

Using Export Credit Agencies as a Source of Alternative Financing

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Stirling Infrastructure and Export Credit Agencies (ECAs)

With over 40 ECAs globally, Stirling Infrastructure uses its expertise in financing infrastructure transactions to assess the financial requirements of the project sponsor and advise on the selection of the ECA that would be most supportive to the project. All proposed projects for financing are reviewed by our Investment Board and if approved, Stirling Infrastructure can also arrange the entire financing transaction, which includes raising the equity and all the debt requirements for bankable projects. The latter may include traditional forms of financing from local and international banks or from specialist debt providers such as institutional investors or working with ECAs.

Stirling Infrastructure is in regular contact with ECAs all over the world and keeps appraise of the developments of their available financing terms. Available rates from alternative sources of finance within the market are benchmarked and Stirling Infrastructure advises on the most suitable course of action for the project sponsor.

Sectors covered by Stirling Infrastructure

Project Finance	All sectors not listed below that relate to infrastructure and real assets
Energy Infrastructure	Renewable power and gas power
Ships and Tankers †	Oil tankers, LNG tankers and cargo vessels
Rail †	All rolling stock
Passenger Aircraft †	Boeing and Airbus aircraft

† For greater clarification on conditions regarding the type of ships, rail and aircraft that Stirling Infrastructure arranges financing for, please visit www.stirlinginfrastructure.com.

Role of ECAs

Export Credit Agencies are institutions that act as an intermediary between governments and exporters, by providing direct credit, credit insurances and credit guarantee. Whilst encouraging international trade, ECAs finance business activities abroad and cover less conventional commercial and political risks.

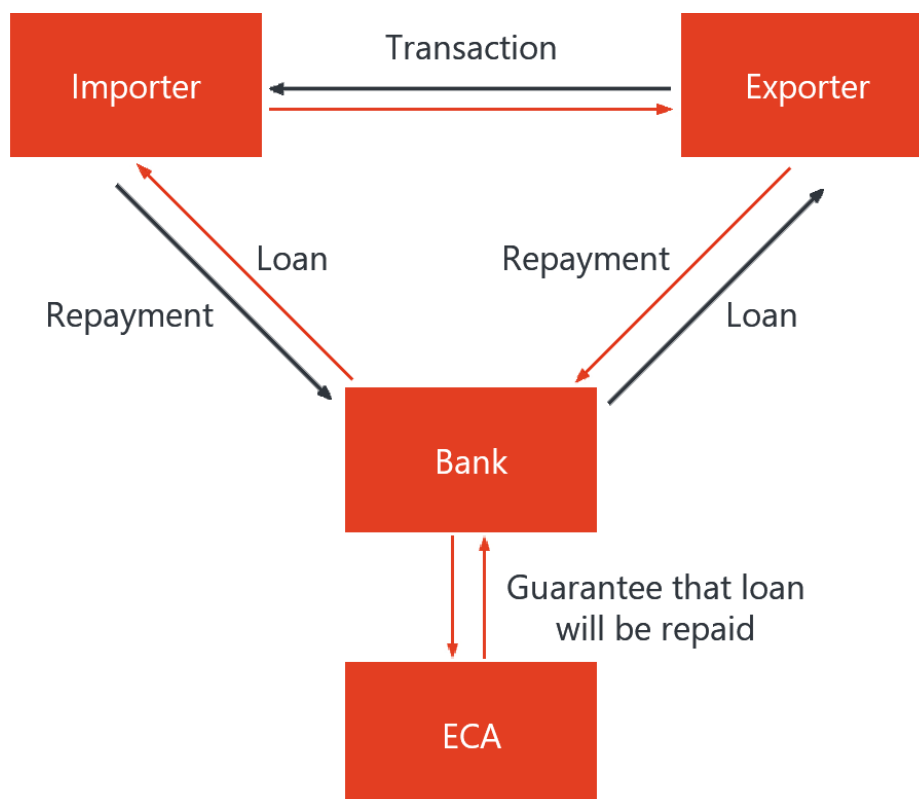
Direct credit can be issued to both the exporter and the importer, credit insurance underwrites the value of the exports provided on credit and credit guarantee makes commercial borrowing easier for the exporter/importer.

Furthermore, certain ECAs may offer other services. Working capital loans are available from selected ECAs, facilitating the export through the financing of materials, supplies, equipment and labour that are required for the export to be satisfied. Some ECAs also offer bond guarantees, that insures you against unfair calls on bonds from customers, (initially demanded as insurance against non-delivery of goods and services) even if the transaction has gone through correctly. These guarantees insure you against significant loss if this were to happen.

How ECAs work

Credit can be issued directly from ECAs, or through commercial banks.

Figure 1: Direct Credit issued by ECAs



Timescales of ECA credit vary amongst institutions. However, they tend to comprise short term (up to two years), medium term (two to five years) and long term (five to ten years). The repayment timescale for every project will depend upon the sector and country looking to use ECA financing.

Benefits of ECAs

Exporters are entitled to several benefits when using ECAs to finance their projects. ECAs are widely used in developing and emerging markets, where many private financing institutions may be unwilling to get involved. This type of financing, with the help of Stirling Infrastructure's expertise, will mitigate the commercial and political risks of your transaction, such as political instability, currency inconvertibility or non-payment bankruptcy. ECAs allow for firms to increase their competitive position abroad through attractive terms of financing.

Similarly, importers can benefit from the use of ECA financing. Pricing is often lower, and repayment periods longer, than non-ECA backed loans. With Stirling Infrastructure's knowledge at hand, a tailored financing solution will be made available for the project sponsor wishing to import their goods and services.

Furthermore, many ECAs reward environmental export transactions through 'enhanced financing'. This may involve longer repayment terms and capitalised interest during construction, depending on the ECA, making these environment-friendly sales and projects more feasible. Stirling Infrastructure assesses which benefits can be applied to the financing conditions offered.

Criteria and requirements for ECA financing

Terms and requirements vary for each industry depending on the ECA being used. However, many ECAs subscribe to the OECD 'Agreement', which outlines general terms and requirements depending on the industry the project that needs financing belongs to.

ECAs subject to EU regulations are required to comply with State Aid rules. The lending terms offered by these ECAs must not create a market distortion.

Stirling Infrastructure advises on a suitable financial structure based on the types of capital available for project finance. Furthermore, Stirling Infrastructure only finances bankable projects, as approved by our Investment Board. This firm complies with the UK Anti Bribery Act 2010.

If the necessary requirements are met, an application is then filed to the ECA of choice. Stirling Infrastructure, with its global expertise on ECAs internal processes, will then arrange the necessary documentation.

About Stirling Infrastructure

Stirling Infrastructure Partners is a corporate finance/project finance advisor. As part of our professional services, this firm also advises project sponsors on raising both debt and equity capital. The firm has expertise in the acquisition and disposal of both infrastructure and energy assets. With a global network of over 1,500 institutional investors and lending institutions, the firm is well placed to advise on arranging finance for project sponsors.

Disclaimer

This document has been prepared for information purposes only.

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