



Overview of the Export Credit Insurance Corporation of South Africa SOC Ltd ("ECIC")

YOUR EXPORT **RISK** PARTNER

CONTENTS

| | |
|-------------------------------------------|----|
| ECIC Background and Mandate | 1 |
| Business principles | 4 |
| ECIC-backed finance considerations | 7 |
| ECIC cover and eligibility considerations | 12 |
| ECIC affiliations and collaboration | 15 |
| ECIC product range | 20 |
| Approval process | 31 |

ECIC BACKGROUND AND MANDATE



HISTORICAL BACKGROUND

EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC Ltd

- Most ECAs were created after World War II. South Africa also began to offer official support for export transactions in 1957.
- Instead of creating a dedicated ECA, the Department of Economic Affairs (now the Department of Trade, Industry and Competition, **the dtic**) offered reinsurance cover through Credit Guarantee Insurance Corporation of Africa Limited (CGIC), a privately owned insurance company.
- After 1994, **the dtic** began the process of normalising external trade to prepare full participation in the global trade village.
- The study commissioned by **the dtic** revealed that the insurance market gap was for medium to long term export transactions.
- As from 1 July 2001, **the dtic** stopped to offer reinsurance cover for Short-Term trade transactions.
- A dedicated ECA was established in South Africa in the form of Export Credit Insurance Corporation of South Africa SOC Ltd (ECIC).
- The core business was to fill the market gap through the provision of medium/long term export credit and investment insurance on behalf of the government.

ECIC OVERVIEW & MANDATE

An
introduction to
the Export
Credit Insurance
Corporation of
South Africa
SOC
Limited
("the ECIC")

- ECIC is a 100% State owned entity; and was established in 2001 under the Export Credit and Foreign Investment Insurance Act, 1957 (amended in 2002)
- Underwritten by the South African ("SA") Government
- Reports to the Minister in charge of the Department of Trade, Industry and Competition ("the dtic")
- ECIC's mandate is to facilitate the export trade together with cross-border investments between South Africa and the rest of the world
- ECIC's strategic focus area is Africa as well as other emerging markets
- ECIC provides political and commercial risk insurance to exporters, investors and financial institutions
- ECIC can support South African Rand ("ZAR"), and United States Dollar ("USD") denominated transactions



BUSINESS PRINCIPLES



YOUR EXPORT **RISK** PARTNER

4

BUSINESS PRINCIPLES

The ECIC adheres to established Sustainable Development Policies, Principles and Guidelines.

Anti-Bribery:

The Corporation will:

- Not support export contracts and investments secured through bribery;
- Not support export contracts and investments from debarred entities;
- Continually verify Debarment Lists

Environment & Social Impact

The Corporation will not support projects:

- With high ESI (Category A and B Projects) that are not compliant with international standards;
- Not compliant with environmental & human rights laws;
- Not compliant with IFC Performance Standards, World Bank Safe Guard Policies;

Sustainable Lending Practices

The Corporation will not support:

- Sovereign lending that will severely burden the recipient country's economy.



YOUR EXPORT **RISK** PARTNER

5

BUSINESS PRINCIPLES

- A minimum of 15% of the export contract value must be paid directly to the Exporter by the Buyer before the facility starts repaying the loan facility.
- Of this 15%, at least 5% should be received upon contract signature.
- Important criteria is the creditworthiness of the Buyer (Sovereign, Corporate or Project Finance structure).
- ECIC can support sovereign backed financing, subject to project status, budget and legal authority to borrow – this may require Ministry of Finance guarantee.
- For corporates transactions, ECIC typically needs to assess, at a minimum, the last 3 years of audited accounts.



YOUR EXPORT **RISK** PARTNER

6

ECIC-BACKED FINANCE CONSIDERATIONS



YOUR EXPORT **RISK** PARTNER

7

UNDERWRITING PRINCIPLES

- A minimum of 15% of the export contract value must be paid to the exporter by the buyer and only the 85% of the export contract value is eligible for ECIC backed finance and insurance support.

Supported Tenors:

- Minimum credit repayment period of 2 years
 - Minimum tenor not applicable to working capital and bond products
- Typically, 15 year tenor of cover for investments and may be longer for project finance transactions
 - Longer tenors can be considered depending on the nature of the project
- ECIC can support sovereign backed financing – or sub-sovereign borrowers, with or without Ministry of Finance guarantee.
- For corporate transactions, ECIC typically needs to assess, at a minimum, the last 3 years of audited accounts.
- Important criteria is the creditworthiness of the Buyer (Sovereign, Corporate) or the robustness of the cash flows for Project Finance transactions.



UNDERWRITING PRINCIPLES

- The Corporation does not
 - have direct lending capabilities;
 - cover Hedging; and
 - take Documentation Risk.
- For investment insurance, there must be a cross-border investment and the equity investment must be made through a South African registered entity.
- Cover for performance guarantees, bid bonds etc. must be linked to an existing or potential export contract by a South African Company.
- ECIC charges a premium for the services it provides and for some products, assessment fees will apply.
 - Assessment Fee:
 - Up to US\$15,000 for Project Finance transactions (depending on value of the deal)
 - ZAR R10,000 for Investment Insurance
 - Structuring Fee: If applicable



UNDERWRITING PRINCIPLES

The Premium is:

- based on country risk rating, commercial risk of the transaction, credit rating of the counterparty, tenor, repayment profile and scope of cover, etc;
- payable up front, on annualised basis or per draw; and
- separate from the interest rate which is paid on the loan.

Throughout the life of the facility the lender should:

- monitor the performance of the project / transaction by requesting monthly or quarterly reports from the borrower (according to the Policy agreement); and
- and report any material adverse changes as soon as they become aware.

In the event of a claim the lender may be required to assist the Corporation with the recovery process and be indemnified for the costs and share the proceeds pro-rata.



YOUR EXPORT **RISK** PARTNER



YOUR EXPORT **RISK** PARTNER

ECIC COVER AND ELIGIBILITY CONSIDERATIONS

TYPES OF INSURANCE COVER

ECIC's value add is risk sharing and risk mitigation. The insurance cover is provided for losses arising from:

POLITICAL RISK EVENTS (90% for investments) (100% for export credit)

- War and civil disturbance;
- Expropriation, confiscation, nationalisation;
- Transfer restriction (includes currency inconvertibility);
- Change in law (discriminatory change);
- Non-honouring of sovereign financial obligations;
- Breach of contract (linked to arbitral award);
- Terrorism, piracy (optional, provided on a case-by-case basis).

COMMERCIAL RISK EVENTS (95% for private borrowers) (100% for public borrowers)

- Insolvency of the foreign borrower;
- Protracted/Payment default by the foreign borrower.

CONTRACTOR'S RISKS (Up to 90% of the insured Working Capital/Advance Payment)

- Non-performance including insolvency of the SA contractor.



YOUR EXPORT **RISK** PARTNER

CONTENT REQUIREMENTS

70% South African content required for export credit transactions.

For projects in Africa: 50% South African content and 20% from the Host country or any other African country.

For projects outside of Africa, 70% South African content

SA Content definition:

- Materials less imported components
- Wages & salaries (paid in South Africa)
- Freight costs (paid in South Africa)
- Insurance premiums (paid in South Africa) including the ECIC premium
- Finance charges (excluding post delivery finance charges)
- Fees and charges paid for any other services performed in South Africa on the exporters behalf by a South African resident organization
- Fees and profits accruing to the exporter



YOUR EXPORT **RISK** PARTNER

STRATEGIC PARTNERSHIPS

- OECD Arrangement on Export Credits (The ECIC is not bound by the OECD Arrangement as South Africa is a non-OECD Country but has Observer Status).
- Berne Union – Member
- ECIC has executed Memoranda of Understanding with many Export Credit Agencies.

ECIC AFFILIATIONS AND COLLABORATION

SOUTH AFRICA-AFRICA TRADE AND INVESTMENT PROMOTION PROGRAMME (SATIPP)

In recognizing the role of **Afreximbank** as a continental trade institution with the mandate to finance and promote Intra- and Extra-African Trade.

The Corporation made an equity investment into Afreximbank in November 2017.



YOUR EXPORT **RISK** PARTNER



YOUR EXPORT **RISK** PARTNER

This investment has enabled South Africa to become eligible for participating in the Bank's financing programmes.

Whereas it is the principal objective of the ECIC to facilitate export trade and cross-border investments between South Africa and the rest of the world, we believe the collaboration with Afreximbank:

- presents a unique opportunity to promote expansion as well as diversification of Africa's trade leveraging its extensive presence on the continent; and
- best serves our common objectives and renders the ECIC and Afreximbank respective activities more effective.

PROPOSED SATIPP INITIATIVES

The collaboration between the two entities resulted in the recent launch in June 2018 of the programme in South Africa for the amount of USD 1 billion. SATIPP will identify and support large SA companies with various interventions including but not limited to:

- Supporting local company operations and their subsidiaries through pre-approved credit lines to fulfil their financing needs and Supplier Finance;



- Investment in industrial parks and special economic zones where Afreximbank is financing or developing;
- Finance the importation of equipment needed by SA export manufacturers to upgrade and retool their equipment for improved competitiveness;
- Support efforts at improving the skills of SA exporters in export marketing through capacity building initiatives (to improve market access for SA exporters);
- Deploying project finance to support the construction of trade enabling infrastructure such as power plants, transport infrastructure including warehouses;
- Stocking/Inventory Financing Facility for exporters that procure during seasons and sell throughout the year.

PROPOSED SATIPP INITIATIVES



The Programme offers many advantages and benefits, combining the expertise and capacity of ECIC and Afreximbank. Some of the main benefits include:

- Improvement of access to trade finance solutions by using a variety of different instruments such as Letters of Credit (LC) Confirmation, Pre-export Finance, Payment and Investment Guarantees, Forfaiting and Factoring solutions to South African companies exporting to or importing from other African countries.
- Expansion of opportunities for South African Companies bidding for and executing large contracts in other African countries by offering a variety of instruments and financing instruments such as Bid Bonds, Performance Bonds, Advance Payment Guarantees, Working Capital Guarantees, as well as Export Credit Guarantees.
- Facilitation of transportation of SA exports to other African countries through Afreximbank's Inter-State Transit Guarantee programme (to allow goods to move throughout the continent under one guarantee/ bond that is backed by Afreximbank); and
- Support for South African businesses to showcase their products and services through the Intra-African Trade Fair ("IATF").

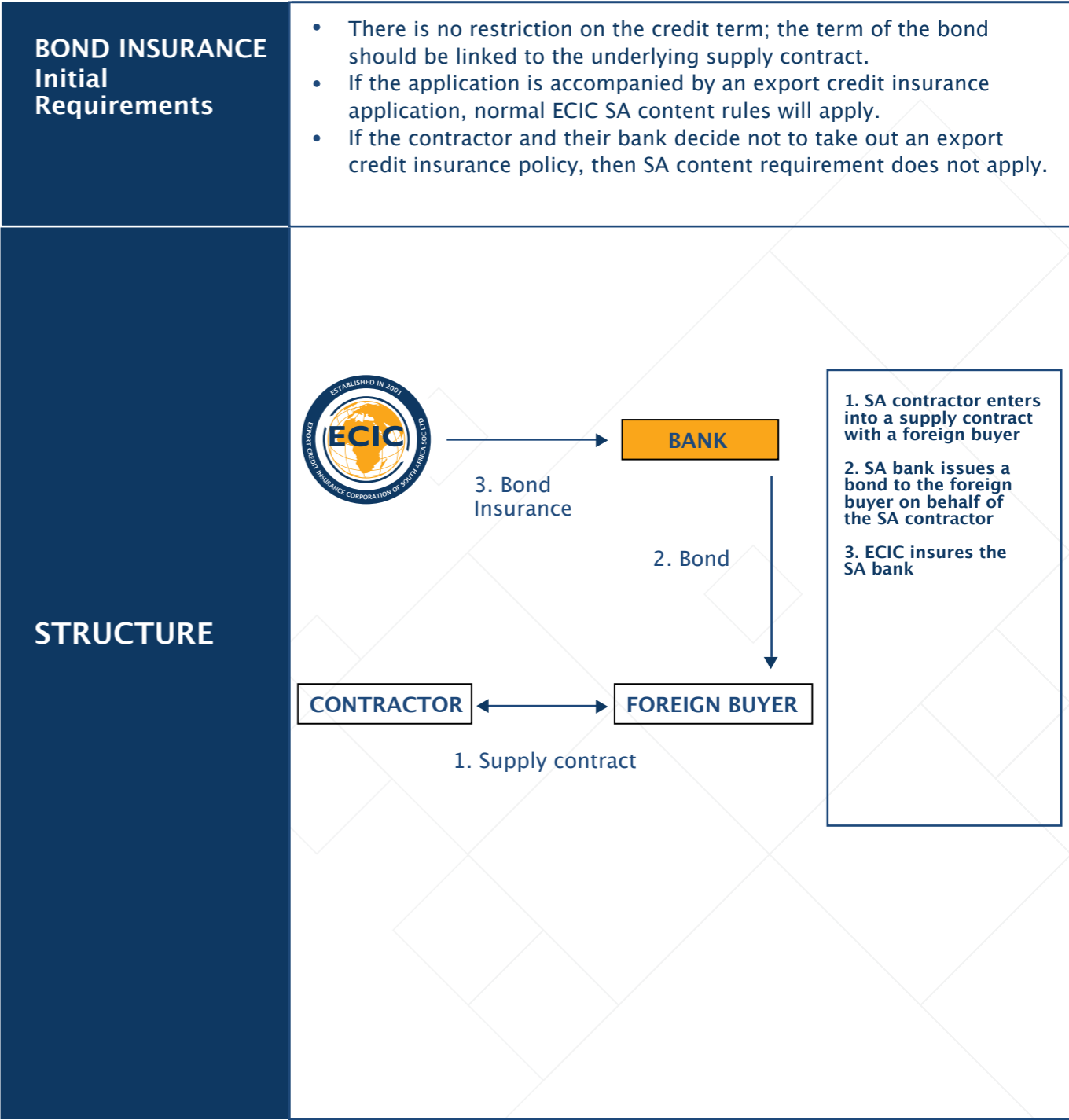
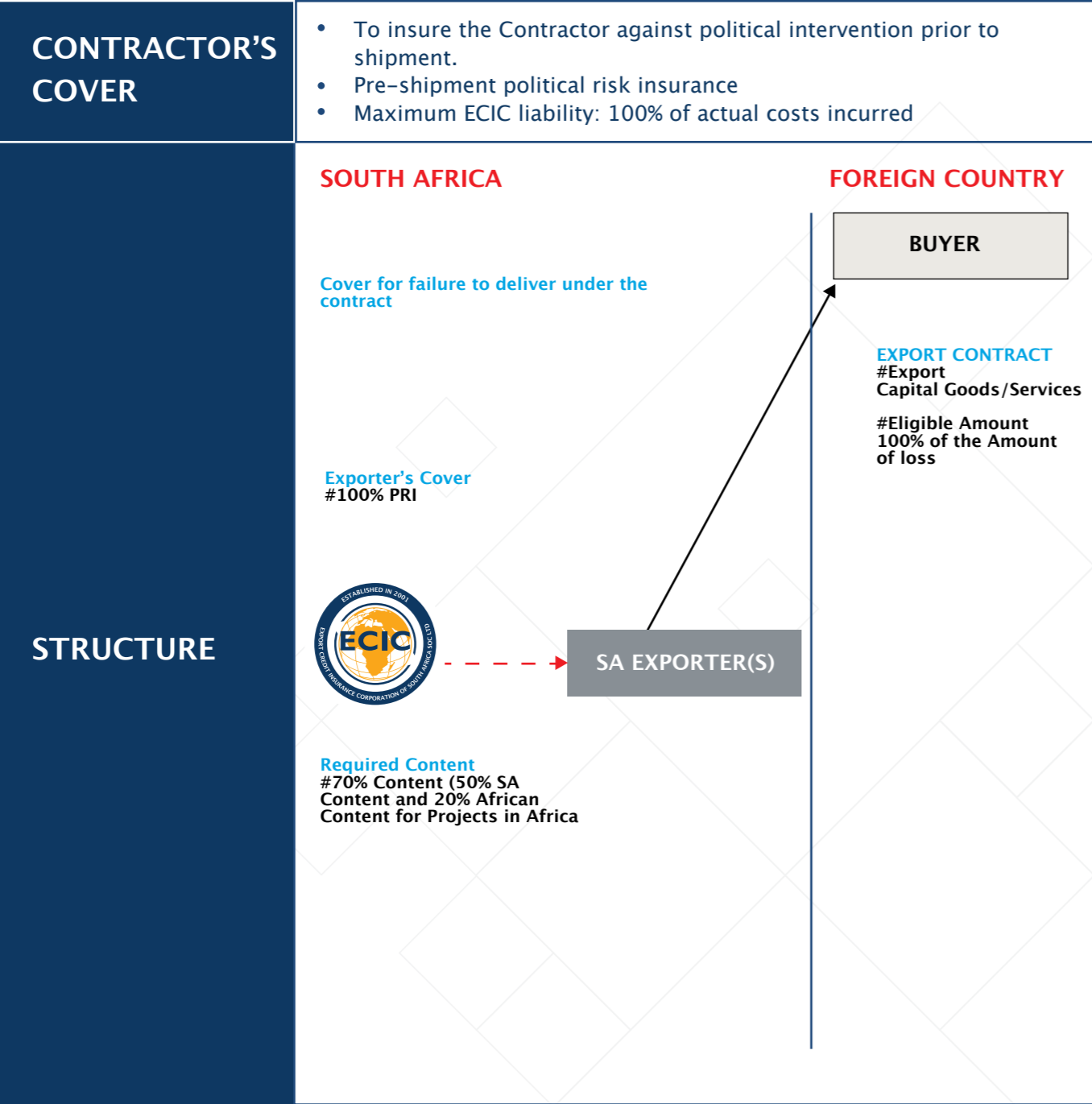


ECIC PRODUCT RANGE



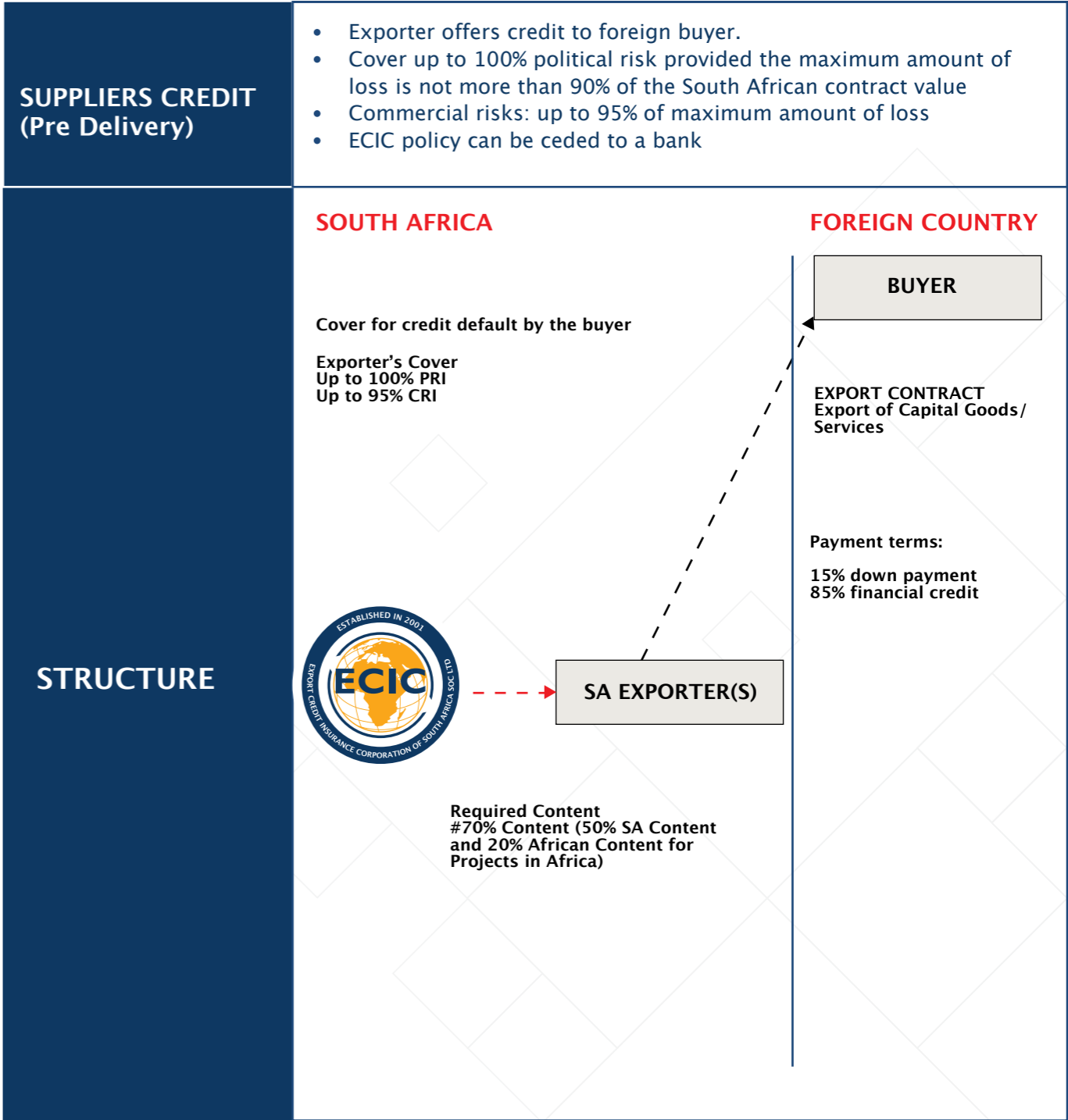
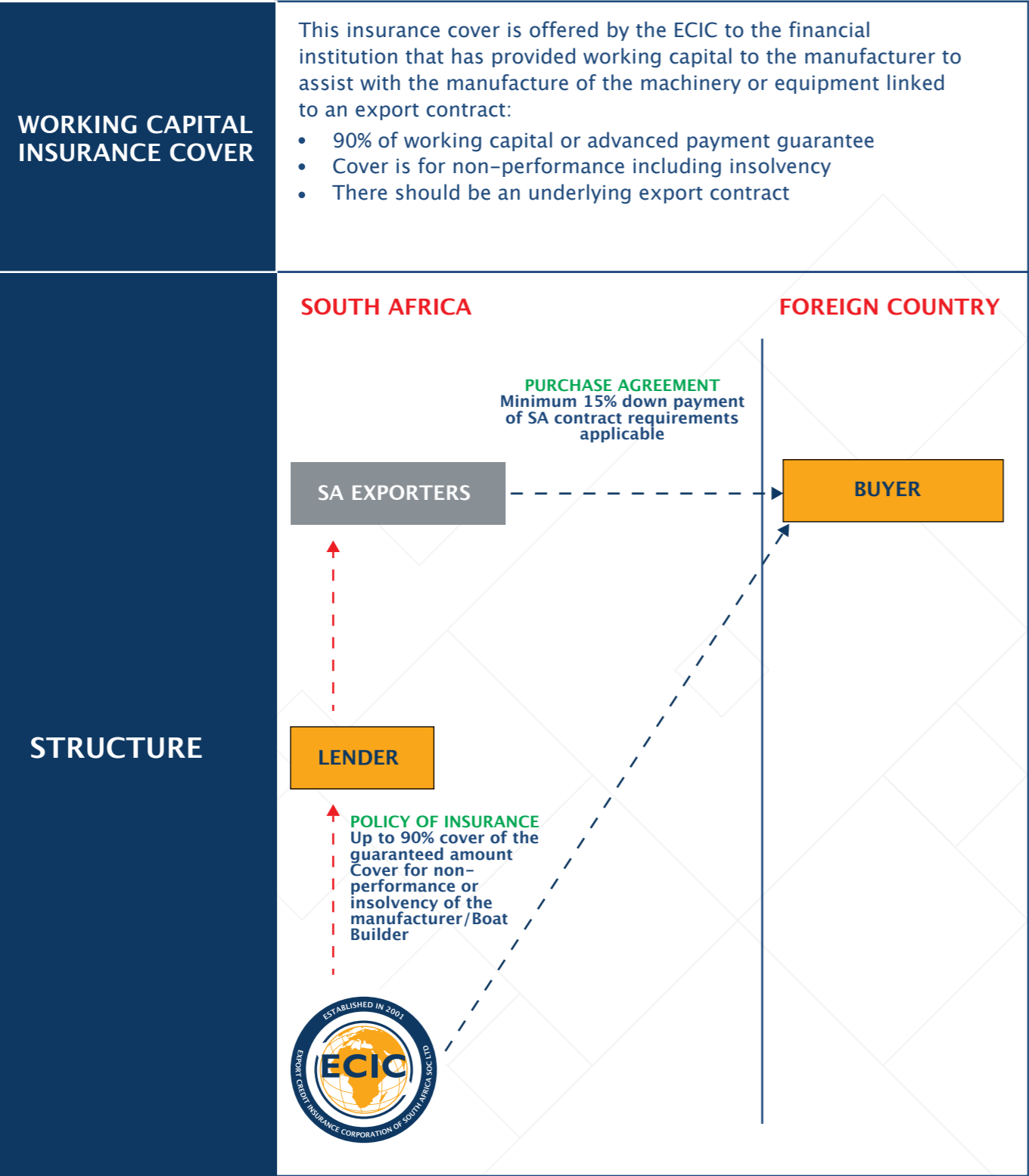
ECIC PRODUCTS: CONTRACTOR'S COVER

ECIC PRODUCTS: BOND INSURANCE



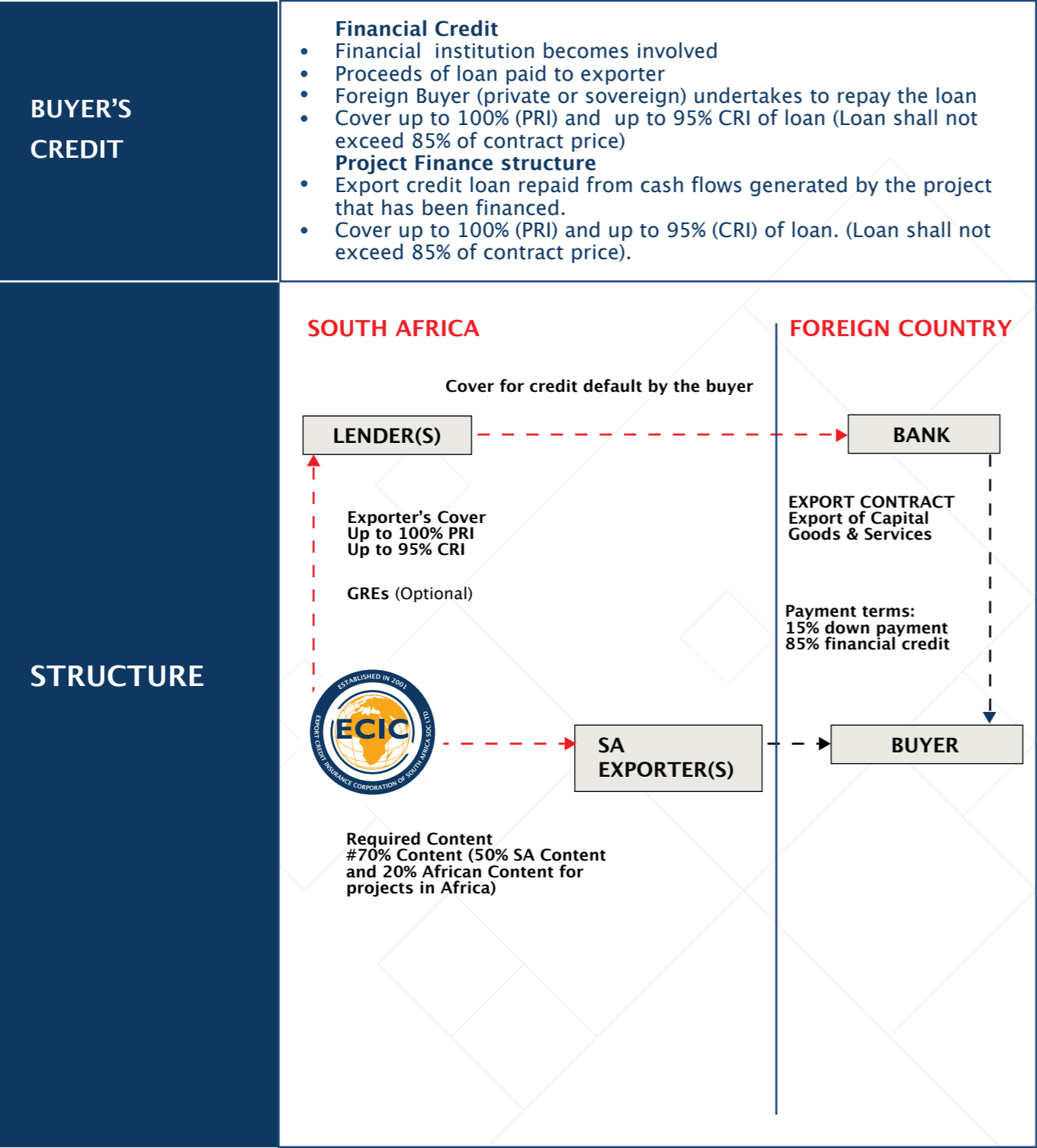
ECIC PRODUCTS: WORKING CAPITAL

ECIC PRODUCTS: SUPPLIERS CREDIT



ECIC PRODUCTS: BUYERS CREDIT

ECIC SMALL MEDIUM TRANSACTIONS ("SMT") PROGRAM

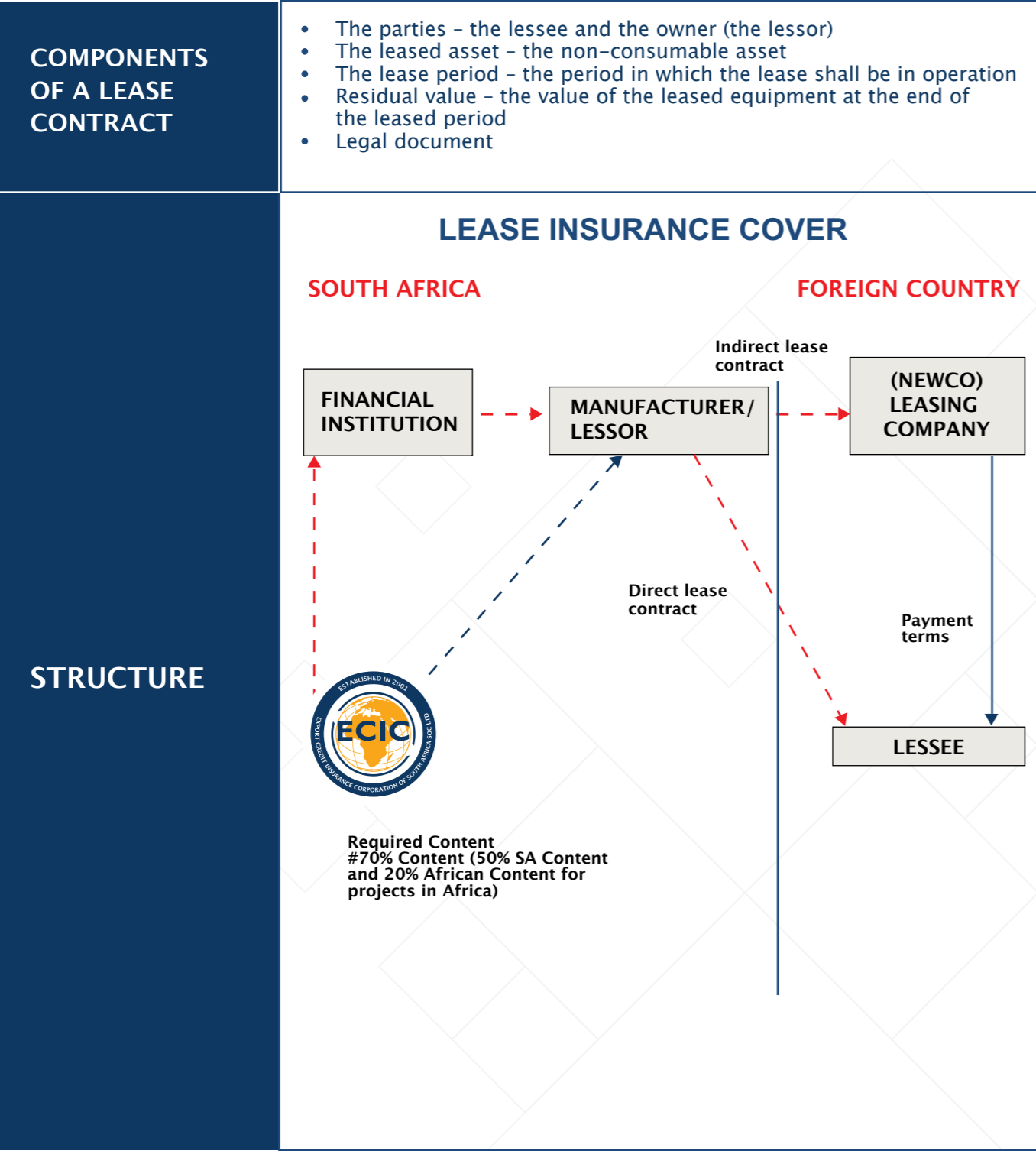


| FUNDING PARAMETERS & ADVANTAGES | <ul style="list-style-type: none">This is a corporate loan facility for export contracts with a value of USD 20m or less.The maximum repayment tenor is 5 years door-to-door.ECIC provides 100% Political Risk Insurance cover; and 100% Commercial Risk Insurance Cover.Quicker approval process.Simpler documentation. | | | |
|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BORROWER CRITERIA | <p>Exposure Level: Less than USD 1 million</p> <ul style="list-style-type: none">Recent favourable trade references.Favourable credit report.Buyer in same line of business for at least two years.No material adverse issues.Management Accounts with positive operating and net profit in the past fiscal year. | <p>Exposure Level: >USD 1 million – USD 5 million</p> <ul style="list-style-type: none">Favourable bank report not older than twelve months.Buyer's audited financial statements with notes to the financial statements for the last two fiscal years.Buyer's unaudited financials with notes to the financial statements signed by the directors of the buyer. | <p>Exposure Level: >USD 5 million – USD 10 million</p> <ul style="list-style-type: none">Buyer's audited financial statements for the last three fiscal years complete with notes to the financial statements and an audit opinion.Positive operating and net profit in the most recent fiscal year.Current ratio in the last fiscal year is equal to or greater than 1.25.Free cash flow/debt service ratio of at least 1.3 in the most recent fiscal year.ECIC exposure not exceed 40% of tangible net worth of buyer.Buyer/Borrower in same line of business for at least three years. | <p>Exposure Level: USD 10 million – USD 20 million+</p> <ul style="list-style-type: none">Positive net cash from operations in the last two fiscal years;Total liabilities/ tangible net worth ratio in the last two fiscal years is equal to or less than 2.5;Free cash flow/debt service ratio of at least 1.5 in the last two fiscal years;ECIC exposure does not exceed 50% of tangible net worth at the end of the preceding fiscal year; andBuyer/Borrower in same line of business for at least three years. |



LEASE AND RETURN OF EQUIPMENT/ PLANT COVER

LEASE INSURANCE COVER

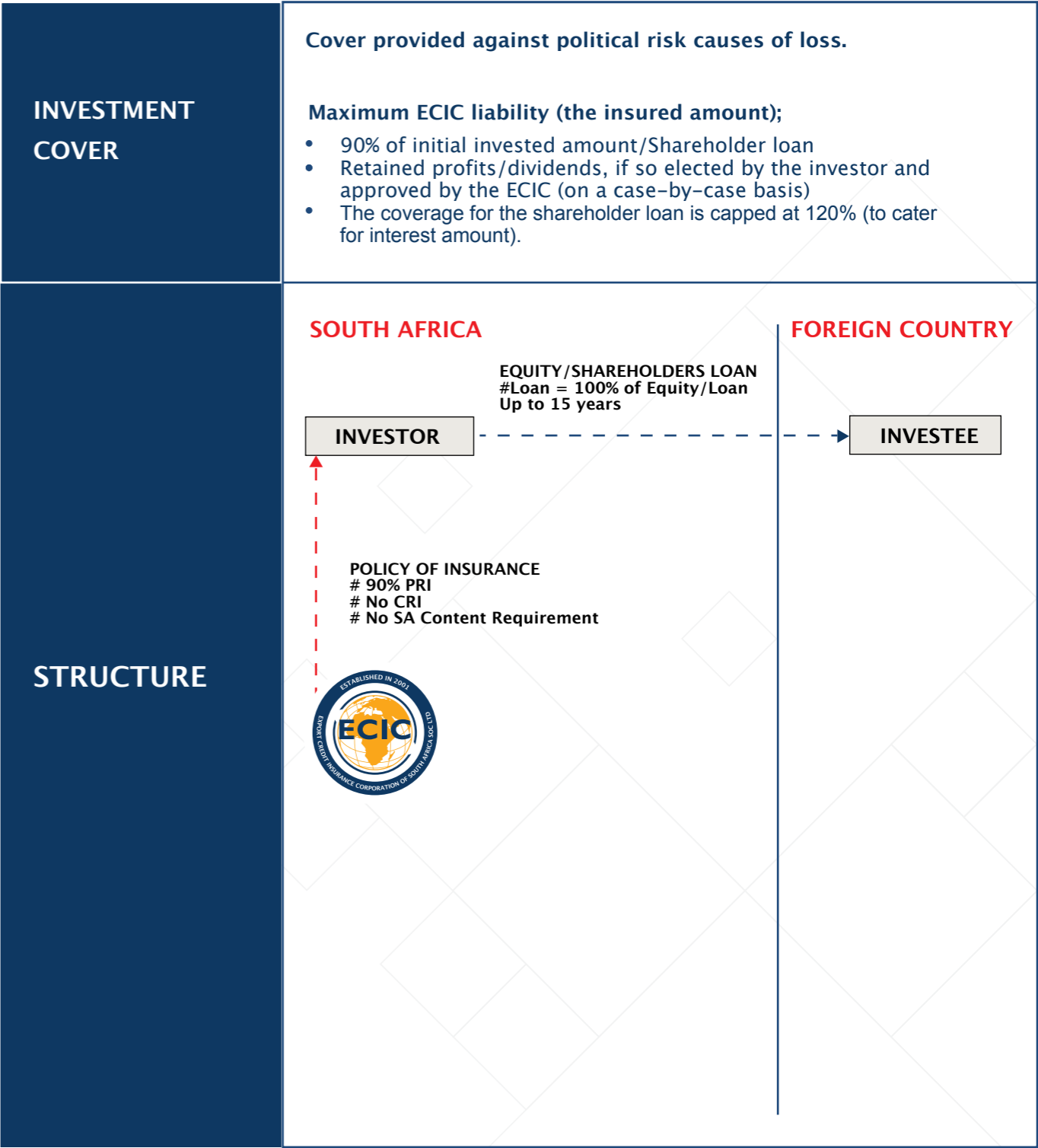
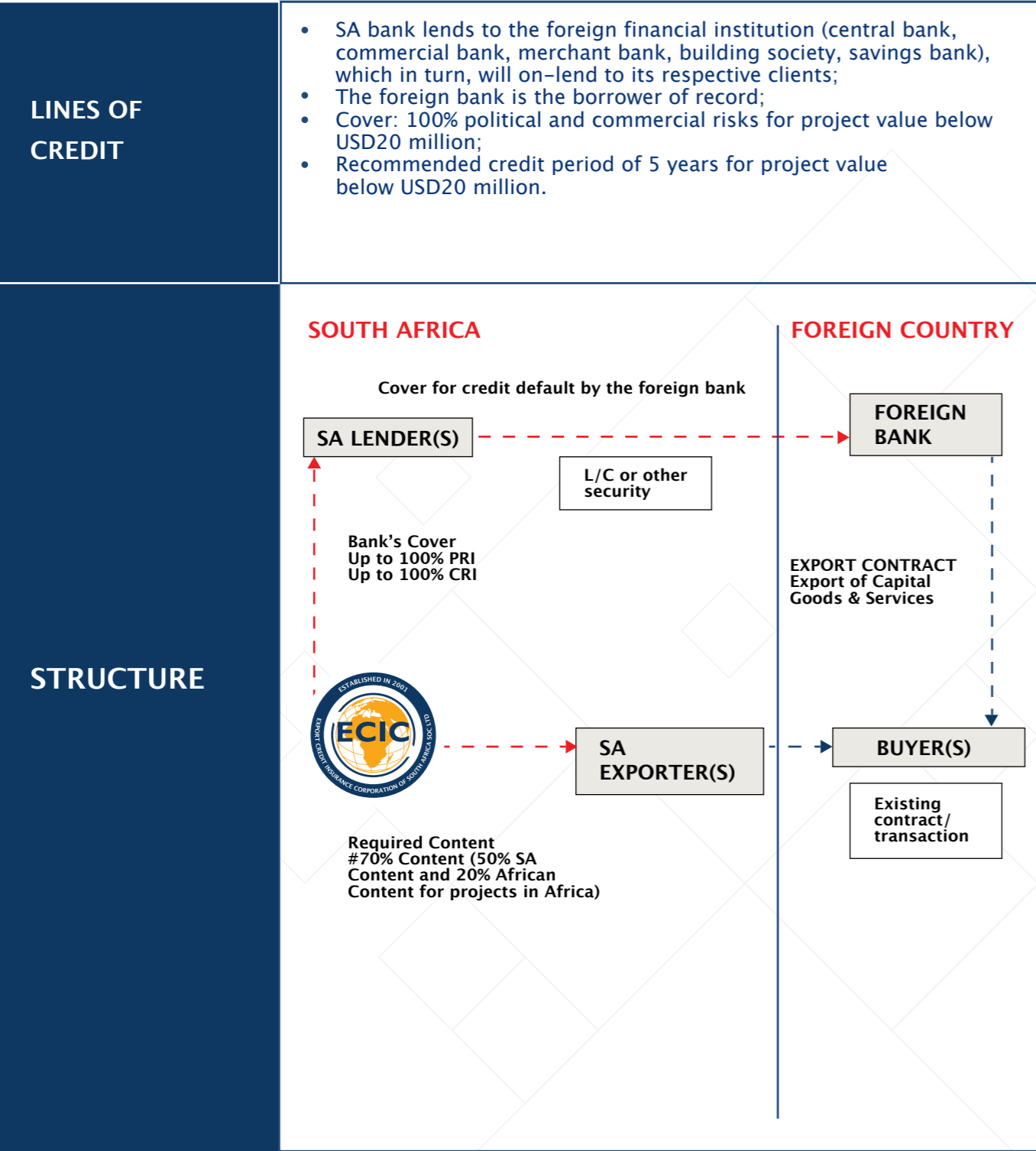


| | Financial Lease | Operating Lease | Return of equipment |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Description | It is a contract that allows the lessor, as owner, to retain ownership of the equipment while transferring substantially all the risks and rewards of ownership to the lessee. It can be considered as a full pay-out lease, because payments made during the term of the lease are calculated to cover the lessor's costs of purchasing the equipment, funding costs and a profit | It is essentially a temporary rental contract – entered into between the lessor and the lessee for the use of equipment. The lessor is responsible for maintenance and insurance and a substantial part of ownership risks. The lessor recovers all these costs and makes profits from the rentals received and still has the possibility to make more income from the sale of the asset | It is cover that is designed for the contractors' plant and machinery that is to be returned to South Africa after being used on construction sites. It is possible that the lessee or the lessor becomes unable to ship them back as determined in the lease contract essentially due damage/loss as a result of political events. |
| Causes of loss | Political and commercial risks | Political and commercial risks | Political risk only |
| Indemnification | The declared rental amount – this may cover rental amounts for a year or the tenor of the contract i.e. the declared aggregated rental amounts | The declared rental amount and this normally includes the residual value of the equipment. This may cover rental amounts for a year or the tenor of the contract i.e. the declared aggregated rental amounts | The declared value of the equipment for the relevant year at that specific point in time i.e. book value or value as confirmed by a valuation report prepared by a reputable sworn valuator. In instances where the equipment becomes partially damaged requires reparation, the settlement will be for repairs as confirmed by an evaluator. |
| Legal docs | To be advised by the Legal Unit | | |
| Exclusions | For clarity of these guidelines, the lease of land in any foreign country is excluded from the insurance coverage. | | |
| Waiting period | 90 days | | |



ECIC PRODUCTS: LINES OF CREDIT

ECIC PRODUCTS: INVESTMENT COVER



BLACK INDUSTRIALISTS (BI) – THE UNDERWRITING CRITERIA

- No assessment fees will be charged for BI insurance applications.
- ECIC can provide insurance risk cover support on an unsecured basis (at least in the case of Bonds, Working Capital and Advance Payment Guarantee).
- ECIC commits to provide, within its capacity and mandate, advisory assistance to the BI applicants for a feasible project funding structure in collaboration with other DFIs/SOEs.
- Export credit transactions involving processed and consumable products may be covered provided they are in the designated IPAP sectors. However, the eligible non-capital goods exports will be subject to the consent of the Minister of Trade and Industry.
- Start-up BI companies/projects will be supported essentially on the basis of the strength of business plan and executive management's skills and experience in the concerned sector.
- Going-concern BI entities will have to demonstrate their financial viability and technical capability to deliver on the transaction even if they do not have previous international markets exposure.
- A BI export project to a maximum value of US\$20 million will be covered on the basis of 100% political and commercial risks.



YOUR EXPORT **RISK** PARTNER



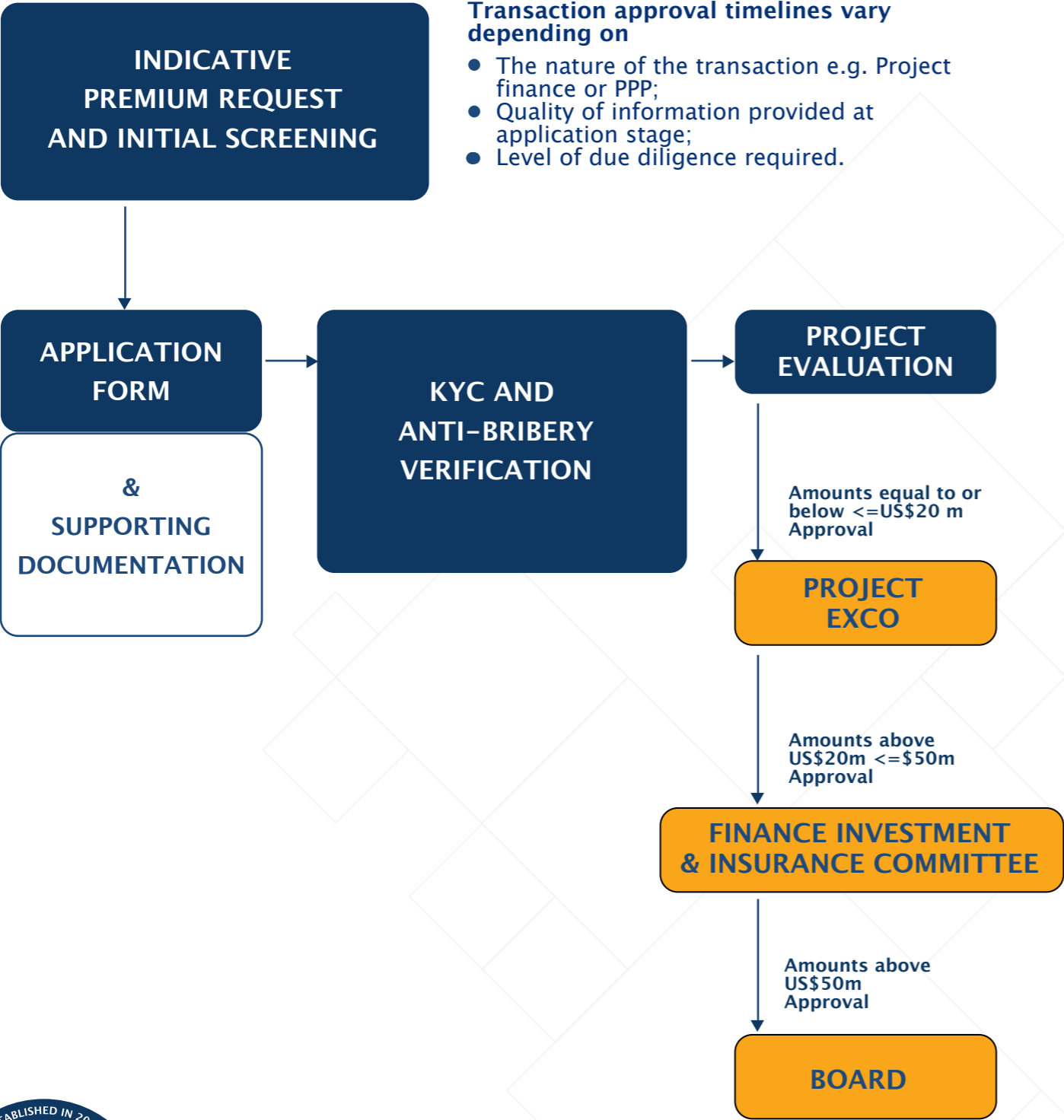
YOUR EXPORT **RISK** PARTNER

APPROVAL PROCESS

APPROVAL PROCESS

DISCLAIMER

PROCESS FLOWCHART



This booklet has been prepared and provided on a strictly private and confidential basis for information purposes only. Without prior written consent of the ECIC, the booklet and any information contained within it may not be reproduced, copied or used for any purpose other than your evaluation of the Corporation, or provided to any other person, except your employees and advisors on a confidentiality basis.

This booklet does not constitute and should not be construed as, an offer, invitation or inducement to obtain any products of the ECIC nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

The information does not constitute either advice or a recommendation regarding any of the ECIC products. The Information provided from or through this booklet is general in nature and is not specific to you the consumer or anyone else.

The information contained in this booklet is not intended to be a comprehensive description of the ECIC's product offering and many details which are relevant to particular circumstances may have been omitted. When considering applications from South African registered institutions and other potential users of the products, the ECIC will look at each case on its merits.





Physical address

Block C7 & C8, Eco Origins Office Park
349 Witch Hazel Avenue, Highveld Ext 79,
Centurion, South Africa, 0157

Postal address

P.O. Box 7075, Centurion, 0004

+27 12 471 3800 | info@ecic.co.za | www.ecic.co.za

ECIC is a registered Financial Service Provider, regulated by the FSCA and Prudential Authority (FSP No: 30656). Currently exempted in terms of FAIS Notice 78 of 2019

