



Euler Hermes THE GERMAN EXPORT CREDIT AGENCY

Eva Roesler,
Competence Centre for German Export Finance, East Africa
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FEDERAL EXPORT CREDIT AND
UFK-GUARANTEES

- ▶ **Hermes Cover**
- ▶ **Untied Loan Finance**

Supported by:



Federal Ministry
for Economic Affairs
and Energy

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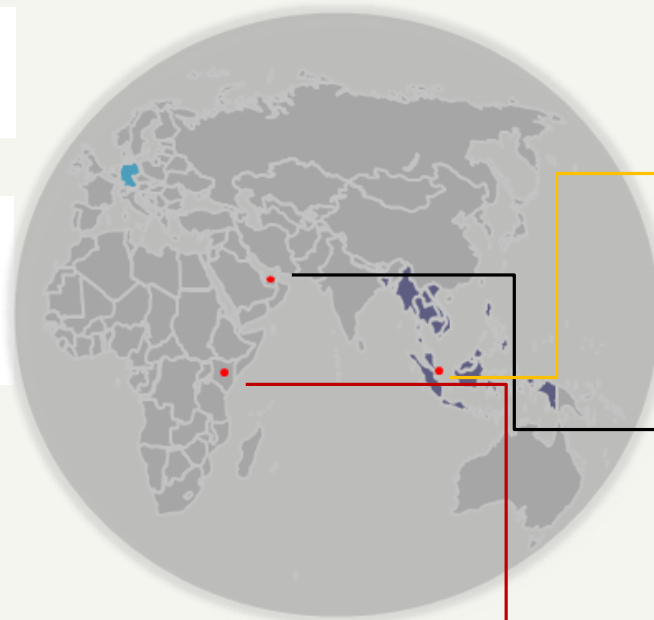
Financial Experts in Importer Markets

Competence Centers for German Export Finance:

Bridge between Importer, Exporter and Financing Bank

 EULER HERMES

 Federal Ministry
for Economic Affairs
and Energy



Singapore - Markus Leichum

markus.leichum@sgc.org.sg

+ 65 6433 5330

Dubai - Eva Steinhaus

eva.steinhaus@ahkuae.com

+ 971 4 876 9007 | + 971 52 255 7725

Nairobi - Eva Rösler

eva.roesler@kenya-ahk.co.ke

+ 254 20 6633 000 | + 254 721 752540

 **AHK**
Delegation of German Industry and
Commerce for Eastern Africa
Delegation der Deutschen Wirtschaft
für Ostafrika

 **PartnerForEasternAfrica**

Federal Government Guarantees

- **Export Credit Guarantees (“Hermes Cover”)** protect German exporters and the banks financing their activities against political and commercial risks.
- **Untied Loan Guarantees** are being utilized to support raw material projects abroad that are regarded eligible for the promotion by the Federal Government.

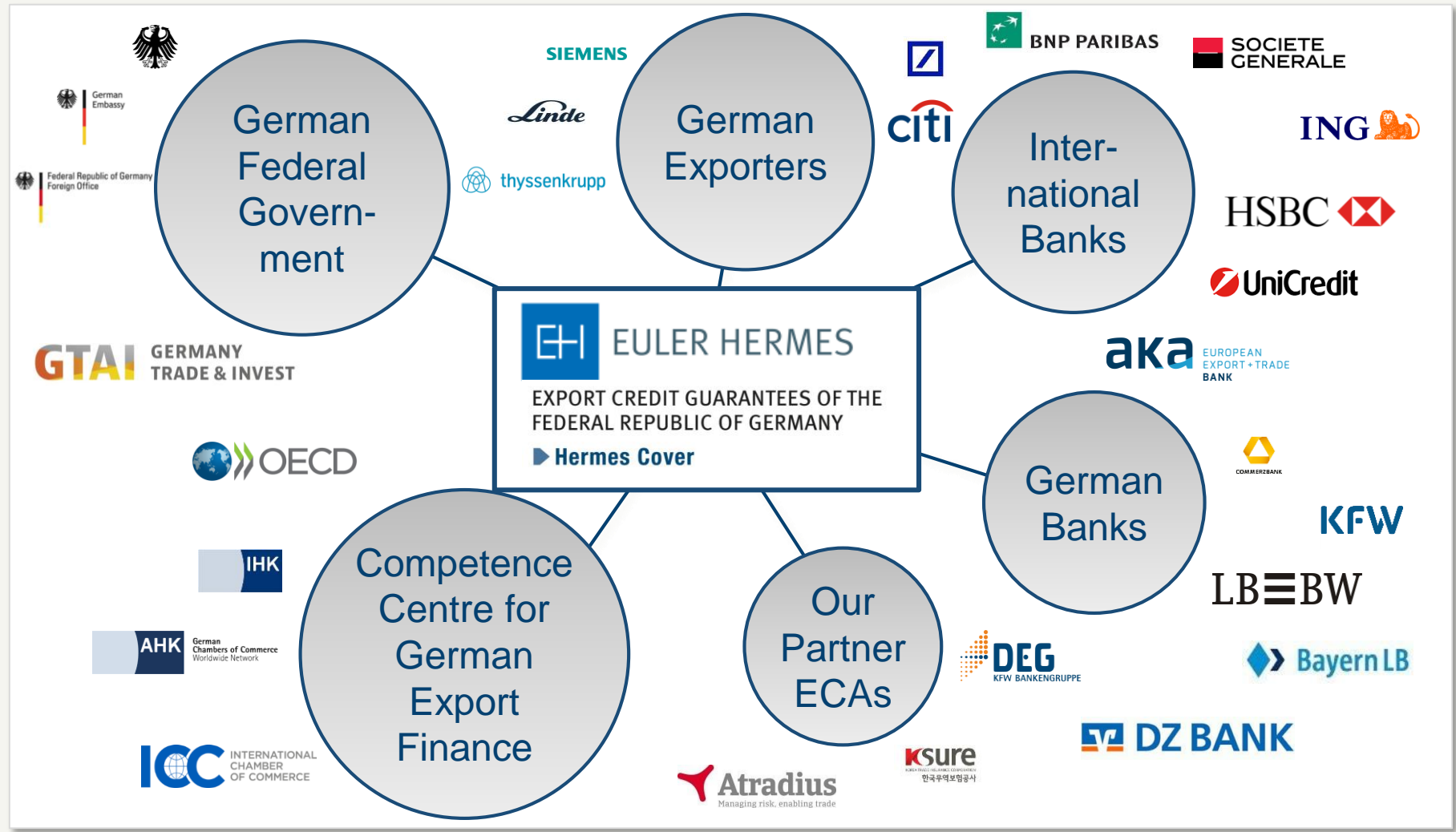
Both promotion instruments play an important role in fostering economic growth as well as protecting and creating jobs.

They are managed on behalf of the Federal Republic of Germany by Euler Hermes AG as the mandatary of the Federal Government, and hence Euler Hermes is considered the national Export Credit Agency (ECA) of Germany.



The German ECA

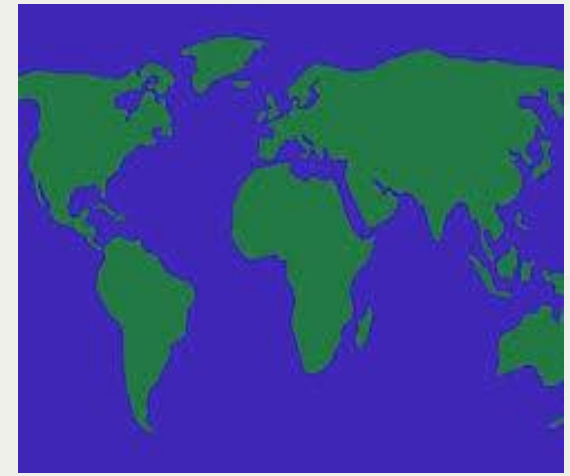
Who we are | An entire network to support export financing





The German ECA

Who we are | Experts in Export Finance



Euler Hermes:

Active on behalf of the Federal Government **since 1949**, combining the expertise of **400 employees**.

Continuous winner of “Best ECA” awards, both globally and regionally

Volume of **new transactions** underwritten in **2020**: EUR 16.7 bn (2019: 21.0 bn) for global projects

Volume cover in **Africa**
2020: 1,2 bn Euro

Covering ~ **153** countries

Doing business with ~1,600 exporters and banks

80% of new business relates to projects in emerging markets



Export Credit Guarantees – Hermes Cover

- ***Protect export transactions*** against a payment default for commercial and political reasons
- The Federal Government concentrates on export credit guarantees ***for emerging economies and developing countries***
- Hermes Cover helps to ***open up markets*** and to maintain business relations
- ***Commercial*** and ***political*** risk: **Improving cover policies for selected African counties:** Reduction of uninsured portion for countries within the G20-initiative "Compact with Africa" to 5 %

Projects | What does it take for an ECA-backed financing?

Positive Risk Assessment

In an on-lending structure the focus is on the credit profile of the foreign FI – without on-lending on the profile of the borrower (state, local company)

General Risk Appetite

The Federal Budget Law provides for general and country specific budget limits. The total limit is EUR 160 billion

Contract Structure

Terms of the contract need to be in accordance with international rules (OECD/BU) and basic agreements for export business (common practice).



Industry focus

Supporting transactions in all kinds of sectors, e.g. infrastructure, manufacturing, chemicals, processing etc. Special conditions for renewable projects apply

Eligibility

The transaction needs to be eligible for support. Required: An exporter domiciled in Germany exporting goods & services of German origin with third-country content <50% of the contract value

OECD Consensus

Arrangement on officially supported Export Credit Terms, applicable to transactions with credit periods > 2 years

- ▶ Rules governing **credit terms**, e.g.
 - Credit: 85% of the order values at most (15% advance / interim payment)
 - Local costs: 50% of the total order value at most (33% export contract value) / furthermore: 49+ rule of the German Government
 - Payment terms: equal instalments
 - Starting point: at the latest 6 months after delivery / commissioning
- ▶ Rules governing **minimum interest rates** (CIRR rates*)
- ▶ Rules governing **minimum premiums** on the basis of
 - Risk: country and buyer risk, collateral
 - Horizon of risk (maximum repayment terms/sector/category)

*CIRR: commercial interest reference rates

Objective: Level playing field for all exporters receiving official support

ECA premium - What does an export credit guarantee cost?

The policyholder pays a processing fee and a risk-based premium in return for receiving cover. The amount of this premium primarily hinges on three factors:

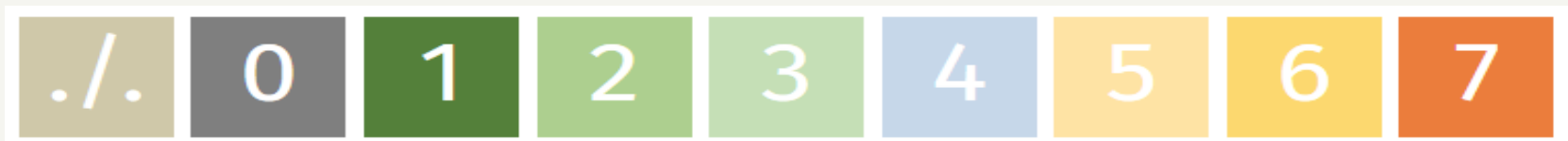
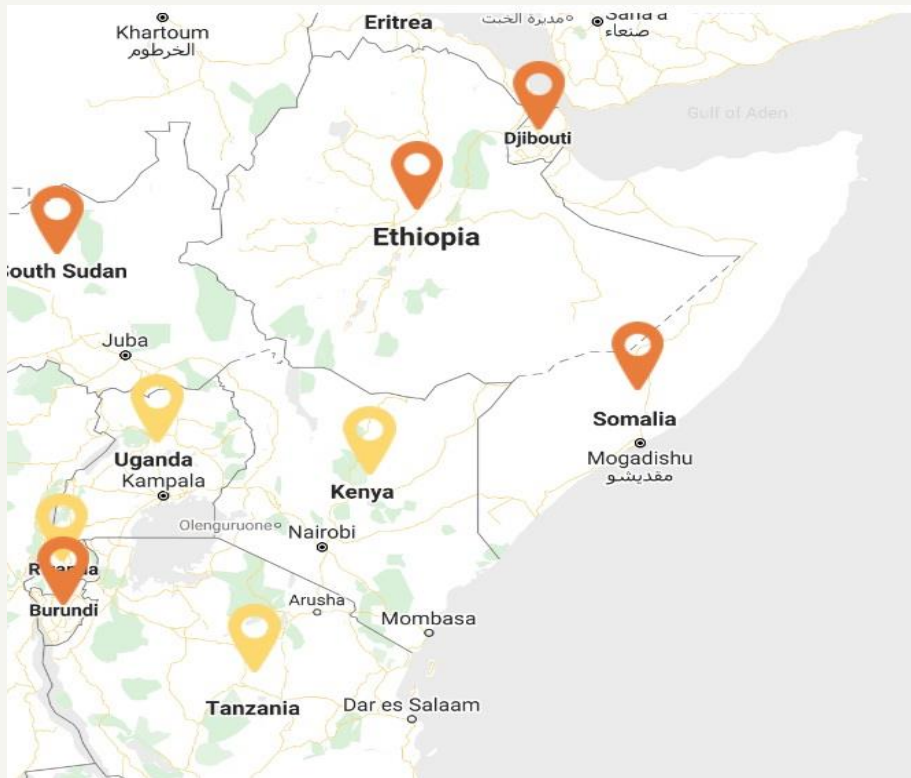
- the OECD risk category of the importing country (1-7)
- the duration of the contract
- the buyer's credit rating
- the currency

ECA premiums are harmonized under the OECD rules, the country risks are determined by the OECD export committee

Payable upfront as a flat fee or financed under ECA facility

Export Cover Premium Determination

Country Risk Categories for Eastern Africa



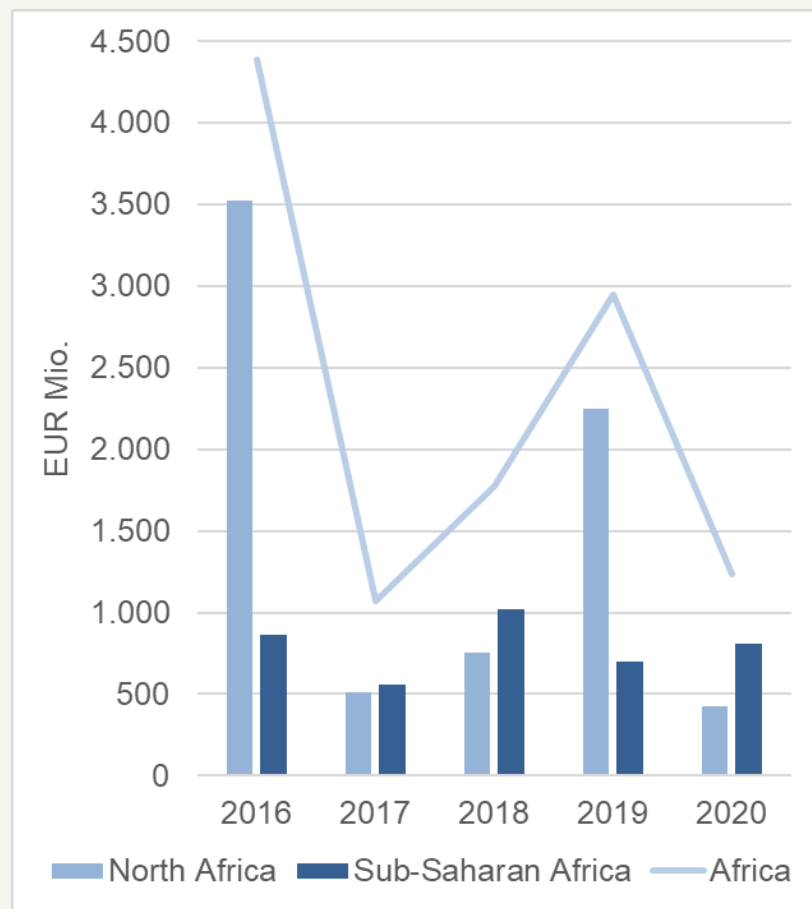


Buyer Risk Categories & External Rating

Approximation

Buyer Risk	Country Risk						
	1	2	3	4	5	6	7
SOV +	Better than Sovereign: External Rating of Corporate is better than that of domicile Sovereign						
SOV / CC0	Sovereign: Central bank or Ministry of Finance / Corporate equivalent to Sovereign						
SOV -	Other public entities (Sub-Sovereign; German national buyer risk category)						
CC1	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB	BB-	B+	B
CC2	A+ to A-	BBB+ to BBB-	BB+ to BB	BB-	B+	B	B- or worse
CC3	BBB+ to BBB-	BB+ to BB	BB-	B+	B	B- or worse	/.
CC4	BB+ to BB	BB-	B+	B	B- or worse	/.	/.
CC5	BB- or worse	B+ or worse	B or worse	B- or worse	/.	/.	/.

Cover Volume Africa (EUR Mio.)



Large projects missing in 2020
But Sub-Saharan market grows

	2016	2017	2018	2019	2020
Egypt	3.251	280	517	1.997	204
South Africa	195	196	207	200	175
Ethiopia	10	6	21	8	161
Côte d'Ivoire	13	20	26	32	144
Algeria	162	108	115	140	133
Kenya	113	128	144	87	79
Senegal	28	4	145	23	68
Morocco	66	70	84	81	55
Uganda	72	73	66	51	45
Nigeria	26	21	31	51	41
TOP 10 (2020/ Total)	3.418	4.279	956	2.670	1.105

TOP Countries 2016 – 2020
Large power projects in Egypt, but in most countries whole turnover cover (APG) still dominant

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How can Euler Hermes help you to effectively finance your imports



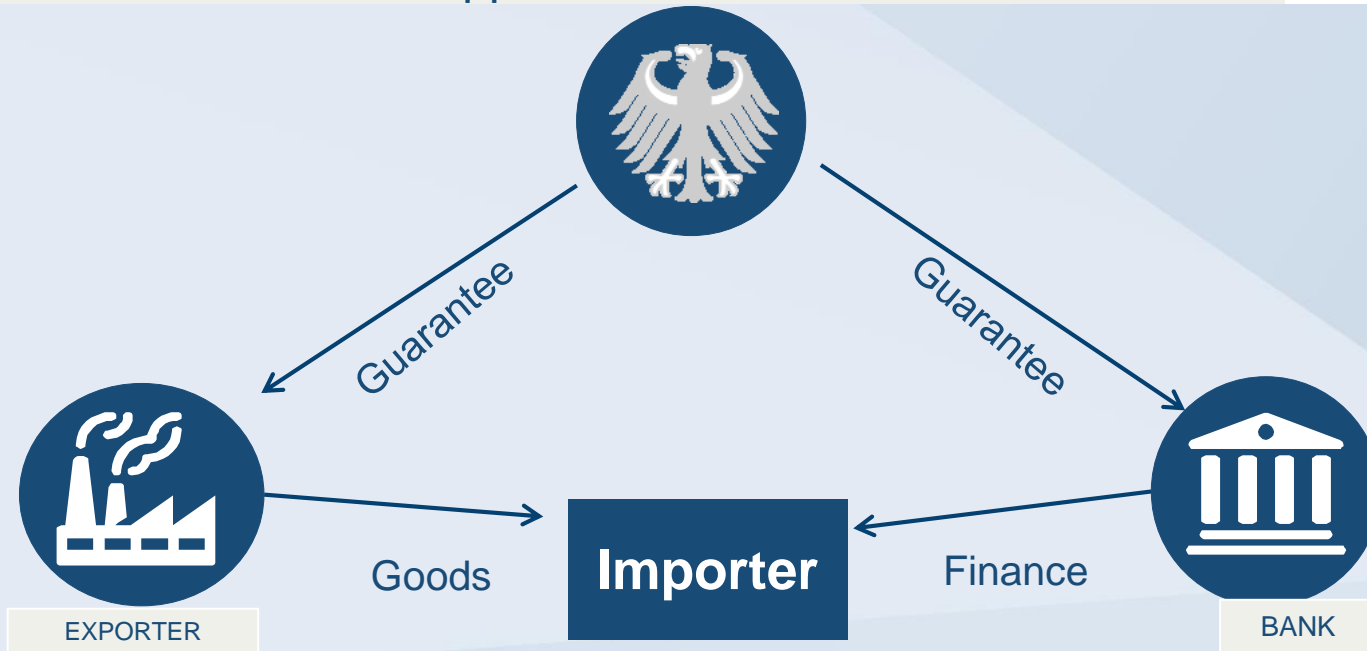
Euler Hermes offers **third-party credit support** to German exporters and their banks by virtue of **comprehensive insurances and/or guarantees**.

EH enables but also requires (at least partial) German sourcing as a core pre-requisite to access our product suit.



Key Focus

Buyer's Credit vs Supplier Credit



- Loan facility to buyer / borrower covered by Hermes;
- typically large value contracts for capital goods and services;
- cross-border deliveries to corporate or public buyers

Buyer's Credit

ECA Finance Leverage | Advantages for Importers & Exporters

For exporter:

- Receives cash payment upon shipment or commissioning
- Immediate balance sheet relief
- Payment by lending bank directly to the exporter
- No negotiations on credit terms

For importers/buyers:

- **Longer Tenors** - receive long term financing (door-to-door tenors in excess of 10 years; PF 14 years, renewable 18 ys) to match customer's expected revenues with expenditures, making cash flow more efficient
- **Pricing** – obtain financing that is less expensive than local financing which may be subject to restrictions. The all-in cost of an ECA facility can be more competitive than other alternatives
- **Diversification of funding Base** - no public rating required per se (as opposed to bonds), true additional liquidity source, for buyers & banks, potentially larger market capacity, can open the door to international investors and FIs

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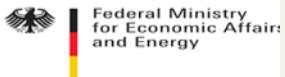
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Buyer's Credit - documents to prepare by borrowers-Corporates:

- ✓ Audited Financials, last 3 years
- ✓ Management accounts, current year
- ✓ Projections
- ✓ Investment overview and proforma invoice
- ✓ Certificate of Incorporation , Articles of Association
- ✓ Company Profile
- ✓ Information Shareholders
- ✓ Organisational Chart

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PROJECTFINANCE

Euler Hermes is supporting the project during all cycles:

Financing of investment of a Special Purpose Company

- ✓ Structure and Agreement
- ✓ Construction/Implementation/Running
- ✓ Average amounts/project: ~ 50 Mio E

- Project risks (legal, technical, market and commercial)
- Due Diligence reports, term sheets, financial model, contracts → costs
- Analysis based on (future) income of the SPC
- F.e.: Wind-energy, High-speed rail projects, Hydro Power, Solar parks... *often government/sovereign projects that can also be "covered"*

→ **NEW!!** Special Renewable Energies Initiative - up to **70%** foreign
content



Q&A (Q stands for Quiz)

1) The local company „Beautiful T-Shirts“ is interested in purchasing a new textile machine from a German supplier. „Beautiful T-Shirts“ would like to arrange a down payment of 10% of the purchase price and finance the rest of the invoice.

Would German ECA Finance be possible?

2.) The local company „Happy Fish“ would like to import equipment from a supplier in Germany. The German manufacturer has international factories, hence produces machines in different parts of the world.

Would German ECA Finance be possible?

3.) The local company „Fresh Waters“ plans to purchase a German bottling machine. The amount for this investment is 400.000 Euro.

Would German ECA Finance be possible?

Answers:

1) The local company „Beautiful T-Shirts“ is interested in purchasing a new textile machine from a German supplier. „Beautiful T-Shirts“ would like to arrange a down payment of 10% of the purchase price and finance the rest of the invoice.

Would German ECA Finance be possible?

No – only up to 85% and importer asks for 90% finance

2.) The local company „Happy Fish“ would like to import equipment from a supplier in Germany. The German manufacturer has international factories, hence produces machines in different parts of the world.

Would German ECA Finance be possible?

Depending on where the German supplier is manufacturing the desired equipment – German content has to be 50% minimum

3.) The local company „Fresh Waters“ plans to purchase a German bottling machine. The amount for this investment is 400.000 Euro.

Would German ECA Finance be possible?

Yes – via a supplier credit, if exporter agrees

THANK YOU FOR YOUR ATTENTION 😊

Eva Roesler

Competence Centre for German Export Finance



Tel: +254 20 6633000
Mob: +254 721 752 540
eva.roesler@kenya-ahk.co.ke



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