (BU) identified this as a priority segment for further research.

The then president of the Berne Union, Johan Schrijver recognised the increasing importance of SME businesses and asked the Berne Union Management Committee and membership for their support to establish an SME Working Group. This initiative was well received as many members noted that supporting SME business was becoming a new priority for their organisations and increasingly of common interest to ECAs.

Following the BU's 2013 Spring Meeting in New York, seven organisations volunteered to participate in the SME Working Group (group) that would explore the issues facing companies and members and report back to the broader membership at the fall BU Annual General Meeting (AGM) in September 2013.

The group began working in June 2013 and it was clear from the initial call that members all had a different approach to this segment of business. The group decided that it would be best to start by understanding what the BU members were doing for SMEs with a goal of using this intelligence to determine next steps. The group launched a BU member wide survey which was completed by almost all members and asked the following questions, among others:

- How do members define SME?
- Do members have special schemes to support SMEs? If so how?
- What challenges do members have in supporting SMEs? and,
- What do members see as SME challenges?

Dan Mancuso

Vinco David

From discussions with the group, it was quickly realised that the members had a wide differentiation in how they addressed the above questions. For the purpose of further work the group decided to define SMEs as companies with less than €50 million ($69.4 million) in revenue and/or 250 employees.

The following are the high level insights the group obtained from the survey.

When asking members how they support SMEs today some common themes emerged but also a wide range of responses. Below are the member survey responses to this set of questions:

- Over half the members use a different SME definition and it varies significantly across the BU;
- 70% of members have, or are developing, an SME support scheme;
- 75% support SMEs due to policy or mandate;
- Over 90% support SMEs through insurance, while only one third through financing, with a close split between offering these solutions directly and/or through partners;
- Majority of members see their SME business growing but less than half have special SME teams/ departments;

- Two-thirds have special SME products with difference being in process, coverage and risk appetite.

From the above the group gleaned that most members are being asked to support this segment and have started to develop special products and approaches. That said, when asked what they saw as the top challenges SMEs face in accessing foreign markets, BU members identified the following in order of priority:

- Obtaining financing (either for their buyers or to support their own growth);
- Understanding market opportunities and conditions;
- Complexity of market regulation, taxation, legal etc;
- Willingness to take risks with going abroad; and
- Cost of doing business including double taxation, trade agreements, etc.

As the above list highlights, making and taking the decision to expand internationally requires a much broader range of risks than most BU members are able to address today. While BU members are in a position to support a key area of concern (ie. access to financing), this support is required much later, once the company decides to expand internationally.

Many early stage issues include attracting or developing sales, understanding tax and legal implications, etc. and most of these are not areas where members have solutions and thus require further exploration.

What was also encountered through the survey was the reality that 'challenges' are not limited to SMEs and in fact, many members face challenges in supporting this segment of business. For those members supporting SMEs, they identified the following as their top challenges within their organisations in supporting SMEs:

- Marketing – getting SMEs to know what support is available;
- Access to information;
- Simplified processes and administrative burden, and assisting SMEs with these procedures; and
- Attracting banks to participate in SME support schemes.

The above list highlights that one of the biggest challenges for members is to get SMEs to understand how and what they offer in order to support them. Another challenge is delivering solutions efficiently and effectively through partners, such as banks and (other) government agencies.

One of the last questions members were asked was to identify the top SME needs that were not being addressed:

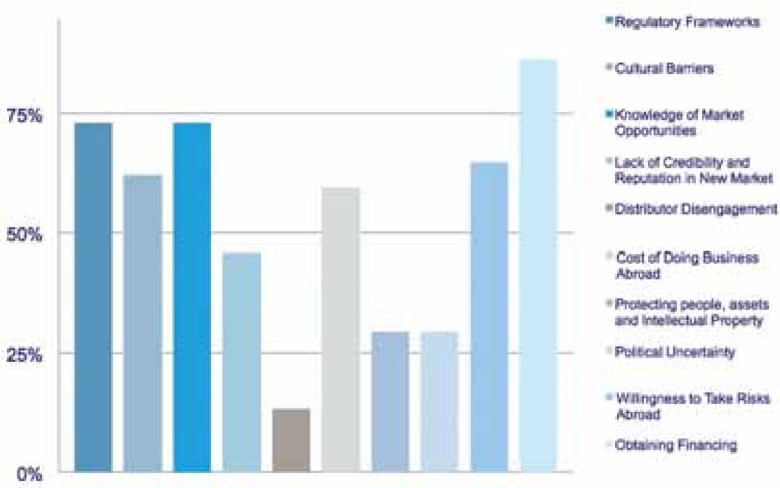
- Lack of awareness of existing support available to them;
- Access to new markets;
- Help in prospecting in new markets including introduction to key new buyers and supply chains; and,
- Access to capital to support growth.

Based on the findings in the survey the group determined that there was a need to further explore how the members could extend support to this important segment. To this end, at last fall's BU AGM, the survey findings were presented. The results generated a lot of interest from the members to go one step further. In response to this interest, the BU held, in March of this year, a Specialist Meeting which was attended by 40 participants to share existing solutions and discuss ideas to further support SMEs.

A catalogue has been put together, available to all BU members, with a comprehensive overview of all solutions

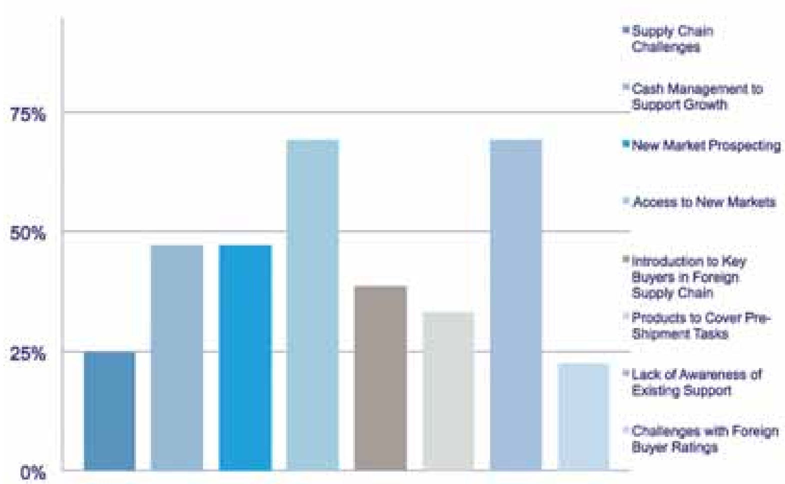
As regards to marketing, a number of ideas were raised, including setting up representation across countries, the use of social media and professional telemarketing. Marketing should not only target the exporters themselves, but also their local banks. Often these banks do not know about the support ECAs can offer, as this expertise is usually concentrated at the head offices of banks.

SME related challenges as ranked by Berne Union members*



*80% of Berne Union members responded to the SME survey which consisted of pre-defined choices.

SME unaddressed needs as ranked by Berne Union members*



*80% of Berne Union members responded to the SME survey which consisted of pre-defined choices.

currently in place by all participants.

The Specialists' Meetings highlighted that some members have identified interesting value added solutions for SMEs which include a wide range of insurance, financing and guarantee solutions with many schemes tweaked to address the unique demands of this segment through simplified structures, processes and increased risk appetite.

The specialists group concluded that for any meaningful support to SMEs the issue of financing SME business needs to be addressed. For those members not offering financing themselves – and that is the larger part of the ECAs – banks remain necessary to provide working capital and export finance. But it is exactly these banks that over the last few years have become more reserved in providing that financing.

This is partly due to new banking regulation (such as Basel III and 'Know Your Customer' requirements). Another important reason, however, is the relatively high transaction costs banks are facing for the financing of small transactions. Various ideas were raised to increase the banks' involvement, such as 100% cover or placing 'ECA ambassadors' within banks.

However, the cost issue is one that is not just with banks. It is also something that affects ECAs as the transaction costs of SME business are relatively high. Underwriting a $1 million transaction, for example, can sometimes be more of a challenge than a $100 million transaction, as SME exporters tend to have small corporate buyers, and it typically requires more time to obtain buyer information from small buyers. This is why ECAs continue their efforts to simplify the underwriting process.

It was further concluded that online tools are useful for streamlining and easing the administrative burden for SMEs. This could be applied to the application process, status reports and policy administration. It was recognised, however, that face-to-face contact is also important, certainly for less experienced SMEs.

As regards to marketing, a number of ideas were raised, including setting up representation across countries, the use of social media and professional telemarketing. Marketing should not only target the exporters themselves, but also their local banks. Often these banks do not know about the support ECAs can offer, as this expertise is usually concentrated at the head offices of banks.

That said, when the specialists group discussed the areas that members identified as the unaddressed needs of SMEs, it became clear that addressing these issues may require a broader mandate of individual member organisations and recognition that many of these needs do not fit the traditional business solutions. If members are to support areas such as market access and prospecting, members will need to take a fresh look at current offerings and explore more creative ways to leverage each other in supporting SMEs. ■

The key role of K-sure in the resurgent shipbuilding industry

By Kim Young-hak, president of K-sure

With six of the world's top 10 shipyards located in the country, Korea stands at the forefront of the global shipbuilding market. In 2013 alone, Korea won 16.58 million cgt (compensated gross tons) shipbuilding orders, which accounts for 33% of the global total at 50.12 million cgt. This makes the shipbuilding industry the 5th largest export driver of Korea, following semiconductors, petrochemicals, steel, and automobiles. At $37.1 billion, the industry was responsible for 6.6% of the country's total exports of $559.7 billion.

In 2013, the global shipbuilding industry faired significantly well compared to the previous year. Globally, ship orders jumped 96.9%, painting a seemingly rosy picture for the shipbuilding and shipping industries, which had been sluggish since 2008. Nonetheless, shipbuilding orders and vessel prices were still lagging behind the 2007 levels. Moreover, it is difficult to say that a complete turnaround can be seen in the shipping industry. As such, it was too early to say that the shipbuilding industry was on its way to complete recovery, despite the fact that orders have been mounting.

In the meantime, Korean shipyards have maximised their vessels' navigation performance and come up with eco-friendly ships by improving fuel efficiency to overcome these difficulties. These efforts have paid off, with Korean shipyards still remaining as attractive contract counterparties of shipping companies embattled in a fiercely competitive environment.


Kim Young-hak

The shipbuilding industry slump was also partly due to the difficulty for shipping companies to secure ship financing as European banks, which had been the leading ship finance providers, reduced their lending as a result of the European debt crisis and the implementation of Basel III that tightened capital requirements for banks. For example, Commerzbank of Germany, which used to be the third largest ship financier in the world before the crisis, stopped its ship financing altogether, whereas some French banks sold off huge portions of their ship finance assets.

New practices

As a result, a new practice is now adopted in the ship financing field to mitigate funding issues: the tacit clause of "the financial arrangements preceding the contact" is mobilised to ease financing where the shipowner arranges for financing in advance before actually entering into the shipbuilding contract.

We at K-sure took the initiative to cover ship financing by maintaining a close relationship with the shipping company, the

Korean shipbuilders' volume of vessels orders and K-sure cover

	2010	*2011*	*2012*	*2013*
Volume of orders to Korean shipyards	U$33.9 bn	U$48.1 bn	U$30.5 bn	U$41.1 bn
Demand on ship finance*	U$23.7 bn	U$33.7 bn	U$21.4 bn	U$28.8 bn
K-sure ship finance (contribution ratio to financing)	U$1.6 bn (7%)	U$2.2 bn (7%)	U$2.1 bn (10%)	U$3.9 bn (14%)
Change year-on-year	32%↑	37%↑	-2.2%	87%↑

** Assuming that 70% of the ship price as demand for ship finance*

Korean shipyard, and the financing banks – from the beginning all the way down to the actual contract. Our efforts materialised in the $3.9 billion figure in ship finance coverage for shipping companies in 2013. This largest cover since the start of the global financial crisis was the biggest contributing factor for shipping companies to secure financing, with the contributing ratio at 14%.

As such, the foremost benefit of our cover is the credit enhancing function. For example, the MLT (medium- to long-term) export credit insurance (buyer credit) programme is one of our ship finance product lines that aims to encourage commercial banks to extend MLT loans with a tenor of up to 12 years in which we facilitate shipping companies to secure large funds as our cover protects these loans.

With our cover, we expect to boost the commercial banks' ship financing capacity with an increasing demand of shipowners for large, high-end, fuel-efficient vessels such as LNG and offshore ships. To facilitate financing, we offer quality coverage for large ships with GIEK of Norway and other ECAs, along with leading ship finance banks such as DNB, Crédit Agricole-CIB, BNP Paribas, ING, Citi, KfW, DVB, and Nordea for example. In 2013 for example, we covered one FPSO (floating production, storage and offloading) for Teekay Corporation of Canada, two semi-submersible rigs for Stena of Sweden, and three drill ships for Seadrill of the UK, all jointly with GIEK of Norway.

Market innovations

Last year, we made an innovative advancement to attract more funding into the shipbuilding industry: we introduced the 'capital market bond' programme in which this alternative product enables shipowners to utilise abundant funds from capital markets for ship financing via issuing corporate bonds by inviting public participation or private equity.

This new platform proposes a new and alternative source of ship funding. The programme was designed by benchmarking bond programmes used for aircraft exports, and any bond issued under this programme is covered 100% unconditionally and irrevocably. This 100% coverage was granted to protect those investors of the bonds covered under this programme and to promote the programme's marketability. In turn, we boost the shipowners' ability to place more shipbuilding orders by reducing their financing costs.

Last year, we made an innovative advancement to attract more funding into the shipbuilding industry: we introduced the 'capital market bond' programme.

The shipbuilding and shipping industries are basically cyclical due to the conservative nature of financing by commercial banks in which excessive investment is seen during the booming periods but under investment in lean times. Unlike commercial banks, we at K-sure, as a financial institution, feel a sense of responsibility over market stabilisation: to help boost financing during a crunch as the 'last resort' and to alleviate an overheated market during a boom.

Although both the shipbuilding and shipping industries are expected to recover into 2014, vessel orders and prices are still lagging significantly behind those expected. As such, we know that our increased cover is still needed for shipping companies and shipbuilders to be rolling as usual. Thus, we plan to support $5.7 billion in ship finance to fill the funding gap in financial markets. ■

With our cover, we expect to boost the commercial banks' ship financing capacity with an increasing demand of shipowners for large, high-end, fuel-efficient vessels such as LNG and offshore ships.

ECAs and satellite financing

Coface's support in the space sector experienced dramatic growth in 2008 – linked to the financial crisis – and since then there has been a steady stream of business. Régine Schapiro, head of the energy, telecom and space unit at Coface examines these developments.

The financial crisis in 2008 led to a dramatic increase of the Coface portfolio in the space sector. Since 2008, Coface's portfolio has expanded significantly in the space sector in connection with increasing requirements for satellites due partly to a period of renewal of fleets, including constellations.

In this changing environment, Coface has had to meet the increasing demand for financing to support the sector's growth. Before 2008, the number of applications was about two to five per year. In 2009, these applications reached a total of 17.

The Coface portfolio covers a large range of operators: global and regional in FFS, constellations and a wide range of financial structures from investment grade to project finance (SES, Hispasat , RSCC, Gazprom Space, Nilesat, Arabsat, Globalstar, Iridium, and O3b, for example).

Liquidity shortage has been a concern for both the bigger national and smaller regional operators, but the withdrawal of the market appetite has been particularly severe for new entrants to the market. Consequently, export credit agency (ECA) support has been sought by the sellers and the buyers as a counter cyclical remedy to maintain trade in the space sector, in order to pool resources, and to increase the financing appetite of the commercial banks. The track record in this sector has been good.

A specific and competitive sector

French manufacturers and launch services providers operate on a worldwide basis, dealing with developed and developing countries, with their satellites and launch services being used for all the various applications.


Régine Schapiro

French exporters procure the full range of satellite (payloads and spacecraft) and launch service solutions from all the types of operators. For the record, the spacecraft is the vehicle, the transponders are in the payloads – and the lease of the transponders generates cash flow.

These following exporters, Airbus Defence and Space (ex Astrium), Arianespace and Thales Alenia Space, are the result of European cooperation in research, manufacturing and services. European cooperation in the space sector requires European cooperation between ECAs. In this regard, Coface has used and improved the cooperation agreements with the UK and German agencies.

The space sector is attractive but a very competitive environment and significant technical and market risks have to be considered. Trends in the sector are positive with a strong market, revenue growth and new needs of capacity.

We must also highlight the consolidation in the sector, the competition between the operators and between the technologies, for example fibre and cable. The effect of these factors may be amplified by the time frame to set up the project. Furthermore the orbital slots are limited and their use highly controlled, this element increases

Trends in the space sector are positive with a strong market, revenue growth and new needs of capacity.

competition and can be a factor of mergers.

There are a large range of buyers: global, regional or national operators, established or new entrants in the market. They operate different types of satellites: on geostationary orbit or a lower one for a constellation.

The mission of the satellite influences the design, weight and the amount of the project. The scale of applications is extensive, and as such the capacity to lease offered by the operators in various fields: broadcast of TV, telecom services, enterprise networks, broadband access – is correspondingly varied. The TV field requires a very large capacity. There are various types of bandwidths impacting the price of the leases.

Assessment of the risk

We have to face challenging issues surrounding the assessment of risk and the mitigation of risk with an adapted security package. The sector is challenging by nature owing to technical and technological risks. We have to assess the different aspects of the risk and to mitigate them to improve the financing sustainability. We have also to pool support of ECAs accordingly to the European character of the suppliers.

With a thorough study of the entire project, the risk assessment has to be based on the characteristics of the sector in order to obtain the best pricing for the capacity of the satellite involved.

In addition to the analysis of financial documents, a combination of elements also has to be considered, mainly: regulatory risk (orbital slot, authorisation, licence etc), technical feasibility including ground equipment, technological viability, reliability and competiveness of the used technology, space insurance, financial risk, and the marketing study and strategy.

The security package has to be settled according to the sustainability of this wide range of risks in the specific context of the project: among others, the lifetime of the existing fleet, satellite of replacement or new one, existing footprints, and backlog.

The assignment of the proceeds of launch insurance is a basic requirement to mitigate the risk.

European cooperation in the space sector requires European cooperation between ECAs.

Conclusion

In this continuously evolving sector, constant adaptation will be required to meet the needs of clients and to monitor the risks. Various parameters will have to be considered and a lot of extensive changes can be expected. In the space sector and more generally in the telecommunication sector, the diversification and progress of technologies combines with very fast development and potential redundancy of equipment. It means one can always be on constantly moving ground.

On the one hand, the sector of the operators can evolve substantially: we may see, for example, both mergers and the impact of technological developments with increased competition, although this will not prevent overall growth expectations decreasing over the next few years. And last but not least, international competition is also going to grow between the manufacturers and the launch services providers. In this context, we can anticipate that the need of satellite financings supported by ECAs will be steady or even more significant, as companies look for an edge. ■

ECA support has been sought by the sellers and the buyers as a counter cyclical remedy to maintain trade in the space sector, in order to pool resources, and to increase the financing appetite of the commercial banks. The track record in this sector has been good.

ECAs and the challenge of Islamic finance

By Topi Vesteri, executive vice president, Finnvera, and chairman of the board, Finnish Export Credit

State-backed export credit agencies (ECAs), members of Berne Union's medium- and long-term committee, are quick in responding to changing market needs. Over the past 15 years, there are a number of good examples of ECAs meeting the requirements of market developments – eg. looking at 'national interest' (wider economic benefits to the national economy) instead of, or in addition to, 'national content' ('made by' versus 'made in'), cover for local currency financing, cover for capital markets transactions, exposure and portfolio swaps, use of credit derivatives and private re-insurance.

Recently, several ECAs' product palettes have been extended to include new export credit financing schemes such as securitisation/funding guarantees and even funding from pension funds. Driven by exporters' and their customers' needs and by ECA's own portfolio concentration challenges, smaller ECAs have in many cases been pioneers in adopting these new innovations.

ECA re-insurance was started between the Nordic ECAs. Denmark's EKF pioneered political risk exposure swaps and pension insurance company funding for export

The financing bank can be a regular international bank providing export credits – the credit terms and conditions just need to fulfil Islamic finance principles.


Topi Vesteri

credits, Sweden's EKN and Finland's Finnvera pioneered using private sector re-insurance to level off risk concentrations in their state-backed export guarantee portfolios, and were among the first ECAs to introduce 'national interest' as exporters of smaller countries cannot produce everything in their native countries. Being able to source abroad is a matter of logistics and competitiveness and helps to increase high value-added research and development jobs at home.

Islamic finance slowly but surely entered the ECA radar more than 10 years ago – it may not be the most voluminous financing scheme of ECAs but it can certainly be crucial from the buyer's/borrower's perspective.

Steady growth pattern

Islamic financing has been steadily growing. There already are several banks using Islamic financing in the UK, and the first such bank is being established in the eurozone in Luxembourg. Dubai is considering establishing a fully Sharia-compliant ECA. As an Islamic financing centre Dubai is facing serious competition from Kuala Lumpur. Other financing centres such as Dublin, Luxembourg, Jakarta and Bahrain have already developed, or are developing, their Islamic financing capabilities to meet the demand of the world's 1.3 billion muslims. And, an increasing number of Western ECAs have closed Islamic buyer financing transactions.

In 2008, Finnvera was one of the first ECAs to cover export credit according to Islamic finance principles. To address the requirement of a Sharia-compliant structure, murabaha financing was adopted to finance Wärtsilä Finland Oy's 50MW captive power plant to Al Qatrana PSC in the Kingdom of Jordan.

More recently, in 2013 Finnvera and its subsidiary Finnish Export Credit supported and financed in less than three months a $325 million, 10-year Murabaha financing to leading telecoms provider Etihad Etisalat Company (Mobily) in the Kingdom of Saudi Arabia, to support Nokia Solutions and Networks' telecom equipment deliveries. Sweden's EKN covered a similar deal supporting exports of Ericsson's network expansion equipment. The lending was structured on a corporate risk basis and arranged by Deutsche Bank and Crédit Agricole CIB.

Less mystique, more normality

What has enabled these successful Islamic finance transactions? While Islamic finance is unconventional in export credit agency circles, there is little mystique behind it. After all, Islamic banking shares the same purpose as conventional banking: to make money for the banks by lending out capital.

In Islamic banking, banks typically use Murabaha in asset financing. Murabaha is simply a financing tool whereby a financing bank purchases an asset from an equipment supplier against certain cost price, and then

ECA-covered Islamic structures can provide longer tenors than what is available in the local financing markets.

sells it to the purchaser with immediate transfer of title but deferred payment of a sale price. Given that collection of interest, or riba, is prohibited, the sale price consists of the cost price plus a mark-up or profit. The financing bank can be a regular international bank providing export credits – the credit terms and conditions just need to fulfil Islamic finance principles.

Furthermore, commodity-type Murabaha financing can be used for local costs and ECA premium. In this scheme, the financing bank and purchaser sign a deferred payment-based commodity trade through commodity brokers. Instead of tangible machinery and equipment, the underlying asset is a tradable commodity such as Sharia compliant metal.

All it takes to cover an Islamic finance transaction is a bit of flexibility, expertise in structured finance – and top tier borrowers.

Use of Sharia law and Islamic finance has certain challenges in terms of understanding its implications and ensuring that the credit profile meets the requirements of the OECD export credit consensus. Restructuring experiences of Islamic transactions are limited, and collecting overdue interest is something one does not wish to test as collecting interest under Sharia law is not permitted. If overdue charges are collected, they should be donated to charity. Therefore, borrowers under Islamic structures must meet higher credit standards than under conventional ECA structures.

The future of Islamic publicly supported export credit finance is intriguing, and ECAs can certainly play an important role in this field. ECA-covered Islamic structures can provide longer tenors than what is available in the local financing markets.

Our landmark deal back in 2008 inspired us to set up a training workshop here in Helsinki for our Nordic and German colleagues who have also been at the forefront of adopting innovative financing structures. In fact, Euler Hermes of Germany and EKN of Sweden were also involved in the above transactions to support their respective exporters. This illustrates the ECAs' capacity to adapt to market specificities. All it takes to cover an Islamic finance transaction is a bit of flexibility, expertise in structured finance – and top tier borrowers. ■

ICIEC at 20: Two decades of making business transactions less risky and more competitive

ICIEC aiming high after two decades of services

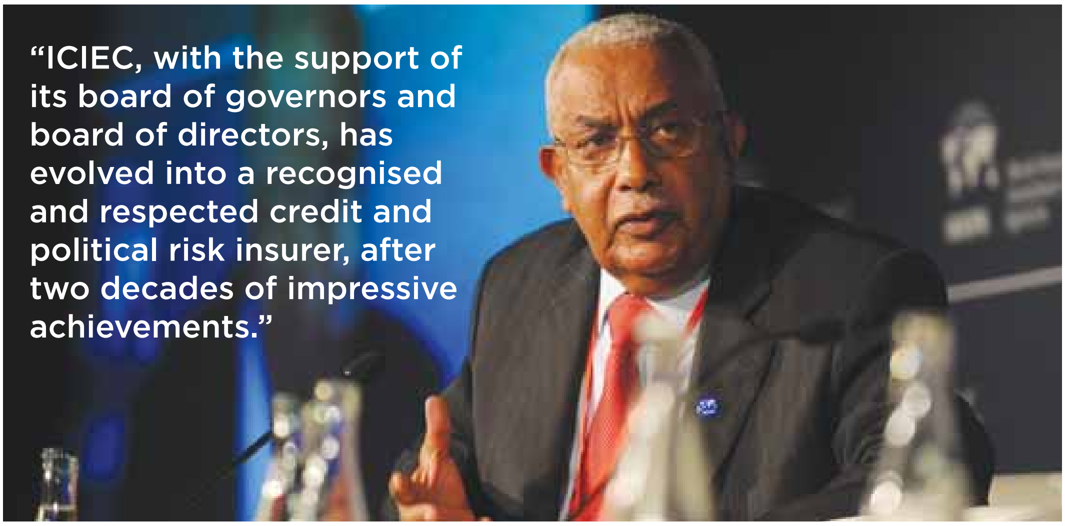
The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), the insurance arm of the AAA rated Islamic Development Bank Group (IDB) based in Jeddah, Saudi Arabia, has completed this year its 20 years of services in supporting trade and investment in its 41 member countries (MCs). ICIEC came into being in 1994 after the Committee for Economic and Commercial Cooperation (COMCEC) of the Organisation of Islamic Cooperation (OIC)'s recommendation to establish a multilateral export and investment insurance institution.

ICIEC started operations in 1995, with the initial objective of increasing the scope of trade transactions among the MCs of the OIC, facilitating intra-investments among them, and providing reinsurance facilities to export credit agencies (ECAs) in MCs. However, over the years, the corporation's mandate underwent significant changes by amending its articles of agreement to enable it to expand its services to insure exports from ICIEC's member countries worldwide, and insure investments from anywhere into member countries.

Also, with more competition coming from major international credit insurance providers, other changes in the articles of agreement were made so that ICIEC domestic and international sales came under one policy; and cover was allowed, on exceptional basis, for capital equipment, strategic goods, and essential commodities from non-MCs in 2010. All these changes, necessitated by the corporation's experience, resulted in a rapid rise in insured business volume which reached $3.36 billion by the end of 2013.

The capital resources of ICIEC witnessed similar development. Initially, the authorised capital of the corporation was $140 million, of which IDB subscribed to $70 million which makes 50%. In 2008, the authorised capital was raised to $240 million. The increase was fully subscribed by IDB. In 2012, the authorised capital of the corporation was again raised to $620 million in order to meet the expanding demand for the services of the corporation. Currently, ICIEC's subscribed capital is $355 million.

The membership of the corporation is open to all members of the OIC. This rose from 15 member countries as of end of 1996 to the current 41 countries. Of these, 17 are Arab countries, 15 African, and 9 Asian/other countries. ICIEC's possible maximum membership is 57 countries – the membership of the OIC.



Dr. Abdel-Rahman El-Tayeb Taha, the Chief Executive Officer of ICIEC.

Increasing the product mix

In terms of product mix, ICIEC started its operations with only three products, the Comprehensive Short Term Policy (CSTP), Bank Master Policy (BMP), and Supplemental Medium Term Policy (SMTP). In 1998, a fourth product for Foreign Investment Insurance (FII) was added to the list. The first product was designed for the traditional whole-turnover short term export credit operations while the second for Islamic trade finance transactions, the third for project finance related transactions, and the fourth for investment inflows into member countries. The latter covers equity investments, financing facilities, and guarantees.

During 2000-2005, the corporation added the Documentary Credit Insurance Policy (DCIP), and the Specific Transaction Policy (STP). Both products would later become the mainstays of the ICEIC's business volumes and premium income. Specifically, the DCIP has proved to be very popular among banks and financial institutions in member countries and regional financial centers.

Since the beginning of the current decade, ICIEC launched four new products, including the Specific Transaction Policy, Contract Frustration Policy, the Partnership Reinsurance Policy, and the most innovative Sukuk insurance policy, Sovereign Sukuk Policy. The innovative Sukuk insurance product, which is the first of its kind in the market. The policy is designed to insure the risk of non-payment. This eases access to Sharia' compliant financing from the capital markets to finance developmental projects. The product was launched in 2014.

The corporation's business was limited in the first five years or so; that is before it started to cover exports from member to non-member countries. This period also marked the start of FII activity. From 2004 onwards, the corporation's business growth has been steady.

In 2007, the corporation exceeded $1 billion in business insured for the first time. A drop-off in business was seen in 2009, which was a direct result of the global financial crisis. However, volumes started increasing again from 2010 onwards, with annual business insured reaching above $3 billion during 2011-2013. Overall, the corporation has insured $18 billion of business in the last 20 years, 78% of which has been for short-term trade credit and the rest for medium-term structured finance and investment insurance.

With these achievements, ICIEC's name has become well known in the industry. In 2002, ICIEC joined the Prague Club (PC), and in 2008 joined the Berne Union (BU), the leading international organisation for the export credit and investment insurance industry. This enabled ICIEC to benefit from the experience of other union members and place it among the world's top export credit and investment insurers. Both the Berne Union and Prague Club serve as excellent information and knowledge sharing platforms for the technical aspects of the business.

Expanding levels of cooperation

Being a multilateral institution, it was natural for ICIEC to develop close working relations with the World Bank's Multilateral Investment

Dr. Ahmed Mohamed Ali, IDB Group President & Chairman of ICIEC's Board of Directors (left) and Dr. Abdel-Rahman El-Tayeb Taha, CEO, ICIEC (right).

Guarantee Agency (MIGA), and the other two regional multilateral credit insurance agencies; the Arab Investment Guarantee and Export Credit Insurance Corporation (Dhaman), and the African Trade Insurance Agency (ATI).

Moreover, ICIEC is the co-founder of AMAN Union, together with Dhaman. The union is the first organisation gathering investment and export credit agencies in the Arab and Islamic world under one umbrella. It aims at enhancing cooperation among Arab and Islamic export credit institutions and encouraging the development of the investment and export credit insurance industry in its MCs. The union currently has 17 members from more than 15 countries, including ICIEC and Dhaman.

Indeed, ICIEC's recognition in the market was confirmed in 2007 by Moody's Aa3 rating, the corporation succeeded in maintaining this rating for seven consecutive years – a period during which the global financial crisis battered leading firms in international credit and political risk insurance.

In 2010, ICIEC inaugurated its first representative office in Dubai at the International Financial Centre (DIFC), with the objective of being a fully-fledged provider of ICEIC's Shariah-complaint export credit and political risk insurance products to banks and corporates operating in Dubai and neighbouring countries. The opening of this office comes at a time when the activities of the corporation have been experiencing sustained growth, surpassing the estimates of its previous five-year plan (2004-2009), in addition to the growing demand for its services, particularly from GCC investors interested in investing in Africa and other member countries.

ICIEC has succeeded in building the critical core operating functions of a credit and political risk insurance institution capable of sustaining its business in the market, and in providing impactful services to its MCs and eligible clients all over the world.

Over a 20 year period ICIEC has been true to its vision and mission as a world class multilateral insurer, playing a major role in the facilitation of trade and investments for member countries and a preferred partner for companies seeking access to new markets. It has been able to support thousands of exporters venturing into new markets. It has also worked with individual and corporate investors as well as financiers of projects in member countries. In total, ICIEC has facilitated over $22 billion in trade transactions and $4.3 billion in foreign direct investments in member countries.

With the introduction of new and innovative products like the Non-Honoring of Sovereign Financial Obligations (which is already popular) and the Sukuk Insurance Policy, ICIEC's client base is growing at a rapid pace.

In the next 20 years, ICIEC will be internationally recognised as the strategic partner of choice in facilitating trade transactions, project finance and investments for its member countries. ICIEC will continue to maintain its unique feature as the only multilateral insurer that provides Shariah compliant insurance and reinsurance products; and if similar institutions appear in the industry landscape, ICIEC will certainly be the leading one in the field of Shariah-compliant export credit and investment insurance, and its role in industry associations will be further strengthened.

ICIEC's current and potential customers can always reach the corporation at the headquarters in Jeddah, or at representatives in Dubai and Dakar. Alternatively, the ICIEC team are happy to serve you at your location via electronic mail or telephone. ■

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Managing Credit and Political Risk

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Sponsored editorial

Trade credit insurance in the MENA region

Karim Nasrallah, managing director, LCI

Within the Middle East North Africa (MENA) region, it was only on the back of the international financial crisis in 2008 that a strong awareness was created for trade credit insurance as a protection against companies' failure to pay. Adding to the financial instability and the lack of liquidity in the markets, the 'Arab Spring' has also brought another surge in demand for credit risk protection, including political risks.

It is a fact that most of the Arab States' regimes do not have the status of fully-fledged democracies. This leaves a fertile ground for protests and numerous consecutive historic events that had a domino effect on the region.

Historically, trade credit insurance penetration has been good in Europe and Asia but it is still under-developed in the Middle East and the Levant regions (estimated at less than 5% of the insurable market, according to LCI).

For many years, countries such as Iraq, Libya, Sudan, Syria and Yemen have been deemed to be off-cover for commercial risks due to local situations and/or international sanctions from most of the major international short-term credit insurance and reinsurance markets. However, with regard to medium-term political risks and investment risks, these markets were mainly falling within the scope of the national or multilateral agencies that had vested interests or mandatory requirements to insure risks in these countries.


Karim Nasrallah

At the same time, countries such as Egypt, Lebanon and Jordan used to be perceived as being less risky but with a history of economic or political problems. The major international short-term credit insurance and reinsurance markets were covering risks but on a selective and highly conditional basis with relatively high risk premiums. It is against this type of background that buyers and sellers have had to maneuver with very little visibility and therefore limited scope for expansion.

With these tough insurance conditions affecting the availability of trade credit insurance and, considering that most of the trade flows are within the region, local companies generally adopted credit management systems that required payments to be secured with more traditional banking instruments such as letters of credit, postdated cheques and promissory notes.

Tapping local markets

Within the Middle East, two multilateral agencies were set up by governments to promote inter-regional trade and investment. Dhaman (1974) and the Islamic Corporation for the Insurance of Investment and Export

The ECAs along with local private insurers and regional multilaterals have shown strong appetite for the regional risks because they are ultimately closer to those risks and have a better understanding of the language and culture in the MENA region.

Credit (ICIEC, 1994) were originally established to cover exports respectively between Arab country members and between Islamic country members. Today however, their scope has widened to cover not only exports to non-member countries but, also some types of domestic transactions.

It is only recently that companies started to realise that there were local and regional private insurers and export credit agencies (ECAS) offering the services that catered for these companies' needs – ie. open account credit terms.

During the surge of the Gulf economies in the 1990s and early 2000s, three dominating European/international private credit insurers (Euler Hermes, Atradius and Coface) established offices in Dubai to service the region. The Lebanese Credit Insurer (LCI) was also established in Lebanon in 2001 as the only local and regional specialised private trade credit insurance company.

Furthermore, governmental export credit agencies (ECAs) were created and are active in countries such as Dubai, Egypt, Jordan, Oman, Qatar, Saudi Arabia and Sudan. They were established with a specific mission of supporting their national exporters but, in many cases, this mission has also been extended to include elements of domestic trade as well.

The ECAs along with local private insurers and regional multilaterals have shown strong appetite for the regional risks because they are ultimately closer to those risks and have a better understanding of the language and the culture in the MENA region. It is for these major reasons that these insurers have succeeded where the major international credit insurers have failed to gain significant market penetration in any of the MENA countries.

Liquidity has become very scarce in markets such as Egypt and Jordan, causing delays in payments and increasing requests for rescheduling of invoices and/or promissory notes due. The usage of invoice discounting (with credit insured invoices) is on the increase as an alternative means of financing to traditional trade finance products. Factoring was hardly known in the Middle East just a few years back but is now widely accepted, yet not widely offered.

Instability is not the only obstacle to the growth of new trade finance and protection tools. The lack of transparency and the virtual non-existence of financial information on companies have dissuaded many international institutions from taking or covering credit risks. Market knowledge and proximity are therefore the name of the game, and interesting rating models based on non-financial criteria have been developed in the area allowing risk coverage in a relatively accurate manner with a proven track record.

Market knowledge and proximity are therefore the name of the game, and interesting rating models based on non-financial criteria have been developed in the area allowing risk coverage in a relatively accurate manner with a proven track record.

There is a strong potential of development for local banks and other providers of trade finance services in the MENA region as the legal environment is relatively acceptable and some markets remain untapped.

From a credit insurance perspective, trade credit insurers, whether international or local, heavily rely on international reinsurers (mainly European but also operating in the US). These reinsurers are in turn under pressure from western governments and from a regulatory perspective to reduce and even stop coverage on certain markets. As the regional instability seems to still be in a 'work in progress' mode, the coming future will be very interesting to watch and uncertainty will almost certainly still prevail.

The situation today is similar to what happened in the early nineties where we saw the collapse of the old systems in Eastern Europe. Many countries have completely changed, some others have been broken up into smaller countries and some had very minor problems.

With a history repeating itself scenario, the longer term will maybe bring prosperity in a region where non-oil trade is growing steadily. ■

Africa rising: a look at the opportunities for business growth on the booming continent in the next 80 years

By George Otieno, chief executive officer, the African Trade Insurance Agency

Africa 80 years ago was a much different place. In fact, when the Berne Union was launched, Africa was largely under colonial rule. A few decades later, with independence firmly seized, most struggled to control severe poverty rates and warring factions. An institution such as the African Trade Insurance Agency (ATI) was not even on the radar of African governments.

Today, the picture has transformed from a despairing continent to one that is hopeful. In short, Africa is now booming. This is a fact that is both visible – by the numerous cranes dotting the landscapes in most urban cities – and tangible, through regional growth rates that the IMF estimates will reach 6% this year up from 5% in 2013, making it the second fastest growing economy in the world, behind only developing Asia.

The Economist notes that over the past 10 years real income has increased by more than 30%, in contrast to the previous 20 years when it shrank by 10%. The rate of foreign direct investment (FDI) inflows rounds out the picture, jumping from $15 billion in 2002 to $37 billion in 2006 and $46 billion in 2012 (compared to a similar level in 2013).

These figures reflect a dividend of peace that countries are embracing. This is evidenced by the rapid growth of democracy. When compared to the end of the Cold War when only three African countries (out of 53 at that time) had democracies – to the present, that number has risen to about 25, with 22 countries holding peaceful elections in 2012.

Abundant opportunities within Africa

Against the backdrop of this incredible growth story, there are some noteworthy trends that could serve as a guide to insurers interested in taking advantage of the abundant opportunities within Africa.

To truly tell the story of African growth,


George Otieno

small scale enterprises (SMEs) must necessarily be at the heart. They represent the lifeblood of most African economies contributing upwards of 60% – 70% of the GDP in many countries. Addressing their challenges then becomes a key driver behind unlocking business potential on the continent.

Banks serve as a complementary chapter in the SME story. In a 2012 McKinsey report on *Banking Practice of Micro-, Small and Medium-Sized Enterprises (MSMEs) in Emerging Markets*, it notes that 60% of global banking revenue in the next decade will come from emerging markets, representing a $350 billion opportunity. Current estimates put the SME funding gap at $80 billion across Africa, representing a natural opportunity for banks.

Local banks and international banks with local presence have responded with some innovative options to tap into this under-served market. Tackling the issue of risk has been a key component that many banks could not absorb themselves. Most small scale enterprises on the continent lack financial know-how.

Insurance plays a big role in this loop but it is often seen by the SME sector as an added cost that they simply cannot shoulder.

The lending process for most SMEs is onerous with collateral requirements that restricts their cash flow and impedes their business cycle. As an African insurer, ATI has a unique vantage point. We understand the challenges and, in this instance, we were able to help. We see education as an important aspect of our work. In this case we work closely with associations and other platforms to educate companies about the value of trade credit insurance.

While we continue to reach out to individual companies, we felt we could have more impact by partnering with banks, which had the ability to reach across whole sectors. This approach provided the impetus behind the creation of a product that may very well be the first in the world. Banks and insurance companies are not likely bed fellows in most developed regions but in our African context, the partnership is proving to be a good fit.

To help banks overcome the risk hurdle, we were able to structure a product that can cover their credit risk on a portfolio basis. As a result, banks now represent well over 50% of our client base. Similarly, for international insurers, this segment could potentially provide an entry point into African markets. The demand is definitely there.

Investors overcome the challenges

Perhaps because of its many challenges, Africa has proven itself to be one of the most innovative continents in the world. Nearly a decade ago, the telecommunications industry blurred the lines between it and the banking sector. At that time, when banks were ignoring the millions of unbanked consumers at the bottom of the pyramid, Kenya's mobile operator, Safaricom, created a mobile banking system that has been globally praised for its innovation and replicated since.

Today, mobile phone subscriptions are estimated to have risen to 475 million from 90 million in sub-Saharan Africa within seven years. The sharp rise in mobile phone use across Africa has put a strain on operators to create reliable networks that span vast areas. This challenge, like so many others on the continent, has provided an opportunity. Companies like Goldman Sachs have entered the booming mobile phone market contributing to a $500 million capital raising by a Nigerian company, which is the continent's largest mobile infrastructure company.

As in the banking sector, insurance capacity will be key to the telecommunications sector's continued growth. In East and Southern Africa, ATI has been supporting a Japanese telecommunications equipment supplier to bring their goods to the continent. On one of these transactions, we partnered with Belgium's Ducroire in a bid to help the industry in its aggressive expansion plans.

With 20 million customers divided among seven mobile operators, analysts estimate that there are an additional 400 million potential customers, which clearly represents an untapped opportunity for many, including insurers.

The year 2011 marked a milestone for the continent. This is the year where experts claimed Africa reached the one billion population mark, proving that size matters. While under half of African countries have yet to reach the middle income level (defined by the World Bank as an income of at least $1,000 per person per year), by 2025 the bank anticipates that most African countries will have reached this level. In this context, age also matters, and with the youngest population of any region in the world, and a rapidly growing middle class, Africa is seen as a desirable destination for many products.

This factor is not lost on global manufacturers. With infrastructure development high on the agenda of most governments and a financing gap of $90 billion annually needed to modernise the continent's roads and utilities, there is great demand for building products. The world's largest steel manufacturer, which is one of ATI's clients, spotted this demand and they are now making inroads into a sizeable region in Africa. The company, like many, started cautiously by entering one market and once they established a reliable network of partners and had a firm grasp of the environment, they were able to branch out within two years to multiple countries.

Some of the world's most recognised brands are choosing to establish manufacturing bases in Africa. H&M, a multinational Swedish retail-clothing firm, is already sourcing material from Ethiopia with a factory expected to soon follow there and in Kenya. While General Electric, the American conglomerate, is building a $250 million plant in Nigeria to make electrical equipment.

Manufacturers are not the only international companies to join the wave. Contractors delivering services such as road and water engineers to suppliers of medical equipment are also tapping into the available opportunities.

This is another notable trend we have detected. And once on the ground, these companies often require some form of trade credit insurance, and in some instances, a combination of political risk insurance. The challenge they tend to face is accessing cover at affordable rates when their national export credit agency (ECA) may not be able to provide cover due to the political or uncertain business climate.

We have been able to provide support to some of these international firms. In these instances, our network of international insurance partners coupled with our S&P 'A/Stable' rating has helped to strengthen the level of trust that these clients have in us. Here we have been able to partner to bring goods and services into our markets with international insurers such as the Italian-based ECA, SACE. This segment represents another avenue of opportunity for international insurers whether individually or in partnership with other insurance companies, such as ATI.

The growing internal market

As the world begins to seek out opportunities on the continent at unprecedented rates and the traditional trading partners in the West tackle their own economic challenges, Africa is itself beginning to turn inward. The continent is beginning to make more of its own goods and to sell to itself.

Regional integration has increased through initiatives from some key trading blocs including the East African Community (EAC), the Common Market of East and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Economic Community of Western African States (ECOWAS). Initiatives from these blocs have seen a drastic improvement to the flow of people and goods that includes tariff and quota-free trade. One of the most ambitious initiatives is the Cape-to-Cairo free trade zone, also known as the Tripartite Free Trade Area, encompassing 26 countries, 525 million people and $1 trillion in output.

These new regulations are already yielding results. With the reduction of non-tariff barriers and the introduction of one-stop border posts in the East African region, goods are flowing more rapidly at reduced costs and trade among these countries increased by 22% in 2012 growing from $4.5 billion in 2011 to 5.5 billion in 2012.

While Africa on the whole has a long way to go – intra-African trade makes up less than 10% of the continent's total commerce – governments are showing the political will necessary to tear down the barriers to spurring regional trade and to attracting foreign companies. Here too capacity will prove a challenge to local insurers as they scramble to keep pace with demand for products that are relatively new in African markets such as trade credit and political risk insurance.

Africa is also looking inward to find solutions to finance their infrastructure priorities, which includes expanding and modernising energy infrastructure. To raise funds for these critical needs, the continent as a whole issued a record $10 billion in US dollar-denominated sovereign bonds in 2013, up from $1 billion a decade earlier.

In the energy sector, where the demand for reliable energy sources by most countries has been given renewed urgency, ATI is lending support through a recently formed partnership with the European Investment Bank that is expected to lead to the creation of an Africa-based entity that will issue guarantees to investors in the renewable energy sector.

On the insurance front, we have also supported many energy sector transactions with partners such as Norway's GIEK, where we have been able to add 400MW of electricity to Tanzania's national grid. And with the Saudi-based ICIEC, where together we covered a rural electrification project expanding electricity to six districts in Rwanda.

Energy will no doubt remain an important sector and a source of opportunity for companies willing to take up the challenge. Currently close to 600 million people out of a total population of 1 billion do not have access to electricity in Africa. In an attempt to strengthen their economies and to protect their citizens against the harmful effects of carcinogenic energy options such as kerosene and charcoal, African governments are stepping up to the plate with urgency to tackle this issue.

Within insurance, we have partnered on multiple transactions with insurers, where we have added over half a billion dollars to the insurance capacity in our member countries producing tangible results across many sectors. These partnerships are prime examples of ATI's *raison d'être*. We exist, in part, to facilitate the entry of such capacity – both financial and insurance, into our African member countries.

While ATI may have been around for only a small part of the first 80 years of the Berne Union's existence, we look forward to forging new partnerships in a booming Africa with Berne Union its members and other cohorts, well into the next 80. ■

Export credit agencies and banks

By Geetha Muralidhar, executive director, ECGC

The role of international trade and its impact on the global economy has been revisited anew since the global economic crisis. This article examines the impact of international trade in recent years and the specific role that export credit agencies (ECAs) have played. Within this, it looks at the responsibilities banks have, as well as the role all stakeholders have in identifying and mitigating risks. Finally, it considers the specific Indian environment, as well as examining the rest of the world more broadly.

Background

International trade is believed to be the saviour for the world at large in the aftermath of the financial crisis. Trade has the potential to unify or harmonise the differences of various nations. The positive impact of world trade can be facilitated and augmented by financing. In fact it will not be out of place to assume that as much as 90% of total trade transactions involve a form of credit, insurance or guarantee. Businesses that operate internationally rely heavily on banks as transaction processors and lenders. The lending risks can be mitigated by designing an export credit insurance programme which normally insures trade receivables.

All countries which have succeeded in exporting in recent times invariably have had a significant contribution from their export credit agencies (ECA). ECAs are moderate when compared to commercial banks who extend export credit on short-term business with market determined interest rates, and they are not as liberal as multilateral institutions who extend long-term credits through grants or on low rates.

Typically, an ECA is a kind of hybrid institution that has a promotional role while remaining a profitable entity, albeit marginally. An ECA may insure an exporter or a banker or even guarantee the bank that is extending the loan to the exporter. Various facilities that may be extended as a means of support to banks are – pre-shipment guarantees, post-shipment insurance, cover to bridge cash flow deficit, cover for buyers' credit and for lines of credit.


Geetha Muralidhar

All ECAs in business in the last fifty years have seen many good and bad times. Their prime objective continues to be to take risk away from exporters and bankers, as was evident when the latter became risk averse after the financial crisis. ECAs also have to play a counter cyclical role especially in recovery stage, post a slowdown of an economy.

The role of the banks

Exporters procure raw materials and other inputs, manufacture and then export. Those dealing on open account terms with the importers have to struggle for working capital with their liquidity getting entwined with the related outstanding receivables. The gap between expenses incurred and the realisation of payments needs to be bridged by short-term credit by banks. They may be in the form of pre-export financing, receivables financing or trade loans.

Similarly, cash flow deficit arises when there is an increased procurement of bulk materials and capital purchases for a project while payments are being received from the project authority only on certified work done partially and the rest getting deferred. The deficit between estimated expenditures against revenues also needs to be financed by banks. Securities commonly obtained in the above instances are a charge on the current assets, i.e. receivables and on the stock which will be goods and materials in case of pre-export financing. The credit insurance cover can be invoked to get the compensation much before any of the securities, including the collateral which can be encashed thus making the cover very handy.

Banks will have to ensure that their credit insurance is tailored for covering their financing facilities which can be complicated, extended across borders involving several risks like country, credit, legal and the like.

Risk mitigation

Out of the three pillars of Basel II, ie. credit risk, operational risk and market risk, focus on credit risk has become significant following the 2008 crisis and so are the ways of mitigating them with products like credit insurance cover. Credit risk relates to the possibility that loans will not be repaid or delays are experienced in repayments.

Credit risk is the kind of low probability and high impact risk, and banks' pricing may not be supportive of the level of risks as it is mainly driven by funding costs. This could also be because of a lack of adequate data regarding their own lending experience in defaults and recoveries when it comes to international business.

The role played by ECAs since the 2008 global financial crisis in building stronger partnerships with banks in various ways is commendable.

Management of risk involves quantifying, monitoring, controlling, etc. Banks normally do not have the time and resources to study and review potential issues like delays, defaults and disputes. Balance sheet and profit & loss statements can be inadequate and many a time profit results may not reveal the weakness in business. Credit insurance practitioners will also peruse the cash flow statement to determine the likelihood of debtors honouring future obligations. It is advisable to offload the credit risk to the entity which is most capable to handle it, and that will be the credit insurer. This will ensure steering away from balance sheet risk analysis to transaction-based, real-time risk assessment.

ECAs provide the assurances that local and multinational banks need. They are the key to unlocking capital for large risk inherent projects. The role of ECAs in the small and medium-sized enterprise (SME) sector has also become more vital, as the banks always chase high profile corporates rather than SMEs who are unable to provide adequate collateral. ECA cover should be simple to operate in this sector in order to provide sustainable SME financing. Thus credit insurers and banks complement each other in supporting exports, as banks transfer the risk of trade debt in a commercial credit extended to their exporter customers.

Indian scenario

It is pertinent to observe that the partnership between banks and ECA date back to the 1960s in India. In Western countries this development was initiated and intensified post the global financial crisis as banks started contracting their balance sheets in order to comply with prudential norms by holding back on credits including export credits. Export Credit Guarantee Corporation of India Limited (ECGC) has been a pioneer in operating the export credit insurance for banks for covering exporters' default in the context of pre-shipment or pre-export financing, and for post shipment financing which includes receivables purchase or discount with recourse to the exporter customer. Pre-shipment credits are disbursed against stocks and post shipment credits against bills (receivables) as the common securities for the facilities extended to the exporters.

A seamless cover for the whole cycle – ie, pre-sales onwards up to post sales realisation, is offered to the banking system in India. The cover could be issued on a whole turnover basis for the full portfolio or for individual accounts. Surety cover insurance is available to banks which issue various types of guarantees for advance payment, performance, retention etc, to beneficiaries on behalf of exporter clients. Cover for cash flow deficit financing and overseas lending are also made available to the financing banks by ECGC while supporting medium and long-term project exports.

ECGC insures almost 65% of the export credit disbursed in the country as all the government-owned banks and many private sector banks insure their complete export credit portfolio on a whole turnover basis. Not only has this vertical been an old, established and time-tested one, but also the major contributor to the premium income of the organisation.

Rest of the world

There are different national frameworks for export credit financing. Various governments arrange to provide through their respective ECAs, either guarantees or insurance (or both) to ensure that their exporters obtain the necessary finance to compete with their counterparts from other countries. Some of them are: Euler Hermes cover for export loans refinanced by KfW, SACE's financial guarantees for funding to banks or for direct funding to borrowers, Coface's refinancing guarantees or securitisation guarantees which are callable on first demand, and Atradius's export credit guarantee scheme.

Agencies like MEXIM, Ducroire, EGAP and EKF operate cover to banks in the form of insurance. Some others like NEXI, K-sure and Sinosure offer both insurance and guarantees and sometimes perhaps a combination of both. Post 2008, similar arrangements for exports on a short-term basis have also been put in place.

Banks with liquidity issues arrange for a refinancing guarantee from an investor or even the central bank of the country as in the case of USA, based on the insurance cover extended by the ECA to cover the non-payment of the debtors to the bank. As regards repo eligibility for pure ECA cover, US Ex-Im's cover can even be discounted with the Federal Reserve. Coface also offers export credit insurance to the lending banks which will be the pre-requisite for an unconditional guarantee to an investor on 100% of the refinancing contract up to the amount of the loan.

The condition of indemnification is addressed by transferring the rights to claim compensation under the insurance to the benefit of the refinancing institution. SMEs guaranteed by Coface will be supported either through supplier credit or through buyer credit by the banks. In Germany, banks can sell ECA-covered loans to KfW and KfW benefits out of the securitisation guarantee for refinancing.

In one of the surveys conducted by the Berne Union, it was noted that more than 25 ECAs were covering trade finance instruments wherein the insured was the bank itself. It is particularly observed that the cover of ECAs has been aptly tailored to suit the specific needs of banks in each country. Based on the comfort drawn from this cover, banks are exhorted to liberally support the exporters in respective countries.

Credit insurers and banks complement each other in supporting exports, as banks transfer the risk of trade debt in a commercial credit extended to their exporter customers.

Other issues

Some of the queries and apprehensions among the various industry players are as follows:

- Can credit insurance, being a risk mitigator, help banks to get capital relief?
- Can the ECA's insurance policy be viewed as an unconditional on demand guarantee?
- Can the ECA cover be considered as a state institution's security?
- Can loans with pure ECA cover be made eligible as a buffer in the context of liquidity cover ratio?

ECA business is generally not classified as a distinct asset class. Hence, all the above issues are constantly being debated and pursued by the industry with the regulators and supervising authorities. In fact, it is argued that ECA-covered loans must be bestowed with considerable relief in capital provisioning to pave the road to recovery of the world economy. If credit conversion factor (CCF) changes from 100% to say 20% for export loans, five times more export credit can be extended to enable consequent expansion of business.

The downside to all these initiatives could be a potential for misuse of ECAs in the volatile economies of today. This could fester with weak institutional, regulatory or supervisory structures in a country. In the case of India, it is pertinent to note that ECGC comes under the ambit of the insurance regulator and is subject to all compliances without any exception.

Conclusion

The role played by ECAs since the 2008 global financial crisis in building stronger partnerships with banks in various ways is commendable. Both institutions complement each other in supporting international trade and in exports of large infrastructure projects. It is of concern to note that sharp declines in trade credit have an adverse consequence disrupting a country's trade and growth, exacerbating a crisis. Scarcity of trade credit may frustrate the potential stimulus to a country's exports.

To a specific question in a forum of exporters recently as to whether there is a role for banks in export finance any longer, almost 80% of the audience voted in favour of banks. So, the industry remains a banking business and will continue to be so with ECA support as there is a natural fit between banks and ECAs in a symbiotic relationship. ■

Export credit for OECD-based borrowers: a new era for ECAs

Simon Sayer, head of structured trade and export finance, EMEA, Deutsche Bank, examines a trend that is here to stay

Since the establishment of the Berne Union in 1934 – with the aim of facilitating cross-border trade, by establishing common export credit principles – the role of export credit agencies (ECAs) has made a distinct shift. Indeed, no longer just a means of supporting exports to developing 'riskier' markets, export credit is now being used, within OECD markets, as a corporate financing tool.

ECAs in their primary function of supporting trade by taking on risk and payment uncertainty, in return for a premium – have long-been considered a vital component of export flows into developing markets, in light of such markets' inherent risk. But the nature of their role is now changing – with ECA cover now being used by a sizable and increasing number of OECD-based borrowers.

Indeed, export credit is now viewed not just as a trade-facilitator, but as an important addition in corporate treasurers' armoury of financing tools. To understand the changes at hand – and what they mean for ECAs, banks and borrowers alike – we must first look at the origins of this trend; which can be found, as with so many recent market developments, in the global financial crisis of 2008.

The severity, scale and impact of the financial crisis have been well-documented, and it is no exaggeration to call it a 'game-changer'. And in its wake, OECD-based corporates seeking financing – those looking to export to other, previously 'risk-free', OECD countries – have been affected by two clear factors. First, a substantial reduction in appetite from the private bank market; and second, a sharp rise in the volatility of the debt capital market – impacting its reliability. These two elements have created a market gap, which ECA financing – both reliable and available over longer time periods – has been brought in to fill.

This is not to say there were not occasional instances before the crisis of OECD borrowers using ECA facilities. Certainly, no reason existed to prevent OECD use of export credit as a financing tool. But such occurrences were rare, and nothing like the scale of the trend now – a trend sparked

Simon Sayer

purely by the changes in the financial environment, and catalysed by the fact that ECAs are all the more important as OECD countries across the globe seek to ramp up exports to drive their economies out of recession.

Export finance is here to stay

That said, the reasons that sparked this trend are not the same as the reasons it can now be viewed as a more permanent feature of the landscape. Indeed, market conditions have improved, yet export credit remains of interest – even increasingly so – to OECD-based borrowers. Why?

The most immediate answer can be found in the evolving regulatory environment – in particular, the Basel III accord and its impact on the size of banks' balance sheets, and the nature of their activities. As balance-sheets have been squeezed to accommodate Basel III's capital requirements, this has lead to other forms of bank liquidity drying up – inducing borrowers who are looking to raise finance to turn to their trade flows instead. Furthermore, as banks assess the viability and prioritisation of various business lines in light of the new regulatory environment, it is trade finance that has emerged as key.

Indeed, many banks are determined to remain active in the trade finance space because it is based on the 'real economy' (thereby creating social and economic value), is a better asset class in terms of risk allocation, and – with ECA-supported lending in particular – is a very efficient use of capital and risk-weighted assets. So while the crisis temporarily affected banks' appetite, bringing ECAs into the spotlight, it is the permanent effects of Basel III that mean ECAs will continue to be viewed as an important alternative source of long-term credit support and funding.

Secondly, in the wake of the crisis, it has become starkly apparent that emerging economies are not the only markets to incur risk. Developed markets – previously perceived as safe havens, offering assured payment – are by no means immune. And while the financial environment has now improved, it is unlikely the market will return to viewing OECD markets as effectively "risk-free".

Finally, corporate treasurers are questioning their funding strategies – seeking greater diversification of funding sources to ensure access to reliable and sustainable financing in times of calm and crisis alike.

Changes and challenges

For both ECAs and banks, the emergence – and persistence – of this OECD trend has necessitated a change in mindset. For ECAs – more used to offering their support to corporates who might otherwise struggle to export – the increasing demand for export credit from OECD-based borrowers for financing purposes has been a significant shift from their core purpose, and perhaps the original thinking of the Berne Union. That said, ECAs recognise their duty to help keep the wheels of trade turning, in whatever form that may take; so any initial reluctance to meet the growing demand from wealthier OECD-based borrowers – those corporates that demonstrably have other funding options – has since faded.

Banks have also had to adapt – in particular, with regard to how ECA finance is marketed to clients. For example, at Deutsche Bank, we now include the product as part of our wider offering to investment-grade OECD-based clients. Such changes bring an educative aspect; relationship managers must be well-versed in the use and nuances of ECA financing for corporates. And, more widely, the established mindset that such products are only suitable for emerging markets must be addressed.

Last, but by no means least, technical challenges regarding pricing have yet to be overcome. Under the terms of the OECD 'gentlemen's agreement' – an informal but well-respected consensus – countries are separated into eight distinct risk categories, with OECD economies deemed to be 'category 0'. In this category – and comprising the key concern, as ECAs become more involved in intra-OECD trade – ECAs must not undercut the commercial market. This means that ECA finance pricing – combining fees, risk margins and premiums – cannot undercut the rate at which the borrower could secure financing in the commercial market.

This immediately raises issues of transparency around the entirety of the pricing process – in particular, how to estimate the price at which corporates could raise funds elsewhere. A number of factors can provide guidance in this respect – from bond issuance to the price of revolving credit facilities and credit default swaps – but the process remains far from transparent.

Compounding this issue is the challenge of maintaining the agreed 'level playing field' even as it comes under stress – and is distorted by – the export drives of OECD governments. With so many key economies looking to export their way out of recession – the USA in particular pushing through ambitious export plans – the ability to collectively uphold the intentions of the inter-government 'gentlemen's agreement' is harder than ever.

A promising future

While question marks remain, there is no doubt that the use of export credit as a financing tool for OECD-based corporates is set not only to stay, but to grow. For borrowers, ECA finance is reliable, stable and suitable for longer-dated lending, and has proven its worth during the global financial crisis, when numerous other sources of liquidity dried up.

So demand will certainly be sustained. And while some banks, in the wake of the global financial crisis, have had to pull back from developing and developed markets alike, others that are well-positioned to support this trend – that is, with the global footprint necessary to assist at both ends of intra-OECD trade – will be able to realise the greater opportunities it brings.

For Deutsche Bank, for example, connecting clients across OECD markets on both sides of an export finance contract is a perfect use of resources, as it meets two sets of client objectives in one trade; something we've been able to achieve with increased regularity post-crisis, and which has made the tools of the export financier even more relevant to the corporate treasurer.

Although the original founders of the Berne Union may be surprised to see the scale of ECA participation within developed (rather than emerging) markets today – and the use of ECA finance as a corporate treasurer tool – this development is ultimately positive, and undoubtedly supports the Union's original intention of keeping the wheels of trade turning.■

4

Directory

Contents

USA

AIG
Global Trade & Political Risk Insurance

AIG has underwritten political risk insurance since 1978 and trade credit insurance since 1982. AIG issuing companies are rated A+.

General information
AIG
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History
Founded: 1978
Ownership: American International Group

Senior management
John Hegeman, Senior Vice-President
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Edward Brittenham, Senior Vice-President

Neil Ross, Senior Vice-President
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Ray Antes, Vice-President
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Harry Palumbo, Vice-President
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Paul Kunzer, Vice-President

Carolyne Spackman, Vice- President

William Clark, Vice-President
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Contact person(s)
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Major facilities
- ✓ Trade credit insurance: Coverage against non-payment of short-term trade receivables, both export and domestic. Tailored policies are available to meet the needs of large corporation, middle-market firms, and banks.
- ✓ Investment insurance: Confiscation, expropriation, nationalisation, currency inconvertibility and political violence for both equity investors and financial institutions.
- ✓ Political risk insurance: Contract frustration, wrongful calling of guarantees and a wide range of customised covers for importers and exporters.

INDONESIA

ASEI
PT. Asuransi Ekspor Indonesia (Persero)

ASEI is a state-owned company, established in November 1985 with the main purposes to promote national non-oil and gas export, to protect Indonesian exporters against political and commercial risks relevant to international trade, and to facilitate trade from and within Indonesia which would help the development and growth of the nation's economy.

To support the demands of the Indonesian market, ASEI provides various types of insurance products which include export and domestic credit insurance, counter bank credit guarantees, import insurance to Indonesian exporters/importers, domestic sellers/ buyers and banks. ASEI is also deeply involved in the bonding sector as it is licensed to issue advance payment bonds, bid bonds, performance bonds, maintenance bonds and custom bonds. The service of network of ASEI comprises 19 branches and 6 marketing offices established in all of the major industrial cities across Indonesia.

General information
ASEI
Menara Kadin Indonesia Building 21st and 22nd floor
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Jakarta, 12950
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History
Founded: 1985
Ownership: 100% state-owned

Senior management
Zaafril Razief Amir, CEO/President Director, dirut@asei.co.id

Marthin F. Simarmata, Finance Director

Indra Noor, Operations Director

Contact person(s)
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Febrida Dwi Putriani, Marketing Manager, Export Credit Insurance Division, ebri@asei.co.id

Agung Budi Setiawan, Marketing Manager, Export Credit Insurance Division, agung@asei.co.id

Major facilities
- ✓ Export & Domestic Credit Insurance (post-shipment & pre-shipment financing)
- ✓ Counter Bank Credit Guarantees
- ✓ Surety Bonds
- ✓ General Insurance

ISRAEL

ASHRA

The Israel Foreign Trade Risks Insurance Corporation Ltd

ASHRA (formerly IFTRIC) is a governmental corporation, established in October 1957 to promote Israeli exports and to protect the exporters against political and commercial risks related to international activities. ASHRA covers MLT credit risks and provides investment insurance. As the official export credit insurer, ASHRA covers non-marketable risks. The company's policies are backed by the full faith and credit of the Israeli government.

General information
ASHRA
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+972 3 5631700
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History
Founded: 1957
Ownership: 100% state-owned

Senior management
David Klein, Acting CEO, dudyk@ashra.gov.il, +972 3 563 1715

Adi Gross, Chief Underwriting Officer, adig@ashra.gov.il
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Maria Kofman, Head of Underwriting and Insurance Division, mariak@ashra.gov.il, + 972 3 563 1783

Major facilities
- ✓ Export credit insurance: medium and long-term (over one year) export credit insurance against political and commercial risks. Major insurance facilities: supplier's and buyer's credit coverage; credit lines; forfaiting and letters of credit insurance; bonds insurance.
- ✓ Investment insurance cover offered: conversion/transfer risks; war and civil war risks; expropriation/confiscation risks; breach of contract by the host government.

MULTILATERAL

ATI ✦

The African Trade Insurance Agency

ATI was founded in 2001 by African states to cover the trade and investment risks of companies doing business in Africa. ATI provides Political Risk, Surety Bonds, Trade Credit Insurance and Political Violence and Terrorism & Sabotage cover. As of 2013, ATI has supported over US$13 billion in trade and investments across Africa in sectors such as agribusiness, energy, exports, housing, infrastructure manufacturing, mining and telecommunications. ATI is the #1 ranked insurer in Africa with the 2013 renewal of its Long Term 'A/Stable' rating for Financial Strength and Counterparty Credit by Standard & Poor's.

General information
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History
Founded: 2001
Ownership: ATI is currently owned by the following African member countries and public/private sector organisations: Benin, Burundi, Democratic Republic of Congo, Kenya, Madagascar, Malawi, Rwanda, Tanzania, Uganda, Zambia, African Development Bank, African Reinsurance Corporation, Atradius Group, SACE, The Common Market of Eastern and Southern Africa (COMESA), The Eastern and Southern African Trade and Development Bank (PTA Bank), The PTA Re Insurance Company (ZepRe)

Senior management
Jef Vincent, Chief Underwriting Officer, jef.vincent@ati-aca.org
Toavina Ramamonjiarisoa, Chief Financial Officer, toavina.ramamonjiarisoa@ati-aca.org

Cyprien Sakubu, Chief Investor Relations Manager, cyprien.sakubu@ati-aca.org

Contact person(s)
George O. Otieno, CEO, ceo@ati-aca.org

Sheila Ongas, Communications Assistant
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Sherry Kennedy, Sr. Communications Officer
sherry.kennedy@ati-aca.org

Major facilities
- ✓ We offer two main insurance products that cover political and trade credit risks. Foreign direct investment risks fall under our political risk insurance. We also offer reinsurance coverage to insurance companies operating in or supporting business into or out of our African member states. Political trade credit risks that are covered by our insurance policies include: expropriation, arbitral award default, transfer restriction, mobile assets, war, civil disturbance or civil commotion, unfair calling of bonds, embargo, comprehensive non-payment, terrorism, sabotage, political violence.

✦ *Member of The Prague Club*

NETHERLANDS

ATRADIUS

Atradius N.V.

ATRADIUS provides trade credit insurance, surety and collections services through 160 offices worldwide, and has a presence in 45 countries. Its products help protect companies from payment risks associated with selling produces and services on credit.

General information
Atradius Credit Insurance N.V.
David Ricardostraat 1
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History
Founded: 1925
Ownership: Grupo CyC 64.23%;
Grupo Catalana Occidente 35.77%

Senior management
Isidoro Unda, Chairman and Chief Executive Officer; Chief Financial Officer

David Capdevila, Chief Market Officer

Andreas Tesch, Chief Market Officer

Chris van Lint, Chief Risk Officer

Contact person(s)
Christine Gerryn, Executive Director,
christine.gerryn@atradius.com, +31 20 553 2260

Major facilities
- ✓ (Export) credit insurance: These services are designed to protect companies against the risk of non-payment by domestic and foreign customers. We also act as ECA for the Dutch government (ATRADIUS Dutch State Business).
- ✓ Global policy: This can be adapted for the specific structure and requirements of multinationals – umbrella cover with common terms for the group but with individual, localised policies for country subsidiaries.
- ✓ Bonding: Offered in France, Italy, Spain and the Nordic countries. Bonding products can protect companies against the failure of a supplier to meet agreed to performance standards.
- ✓ Debt collections: ATRADIUS has a global network of debt collection professionals, with offices throughout Europe and North America.
- ✓ Reinsurance: The credit insurance and bonding business of primary insurers in many markets across the world is supported by the underwriting and reinsurance of premiums through Atradius Reinsurance Ltd.

SPAIN

CESCE

CESCE Credit Insurance

CESCE was founded in 1970 to primarily operate in the field of export credit insurance for the account of the state, as an instrument to foster Spanish exports. After deregulation in 1990, CESCE started to actively compete for its own account on the open export credit and domestic credit insurance markets. The company is currently present in Spain, Portugal and Latin America (Argentina, Brazil, Chile, Colombia, Mexico, Peru and Venezuela). CESCE specializes in the comprehensive management of commercial risk and integrates INFORMA D&B, S.A. (the financial and commercial information provider) and CTI, S.A. (the provider of IT services).

General information
CESCE
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History
Founded: 1970
Ownership: CESCE is a limited company. 50,25% of its shares are held by the Spanish state, while the remainder is in the hands of Spain's main banking and insurance groups, among them Santander, BBVA, Banco Sabadell and Banco Popular.

Senior management
Beatriz Reguero, Chief Operating Officer, State Account Business
bregureo@cesce.es

Luis-Antonio Ibanez, Chief Operating Officer, Private Business
laibanez@cesce.es

Contact person(s)
Carmen Muñoz, Country Risk and Debt Management Department, cmunoz@cesce.es

Major facilities
- ✓ Export Credit Insurance: Commercial and political cover for export markets and commercial cover for domestic markets; pre and post-shipment risks for both short-term and medium/long-term transactions.
- ✓ Investment Insurance: Conversion/transfer, war and civil war, breach of undertakings by host government, expropriation/confiscation. Bonds and guarantees: unfair calling, fair calling of bonds, cover to banks, bonds/guarantees issued.

FRANCE

COFACE

Coface

Founded in 1946, Coface is a private company, subsidiary of Natixis. Coface, an expert in commercial risks at the service of companies, supports the development of businesses in their own territory and internationally. It offers credit insurance solutions that aim to protect them against the risk of financial default of their customers. Coface supports its clients upstream in evaluating and preventing risks, so that they can make the best decisions at the most opportune moment. To do this, Coface offers them full, detailed analysis of country, sectoral and credit risk. Coface relies on its powerful international network to offer credit insurance in 97 countries.

Since 1946, Coface has been managing state guarantees on behalf of and with the guarantee of the French state, in the aim of promoting and supporting French exports on the medium and long term and foreign investments. Coface offers a wide range of insurance products to cover risks that cannot be covered in the private sector, thereby benefitting companies carrying out market surveys, marketing products or services or investment abroad.

General information
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History
Founded: 1946
Ownership: Natixis

Senior management
Jean-Marc Pillu

Contact person(s)
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Major facilities
✓ Credit insurance

PORTUGAL

COSEC

Cosec – Companhia De Seguro De Créditos, SA

Companhia de Seguro de Créditos, SA (COSEC) began operating in 1969 as a limited company with the state as a major shareholder. From November 1992, COSEC has been a private company and its shares are held by one of the largest banks in the Portuguese financial sector, and the world leader company of the credit insurance market. Besides providing export credit insurance, domestic credit insurance and bond insurance on its own account, COSEC also covers,on behalf of the state, export credit insurance (supplier's and buyer's credit), bonds and Portuguese investment insurance.

General information
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Av. da República, 58
Lisbon, 1069-057
Portugal
+351 21 791 3700
www.cosec.pt
cosec@cosec.pt
international@cosec.pt

History
Founded: 1969
Ownership: The BPI Group 50% and Euler Hermes Group 50%

Senior management
Jose Miguel Gomes da Costa, President and Chief Executive Officer, paula.silveira@cosec.pt

Berta Dias da Cunha, Executive Member of the Board
berta.dias.cunha@cosec.pt

Thierry Etheve, Executive Member of the Board
thierry.etheve@cosec.pt

Contact person(s)
Maria José Melo, Director, International Dept.,
mjose.melo@cosec.pt, +351 21 791 3826

Major facilities
✓ Export credit insurance: Export credit insurance short-term cover: commercial and political risks, pre-shipment and credit cover.
✓ Medium/long-term cover: Supplier and buyer credit facilities, lines of credit and project finance cover.
✓ Investment Insurance: Cover offered: expropriation/confiscation cover, conversion/transfer cover, war and civil war cover, breach of contract by the host government cover.
✓ Bonds and guarantees: Cover offered: bid bond performance bond, retention bond, advance payment bond, customs and tax authorities bonds, bonds/guarantees issued.

BELGIUM

CREDENDO GROUP

Crendendo Group

Credendo Group
Credendo Group (formerly known as ONDD Group) is the new identity of a European trade insurance group present throughout the continent and active in all segments of trade credit insurance, providing a range of products that cover risks worldwide. The group includes Delcredere, Ducroire, Credimundi (the new name of the entity insuring short-term business), KUPEG, INGO-ONDD, Garant and Trade Credit. In 2012 the Credendo Group covered 40 billion euros in international trade and issued 380 million euros in premiums.

Delcredere, Ducroire
Delcredere, Ducroire is the official Belgian export credit agency. Backed by the state, its mission is to promote international trade relations, providing companies and banks trade credit insurance against medium-term and long-term political and commercial risks worldwide. This business mainly relates to capital goods, contracted works, industrial projects and services. Delcredere, Ducroire's solidity is underlined by its AA rating from Standard & Poor's and cover capacity of 27 billion euros. As part of the Credendo Group, Delcredere, Ducroire shares the group philosophy: to be smarter about risk and closer to clients.

Credimundi
Credimundi (formerly known as Ducroire, Delcredere SA.NV) has a mission to provide companies within the European Union highly customised cover against political and commercial risks related to short-term trade credit and current trade transactions, principally in open account terms. It also issues legal and contractual bonds. Apart from its main office in Brussels, Credimundi is present with branch offices in London, Paris, Wiesbaden and Milan. As part of the Credendo Group, Credimundi shares the group philosophy: to be smarter about risk and closer to clients.

General information
Credendo Group
rue Montoyerstraat 3
Brussels, 1000, Belgium
+32 2 788 88 00
www.credendogroup.com
bu@credendogroup.com

History
Founded: 1921
Ownership: 100% state-owned

Senior management
Dirk Terweduwe, CEO

Frank Vanwingh, Deputy CEO

Contact person(s)
Nabil Jijakli, Secretary General, n.jijakli@ondd.be

Major facilities
✓ Insurance products:
- Supplier, buyer credits and project finance insurance
- Unfair calling of bonds to be issued under the insured contracts
- Cover can be provided in all leading OECD currencies. Occasionally, non-OECD currencies are eligible for cover
- Investment insurance

✓ Other products:
- Guarantees
- Forfaiting

✓ Risks covered:
- Pre-shipment risks
- Non-payment risks

✓ Causes of loss covered:
- Political (and similar) risks
- Risks on private or public buyers/banks

✓ Amounts covered:
- Principal and interest amounts, including interests on arrears during waiting period. Delcredere, Ducroire has a flexible attitude towards foreign content.

INDIA

ECGC

Export Credit Guarantee Corporation of India Ltd

Export Credit Guarantee Corporation of India Limited (ECGC), was incorporated in the year 1957 under the Companies Act, 1956, to facilitate and strengthen India's exports by insuring the credit risk faced by Indian exporters/banks on lending to exporters. The company is 100% owned by Government of India. The company is managed by a board of directors comprising nominees of the Government of India, Reserve Bank of India, commercial banks, insurance companies and eminent persons from the exporting community.

The Paid up capital of the company is currently Rs.11 billion (approximately USD 200 million) vs. the authorized capital of Rs.50 billion (approximately USD 850 million).

General information
ECGC
Express Towers
10th Floor, Nariman Point
Mumbai, 400021
Maharashtra
India
+91 22 6659 0500/6659 0776
www.ecgc.in
cud@ecgc.in
bu@ecgc.in

History
Founded: 1957
Ownership: Company with 100% shareholding of the Government of India

Senior management
Narayanaswamy Shankar, Chairman and Managing Director, shankar.n@ecgc.in, +91 22 66590514/515/516

Geetha Muralidhar, Executive Director, geetha.muralidhar@ecgc.in, +91 22 66590519/520

Sandeep Mukherjee, General Manager, sandeep.mukherjee@ecgc.in, +91 22 66138401

Manoj Kumar, General Manager
manoj.kumar@ecgc.in, +91 22 66590721

Rohit Pandya, General Manager
rohit.pandya@ecgc.in, +91 22 66590526

V Dharmarajan, General Manager
dharmarajan.v@ecgc.in, +91 22 66590717

R Padmavathy, General Manager
padmavathy.r@ecgc.in, +91 22 66590713

M Senthilnathan, General Manager
senthilnathan.m@ecgc.in, +91 22 66590725

Ashok Phadtare, General Manager
ashok.phadtare@ecgc.in, +91 22 66590523

Contact person(s)
Rohit Pandya, General Manager
rohit.pandya@ecgc.in, +91 22 66590526

Anand Singh, Assistant General Manager
cud@ecgc.in, +91 22 66138426

Ranvir Kishore, Assistant Manager
cud@ecgc.in, +91 22 66138431/25

Major facilities
✓ Export credit insurance to exporters
✓ Export credit insurance to banks
✓ Overseas investment insurance

SOUTH AFRICA

ECIC SA ✦

Export Credit Insurance Corporation of South Africa SOC Ltd

ECIC SA was established in 2001 in terms of the Export Credit and Foreign Investments Insurance Act, 1957, as amended. It is a registered insurer and a public company with limited liability. The government of South Africa, through the Department of Trade and Industry is the sole shareholder. ECIC SA has been mandated by government to enter into contracts of insurance with, or for the benefit of persons carrying on business in South Africa in the course of trade with countries outside South Africa, primarily for medium/ long-term export credit and investment insurance.

General information
ECIC SA
Block C7, Eco Origins Office Park
349 Witch Hazel Ave
Highveld Ext 79, Centurion
Pretoria, 0157
South Africa
+27 12 471 3800
www.ecic.co.za

History
Founded: 2001
Ownership: ECIC is fully owned by the South African Government

Senior management
Motshewandi J Lesejane
Non-executive Chairman of the ECIC SA Board

Mandisi Nkuhlu, Acting Chief Officer

Lindelani Mphapuli, General Counsel

Sedzani Mudau, Chief Financial Officer

Lesego Mosupye, Chief Risk Officer

Contact person(s)
Chris Thirion, Head, Planning & Portfolio Management
cthirion@ecic.co.za

Major facilities
- ✓ Export credit insurance: Underwrites loans (buyer and supplier credit as well as project finance facilities) over the medium/longterm, against commercial and political events of default, breach of contract, currency inconvertibility and transfer risk etc.
- ✓ Investment insurance: Cover offered to investors (equity, shareholder loans as well as commercial loans) against expropriation, confiscation, nationalisation, war, armed hostilities, civil war, rebellion, revolution or similar disturbances, currency inconvertibility and transfer risk.
- ✓ Performance bond insurance: Cover performance bonds issued on behalf of exporters participating in exports of capital goods and/or services.

✦ Member of The Prague Club

SINGAPORE

ECICS

ECICS Limited

ECICS Limited, a wholly-owned subsidiary of IFS Capital Limited (IFS), provides a wide range of risk management solutions through its offer of domestic and exports credit insurance policies, bonds and guarantees business in Singapore. As a pioneer in this area with over 30 years of risk management experience, ECICS is well-equipped to assist Singapore companies and branches of foreign companies.

General information
ECICS
7 Temasek Boulevard, #10-03 Suntec Tower One
038987
Singapore
+65 6337 4779
www.ecics.com.sg
ecics@ecics.com.sg
buecics@ecics.com.sg

History
Founded: 1975
Ownership: IFS Capital Limited – 100%

Senior management
Lua Too Swee, CEO
tooswee_lua@ecics.com.sg, +65 – 63030189

Terence Teo, Head, Business Development,
terence_teo@ecics.com.sg, +65 – 63030198

Richard Ong, Head, Finance
richard_ong@ecics.com.sg, +65 – 63030183

Ruth Wee, Head, Risk Management
ruth_wee@ecics.com.sg, +65 – 63030172

Contact person(s)
Hoefai Wong, Risk Management
hoefai_wong@ecics.com.sg, +65 – 63030173

Alan Low, Risk Management
alan_low@ecics.com.sg, +65 – 63030175

Major facilities
- ✓ Credit insurance
- ✓ Comprehensive short-term policies (export/domestic)
- ✓ Bonds & guarantees
  - Performance bond
  - Foreign worker bond
  - Advance payment bond
  - Qualifying certificate bond
  - Bid and tender guarantee – deferred
  - Payment bond
  - Maintenance bond
  - Account payment bond
  - Customs bond
  - Tenancy/rental bond

CANADA

EDC
Export Development Canada

EDC is Canada's export credit agency, established to support and develop, directly and indirectly, Canada's export trade, as well as Canadian capacity to engage in that trade and to respond to international business opportunities. EDC is financially self-sustaining and operates on commercial principles. In addition to being a direct lender and insurer, EDC acts as a catalyst to leverage private capital and establishes partnerships both domestically and abroad.

General information
Export Development Canada (EDC)
150 Slater St., Ottawa
Ontario, K1A 1K3
Canada
+1 613 598 2500
www.edc.ca
info@edc.ca

History
Founded: 1944
Ownership: EDC is fully owned by the Government of Canada

Senior management
Kevin Warn-Schindel, Chairman of the Board

Benoit Daignault, President and Chief Executive Officer

Contact person(s)
info@edc.ca

Major facilities
- ✓ Insurance: Credit insurance for export transactions, including policies issued to financial institutions to cover foreign bank payment obligations and purchased receivables. Contract insurance for capital goods, service contracts and projects: Political risk insurance for equity investments, assets and debt, as well as comprehensive insurance policies issued to financial institutions for payment default on sovereign or quasi-sovereign debt obligations.
- ✓ Financing: Flexible financing solutions including buyer credits, supplier credits, bank guarantees, equity products and financing to support foreign direct investment.
- ✓ Bonding: Guarantee and insurance products to support performance bonding and surety bonds as well as foreign exchange facilities.

AUSTRALIA

EFIC
The Export Finance and Insurance Corporation

EFIC provides finance and insurance solutions to help Australian companies exporting and/or investing offshore to overcome financial barriers. We offer ways to unlock export finance and/or facilitate overseas investments where their banks and/or insurers are unable to provide all the support they need.

General information
EFIC
Level 10, 22 Pitt Street
Sydney, NSW 2000
Australia
+612 8273 5333
www.efic.gov.au
info@efic.gov.au
berneunion@efic.gov.au

History
Founded: 1957
Ownership: Wholly owned and guaranteed by the Commonwealth of Australia

Senior management
Andrew Mohl, Chairman of the Board, amohl@efic.gov.au

Andrew Hunter, Managing Director
ahunter@efic.gov.au, +61 2 8273 5250

Peter Field, Exc Director, Business Origination & Portfolio Mgt,
pfield@efic.gov.au, +61 2 8273 5459

John Pacey, Chief Credit Officer
jpacey@efic.gov.au, +61 2 8273 5275

Stuart Neilson, Chief Financial Officer
sneilson@efic.gov.au, +61 2 8273 5423

Andrew Watson, Executive Director, SME
awatson@efic.gov.au, +61 2 8273 5457

Contact person(s)
Chang Foo, Head of Product Management & Risk Transfer
cfoo@efic.gov.au, +61 2 8273 5431

Major facilities
- ✓ Export finance and insurance: Direct loans; unconditional guarantees and indemnities to financial institutions including specialist foreign exchange companies; medium-term payment insurance covering commercial and political risks; pre-shipment finance; lines of credit.
- ✓ Project financing: Limited-recourse lending/guarantee in support of Australian exports to, or Australian sponsored investments in overseas projects.
- ✓ Political risk insurance: Cover to investors, financiers (loan and commodity hedge providers) and contractors – CITB, war damage and PV, expropriation/confiscation, forced abandonment, deprivation, selective discrimination and arbitration award default.
- ✓ Bonds, sureties and guarantees: Cover against unfair calling of bonds; issuer of contract or surety bonds, including for the US market.

CZECH REPUBLIC

EGAP ✦

Export Guarantee and Insurance Corporation

Export Guarantee and Insurance Corporation is a joint-stock company. The offered export credit insurance with state support is in full compliance with the arrangement on officially supported export credits, EU law and with BU understandings.

EGAP still holds a 34% share in a subsidiary – Commercial Credit Insurance Company EGAP (KUPEG) – offering short-term credit insurance on commercial terms without any state support. A 66% share is held by Credimundi (formerly Ducroire – Delcredere SA.NV) (Belgium).

General information
EGAP
Vodickova 34/701
Prague, 11121
Czech Republic
+420 222841111
www.egap.cz
interrel@egap.cz

History
Founded: 1992
Ownership: EGAP is fully owned by the state. Shareholder's rights are exercised by Ministry of Finance (40% of votes), Ministry of Industry and Trade (36%), Ministry of Agriculture (12%) and Ministry of Foreign Affairs (12%).

Senior management
Prochazka Jan, CEO, prochazka@egap.cz, +420 222 842 000

Somol Miroslav, Deputy CEO; International Relations and Compliance Section, somol@egap.cz, +420 222 842 100

Contact person(s)
Hikelova Hana, Director & Spokesperson;
PR and Communication Department
hikelova@egap.cz, +420 222 842 015

Major facilities
- ✓ Insurance with state support against commercial and political risks
- ✓ Export credit insurance (buyer and supplier credits)
- ✓ Insurance of supplier credits financed by a bank
- ✓ Insurance of export contract-related bonds (advance payment bonds, bid bonds and performance bonds) against unfair and fair calling
- ✓ Manufacturing risks insurance
- ✓ Pre-export financing insurance
- ✓ Insurance of a confirmed letter of credit
- ✓ Investment insurance
- ✓ Insurance of a credit for financing of investments
- ✓ Insurance of market prospection

✦ *Member of The Prague Club*

GERMANY

EH GERMANY (State)

Euler Hermes Aktiengesellschaft

Euler Hermes Aktiengesellschaft (EH GERMANY – State), as a new company officially registered in early February 2014, has taken over all state account activities of Euler Hermes Deutschland AG. The new company is treated as a partial legal successor of Euler Hermes Deutschland AG.

Since 1949 EH GERMANY (State) and PricewaterhouseCoopers AG have been entrusted by the German Federal Ministry of Economics and Energy with administering the Official Export Guarantee Scheme, for which purpose the two companies entered into a consortium under the lead management of EH GERMANY (State).

The company handles short-term and medium/long-term export credit guarantees, whole-turnover policies and pre-shipment risk cover.

General information
EH GERMANY (State)
Euler Hermes Aktiengesellschaft
Gasstrasse 27
22761 Hamburg
Germany
+49 40 8834 9000
+49 40 8834 9141
www.agaportal.de/en/aga
bu-hermes@eulerhermes.com

History
Founded: 1917
Ownership: 100% Euler Hermes S.A., Paris

Senior management
Ralf Meurer, Chairman of the Board of Management

Dr Hans Janus, Member of the Board of Management responsible for the Federal Export Credit Guarantees

Contact person(s)
Hannelore B. Bergs, BU Matters, Issues in General

Uwe Stumpenhusen, BU Matters, IT and Reporting

Major facilities
- ✓ Export Credit Insurance:
  - Political and commercial risks cover for short-term and medium-/long-term transactions;
  - Special facilities available
- ✓ Bonds and Guarantees:
  - Cover against unfair and fair calling
- ✓ Debt Collection

GERMANY

EH GERMANY
Euler Hermes Deutschland AG

The company is market leader in Germany and Member of the Euler Hermes Group, Paris, the world market leader in credit insurance. EH GERMANY (Private) is owned by Allianz Group as ultimate shareholder and has subsidiaries in Austria and Switzerland. The company offers risk transfer solutions for their clients to support their business development in domestic and export markets. The products of EH GERMANY (Private) secure the financial stability of the customers.

General information
EH GERMANY (Private)
Euler Hermes Deutschland AG
Friedensallee 254
Hamburg, 22763
Germany
+49 40 8834 0
www.eulerhermes.de
verband@eulerhermes.com

History
Founded: 1917
Ownership: 100% Euler Hermes S.A., Paris

Senior management
Ralf Meurer, Chairman of the Board of Management

Ulrich Nöthel, Member of the Board of Management responsible for Credit Insurance, Bonding and Fidelity Insurance

Thomas Krings, Member of the Board of Management responsible risk underwriting and claims

Contact person(s)
Uwe Kniehs, Head of Communications

Major facilities
- ✓ Credit Insurance
- ✓ Bonding/Surety Business
- ✓ Fidelity Insurance
- ✓ Risk Management
- ✓ Debt Collection

DENMARK

EKF
Eksport Kredit Fonden

EKF is the official Danish export credit agency. It is an independent entity under the Danish Ministry of Business and Growth. EKF offers insurance cover for companies – national or foreign – that take risks on exports and investments containing a Danish economic interest. Goods, capital goods, turn-key projects, services and investments are covered by the guarantees. EKF offers both political and commercial risk cover.

General information
Eksport Kredit Fonden (EKF)
Lautrupsgade 11
Copenhagen, 2100
Denmark
+45 35 46 26 00
www.ekf.dk
ekf@ekf.dk

History
Founded: 1922
Ownership: 100% state-owned agency with the Danish Ministry of Business and Growth as the guardian authority

Senior management
Anette Eberhard, CEO, ae@ekf.dk

Jan Vassard, Deputy CEO, jvs@ekf.dk

Søren Møller, Deputy CEO, smo@ekf.dk

Morten Sørensen, Senior Director, Large Corporates, mso@ekf.dk

Kim Richter, Senior Director, SME & Cleantech, kri@ekf.dk

Contact person(s)
Mariane Søndergaard-Jensen, Director
International Relations, msj@ekf.dk

Major facilities
- ✓ Export credit insurance: Political and commercial risk cover via supplier and buyer credit facilities, lines of credit and shopping lines.
- ✓ Project finance: Special project finance facility.
- ✓ SME guarantees: Offering a buyer abroad long-term credit on a specific export order.
- ✓ Export loans: Loans to foreign buyers through a bank.
- ✓ Investment guarantees: Insurance facility for emerging markets.
- ✓ Bond and guarantees: Cover against unfair calling.
- ✓ Working capital guarantees: Securing credit from the bank to pay for materials, wages and suppliers.

SWEDEN

EKN
Exportkreditnämnden

EKN supports Swedish exports and the internationalisation of Swedish business. We do this by offering exporting companies and banks guarantees for payment and financing.

General information
Exportkreditnämnden (EKN)
Box 3064
Stockholm, SE-103 61
Sweden
+46 8 788 00 00
www.ekn.se
info@ekn.se

History
Founded: 1933
Ownership: 100% governmental agency

Senior management
Karin Apelman, Director General
karin.apelman@ekn.se, +46 8 788 00 00

Helén Seemann, Director, Large Corporates
helen.seemann@ekn.se , +46 8 788 01 05

Carl-Johan Karlsson, Director, Small and Medium sized Enterprises, carljohan.karlsson@ekn.se, +46 8 788 01 46

Stefan Karlsson, Director, Risk Advisory & CSR,
stefan.karlsson@ekn.se, +46 788 00 02

Patrick Nimander, Director, Finance
patrick.nimander@ekn.se, +46 8 788 01 35

Contact person(s)
Karl-Oskar Olming, Head of CSR & International Relations
karl-oskar.olming@ekn.se, +46 8 788 00 05

Major facilities
✓ Export credit insurance:
  - Cover for commercial and political risks.
  - Short-term pre-shipment and credit cover.
  - Medium/long-term pre-shipment cover and supplier and buyer credit facilities.

✓ Project finance:
  - Project finance transactions underwritten within EKN's normal guarantee facility.

✓ Bonds and guarantees:
  - Cover for exporter against unfair calling.
  - Counter guarantee for issuer of bond against exporter risk.
  - Guarantee for confirmed LC.

✓ Investment insurance:
  - Conversion and transfer cover, war and civil war cover, expropriation/confiscation cover.

✓ Other products:
  - Bill of exchange guarantee
  - Working capital guarantee for SMEs

HUNGARY

EXIM HUNGARY ✦
Hungarian Export-Import Bank Plc.
Hungarian Export Credit Insurance Plc.

The Hungarian Export-Import Bank Plc. (Eximbank) – together with the Hungarian Export Credit Insurance Plc. (MEHIB) – was established through the de-merger of Export Guarantee Insurance Ltd. in accordance with Act XLII of 1994, with the basic objective of facilitating the sale of Hungarian goods and services in foreign markets. Since 23 May 2012, Eximbank and MEHIB operate within an integrated framework and carry out their duties with a shared organisation and corporate identity, under the name of EXIM.

Both companies are solely owned by the State of Hungary, and since 23 May 2012 the owner's rights have been exercised on behalf of the State of Hungary by the Minister for the National Economy. Eximbank's share capital is HUF 10.1 billion, and the Hungarian State undertakes a payment guarantee in respect of all its borrowings. MEHIB's share capital is HUF 4.25 billion.

General information
EXIM HUNGARY
Nagymezö utca 46-48
Budapest, H-1065
Hungary
+361 374 9200
www.exim.hu
exim@exim.hu
bu@exim.hu

History
Founded: 1994
Ownership: Hungarian State directly 100%

Senior management
Roland Nátrán, CEO
exim@exim.hu, +36 1 374 9100

Viktor Nagy, Deputy CEO, Business Operations
exim@exim.hu, +36 1 374 9100

László Lengyel, Director, International Relations and Analysis
exim@exim.hu, +36 1 374 9100

Contact person(s)
László Várnai, International Policy Advisor
varnai.laszlo@exim.hu, +36 1 374 9100

Zsuzsanna Bugár, International Relations Advisor
bugar.zsuzsanna@exim.hu, +36 1 374 9100

Major facilities
✓ Short-term insurance: policy with cover for commercial and political risks including pre-shipment credit period. Cover for purchased debts.

✓ Medium and long-term insurance: political and commercial risks; pre-shipment and credit period; bond insurance, supplier credit, buyer credit; lease transactions, tied aid insurance.

✓ Investment Insurance: Cover also for investments abroad against political risks.

✦ *Member of The Prague Club*

JAMAICA

EXIM J

National Export Import Bank of Jamaica Limited

EXIM J is an independent public sector trade financing institution, which provides trade credit insurance, ST foreign currency financing through foreign lines of credit and a range of ST and MT local currency financing programmes to the productive sector, with emphasis on the exporting sector.

General information
EXIM J (National Export Import Bank of Jamaica Limited)
11 Oxford Road
Kingston 5
Jamaica
+1 876 960 9690
www.eximbankja.com
info@eximbankja.com

History
Founded: 1986
Ownership: 100% government of Jamaica

Senior management
The Hon. William Clarke, Chairman
Lisa Bell, Managing Director

Contact person(s)
Shernett Manning, Chief Officer, Operations and Insurance
smanning@eximbankja.com

Audrey Morris, Risk Management and Compliance Officer
amorris@eximbankja.com

Major facilities
- ✓ Trade credit insurance: The bank provides the Jamaican productive sector with ST insurance protection against non-payment by foreign and local buyers. The trade credit insurance policy covers both commercial and political risks, to a maximum of 85% and 90% respectively.
- ✓ Export financing: The bank offers ST working capital financing to the exporting sector through pre and post-shipment facilities. MT loan facilities are also offered to the tourism sector, a major earner of foreign exchange, for facilities upgrading, and to the exporting sector for retooling and upgrading.
- ✓ Import financing: Foreign currency loans are granted to facilitate the procurement of imported raw material, equipment and machinery for the productive sector.

SLOVAK REPUBLIC

EXIMBANKA SR ✦

Export-Import Bank of the Slovak Republic

Export-Import Bank of the Slovak Republic is the official export credit agency of Slovakia established by the Act No. 80/1997 Coll. as amended. Its main goal is to increase the competitiveness of Slovak exporters at the international market via providing a wide range of export credit and investment insurance, insurance and other related financial services.

General information
EXIMBANKA SR (Export-Import Bank of the Slovak Republic)
Grösslingova 1
Bratislava, 813 50
Slovak Republic
+4212 59398 408
www.eximbanka.sk
press@eximbanka.sk

History
Founded: 1997
Ownership: 100% sovereign

Senior management
Igor Lichnovský
Chairman of the Bank Board and CEO
kolekova@eximbanka.sk

Pavel Mockovčiak, Member of the Bank Board and Deputy CEO for Banking Division
kralova@eximbanka.sk

Milan Horváth, Member of the Bank Board and Deputy CEO for Insurance Division
danisova@eximbanka.sk

Rudolf Sihlovec, Member of the Bank Board and Deputy CEO for Finance and Economic Division
bohumelova@eximbanka.sk

Contact person(s)
Silvia Gavorníková, Director of International Relations
gavornikova@eximbanka.sk, +421 2 59398 408

Major facilities
- ✓ Insurance products:
  - ST cover against commercial and political risks: export and domestic receivables.
  - Insurance of export guarantees, production risk, confirmed irrevocable LCs.
  - Insurance of MLT export credits – suppliers', buyers' credit. Insurance of foreign investments.
  - Insurance of pre-export financing.
- ✓ Banking products:
  - Direct loans
  - Bills of exchange and promissory notes-based loans
  - Discounting of exporters' short-term accounts receivables
  - Refinancing loans
  - Guarantees and bonds

✦ Member of The Prague Club

USA

FCIA
FCIA Management Company, Inc

FCIA Management Company, Inc. (FCIA) and its associated organisation, the Foreign Credit Insurance Association, have provided trade credit and political risk insurance since 1961. FCIA, a whollyowned subsidiary of Great American Insurance Company (GAIC) since 1991, underwrites and services Great American's broad line of trade credit and political risk insurance products, offering both cancellable and non-cancellable limit policy options. GAIC is the insurer on policies underwritten by FCIA and is rated A+ by S&P.

General information
FCIA
125 Park Avenue, 14th floor
New York, NY 10017
United States
+1 212 885 1500
www.fcia.com
service@fcia.com

History
Founded: 1961 (Foreign Credit Insurance Association)
Ownership: Great American Insurance Company

Senior management
Lindley M Franklin, President & CEO

Philip J Lally, Executive Vice-President, plally@fcia.com

Carol G McEvoy, Senior Vice-President – General Counsel

Kenneth J Cavanagh, Senior Vice-President

Contact person(s)
Lindley M Franklin, President & CEO

Nasrin D Nourizadeh, Vice-President – Business Development
nnourizadeh@fcia.com

Major facilities
- ✓ Trade Credit Insurance for Companies: Insurance against non-payment of accounts receivable. Coverage for multiple buyers or single buyers, export and/or domestic sales, pre-shipment and post-shipment risks, short term and medium term tenors.
- ✓ Trade Financing Insurance for Financial Institutions: Coverage for confirmation of LCs issued by foreign banks, import/export/pre-export financings, purchased receivables and trade payables financings.
- ✓ Political Risk Insurance: Coverage for contract frustration, wrongful calling of advance payment and other bonds and investor losses on foreign assets caused by confiscation, expropriation, nationalisation, political violence and other perils customised to meet transaction requirements. Policy periods up to seven years.

FINLAND

FINNVERA
Finnvera Plc

Specialised financing company Finnvera has two roles in the Finnish economy: it is the official Finnish export credit guarantee agency (ECA) offering a full range of export credit guarantee products to promote exports and internationalisation of enterprises, and a domestic risk financier promoting the activities of small and medium-sized companies. Finnvera's subsidiary FEC offers interest rate equalisation at CIRR rates, and can fund export credits arranged by commercial banks. All services are available through Finnvera's Export Financing Unit.

General information
Finnvera
PO Box 1010
Eteläesplanadi 8
Helsinki, 00101
Finland
+354 204 6011
www.finnvera.fi
bu-finnvera@finnvera.fi

History
Founded: 1963
Ownership: 100% state-owned

Senior management
Pauli Heikkilä, Chief Executive Officer

Topi Vesteri, Executive Vice-President, Export Financing

Pekka Karkovirta, Vice-President, International Relations, Pekka.Karkovirta@finnvera.fi

Tuukka Andersén, Vice-President, Head of Underwriting, tuukka.andersen@finnvera.fi

Raija Rissanen, Vice-President, Research, raija.rissanen@finnvera.fi

Contact person(s)
Pekka Karkovirta, Vice-President, International Relations, Pekka.Karkovirta@finnvera.fi

Major facilities
- ✓ Export credit insurance:
  - Cover for credit and pre-credit risks against commercial and political risks
  - Short-term credit insurance
  - Medium and long term insurance for supplier and buyer credit transactions including project finance
- ✓ Investment insurance: Cover provided against political risks
- ✓ Bonds and guarantees: Counter security for banks on behalf of exporter (fair calling of the bond) and risk insurance for exporter (unfair calling of the bond or calling of the bond due to political reasons)
- ✓ Interest rate equalisation and financing of export credits via Finnish Export Credit Ltd (FEC)

NORWAY

GIEK
Garantiinstituttet for eksportkreditt

GIEK promotes exports of Norwegian goods and services, and Norwegian investments abroad. GIEK issues guarantees and insurances on behalf of the Norwegian government.

General information
GIEK
Mailing
PO Box 1763 Vika, 0122 Oslo

Visiting
Dronning Mauds gate 15
Oslo, 0122
Norway
+47 22 87 62 00
www.giek.no
giek@giek.no
bu-giek@giek.no

History
Founded: 1929
Ownership: GIEK is an independent governmental enterprise.

Senior management
Wenche Nistad, CEO, wni@giek.no

Øyvind Ajer, Director Underwriting, Deputy CEO, oaj@giek.no

Johna E. Mowinckel, Director, Market Analysis and International Relations, jem@giek.no,

Ulla Wangestad, Legal Director, uwa@giek.no

Elizabeth Lee Marinelli, Director, Credit and Risk Management, elm@giek.no

Cay Bakkehaug, CFO, cba@giek.no

Contact person(s)
giek@giek.no
+47 22876200

Major facilities
- ✓ Cover for credit and pre-credit risks
- ✓ Investment insurance
- ✓ Counter guarantees for bonds
- ✓ Working capital scheme for ships and devices at sea
- ✓ Short-term credit insurance is carried out by our subsidiary:
  GIEK Kredittforsikring AS
  tel: +47 46 87 20 00
  visiting Rådhusgata 25
  0158 Oslo Norway
  fax: +47 22 83 73 58
  post@giekkreditt.no
  www.giekkreditt.no

BERMUDA

HISCOX
Hiscox

Hiscox, headquartered in Bermuda is a specialist insurer, underwriting a particular range of personal and commercial risks. Our focus gives us two significant and distinctive advantages. First, we can often insure risks other companies find too complex or unusual to cover; second, we can tailor policies very closely to the individual customer's requirements. This combination of selectivity and exceptional expertise has, over the course of a century, driven us from a single underwriter based at Lloyd's into a FTSE 250 company with offices in 11 countries and customers around the world.

General information
HISCOX
1 Great St Helens
London, EC3A 6HX
United Kingdom
+44 (0)20 7448 6617
www.hiscox.com

History
Founded: 1901
Ownership: Public Limited Company

Senior management
Robert Childs, Chairman

Bronek Masojada, Chief Executive

Stuart Bridges, Group Finance Director

Richard Watson, Chief Underwriting Officer

Russell Merrett, Managing Director, Active Underwriter Syndicate 33

Contact person(s)
Victoria Padfield, Political Risk Underwriter,
victoria.padfield@hiscox.com

Major facilities
We offer insurance protection for trade finance, commodity finance, export finance and other structured credit transactions. Cover can be tailor made to add pre-shipment perils and the unfair calling of on demand bonds. We also cover investment insurance and political violence including war and terrorism.

HONG KONG

HKEC

Hong Kong Export Credit Insurance Corporation

The Hong Kong Export Credit Insurance Corporation (HKEC) was created by statute in 1966 to protect Hong Kong exporters against non-payment risks arising from commercial and political events. Its contingent liability under contracts of insurance is guaranteed by the Government of the Hong Kong Special Administrative Region, with the statutory maximum liability currently standing at HK$40bn.

HKEC provides a wide range of insurance facilities covering export of goods and services on credit periods up to 180 days. HKEC also provides tailor-made facilities to cater for the varying needs of different export sectors. For export of capital goods, HKEC may offer medium and long-term cover for credit periods up to five years or beyond.

General information
HKEC
2/F, Tower 1, South Seas Centre
75 Mody Road, Tsimshatsui East
Kowloon
Hong Kong
+852 2723 3883
www.hkecic.com
bu@hkecic.com

History
Founded: 1966
Ownership: A statutory corporation under the Government of the Hong Kong Special Administrative Region

Senior management
Ralph Lai, Commissioner, ralph.lai@hkecic.com

Cynthia Chin, General Manager

Walter Tse, Deputy General Manager

Amy Wai, Deputy General Manager

Iyria Fan, Deputy General Manager

Contact person(s)
Amy Wai, Deputy General Manager

Major facilities
- ✓ Export credit insurance (supplier credit)
- ✓ Short-term (up to one year) / Medium and long-term (over one year) cover: commercial and political risks; pre-shipment and post-shipment cover.

MULTILATERAL

ICIEC ✦

The Islamic Corporation for the Insurance of Investment and Export Credit

ICIEC, Aa3 rated is a member of the IDB Group. Established in August 1994 as an international institution with full juridical personality, ICIEC's objective is to increase the scope of trade transactions from OIC member countries, and to facilitate foreign direct investment into these countries by providing export credit and investment insurance/ reinsurance facilities to its customers in member countries.

General information
ICIEC
PO Box 15722
Jeddah, 21454
Saudi Arabia
+966 2 644 5666
www.iciec.com
iciec@isdb.org

History
Founded: 1994
Ownership: The authorised capital of ICIEC is US$620mn, subscribed by the Islamic Development Bank (IDB) and 40 member countries of the Organisation of the Islamic Conference (OIC).

Senior management
Dr Ahmed Mohamed Ali, Chairman of the Board

Dr Abdel-Rahman El -Tayeb Taha, Chief Executive Officer

Khemais El-Gazzah, Chief Operating Officer , gazzah@isdb.org

Muhammad Azam Arif, Director, Accounts and Finance

Adil A. Babiker, Director Legal Affairs

Contact person(s)
Eng. Yasser Alaki, Acting Director, Business Development Dept., yalaki@isdb.org

Mourad Mizouri, Acting Head of Customer Relations Division, mmizouri@isdb.org

Jamel Eddine Naga, Head of Promotion & International Relations Unit, jnaga@isdb.org

Major facilities
ICIEC provides the following facilities in accordance with the principles of shariah:
- ✓ Export credit insurance: ICIEC offers services to exporters and banks in ICIEC member countries for both short-term and medium-term (up to seven years) covering commercial and political risks.
- ✓ Foreign investment insurance: ICIEC offers cover to investors and financiers of the projects from anywhere in the world to invest into ICIEC member countries.
- ✓ Reinsurance services: ICIEC offers reinsurance services to ECAs and commercial insurance companies in ICIEC member countries and can also participate with international ECAs.

✦ *Member of The Prague Club*

KOREA

KSURE
Korea Trade Insurance Corporation

Korea Trade Insurance Corporation (K-sure) was established in July 1992 as the official export credit agency of Korea pursuant to the Export Insurance Act of 1968 with the mission to support exports, thereby contribute to the national economy. Under the supervisory authority of the Ministry of Knowledge Economy, K-sure protects Korean business in their export and overseas investment activities through its export credit insurance, overseas investment insurance, credit guarantees and various other programmes and services.

General information
KSURE
14, Jongno, Jongno-gu
Seoul, 110-729
Korea
+82 2 399 6800/6801
www.ksure.or.kr

History
Founded: 1992
Ownership: 100% state-owned

Senior management
Kim Young-hak, Chairman & President

Son Tae-ho, Auditor

Kwon Moon-hong, Vice President

Contact person(s)
Baek Seung-taek, Head of International Relations
bst0321@ksure.or.kr

Park Sung-hyun, Manager, parksunghyun@ksure.or.kr

Major facilities
- ✓ Export credit insurance: Short-term (up to two-years) cover, Medium and long-term (over two years)
- ✓ Working capital guarantee
- ✓ Investment insurance: Cover offered: transfer; war expropriation breach of contract.
- ✓ Bonds and guarantees: Bid Bond; AP Bond; P Bond etc.

POLAND

KUKE ✦
Export Credit Insurance Joint Stock Company

Export Credit Insurance Corporation Joint Stock Company (KUKE S.A.) is the official export credit agency of the Republic of Poland, which, on the basis of the Act on export insurance guaranteed by the State Treasury, administers officially supported export insurance scheme. KUKE S.A.'s mission is to support exporters and institutions financing supplies of Polish goods and services, by providing insurance and guarantees that allow Polish exporters to win foreign markets and to provide efficient and tailor-made service for them. KUKE S.A. also provides standard cover for short-term export and domestic receivables on the company's own account.

General information
KUKE
39 Sienna Street
Warsaw, 00-121
Poland
+48 22 35 68 300
www.kuke.com.pl
inform@kuke.com.pl

History
Founded: 1991
Ownership: The State Treasury represented by the Minister of Finance – 87.85%, State Economy Bank – 12.15%

Senior management
Dariusz Poniewierka, President, dariusz.poniewierka@kuke.com.pl

Jan Czerepok, Vice-President

Aleksandra Hanzel, Vice-President

Contact person(s)
Agnieszka Zoltowska, Chief Expert, inform@kuke.com.pl

Major facilities
- ✓ Export credit insurance
- ✓ Short-term cover: marketable and non-marketable risk
- ✓ Medium and long-term cover: supplier credit and buyer credit facilities
- ✓ Investment insurance
- ✓ Bonds and guarantees
- ✓ Domestic credit insurance

DIRECTORY

MALAYSIA

MEXIM

Export-Import Bank of Malaysia Berhad

Eximbank of Malaysia provides insurance, guarantee and financing facilities to Malaysian exporters and investors as well as foreign buyers of Malaysian products and services. Eximbank of Malaysia has various financing programmes providing short- to long-term credit to help promote Malaysian exports.

General information
MEXIM
Export-Import Bank of Malaysia Berhad Aras 1, Exim Bank Jalan Sultan Ismail P.O.Box 13028
Kuala Lumpur, 50250
Malaysia
+603 26012000
www.exim.com.my
bumexim@exim.com.my

History
Founded: 1977 (MECIB)
Ownership: 100% owned by the Ministry of Finance

Senior management

Datuk Mohd Hashim b Hassan, Chairman, hashim@exim.com.my

Dato' Adissadikin Ali, MD/CEO, adissadikin@exim.com.my

Mr Wan Zalizan Wan Jusof, Chief Operating Officer, zalizan@exim.com.my

Ms Norzilah Mohammed, Chief Risk Officer, norzilah@exim.com.my

Mr Chairil Mohd Tamil, Chief Business Officer, chairil@exim.com.my

Mr Aminuddin Bashah, Chief Credit Officer aminuddin@exim.com.my

Ms Norlela Sulaiman, Chief Financial Officer, norlela@exim.com.my

Contact person(s)

Mr Hairul Nizam, Vice President, hairul@exim.com.my

Ms Zabedah Giw, Assist Vice President, zabedah@exim.com.my

Ms Lee Kim Tuan, Senior Manager, leekimtuan@exim.com.my

Major facilities
- ✓ Export credit insurance:
  - Short-term (up to one-year) cover: Commercial and political risks; pre-shipment cover; credit and domestic cover.
  - Medium/long-term (over one year): Supplier and buyer credit facilities; line of credit.
- ✓ Project finance: Special project finance facility.
- ✓ Investment insurance: Cover: conversion/transfer cover; war and civil disturbance; expropriation/confiscation; breach of contract by host government.
- ✓ Bonds and guarantees: Cover: conversion/transfer cover; war and civil disturbance; expropriation/confiscation; breach of contract by host government.

MULTILATERAL

MIGA

Multilateral Investment Guarantee Agency

MIGA, a member of the World Bank Group, was established to promote foreign direct investment into emerging economies to improve people's lives and reduce poverty. MIGA encourages investment by providing investors and lenders protection against non-commercial risks through its political risk insurance.

MIGA has issued over US$27bn in guarantee coverage in more than 100 developing member countries. MIGA can cover equity investments, shareholder loans, shareholder loan guaranties, and non-shareholder loans. Investment projects must be financially and economically viable and meet MIGA's social and environmental performance standards.

General information
MIGA
World Bank Group, 1818 H Street
Washington D.C., 20433
United States
+1 202 458 2538
www.miga.org
migainquiry@worldbank.org

History
Founded: 1988
Ownership: MIGA is owned by 179 member countries.

Senior management

Izumi Kobayashi, Executive Vice President

Michel Wormser, Vice-President and Chief Operating Officer

Ana-Mita Betancourt, Director and General Counsel, Legal Affairs and Claims

Kevin Lu, Regional Director, Asia Pacific

Edith Quintrell, Director of Operations, equintrell@worldbank.org

Lakshmi Shyam-Sunder, Director of Finance and Risk Management

Ravi Vish, Director and Chief Economist, Economics and Policy

Marcus Williams, Chief, Strategy, Communications & Partnerships

Contact person(s)
Marc Roex, Head Reinsurance, mroex@worldbank.org

Major facilities
Through its investment guarantees, MIGA offers protection for cross-border investments against the following non-commercial risks:
- ✓ transfer restriction; expropriation;
- ✓ war and civil disturbance; breach of contract; and
- ✓ non-honoring of sovereign financial obligations.

JAPAN

NEXI
Nippon Export and Investment Insurance

Nippon Export and Investment Insurance (NEXI) is an incorporated administrative agency formed on April 1, 2001 under the Trade and Investment Insurance Act.

NEXI was launched as a successor to the trade and investment insurance administered by the Japanese government, although as the authority the government (Ministry of Economy, Trade and Industry) retains ultimate responsibility.

NEXI commits itself to contributing to the economy and society of Japan through efficient and effective insurance business operations. NEXI does this by responding precisely to customers' needs with a quick perception of market changes and by underwriting the risks inherent in international transactions that cannot be adequately protected by conventional insurance.

General information
Nippon Export Investment Insurance (NEXI)
Chiyoda First Building, East Wing 3rd Floor
3-8-1, Nishi- Kanda
Chiyoda-ku
Tokyo, 101-8359
Japan
+813 3512 7665
www.nexi.go.jp
bu-nexi@nexi.go.jp

History
Founded: 2001
Ownership: 100% state-owned

Senior management
Kazuhiko Bando, Chairman and CEO, bu-nexi@nexi.go.jp

Keiji Wada, Vice Chairman, bu-nexi@nexi.go.jp

Fuminori Inagaki, Vice Chairman, bu-nexi@nexi.go.jp

Contact person(s)
Manami Hori, Assistant Director, Strategic Planning Group
bu-nexi@nexi.go.jp

Major facilities
- ✓ Export credit insurance: Insurance for export, intermediary trade, and technical cooperation, Insurance for export of licences, Insurance for loans (buyer's credit)
- ✓ Insurance for project finance: Special project financing facilities.
- ✓ Investment insurance and untied loan insurance: Cover offered: conversion/transfer cover; war and civil war cover; expropriation/confiscation cover; force majeure events cover; breach of contract cover.
- ✓ Bonds and guarantees: Cover against unfair calling.

LUXEMBOURG

ODL
Luxembourg Export Credit Agency

The ODL, Luxembourg's one-stop shop for exporters, is designed to support Luxembourg exporters while trading internationally, mainly by providing credit insurance schemes for exports, imports and investments abroad.

Since the co-operation agreement of April 29, 2002 between the ODL and the Luxembourg Government, establishing the COPEL (Comité pour la promotion des exportations luxembourgeoises), the ODL supports Luxembourg exports by means of a partial contribution in the promotion, exhibition and export training expenses.

Furthermore, the ODL performs its assignment of supporting Luxembourg exports in participating in external trade instruments such as « Luxembourg for Business ».

General information
ODL
Mailing Address:
7, rue Alcide de Gasperi
7L-2981
Luxembourg

Visiting Address:
7, rue Alcide de Gasperi
L-1615
Luxembourg
+35 2 42 39 39 320
www.odl.lu
odl@odl.lu

History
Founded: 1961
Ownership: The ODL is an autonomous public institution

Senior management
Etienne Reuter, President
etienne.reuter@fi.etat.lu, +35 224782605

Contact person(s)
Simone Joachim, Secretary General
odl@odl.lu, +35 2423939342

Major facilities
- ✓ Export credit insurance (short, medium and long-term)
- ✓ Foreign investment insurance

Other activities:
- ✓ Promotion of Luxembourg exports by financial supports through the COPEL (Committee for the promotion of Luxembourg exports) on behalf of the Ministry for Foreign Trade.

AUSTRIA

OeKB

Oesterreichische Kontrollbank Aktiengesesllschaft

OeKB is a joint stock company providing export-related services and carrying out capital market activities. In the field of export credit and investment insurance, OeKB operates on the government's account as agent of the Republic of Austria, covering non-marketable risks only.

The refinancing facilities offered to financial institutions are operated on OeKB's own account. ST credit insurance (up to 24 months) is carried out by the private credit insurers OeKB Versicherung AG and PRISMA Versicherungs-AG (both 51% subsidiaries of OeKB). OeKB also holds a majority stake in Österreichischer Exportfonds GmbH and 100% of Oesterreichische Entwicklungsbank AG (OeEB) which acts as the official development bank of Austria, mandated by the Austrian Government.

General information
OeKB
Am Hof 4
Vienna, A-1011
Austria
+43 1 531 27 0
www.oekb.at
bu@oekb.at

History
Founded: 1946
Ownership: Commercial banks

Senior management
Rudolf Scholten
Member of the Board of Executive Directors
rudolf.scholten@oekb.at

Angelika Sommer-Hemetsberger
Member of the Board of Executive Directors
angelika.sommer-hemetsberger@oekb.at

Sylvia Doritsch-Isepp, Director, Head of International Relations and Services Department
sylvia.doritsch-isepp@oekb.at

Ferdinand Schipfer, Director, Head of Project Underwriting Department
Ferdinand.Schipfer@oekb.at

Contact person(s)
Sylvia Doritsch-Isepp, Director, Head of International Relations and Services Department
sylvia.doritsch-isepp@oekb.at

Major facilities
- ✓ Export credit insurance for capital goods: Multiple or single transactions; supplier and buyer credits; commercial and political risks; pre-shipment and credit risks.
- ✓ Project finance: Special project finance facility.
- ✓ Investment insurance: Cover offered against risk of expropriation/confiscation; war and civil war as well as non-conversion/non-transfer.
- ✓ Bonds and guarantees: Cover against unfair calling.

USA

OPIC

Overseas Private Investment Corporation

OPIC accomplishes its mission by assisting US investors through four principal activities designed to promote overseas investment and reduce the associated risks: insuring investments against a broad range of political risks; financing business through loans and loan guarantees; financing private investment funds; and advocating the interests of the American business community.

General information
Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, NW
Washington, DC 20527-0001
United States
+1 202 336 8400
www.opic.gov

History
Founded: 1971
Ownership: 100% state-owned. The Corporation is governed by a 15-member Board of Directors, of whom eight are appointed from the private sector and seven from the Federal government.

Senior management
Elizabeth L. Littlefield, President & CEO
Elizabeth.Littlefield@opic.gov, +1 202-336-8400

John E. Morton, Chief of Staff
John.Morton@opic.gov, +1 202-336-8400

Paula Tufro, Deputy Chief of Staff
Paula.Tufro@opic.gov, +1 202-336-8400

Barbara K. Day, Acting Vice President & General Counsel
barbara.day@opic.gov, +1 202-336-8400

Allan Villabroza, Vice President and Chief Financial Officer
Allan.Villabroza@opic.gov, +1 202-336-8400

James C. Polan, Vice President, SME Finance
James.Polan@opic.gov, +1 202-336-8400

William R. Pearce, Acting Vice President, Investment Funds
William.Pearce@opic.gov, +1 202-336-8400

John F. Moran, Vice President, Insurance
John.Moran@opic.gov, +1 202-336-8400

Margaret L. Kuhlow, Vice President, Investment Policy
Margaret.Kuhlow@opic.gov, +1 202-336-8400

Judith D. Pryor, Vice President, External Affairs
Judith.Pryor@opic.gov, +1 202-336-8400

Contact person(s)
Diane Ferrier, BUAdmin
Diane.Ferrier@opic.gov, +1 202-336-8596

John F. Moran, Vice President, Insurance
John.Moran@opic.gov, +1 202-336-8674

Steven L. Johnston, Managing Director, Political & Sovereign Risk
Steven.Johnston@opic.gov, +1 202-336-8778

Cindy Shepard, Assistant General Counsel, Insurance
Cindy.Shepard@opic.gov, +1 202-336-8435

JoAnn Young, Office Manager
JoAnn.Young@opic.gov, +1 202-336-8577

Major facilities
- ✓ Insurance: Cover offered: inconvertibility, political violence (war, revolution, insurrection, civil strife, terrorism and sabotage), including business income loss; expropriation/confiscation cover (including non-payment of arbitral award), denial of justice, breach of contract and non-honoring of a sovereign guaranty.
- ✓ Bonds and guarantees: Cover against unfair calling and disputes

GERMANY

PwC
PricewaterhouseCoopers AG

Since 1959, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, together with Euler Hermes Aktiengesellschaft, has been entrusted by the German Federal Ministry for Economic Affairs and Energy with administering the federal government's Overseas Investment Insurance Scheme. For this purpose the two companies entered into a consortium under the lead management of PwC. PwC is one of the leading auditing and consultancy companies in Germany and an independent member of the international PwC network.

General information
Pricewaterhouse Coopers AG (PwC)
New-York-Ring 13
Hamburg, 22297
Germany
+49 40 8834 9451
www.agaportal.de
kapitalanlagen@de.pwc.com

History
Founded: 1922
Ownership: Senior Management (Partners), 100%

Senior management
Prof. Dr. Norbert Winkeljohann, Chairman

Dr. Andreas Klasen, Partner

Contact person(s)
Dr. Andreas Klasen, Partner
andreas.klasen@de.pwc.com
+49 40 8834-9500

Nicole Haubold, Senior Consultant
nicole.haubold@de.pwc.com
+49 40 8834-9462

Major facilities
- ✓ Investment insurance: conversion/transfer cover, war/civil war cover, expropriation/confiscation cover and breach of host country commitments

ITALY

SACE
Sace

Founded in 1977, SACE holds more than 30 years of experience in the field of export credits. In 2004, it was converted into a private joint-stock company, wholly-owned by the Italian Ministry of Economy and Finance (MEF). In 2012, CDP became SACE's sole shareholder.

SACE's main mission is to promote Italian exports and investments, as well as to contribute to the internationalisation of the Italian economy and projects of strategic importance for the country. Today, SACE offers a complete range of insurance and financial products in over 180 countries. It is part of an insurance and financial group active in export credit, credit insurance, investment protection, financial guarantees, sureties and factoring.

General information
SACE
Piazza Poli 37/42
Rome, 00187
Italy
+39 06 67 361
www.sace.it
info@sace.it

History
Founded: 1977
Ownership: Cassa Depositi e Prestiti (CDP)

Senior management
Alessandro Castellano, Chief Executive Officer

Raoul Ascari, Chief Operating Officer

Roberto Taricco, Chief Financial Officer

Contact person(s)
Michal Ron, Head of International Relations and Network

Major facilities
- ✓ Export credit insurance: Pre-shipment and credit cover for political and commercial risks to protect companies against the risk of non-payment of foreign counterparties.
- ✓ Project finance: Structured and project finance facilities. Political risk insurance and investment protection: Cover against losses due to political risk for overseas investments of Italian investors as well as their overseas' subsidiaries.
- ✓ Surety: Surety cover as a counter guarantee to issuing banks (e.g. bid bonds, performance bonds and advance payment bonds etc.) or through direct issuance.
- ✓ Financial guarantee: Financial guarantee products support the internationalisation of Italian companies and banks (e.g. direct investment abroad, M&A, working capital, cross-border "bank to bank" financing and SMEs portfolio) as well as transactions of strategic relevance to the Italian economy.

BRAZIL

SBCE

Brazilian Export Credit Insurance Agency

SBCE offers a modern instrument aimed at supporting Brazil in the international market. We provide constant analysis of importers, worldwide collection, indemnification and loan guarantees. In MLT transactions, the policies are characterised by maturities that exceed two years and, in general, are related to projects involving capital goods, services and other specific contracts. Brazilian Federal resources cover these transactions, through the FGE – Fundo de Garantia à Exportação (Export Guarantee Fund). SBCE acts on behalf of the state, responding for all the technical analysis and management of policies.

General information
SBCE
Av. Rio Branco, nº1, 9º B
Rio de Janeiro, CEP: 20090-003
Brazil
+55 21 2510 5000
www.sbce.com.br
bu@sbce.com.br

History
Founded: 1997
Ownership: Coface, Banco do Brasil, BNDES.

Senior management
Vitor Sawczuk, Head of Business Underwriting
vitor@sbce.com.br

Rodrigo Albanesi, Head of Risk Management and Pricing,
ralbanesi@sbce.com.br

Jeanine Sá, Head of Legal Department
jsa@sbce.com.br

Contact person(s)
Pedro Carriço, International Relations
pcarrico@sbce.com.br

Major facilities
✓ Export credit insurance:
- MLT cover: commercial and political risks
- Percentage of cover for commercial risks: up to 95%. In the case of commercial risk transactions which hold a bank guarantee issued by acceptable financial institution, the percentage of cover may rise to up to 100%. Percentage of cover for political risks: up to 100%.
- Supplier and buyer credit cover
- Structured and project finance

SWITZERLAND

SERV

Swiss Export Risk Insurance

SERV extends insurance coverage to Switzerland's exporters from all industries and to financial institutions. In addition to consumer and capital goods exports, it also insures various services, such as construction and engineering projects and licence and know-how agreements. As an institution of the Swiss Confederation under public law, SERV's activities focus exclusively on areas of the credit insurance market that are not served by private insurers or only to a limited degree. SERV's main objective is to create and preserve Swiss jobs and to help Switzerland's export industry to compete successfully around the world.

General information
SERV
Zeltweg 63
Zurich, 8032
Switzerland
+41 58 551 5555
www.serv-ch.com
info@serv-ch.com

History
Founded: 2007
Ownership: Institution of the Swiss Confederation under public law

Senior management
Herbert Wight, Director, herbert.wight@serv-ch.com

Claudio Franzetti, Head of Finance & Risk Management / Deputy Director, claudio.franzetti@serv-ch.com

Contact person(s)
Christoph Bossart, Head of International Relations & Projects, christoph.bossart@serv-ch.com, +41 58 551 5547

Verena Uztinger, Senior Relationship Manager, verena.utzinger@serv-ch.com, +41 58 551 5515

Major facilities
✓ Export credit insurance – supplier or buyer credit cover
✓ Letter of credit confirmation insurance
✓ Pre-shipment risk insurance
✓ Working capital insurance
✓ Contract bond insurance and counter-guarantee
✓ Refinancing guarantee
✓ Project finance cover

SLOVENIA

SID ✦
SID Inc, Ljubljana

SID Bank is the legal successor of Slovene Export Corporation and operates as an export and development bank and as a national export credit agency (ECA) performing insurance against non-marketable risks. By assisting clients in all phases of business transactions, supporting development projects, ensuring safety in internationalisation of operations and providing all modern financial services in one place, SID Bank encourages Slovene companies to exploit the opportunities of opening up in the international economic environment.

SID Bank subsidiaries are SID – First Credit Insurance Company Inc., Ljubljana, offering short-term credit insurance against marketable risks, Pro Kolekt, a debt collection agency, and Prvi Faktor providing factoring services.

General information
SID
Ulica Josipine Turnograjske 6
Ljubljana, SI-1000
Slovenia
+386 1 200 7500
www.sid.si
info@sid.si

History
Founded: 1992
Ownership: 100% state-owned

Senior management
Sibil Svilan, President of the Management Board & CEO

Jožef Bradeško, Member of the Management Board

Contact person(s)
Vida Zabukovec, Company Secretary
vida.zabukovec@sid.si

Major facilities
- ✓ Export credit insurance: ST/MLT commercial and non-commercial non-marketable risks, pre/post-shipment cover
- ✓ Investment insurance: Conversion/transfer risk, expropriation/confiscation risk, war/civil unrests, breach of contract, denial of justice, catastrophic risk, commercial risk
- ✓ Cover of bonds
- ✓ Financing: Supplier/buyer credits and credit lines; financing exports, SMEs, environmental protection, research, sustainable development projects, etc.

✦ *Member of The Prague Club*

CHINA

SINOSURE
China Export & Credit Insurance Corporation

中国出口信用保险公司
CHINA EXPORT & CREDIT INSURANCE CORPORATION

China Export & Credit Insurance Corporation (SINOSURE) is a state-funded policy-oriented insurance company with independent status of legal person, established for promoting China's foreign trade and economic co-operation. SINOSURE's service network comprises 24 business offices nationwide and an overseas representative office in London, UK.

General information
Sinosure
North Wing
Fortune Times Building
No 11 Fenghuiyuan
Xicheng District,
Beijing, 100033
China
+86 10 6658 2288
www.sinosure.com.cn
bu-sir@sinosure.com.cn

History
Founded: 2001
Ownership: State-owned

Senior management
Wang Yi, Chairman

Luo Xi, President, bu-sir@sinosure.com.cn

Chen Zuofu, Chairman of Board of Supervisors

Liu Yongxin, Vice President

Nie Qingshan, Vice President

Zhang Weidong, Vice President

Zha Weimin, Assistant President

Yin Yanhui, Assistant President

Xie Zhibin, Assistant President

Contact person(s)
Sun Yifeng, Division Manager, Berne Union Division International Department, sunyf@sinosure.com.cn

Zhu Lei, Berne Union Division, International Department
zhulei@sinosure.com.cn

Li Yifan, Berne Union Division, International Department
liyifan@sinosure.com.cn

Wan Haoyun, Berne Union Division, International Department
wanhy@sinosure.com.cn

Major facilities
- ✓ Export credit insurance
- ✓ Investment insurance
- ✓ Domestic trade credit insurance
- ✓ Bond and guarantee
- ✓ Debt collection service
- ✓ Credit rating service

SRI LANKA

SLECIC

Sri Lank Export Credit Insurance Corporation

The Sri Lanka Export Credit Insurance Corporation (SLECIC) was established by Act No 15 of 1978 and commenced operations on February 8, 1979. The main objective of SLECIC is to provide support services of export credit insurance and guarantees for the development of exports from Sri Lanka. SLECIC's comprehensive export credit solutions help exporters to compete in more than 100 countries including high-risk and emerging markets.

General information
SLECIC
Level 4, DHPL Building
Export Guarantee House, No 42
Nawam Mawatha
Colombo 2
Sri Lanka
+94 11 5378161 65 or
+94 11 4883561 64
www.slecic.lk
info@slecic.lk
berneunion@slecic.lk

History
Founded: 1978
Ownership: Government-backed export credit agency

Senior management
Mr Priyantha Mendis Devaradura, Chairman & Managing Director

Contact person(s)
Dilruk Ranasinghe, General Manager

Major facilities
- ✓ Export credit insurance (seller's risk): Short-term (up to 180 days) cover against commercial and political risks. Whole turnover and specific insurance policies. Tailor-made insurance policies where cover available for export of services, entrepot trade and consignment stocks as well.
- ✓ Export credit guarantees: Whole turnover credit guarantees (WTG) that underwrite the entire short-term export finance portfolios of commercial banks. Individual export production credit guarantees and pre and post-shipment credit guarantees to enable exporters to obtain working capital from banks. Credit guarantees to banks that enable migrant workers to obtain pre-departure loans from banks (APARA).
- ✓ Export performance guarantees: Counter-guarantees to banks on account of exporters covering bid bonds, performance bonds etc. Demand guarantees to the International Chamber of Commerce of Sri Lanka (ICC) covering the ATA Carnet System. Demand counter-guarantees to banks on account of freight forwarders covering their commitments to airlines.
- ✓ Other services: Providing financial status reports to commercial banks (Bizinfo).Debt collection service.

BERMUDA

SOVEREIGN RISK

Sovereign Risk Insurance Limited

Sovereign Risk Insurance Ltd is one of the world's leading providers of medium/long-term political risk insurance and sovereign credit insurance for commercial banks, investment banks, capital markets and equity investors. Sovereign is also very active in supporting ECAs and multilateral agencies with coinsurance and reinsurance.

General information
Sovereign Risk Insurance Ltd
17 Woodbourne Avenue
Hamilton, HM 08
Bermuda
+1 441 296-4279
www.sovereignbermuda.com
svninfo@ace.bm

History
Founded: 1997
Ownership: ACE Bermuda Insurance Ltd (AA- S&P; Aa3 Moody's; AA Fitch), a wholly-owned subsidiary of ACE Limited (AA- S&P; AA Fitch)

Senior management
Price Lowenstein, President & CEO
price.lowenstein@acegroup.com

Christina Westholm-Schroder, Vice-President & Chief Underwriter,
christina.westholm-schroder@acegroup.com

Barker Keith, Vice-President & Corporate Counsel
barker.keith@acegroup.com

Natalie Luthi, Vice-President & Senior Underwriter
natalie.luthi@acegroup.com

Nila Davda, Vice-President & Senior Underwriter
nila.davda@acegroup.com

Sophie Demeyer, Vice-President & Senior Underwriter
sophie.demeyer@acegroup.com

Justin Willmott, Vice-President Underwriter
justin.willmott@acegroup.com

Allison Petty, Asst V.P. & Underwriter
allison.petty@acegroup.com

Contact person(s)
Christina Westholm-Schroder, Chief Underwriter,
christina.westholm-schroder@acegroup.com
+1 441 298-8055

Major facilities
- ✓ Investment Insurance: Currency inconvertibility, non-transfer and expropriation of funds, political violence, expropriatory actions (direct and creeping), breach of contract, wrongful calling of on-demand guarantees, license/concession cancellation, embargo and other customized political risks. Maximum line per project: US$80mn; maximum tenor: 15 years.
- ✓ Sovereign and Sub-Sovereign Non-Payment: Non-payment by sovereign and sub-sovereign borrowers, and non-honoring of sovereign and sub-sovereign guarantees. Maximum line per project: US$80mn; maximum tenor: 15 years.

CHINESE TAIPEI

TEBC

Taipei Export-Import Bank of China

TEBC is the official export credit agency of Chinese Taipei. The bank's mission is to promote economic development and enhance international co-operation. TEBC's operations are, amongst others, to assist local firms in expanding external trade, and to engage in overseas investments. It does not compete with commercial banks in providing financial services. TEBC offers financial solutions to facilitate the export of capital goods and services, overseas investments, etc. These financial solutions include export credit insurance and overseas investment insurance since 1979. These insurance services are used to protect exporters against commercial and political risks. TEBC has also offered loans or guarantees on short-term, medium and long-term basis.

General information
TEBC
Head Office, 8th Floor
No 3, Nanhai Road
Chinese Taipei
China
+886 2 2321 0511
www.eximbank.com.tw
tebc@eximbank.com.tw

History
Founded: 1979
Ownership: 100% government-owned

Senior management
Yen Chrystal Shih, Chair of the Board of Directors

Robert RF Chu, President

Shui-Yung Lin, Executive Vice-President

Jack Huang, Executive Vice-President

Johnson C.C. Liao, SVP and General Manager
Export Credit Insurance Department

Contact person(s)
Tzuu-Wang Hu, VP and Deputy General Manager
Export Credit Insurance Department

Major facilities
✓ Export credit insurance: Short-term (up to one-year)/medium and long-term cover: Commercial and political risks.
✓ Investment insurance: Conversion/transfer cover; war and civil war cover; expropriation/confiscation cover.
✓ Export finance: As direct lender; short-term, medium and long-term export finance.
✓ Guarantees: Bid bonds; performance bonds; bonds/guarantees issued.

THAILAND

THAI EXIMBANK ✦

Export-Import Bank of Thailand

Export-Import Bank of Thailand (THAI EXIMBANK) is a financial institution wholly-owned by the Royal Thai Government under the supervision of the Ministry of Finance. The bank's main objective is to serve the financial needs of Thai exporters, Thai investments overseas, and other businesses earning or saving foreign exchange. THAI EXIMBANK provides financial services customary to commercial bank practices, except for accepting deposits from the general public.

General information
THAI EXIMBANK
1193 Exim Building, Phaholyothin Rd
Phayathai
Bangkok, 10400
Thailand
+662 271 3700, +662 278 0047, +662 617 2111
www.exim.go.th
bun@exim.go.th

History
Founded: 1993
Ownership: Royal Thai Government 100%

Senior management
Kanit Sukonthaman, President

Contact person(s)
Jarupat Panitying, First Vice-President, Export Credit Insurance Department, jarupatp@exim.go.th

Worawara Bunnag, Vice-President, Export Credit Insurance Department

Chattip Virasa, Assistant Vice-President, Export Credit Insurance Department

Major facilities
✓ Financial services similar to those offered by commercial banks:
  - Revolving credits for exports
  - Negotiation of export bills
  - Term loan for business expansion
✓ Other specialised financial facilities to support Thai exporters or investors investing abroad:
  - Export credit insurance
  - Short-term (less than 180 days)
  - Medium and long-term (up to five years)
  - Investment insurance
  - Merchant marine financing

✦ *Member of The Prague Club*

TURKEY

TURK EXIM

Export Credit Bank of Turkey

Turk Eximbank was founded in 1987 by the restructuring of the State Investment Bank (SIB). Today, Turk Eximbank is the only official export credit agency of Turkey, leading the country's export drive. The Board members and the CEO are appointed by the government. The political risk losses that Turk Eximbank may incur under its credit, guarantee and insurance programmes are compensated by the government.

Commercial risks are covered for Turk Eximbank's own account and both commercial and political risks are partially reinsured concerning short-term credit insurance business.

General information
TURK EXIMBANK
Saray Mah. Üntel Sok. No:19
Ümraniye / İSTANBUL, 34768
Turkey
+90 (216) 666 55 00
www.eximbank.gov.tr

History
Founded: 1987
Ownership: 100% owned by the Treasury of the Republic of Turkey

Senior management
Hayrettin Kaplan, General Manager
hkaplan@eximbank.gov.tr

Contact person(s)
Enis Gültekin, Deputy General Manager
egultekin@eximbank.gov.tr

Major facilities
- ✓ Export Credit Insurance: Short-term (up to one year) cover: commercial and political risks; pre and post shipment cover.
- ✓ Medium and long-term (over one year) cover: commercial and political risks; pre and post shipment cover.
- ✓ Domestic Credit Insurance: Short-term (up to one year): commercial risks, post shipment cover.
- ✓ Project Loans: Project loans extended to various countries for capital goods exports and turn-key contracts of Turkish companies. Domestic Investment Loans for export-oriented projects
- ✓ Export Finance: As direct lender; pre-shipment finance; working capital facility, various special-purpose facilities and foreign exchange earning services.
- ✓ Bonds and Guarantees: Bonds/guarantees issued. Unfair calling of bond insurance cover is available.

UNITED KINGDOM

UKEF

UK Export Finance

UK Export Finance is the UK's export credit agency. As a government department (formally named the Export Credits Guarantee Department) that operates under an act of parliament, it complements the private market by providing government assistance to exporters and investors, principally in the form of insurance policies and guarantees on bank loans.

General information
UK Export Finance
1 Horse Guards Road
London, SW1A 2HQ
United Kingdom
+44 20 7512 7000
www.gov.uk/government/organisations/uk-export-finance
cxo@ukef.gsi.gov.uk

History
Founded: 1919
Ownership: UK government

Senior management
David Godfrey, Chief Executive
david.godfrey@ukef.gsi.gov.uk

Contact person(s)
Simon Foister, Senior International Policy Advisor, simon.foister@ukef.gsi.gov.uk

Frank Gough, International and Strategy Manager, frank.gough@ukef.gsi.gov.uk

Major facilities
- ✓ Buyer credit facility
- ✓ Supplier credit financing facility
- ✓ Lines of credit
- ✓ Project financing
- ✓ Export insurance policy
- ✓ Bond insurance policy
- ✓ Overseas investment insurance
- ✓ Letter of credit guarantee scheme
- ✓ Bond support scheme
- ✓ Export working capital scheme
- ✓ Foreign exchange credit support scheme.

USA

US EXIMBANK

Export-Import Bank of the United States

The official ECA of the United States supports US jobs by financing the export of US goods and services. The bank does not compete with the private sector but assumes commercial and political risks that the private sector is unable or unwilling to accept. US Ex-Im Bank also helps to level the playing field for US exporters by providing export credits that are comparable to financing offered by foreign governments. Historically, 80% or more of US Ex-Im Bank's authorisations have been for small businesses.

General information
Export-Import Bank of the United States
811 Vermont Avenue, NW
Washington, 20571
United States
+1 202 565 3946 / 800-565-3946
www.exim.gov
info@exim.gov

History
Founded: 1934
Ownership: 100% federal government-owned independent agency

Senior management
Fred Hochberg, President and Chairman

Contact person(s)
Jim Cruse, Senior Vice President, Policy and Planning,
berneunion@exim.gov

Major facilities
- ✓ Export credit insurance: Policies protect against political and commercial risks of nonpayment. Single and multi-buyer short-term policies (90-100% cover) and single-buyer medium-term policies are available (100% cover).
- ✓ Export finance: Provides fixed-rate loans to private and public sector creditworthy international buyers of US goods and services.
- ✓ Export loan guarantees: Provides medium and long-term loan guarantees that cover 100% of principal and interest of a commercial loan against political and commercial risks of non-payment.
- ✓ Export working capital loan guarantees: Provides exporters with the liquidity to produce US goods and services intended for export, helping them compete more effectively internationally.
- ✓ Project finance: Offers project finance for projects that rely on project revenues for repayment. Project finance offers maximum flexibility for project sponsors and helps US exporters compete globally.

USA

ZURICH

Zurich Surety, Credit & Political Risk

Zurich Credit & Political Risk is a global political risk and credit insurance business based in Washington DC, with offices in New York, Miami, London, Singapore, Beijing, Hong Kong, Tokyo, Sydney, Paris, Barcelona, Frankfurt, and Zurich. Zurich collaborates with a wide range of organisations, including export credit agencies, international banks and private insurers, to structure deals in all business sectors. To date, Zurich has written policies covering risks in more than 150 countries.

General information
Zurich
1201 F Street, NW
Washington, DC 20004
United States
+1 202 628 2216
www.zurichna.com/politicalrisk

History
Founded: 1997
Ownership: Zurich Financial Services Group

Senior management
Daniel Riordan, CEO Zurich Global Corporate in North America, daniel.riordan@zurich.com, 212 553 3313

James Thomas, Senior Vice President & Acting Managing Director, james.thomas@zurich.com, 202 585 3123

Nuria Gorog, Senior Vice President & Regional Manager Continental Europe
nuria.gorog@zurich.com, 33 1 43 1874 33

Contact person(s)
James Thomas, Senior Vice President & Acting Managing Director, james.thomas@zurich.com, 202 585 3123

Ed Moeller, Vice President
ed.moeller@zurich.com, 202 585 3125

Daniel Riordan, CEO Zurich Global Corporate in North America, daniel.riordan@zurich.com, 212 553 3313

Major facilities
- ✓ Political Risk Insurance: Coverage against: expropriation; political violence; currency inconvertibility; non-honoring of sovereign and sub-sovereign debt obligations; arbitration award default; wrongful calling; non-repossession; and other perils customised to fit transaction requirements. Policy terms up to 15 years; capacity up to US$150mn per transaction; indemnities from 90-100%.
- ✓ Credit Insurance: Cover offered: comprehensive payment default, whether occurring due to political risk events or commercial reasons. Policy terms up to seven years; capacity up to US$75mn per transaction. Zurich's Excess of Loss Credit Insurance product covers payment default related to short-term receivables.

SERBIA

AOFI
Serbian Export Credit and Insurance Agency

AOFI was established by the government of the Republic of Serbia as a joint stock company in 2005. AOFI's main objective is stimulating and promotion of exports, development of economic relations of the Republic of Serbia with foreign business entities and the reduction of risks resulting from the disposal of products and services abroad.

General information
AOFI
30, Nikola Pašic Street
Užice, 31000
Serbia
+381 11 22 05 770
www.aofi.rs
office@aofi.rs

History
Founded: 2005
Ownership: state ownership – 100%

Senior management
Mr Dejan Vukotić
CEO and Chief of Executive Board
dejan.vukotic@aofi.rs

Mr Danilo Ćirković
Executive manager and member of Executive Board
danilo.cirkovic@aofi.rs

Mr Nikola Tegeltija
Executive Manager and member of Executive Board
nikola.tegeltija@aofi.rs

Contact person(s)
Mrs Marija Kulundžić Ivanji
Director of Credit Insurance, marija.ivanji@aofi.rs

Major facilities
✓ Export credit insurance
✓ Loans and guarantees
✓ Factoring

BULGARIA

BAEZ
Bulgarian Export Insurance Agency

BAEZ was established as a joint stock company and now the sole shareholder, with 100% capital share, is the Republic of Bulgaria, represented by the Minister of Economy, energy and Tourism. BAEZ performs activity on its own account and on the account of the state. The mission of BAEZ is to protect Bulgarian exporters from financial losses and to support the realisation of their production on international markets by export insurance mechanisms. BAEZ has also developed schemes that facilitate access of companies to credit and financing.

General information
Bulgarian Export Insurance Agency
55, Alexander Stamboliiski Blvd.
Sofia, 1301
Bulgaria
+359 2 923 69 11/+359 2 923 69 17
www.baez.bg
baez@baez.bg

History
Founded: 1998
Ownership: Full state ownership

Senior management
Bistra Ilkova
Chairman of the Board of Directors

Dotcho Karadotchev
Member of the Board of Directors and Executive Director

Nikolay Mishkalov
Member of the Board of Directors

Contact person(s)
Dotcho Karadotchev
Executive Director
baez@baez.bg

Major facilities
✓ Export credit insurance: Insurance against short-term commercial risk (marketable and non-marketable); insurance against short-term political risk; domestic credit insurance.
✓ Export financing: Pre and post-shipment financing. Investment insurance; insurance of letters of credit; insurance of bank guarantees.
✓ Insurance of credit and financing: Covering the risk of delayed payment on behalf of the debtor or insolvency/over-indebtedness or bankruptcy of the debtor.

BOTSWANA

BECI

Export Credit Insurance & Guarantee Company (Botswana) (Pty) Ltd

BECI has since its inception in 1996, continued to affirm its position in the market by growing its product base from offering only export credit insurance, to later introducing domestic credit insurance, debt collection, construction related guarantees, and engineering insurance to complement the bonds and guarantees. The political risks are reinsured by the Government of Botswana whilst commercial risks are reinsured in the private reinsurance market. BECI continues to explore new business opportunities.

General information
BECI
Private Bag BO 279
Gaborone
Botswana
00 267 3188015
www.beci.co.bw
beci@beci.co.bw

History
Founded: 1996
Ownership: Botswana Development Corporation Limited

Senior management
Pauline Sebina
General Manager

Bonani Dube
Marketing Manager

Rocky Ramalefo
Underwriting Manager

Harold Kuvenga
Finance & Admin Manager

Contact person(s)
Pauline Sebina, General Manager
paulines@beci.co.bw
+267 3188015

Major facilities
✓Export and domestic credit insurance
✓Construction-related guarantees
✓Engineering insurance
✓Debt Collection

MULTILATERAL

DHAMAN

The Arab Investment & Export Credit Guarantee Corporation

Rated AA Stable by Standard & Poor's, DHAMAN is a multilateral credit and political risk insurer owned by 21 Arab countries. It has been playing a significant role in promoting Arab domestic and foreign trade as well as investment flows into Arab countries for 40 years, during which it has built solid relationships with credit insurers, reinsurers and brokers worldwide.

General information
The Arab Investment & Export Credit Guarantee Corp –DHAMAN
PO Box 23568
Safat, 13096
Kuwait
+965 24 959 555
www.dhaman.org

History
Founded: 1974
Ownership: All Arab countries

Senior management
Fahad R. Al Ibrahim
Director General
Fahad@dhaman.org
+965 24 959 501

Contact person(s)
Mohamed Chouari, Director
Operations Department
chouari@dhaman.org
+965 24 959 503

Mohamed Chatti, Head
Business Development
chatti@dhaman.org
+965 24 959 548

Major facilities
- ✓ Investment insurance: DHAMAN protects Arab and non-Arab investors investing in Arab countries against losses arising from political risks: expropriation and nationalisation, currency inconvertibility and transfer restrictions, war and civil disturbances and breach of contract. Both new and existing investments are eligible.
- ✓ Trade credit insurance: Dhaman provides cover against political and commercial risks (bankruptcy and protracted default) for:
  - Arab countries' domestic trade,
  - Arab exports worldwide,
  - Arab countries' imports of capital goods and strategic commodities from non-Arab countries.
- ✓ Financial institutions: Dhaman provides financial institutions with adequate insurance contracts which include:
  - The Documentary Credit Insurance Policy (DCIP) which protects the confirming bank against the default of the issuing bank.
  - The Leasing Insurance Policy (LIP) which protects the Lessor against the default of the Lessee.
  - The Factoring Insurance Policy (FIP) which protects the Factor against the default of the obligors.

OMAN

ECGA O

Export Credit Guarantee Agency of Oman SAOC

Export Credit Guarantee Agency of Oman SAOC (ECGA O) was established in 1991 as the national export credit agency of Oman, with the primary goal of promoting Oman non-oil exports. ECGA O plays an instrumental role by extending its services towards enhancing export activities of Omani non-oil goods and thus contributing to the national economy.

General information
ECGA O
PO 2031
Muscat, PC 111
Oman
+968 24813979
www.ecgaoman.com
info@ecgaoman.com.om

History
Founded: 1991
Ownership: Fully owned by the Goverment of Oman

Senior management
Nasir Al-Ismaily, GM
nasir@ecgaoman.com.om
+968 24346650

Ahmed Al- Abdali
Head of Admin
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+968 24346633

Imaad Al-Harthy
Head of Claims & Recovery
imaad@ecgaoman.com.om
+968 24346622

Contact person(s)
Nasir Al-Ismaily, GM
nasir@ecgaoman.com.om
+968 24346650

Ahmed Al- Abdali
Head of Admin
ahmeda@ecgaoman.com.om
+968 24346633

Major facilities
- ✓ Export credit insurance: Provides short-term cover against commercial and political risks.
- ✓ Domestic credit insurance: Provides short-term cover against commercial risks.
- ✓ Pre-shipment credit guarantee: Issues pre-shipment credit guarantee to enable the exporters to obtain working capital credit facilities from commercial banks.
- ✓ Post-shipment credit facilities: Assists exporters to avail post-shipment credit facilities through commercial banks.
- ✓ Guarantees on confirmation of letter of credit (DCLC)

EGYPT

ECGE E

Export Credit Guarantee Company of Egypt

ECGE is the government export credit agency of Egypt offering its clients global credit solutions including credit insurance, factoring, information reports and debt recovery.

General information
ECGE E
5 El Nast Road
Nasr City
4th Floor
Cairo
Egypt
+202 2263 6740 / 6745 / 6762
www.ecgegypt.net
ecgegypt@ecgegypt.net

History
Founded: 1993
Ownership: Export Development Bank of Egypt 70%, National Investment Bank 21%

Senior management
Ola Gadallah
Chairman and Managing Director
ola_gadallah@ecgegypt.net

Contact person(s)
Alaa Gouda
General Manager
alaa_gouda@ecgegypt.net

Major facilities
- ✓ Export and domestic credit insurance
- ✓ Whole turnover policy
- ✓ Single shipment policy
- ✓ Unconfirmed letters of credit policy
- ✓ Services policy
- ✓ Export, import and domestic factoring
- ✓ Insurance, finance and collection of export and domestic trade receivables on recourse and non-recourse basis

UNITED ARAB EMIRATES

ECIE
Export Credit Insurance Company of the Emirates

The Export Credit Insurance Company of the Emirates (ECIE) is an export credit agency that was established as part of H.H. Sheikh Mohammed Bin Rashid Al Maktoum's vision, in his capacity as Vice-President and Prime Minister of the UAE, and Ruler of Dubai; to help UAE-based companies make use of opportunities to grow their exports safely, and facilitate sustainable economic development and prosperity.

ECIE's trade credit insurance policies cover a UAE-based seller against the risk of non-payment by its customers. ECIE's business activities are governed by the UAE Insurance Authority, and its relations with companies and banks are conducted on a commercial basis. ECIE is a member of the Berne Union Prague Club, the Organisation of the Credit Alliance and the Aman Union – an association of Arab and Islamic trade credit insurers.

General information
ECIE
Clock Tower Square
Business Village, Block A
3th Floor P.O. Box 121616,
Dubai, UAE
+971 44455333
www.ecie.ae
info@ecie.ae

History
Founded: 2008
Ownership: 100% Government of Dubai

Senior management
Eng. Saed Al Awadi, Managing Director & CEO

Ms. Mariam Al Afridi, Director

Contact person(s)
Mr Mohammad Feras Al Hamwi, Sales Manager

Major facilities
- ✓ Conventional and Shariah-compliant export trade credit policies
- ✓ Short-term marketable and non-marketable credit risk cover
- ✓ Medium to long-term credit risk cover
- ✓ Excess of loss cover
- ✓ Foreign investment insurance cover
- ✓ Specific transaction cover in case of locally produced/value-added goods
- ✓ Credit risk cover for banks and financial institutions
- ✓ Debt collections & recoveries, corporate credit quality labels & ratings

GREECE

ECIO
Export Credit Insurance Organisation

ECIO was established in 1988 by Law 1796/1988 and it is an autonomous Public Entity in Private Law. It is governed by a nine-member Board of Directors which is appointed by the supervising Minister of Development, Competitiveness, Infrastructure, Transportation and Networks. Its reserve capital amounts to €140mn.

General information
ECIO
57, Panepistimiou Street
Athens, 105 64
Greece
+30 210 331 0017
www.ecio.gr

History
Founded: 1988
Ownership: 100% State Ownership

Senior management
Mr. Themistoklis Kalpaktsoglou
President
kalpaktsoglou@oaep.gr

Mr. Aggelos Kotsiopoulos
General Manager
kotsiopoulos@oaep.gr

Contact person(s)
Dr. Clearchos Efstratoglou
Special Adviser
efstratoglou@oaep.gr

Mrs. Eleni Bantra
Secretary of the President & Board of Directors

Major facilities
- ✓ Insurance for ST Export Credits against commercial and political risks
- ✓ Insurance for MLT Export Credits against commercial and political risks
- ✓ Investment Insurance for Greek investments undertaken abroad, against political risks

IRAN

EGFI
Export Guarantee Fund of Iran

EGFI, established in 1973, is the Iranian state-owned export credit insurance company affiliated to I.R. of Iran's Ministry of Industry, Mine & Trade whose responsibility is to help export promotion through providing Iranian exporters with:

- Overseas insurance policies to cover the major political & commercial risks involved in their export operations;
- Credit guarantees to help them meet their financial requirements.

General information
Export Guarantee Fund of Iran (EGFI)
No. 5, 16th St.
Bucharest Ave.
Argentina Sq.
Tehran, 1514837114
Iran
+98 21 8873 9267/8854 6989
www.egfi.ir
intl@egfi.org

History
Founded: 1973/1994
Ownership: Wholly state-owned

Senior management
Taher Shah Hamed, Chairman & CEO
intl@egfi.org

Rahim Piri, MOB
intl@egfi.org

Hamid Ashtari, MOB
intl@egfi.org

Esmaeil Dehban, MOB
intl@egfi.org

Contact person(s)
Arash Shahraini, Risk & Int'l Cooperation Director
Shahraini@egfi.org
+982188739267/88546989/88733370

Major facilities
1. Policies:
✓ Whole turnover policy
✓ Technical & engineering services policy
✓ Specific policy
✓ Investment policy
✓ Export contract frustration policy
✓ Discounting of export bills insurance policy
✓ Sight LCs insurance policy

2. Guarantees:
✓ Manufacturer's credit guarantee
✓ Local currency credit guarantee
✓ Foreign exchange credit guarantee
✓ Buyer's credit guarantee
✓ Cover for bank's bonds (domestic)

3. Bonds & cover for bank's bonds

RUSSIA

EXIAR
Export Insurance Agency of Russia

EXIAR is the national export credit agency of Russia. EXIAR's mandate is to support Russian export and investment abroad. EXIAR covers short, medium and long-term risks. The charter capital makes up R30bn (ca. US$1bn). The Board of Directors consists of senior executives of the Russian government and independent directors. The Agency's activities are backed by the Russian Federation in line with the budget legislation.

General information
EXIAR
3, 1st Zachatievsky Lane, Bldg. 1
Moscow, 119034
Russian Federation
+7 495 783 1188
www.exiar.ru
info@exiar.ru
press@exiar.ru

History
Founded: 2011
Ownership: Sole shareholder – Vnesheconombank (VEB)
100% State-owned

Senior management
Petr Fradkov, CEO, Chairman of the Management Board
fradkovoffice@exiar.ru
+7 495 783-11-88

Alexey Tyupanov, Managing Director, Board Member, Head, Business Development
tyupanov@exiar.ru
+7 495 783-97-38

Contact person(s)
Ekaterina Karasina, Managing Director, External communications
karasina@exiar.ru
+7 495 783-11-88

Arthur Lyaschenko, Senior Expert, External Communications
lyaschenko@exiar.ru
+7 495 783-11-88

Major facilities
✓ Export credit insurance
✓ Investment insurance

ROMANIA

EXIM R
Eximbank of Romania

Banca de Export Import a României EximBank S.A. has been established in 1992 as a joint stock company with the Romanian state as major shareholder.

EximBank has been entrusted with the public mandate to support Romanian exporters, as well as projects in the areas important for the long-term sustainable development of the Romanian economy, such as: infrastructure, public utilities, regional development, research & development, employment & training of personnel, or environmental protection. EximBank has also a strategic focus on Romanian SME support.

In August 2010 Compania de Asigurari-Reasigurari Exim Romania (Care – Romania) S.A., a joint stock company with EximBank Romania as major shareholder, was set up for short-term export credit insurance against marketable risk. EximBank Romania cooperates with a wide range of export credit agencies, local and international banks and related organisations to strengthen the operating potential and competitiveness of Romanian companies on domestic and international markets.

General information
EXIM R
15, Splaiul Independentei
Bucharest 5
Romania
+40 21 405 33 33/+40 21 405 31 25
www.eximbank.ro
relatiifinanciare@eximbank.ro
insurance@eximbank.ro

History
Ownership: 95.374% – the Romanian state 4.626% – five regional investment funds

Senior management
Ionut Costea, President & CEO

Luminita Manolache, Vice-President

Paul Ichim, Vice-President

Contact person(s)
Corina Vulpes, Director, Head of International Financial Relations Department

Major facilities
- ✓ Financing of strategic economic sectors
- ✓ Bonds and guarantees
- ✓ Export credit insurance
  - Short-term pre-shipment and credit cover against non-marketable risks
  - Medium and long-term export credit insurance (supplier and buyer credits) against commercial and political risks
- ✓ Insurance of Romanian capital investments abroad

BELARUS

EXIMGARANT
Eximgarant of Belarus

EXIMGARANT is the official export credit agency of the Republic of Belarus, the only officially-supported insurance company specialising in credit and investment insurance in Belarus.

EXIMGARANT was founded in 2001 within the governmental programme aimed at development of export operations in the country. The main aim of EXIMGARANT is to support export activities of national exporters in order to increase their competitiveness in the markets abroad by providing export credit and investment insurance to export companies, investors, banks, leasing companies and finance institutions.

General information
EXIMGARANT OF BELARUS
2 Melnikaite Street
Minsk, 220004
Belarus
+375 17 203 68 99
www.eximgarant.by
info@eximgarant.by

History
Founded: 2001
Ownership: 100% government-owned

Senior management
Gennady Mitskevich
General Manager
sec@eximgarant.by
+37517 209 40 28

Mikhail Olshansky
First Deputy General Manager
sec@eximgarant.by

Oleg Aniskevich
Deputy General Manager
sec@eximgarant.by

Oleg Pavlovsky
Deputy General Manager
sec@eximgarant.by

Contact person(s)
Oleg Rutkowski
Head of International business development Department
o.rutkovskiy@eximgarant.by
+37517 203 14 11

Major facilities
- ✓ Export credit insurance against commercial and political risks (ST & MLT cover)
- ✓ Pre-shipment insurance
- ✓ Investment insurance
- ✓ Supplier/Buyer credit insurance
- ✓ Guarantee, LC insurance
- ✓ Lease transactions insurance
- ✓ Factoring

CROATIA

HBOR

Croatian Bank for Reconstruction and Development

Hrvatska banka za obnovu i razvitak

Croatian Bank for Reconstruction and Development (HBOR) is the national development and export bank, and export credit insurer with the task of supporting sustainable economic growth pursuant to the overall strategic goals of the Republic of Croatia.

Via different financing programmes, HBOR supports SMEs, infrastructure projects, tourism, industry, agriculture, environmental protection, energy efficiency and renewable energy resources as well as export. HBOR also gives loans for incentives to SME start-ups and loans to improve liquidity, loans for innovations and new technology projects.

HBOR provides insurance and reinsurance of export against non-marketable risks. By establishing the Croatian Credit Insurance JSC (HKO) for commercial credit insurance, HBOR Group was incorporated.

HBOR is a member of different associations, clubs and other institutions that share a similar background and similar interests committed to global development. The Bank also co-operates with the export credit agencies, international banks and supranational institutions to meet the needs of Croatian entrepreneurs.

General information
HBOR
Strossmayerov trg 9
Zagreb, 10000
Croatia
+385 1 4591 539/ +385 1 4591 546
www.hbor.hr
insurance@hbor.hr
hbor@hbor.hr

History
Founded: 1992
Ownership: 100% State-owned

Senior management
Anton Kovacev, President of the Managing Board
+385 1 45 91 706

Mladen Kober, Member of the Managing Board
mkober@hbor.hr
+385 1 45 91 909

Branimir Berkovic, Senior Executive Director
bberkovic@hbor.hr
+385 1 45 91 586

Andrea Mergedus, Managing Director
+385 1 45 91 545

Contact person(s)
Andrea Mergedus, Managing Director
+385 1 45 91 545

Major facilities
- ✓ Financing of the economy
- ✓ Export finance: pre- and post-shipment export finance, supplier/buyer credit, credit lines
- ✓ Export credit insurance: pre-export financing insurance, pre-shipment insurance, guarantee insurance, ST insurance & reinsurance, MLT insurance (supplier & buyer credit insurance)
- ✓ Guarantees

BOSNIA AND HERZEGOVINA

IGA

Export Credit Agency Bosnia & Herzegovina

IGA
IZVOZNO KREDITNA AGENCIJA BiH

IGA is the ECA of Bosnia and Herzegovina, established in September 1996 by the decree of the government of Bosnia and Herzegovina. The start-up activity was non-commercial risk insurance of foreign enterprises and financial institutions having trade exposure in Bosnia and Herzegovina. In 1999, IGA expanded its activities, assuming the role of the state ECA.

General information
IGA
Hamdije Čemerlića 39a
Sarajevo, 71000
Bosnia and Herzegovina
+387 33 720 140 or +387 33 720 151
www.iga.gov.ba
iga@igabih.com

History
Founded: 1996
Ownership: Full state ownership

Senior management
Lamija Kozaric-Rahman, General Director

Ljiljana Bevanda, Deputy General Director

Mirko Dejanovic, Deputy General Director

Contact person(s)
Lamija Kozaric-Rahman, General Director
lamijakozaric@igabih.com

Aldijana Sabanovic, Credit Insurance Associate
Aldijana.Sabanovic@igabih.com

Major facilities
- ✓ ST and MT financing for domestic export companies
- ✓ Working capital loan guarantees, to local banks providing financing to export companies
- ✓ Performance, bid and advance payment bonds facility for domestic companies performing works abroad
- ✓ Factoring facility for domestic exporting companies
- ✓ Export credit insurance
- ✓ Domestic credit insurance
- ✓ Import credit reinsurance facility for foreign ECAs and insurance companies
- ✓ Credit information facility on domestic companies
- ✓ Political risk insurance for foreign traders with domestic companies and sovereign

JORDAN

JLGC

Jordan Loan Guarantee Corporation

The Jordan Loan Guarantee Corporation (JLGC) was established as a public shareholding company in accordance with Jordanian Companies' Law and registered in the registry of the public shareholding companies under number 242 on March 26, 1994. Its establishment was formally declared in the Founders Assembly meeting held on April 17, 1994. The corporation was given permission to start operating as of May 7, 1994.

The establishment of JLGC came in response to the decision undertaken by the Cabinet session of 24/8/1993, which approved the establishment of a public shareholding company for guaranteeing loans to small and medium-sized organisations.

In 1997, JLGC took on the functions of the Export Credit Guarantee Department and the Counselling Services Unit. JLGC's capital was subsequently increased to JD10mn (US$1mn).

General information
JLGC
24 Prince Shaker Bin Zaid Street
Al Shmeisani P.O.Box 830703
Amman, 11183
Jordan
+962 6 5625400-06
www.jlgc.com
mail@jlgc.com

History
Founded: 1994
Ownership: Limited public shareholding company

Senior management
Dr. Mohamed Al Jafari, Director General
mjafari@jlgc.com

Mohannad Rashdan, Assistance Director General for Technical & Operational Group

Zaid Al Kayed, Head of the Export Credit Department
zkayed@jlgc.com

Contact person(s)
Dr. Mohamed Al Jafari, Director General
mjafari@jlgc.com

Zaid Al Kayed , Head of the Export Credit Department,
zkayed@jlgc.com

Major facilities
✓ Loan guarantees
✓ Export credit guarantees

KAZAKHSTAN

KAZEXPORTGARANT

KazExportGarant Export Credit Insurance Corporation

Export Credit Insurance Corporation (KazExportGarant) performs its activities as an export credit agency of the Republic of Kazakhstan in order to stimulate non-oil export and investments abroad by providing insurance against commercial and political risks. Since 2010 KazExportGarant provides post-export trade financing for exporters in non-oil sector. Insurance financial strength rating assigned by Moody's Investors Service is Baa2, outlook – "Stable".

General information
KazExportGarant
80 Zenkov Str
Almaty, 050010
Kazakhstan
+7 727 250 00 21
www.keg.kz
info@keg.kz

History
Founded: 2003
Ownership: Joint stock company, 100% government-owned

Senior management
Yerken Sadykov
Chairman of the board
info@keg.kz

Contact person(s)
Ruslan Bekturganov
Senior Manager of Marketing and PR Department
bekturganov@keg.kz

Major facilities
✓ Export credit insurance: pre-shipment risks, supplier credit insurance, buyer credit insurance. LC insurance, investment insurance. Reinsurance, bank guarantee insurance. Export trade finance: post-shipment export finance through partner banks

ESTONIA

KREDEX
KredEx Credit Insurance Ltd

KredEx Credit Insurance Ltd is a self-sustaining insurance company in the jurisdiction of the Estonian state, whose goal is to support the development of Estonian exports. The company provides various insurance solutions, which serve to manage the export risks of enterprises KredEx Credit Insurance Ltd acts on the principles and self-sustaining diversified portfolio.

General information
KREDEX
Hobujaama 4
Tallinn, 10151
Estonia
+372 667 4100
www.krediidikindlustus.ee
krediidikindlustus@kredex.ee
kredex@kredex.ee

History
Founded: 2009
Ownership: Ministry of Economic Affairs & Communications 2/3; Credit and Export Guarantee Fund KredEx 1/3

Senior management
Meelis Tambla
Head of the Board
meelis.tambla@kredex.ee
+372 667 4138

Contact person(s)
Mariko Rukholm
Member of the Board
mariko.rukholm@kredex.ee
+372 6674 139

Major facilities
- ✓ ST credit insurance
- ✓ MLT credit insurance
- ✓ Pre-shipment insurance
- ✓ Investment insurance

LEBANON

LCI
The Lebanese Credit Insurer

The Lebanese Credit Insurer s.a.l. (LCI) is the first independent specialised credit insurance company in Lebanon and the Middle East. LCI is active through its partners in Saudi Arabia, UAE, Kuwait, Qatar, Jordan, Bahrain, Egypt, Oman, Syria, Cyprus and Croatia.

General information
LCI
Sodeco Square, Block B
15th Floor
Beirut
Lebanon
+961 615 616
www.lci.com.lb
info@lci.com.lb

History
Founded: 2001
Ownership: Atradius Participations Holding B.V (49%), Regional Insurance Companies (21%) and Private Investors (30%)

Senior management
Karim Nasrallah, General Manager
karim.nasrallah@lci.com.lb

Ralph Dahan, Business Development Manager,
ralph.dahan@ici.com.lb

Contact person(s)
Diana Loutfy, Project & Planning
diana.loutfy@lci.com.lb

Major facilities
- ✓ LCI focuses on domestic and export trade credit insurance (trade receivables insurance). Policies cover manufacturers, trading companies and providers of services, against the risk of non-payment of their local and foreign customers. Trade receivables management tools are also offered such as Credit Information, Debt Collection services, and Risk Management Solutiong through its 100% owned subsidiary LCI Services s.a.l.

LATVIA

LGA
Latvian Guarantee Agency

SIA Latvijas Garantiju aģentūra [Latvian Guarantee Agency Ltd] (LGA) is a limited liability company, which provides support to Latvian businesses for implementing business ideas. LGA helps entrepreneurs to attract new finance by establishing risk capital funds that provide seed, start-up and expansion capital as well as directly issuing credit and export guarantees, and providing mezzanine loans.

General information
LGA
Zigfrida Annas Meierovica bulvaris 14
Riga, LV-1050
Latvia
+371 6721 6081
www.lga.lv
lga@lga.lv

History
Founded: 1998
Ownership: LGA is 100% state-owned Limited liability company; the holder of state shares is the Ministry of Economics

Senior management
Klavs Vasks, Chairman of the board

Andris Gadmanis, Member of the board

Inese Matvejeva, Member of the board

Ivars Golsts, Director

Contact person(s)
Ivars Golsts, Director
ivars.golsts@lga.lv
+371 6735 9373

MACEDONIA

MBDP
Macedonian Bank for Development Promotion

Macedonian Bank for Development Promotion, via commercial banks, provides financial support for start-ups and developing SMEs. The lending programme consists of a variety of ST and MLT credit lines offering favourable credit terms and technical assistance tailored according to the entrepreneurs' specific needs. The bank performs the role of an official export credit agency of the Republic of Macedonia providing export support for companies through pre-shipment finance loans and export credit insurance.

General information
MBDP
26, Veljko Vlahovik str, PO Box 379
Skopje, 1000
Macedonia
+389 2 3115 844
www.mbdp.com.mk

History
Founded: November 1998
Ownership: A shareholding 100% government-owned

Senior management
Dragan Martinovski, Chief Executive Officer
dragan.martinovski@mbdp.com.mk

Qenan Idrizi, Chief Operative Officer

Contact person(s)
Darko Stefanovski
Manager of Credit Export Department
darko.stefanovski@mbdp.com.mk

Jasmina Kolekeska, Senior underwriter

Major facilities
- ✓ Investment loans
- ✓ ST export credit insurance,
- ✓ Pre-shipment finance loans
- ✓ Factoring

SUDAN

NAIFE

National Agency for Insurance and Finance of Export (NAIFE)-Sudan

The agency was founded under special ordinance in August 2005, passed by the transitional National Assembly. The headquarters is in Khartoum and can establish branches in any Sudanese state or abroad. The agency maintains separate accounts for policyholders' funds and shareholders' funds.

The main objectives of the agency:
- To encourage and develop Sudanese exports
- Support the exports sector

To achieve those objectives, the agency practises the following activities:
- Insurance and reinsurance of Sudan's exports proceeds
- To compensate insured exporters against risks as stipulated on different policies
- To provide finance and guarantees that enhances the competitive position and increase the volume of exports and their proceeds.
- To participate in promotion of financing for Sudan's exports in international markets
- Conduct marketing researches and studies
- Provide and extend credit to exporters

General information
NAIFE
1 Mustafa Abu Ella Street
Saving & Social Development Bank Tower
6th Floor
Khartoum
Sudan
+24 9183 747 107
www.naife.org
info@naife.org

History
Founded: 2005
Ownership: Ministry of Finance & National Economy, Central Bank of Sudan, commercial banks and insurance companies

Senior management
Mustafa Yousef Holi, General Manager

Elhadi A.M. Saeed, Manager Export Insurance Department

A/Moniem A/Elateef Saad, Promotion and Planning Manager

Hamid Elrasheed Ahmed, Finance and Investment and Financial Manager

Contact person(s)
Elhadi A.M. Saeed
Manager Export Insurance Department
elhadisaeed@naife.org

Major facilities
✓ Export Credit Insurance
✓ Credit Faculties
✓ Promotion and Planning Activities
✓ Co-coordinator for Export Activities, with Various Concerned Unit

NEW ZEALAND

NZECO

The New Zealand Export Credit Office

The NZECO operates as a business unit within the New Zealand Treasury. Its mission is to help New Zealand exporters manage risk and capitalise on trade opportunities around the globe by providing guarantee and insurance solutions that complement those in the private sector. The Secretary to the Treasury has been delegated the power from the Minister of Finance to provide these guarantee and insurance products pursuant to the Public Finance Act 1989.

General information
NZECO
1 The Terrace, PO Box 3724
Wellington, 6140
New Zealand
+64 9183 747 107
www.nzeco.govt.nz
eco@treasury.govt.nz

History
Founded: 2001
Ownership: Wholly owned and guaranteed by the New Zealand Government

Senior management
Chris Chapman, Manager
chris.chapman@treasury.govt.nz
+64 4 917 6004

Kim Tate, Head of Underwriting
kim.tate@treasury.govt.nz
+64 4 917 6018

Peter Rowe, Head of Business Origination
peter.rowe@treasury.govt.nz
+64 4 917 6080

Contact person(s)
Rebecca Holleman, Business Origination
rebecca.holleman@treasury.govt.nz
+64 4 917 6060

Major facilities
✓ Export credit insurance:
- Covers commercial and political risks on export transactions
- Short-term trade credit cover (including co-insurance with private sector) where the private sector lacks the capacity or willingness
- Medium/long-term (over one-year credit period) cover for supplier and buyer credit facilities
- Insurance of confirmed letters of credit
- Cover for project finance transactions

✓ Bonds, sureties and guarantees:
- Guarantee products to support bid bonds, advance payment bonds, performance bonds, retention payment bonds and US and Canadian surety bonds

✓ Other products:
- Bill of exchange guarantee
- Loan guarantee

SAUDI ARABIA

SEP
Saudi Export Programme

The SEP was established under the auspices of the Saudi Fund for Development (SFD) in 1999 to act as the national ECA of Saudi Arabia, which provides different facilities to support Saudi non-crude oil goods and services, which contain 25% or above of the Saudi value-added component.

General information
SEP
PO Box 50483
Riyadh, 11523
Saudi Arabia
+966 1 465 9399
www.sep.gov.sa
guarantees@sep.gov.sa

History
Founded: 1974
Ownership: Government of Saudi Arabia

Senior management
Eng. Yousef AL-Bassam, Vice-Chairman and Managing Director, Saudi Fund For Development

Contact person(s)
Ahmed Al-Ghannam
Director General of Saudi Export Program
ghannam@sfd.gov.sa
+966 1 2794466

Sultan Al-Marshad
Acting Director of Credit Insurance & Guarantee
sultan@sep.gov.sa
+966 1 279 4149

Major facilities
- ✓ Credit Insurance and export guarantees:
  - Whole turnover export credit insurance policies
  - Single transaction policies
  - Documentary credit insurance policies (DCIP)
  - Documentary credit confirmation insurance contract (DCCIC)
  - Working capital guarantee cover (WCGC)
- ✓ Direct lending to major export transactions:
  - Buyer credit
  - Supplier credit
  - Lines of credit
  - Murabaha (profit sharing)

QATAR

TASDEER
Qatar Export Development Agency

TASDEER was launched in 2011, having the following objectives:
- To develop, support, and globally promote exports from Qatar.
- To act as a public ECA offering export credit Insurance (risk covers) and export financing solutions and services to mitigate national exporters risks.

All Qatari exporters, regardless of their size, ownership, export contract volume, sector or turnover are eligible for TASDEER support.

General information
Tasdeer/QDB
Qatar Development Bank
P.O.Box 22789
Grand Hamad (Banks) Street
Doha
Qatar
+974 44 30 0000
www.qdb.qa
tasdeer@qdb.qa

History
Founded: 2011
Ownership: Government of Qatar

Senior management
Mansoor I. Al Mahmoud
CEO, Qatar Development Bank

Hassan K. Al Mansoori
TASDEER Executive Director

Contact person(s)
Aladdin Zard
ECA Manager
aladdin_zard@qdb.qa

Major facilities
- ✓ Receivables financing (factoring, bill discounting)
- ✓ Pre-shipment and contracts financing
- ✓ Pre and post-shipment credit insurance
- ✓ Takaful shariah-compliant credit insurance

UKRAINE

UKREXIMBANK

Joint Stock Company State Export-Import Bank of Ukraine

UKR EXIM BANK

The only Ukrainian bank acting on behalf of the government as a financial agent with respect to foreign loans guaranteed by Ukraine. Ukreximbank`s mission is to create favourable conditions for economic development of Ukraine by supporting national manufacturers, especially in the export-oriented sectors. Having diversified its operations over the last decade, Ukreximbank currently provides a wide range of banking services, with a strong focus on export-import banking. Ukreximbank services a considerable part of foreign economic activity of Ukrainian enterprises, which represent key branches of the national economy.

Ukreximbank has the widest network of correspondents and partners among Ukrainian banks, including over 800 commercial banks that provide over 100 clean credit lines, 35 export credit agencies that recognise Ukreximbank as a direct borrower and guarantor, and a number of international financial institutions and development banks, such as IBRD, EBRD, KfW and others, that partner Ukreximbank under special programmes.

General information
UKREXIMBANK
127, Gorkogo St
Kyiv-150, 03150
Ukraine
+380 44 247-8085
www.eximb.com/eng
bank@hq.eximb.com

History
Founded: 1992
Ownership: 100% state-owned

Senior management
Vitalii Bilous, Chairman of the Board

Viktoriia Kononykhina, First Deputy Chairman of the Board

Sergii Myskiv, Deputy Chairman of the Board, smyskiv@hq.eximb.com

Oleksandr Shchur, Member of the Board

Contact person(s)
Olena Kozoriz, Head of Financial Institutions & Trade Finance

Sviatoslav Kuzmych, Head of International Borrowings

Major facilities
- ✓ Agency services for the government of Ukraine
- ✓ Financing of the real economy and support of SME development: project financing, special purpose programmes with IFIs
- ✓ Export-import banking: MLT structured finance, ST trade finance, documentary credits and guarantees, FX and money market, international settlements
- ✓ Retail and investment banking

UZBEKISTAN

UZBEKINVEST

Uzbekinvest National Export-Import Insurance Company

UZBEKINVEST

Uzbekinvest was established in 1994 by the government of the Republic of Uzbekistan as a national insurance company. In 1997 Uzbekinvest was reorganised into the national export-import insurance company. Uzbekinvest is acting as the national export credit agency of Uzbekistan to promote export operations by providing export credit insurance to Uzbek exporters and commercial banks.

UIIC (London, UK) is designed to protect the business and assets of companies investing or doing business in Uzbekistan. Coverage is provided for investment and trade transactions against certain political risks and events in Uzbekistan taken towards investors and lenders.

General information
UZBEKINVEST
2, A. Kodiriy Street
Tashkent, 100017
Uzbekistan
+998 71 235 78 01
www.uzbekinvest.uz
export@uzbekinvest.uz

History
Founded: 1994
Ownership: 100% state-owned (Ministry of Finance of the Republic of Uzbekistan – 17%, National Bank for Foreign Economic Activities of Uzbekistan -83%)

Senior management
Fakhritdin Saidakhmedov, Director General, UNIC
gen_dir@uzbekinvest.uz
+998 71 2357801

Shavkat Inamov, CEO, UIIC
shavkat.inamov@AIG.com
+44 207 954 8397

Jamshid Rizaev, Deputy Director General, UNIC
dep_dir1@uzbekinvest.uz
+998 71 1200360

Kamil Khasanov, General Manager, Export Risks and Investments Insurance Department
innovation@uzbekinvest.uz
+998 71 1200359

Contact person(s)
Umida Musalieva, Manager
Export Risks and Investments Insurance Department
export@uzbekinvest.uz
+998 71 1200359

Major facilities
- ✓ ST export credit insurance
- ✓ Documentary credit/guarantee insurance
- ✓ Advance payment insurance
- ✓ Domestic credit insurance
- ✓ Investment insurance
- ✓ Political risks insurance: CEN, war, contract repudiation, non-honouring of bank LC, wrongful calling of guarantee (provided by UIIC only)

5

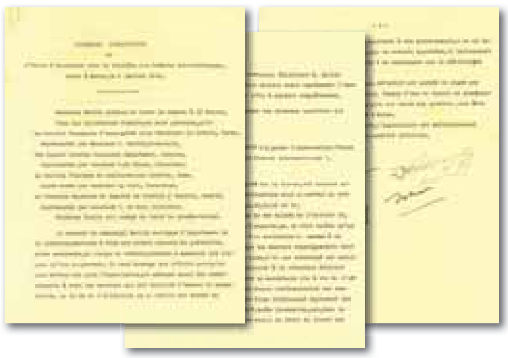
80th Anniversary

Historic Timeline

1930s

1934: Berne Union founded by three private credit insurers from France, Italy, Spain, and the UK's public sector representative.
UK Export Finance, ECGD at the time, is the only founding member that is still in existence under its original form

1934: First meeting held in Berne, Switzerland
(which is where the name Berne Union comes from)



January 4 1934 Assemblee Constitutive

1940s

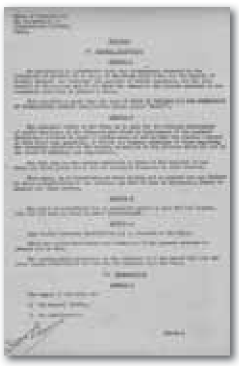
1947: Berne Union welcomes its first non-European member, Export Development Canada (EDC)

1950s

Berne Union Secretariat established in Paris, France

1957: EPIC (now EFIC) Australia joins the Berne Union

Excerpt:
"the present statutes approved by the General Assembly of 7th May 1954 will come into force as from that date. Each member will receive a copy"



Berne Union statutes, 1954

1957: Berne Union welcomes first Asian member, Export Credit Guarantee Corporation of India (ECGC)

Florence - 1954

1957: The Berne Union hires its first Secretary General, Mr. Wladyslaw Houwalt

1958: Berne Union welcomes its first African member CGIC South Africa

1960s

Membership continues to expand

1970s

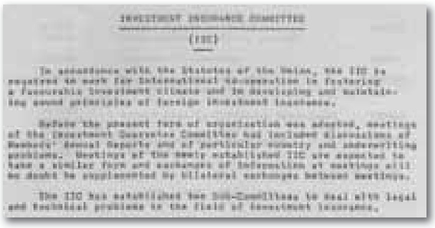
1970: The Berne Union's mandate expands to include members who insure foreign investments; creation of the investment insurance committee (IIC)

1973: First Latin American member joins
(CASC, Argentina)

80TH ANNIVERSARY

Estoril 1971

1974: **The Berne Union has 32 members from 24 countries**



IIC document

1980s

Berne Union members start to report business data

1984: **Berne Union celebrates its 50th anniversary;** Annual General Meeting (AGM) in Montreux, Switzerland

1989: **Collapse of the Berlin wall which led to the creation of Eastern European export credit agencies**

1990s

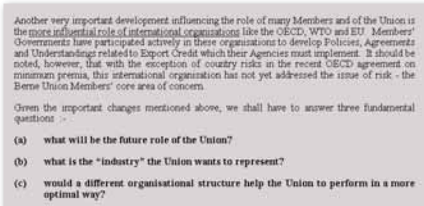
1992: **Berne Union elects first Asian President, Mr. K. S. Foo (ECICS, Singapore)**

1993: **Foundation of the Prague Club with support from EBRD** (The Prague Club aims to support new and maturing export credit agencies and insurers setting up and developing export credit and investment insurance schemes)

1994: **First multi-lateral agency joins, Multilateral Investment Guarantee Agency (MIGA)**

1994: **Berne Union elects first female President** (Soledad Abad, CESCE)

1999: **The export credit members formed two committees focusing on short term (ST) and medium-long term (MLT), ECA only, export credit business**



Another very important development influencing the role of many Members and of the Union is the more influential role of international organisations like the OECD, WTO and EU. Members' Governments have participated actively in these organisations to develop Policies, Agreements and Understandings related to Export Credit which their Agencies must implement. It should be noted, however, that with the exception of country risks in the recent OECD agreement on minimum premia, this international organisation has not yet addressed the issue of risk - the Berne Union Members' core area of concern.

Given the important changes mentioned above, we shall have to answer three fundamental questions :-

(a) **what will be the future role of the Union?**

(b) **what is the "industry" the Union wants to represent?**

(c) **would a different organisational structure help the Union to perform in a more optimal way?**

1998 Strategy

Excerpt: *"we shall have to answer three fundamental questions: a) what will be the future role of the Union? b) what is the "industry" the Union wants to represent? c) would a different organisational structure help the Union to perform in a more optimal way?"*

1999: **First Prague Club member joins the Berne Union, Export Credit Insurance Corporation Joint Stock Company (KUKE), Poland**

2000s

2001: **American International Group (AIG) joins Berne Union** (first "modern day" private member)

2004: **Berne Union Value Statement created**

2006: **Berne Union Guiding Principles created**

2008 – 2009 **global financial crisis**

2009: **Berne Union celebrates its 75th anniversary;** Annual General Meeting (AGM) in Seoul, Korea

2010s

2013: **Prague Club celebrates 20th anniversary in Prague**

2014: **Berne Union celebrates its 80th anniversary**

Berne Union and Prague Club total 76 members, representing over 60 countries worldwide

Notes

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