

PRODUCT:

PROJECT FINANCING GUARANTEE

EKF offers to insure a significant share of the risk entailed by major ventures abroad to enable them to obtain loans with banks and pave the way for Danish exports.

WHAT IS PROJECT FINANCING GUARANTEE?

Project financing guarantee is typically called for when a Danish supplier participates in a major, long-term venture abroad such as a cement factory, windmill farm or large port terminal.

Projects of this type often entail extraordinary risks due to the uncertainties inherent in an extended time frame, the scale of the project or its technologies, together with the prospects for selling the project's goods or production.

In most cases, the risk is so high that ordinary banks are unwilling to lend money to the project without some degree of security pledge from EKF.

Based on its long-standing experience of risk assessment and arranging financing, EKF offers advice on a guarantee for the project.

BENEFITS FOR YOUR COMPANY

EKF coordinates and participates in financing of the project so the project can be realised using Danish products and services.

Based on many years of experience with projects worldwide, EKF is able to offer your company and your project partners valuable advice on financing. This helps to create a sound and well-conceived project.

EKF can participate in negotiations with project partners, banks, legal advisers, accountants and other advisers so you first examine the viability of the project and then proceed to create the basis for implementing it.

When EKF assumes a share of the project's risk, you will be eligible for the types of loan that ordinary banks are otherwise unwilling to provide.



STEPS IN THE PROCEDURE

THE PROJECT IS DEFINED

In the start-up phase, the aim is to define the parameters for the project: the scale of the project, the time schedule, milestones, participants and the type of financing required. The participants in this phase will typically be the project owner, the Danish exporter, the exporter's bank and a foreign bank.

ASSESSMENT OF PROJECT OPPORTUNITIES AND RISKS

During the evaluation phase, the project's participants have to determine the viability of the project. They have to draw up a business plan, analyse the market and legal conditions and assess the risks.

PREPARING THE FINANCING MODEL

If the project is viable, the project's participants can proceed to draw up a model for the financing, so the project owner can obtain quotations for financing solutions from Danish and foreign banks. During this phase, EKF will be able to make proposals for how the project owner could make use of EKF's guarantee products.

EKF AND THE BANK PUT TOGETHER A FINANCING PACKAGE

With the project concept and financing model in place, the project owner can go ahead and obtain quotations for financing solutions from banks in Denmark and abroad. EKF is involved in this phase and identifies the project's risks jointly with the banks. EKF and the banks also perform a credit rating of the project so the financing package can be finalised.

FINALISING THE PROJECT

During the documentation phase, the parties will undergo a so-called due diligence process in which all the main issues concerning technology, market potential, environmental impacts, legal affairs and insurance together with contracts with product buyers will be settled. In many cases, the final contract with the Danish exporter will be concluded during this phase.

CONSTRUCTION OF THE PROJECT GETS UNDERWAY

With the business concept, financing and many other arrangements now finalised, the project can be launched and construction of, for example, the cement factory or wind farm can begin. The Danish exporter sets to work on his deliverables and receives payment according to the agreement with the project. EKF identifies risks and monitors the project closely during construction.

THE PROJECT SERVICES ITS LOAN

The project goes into operation and repayment of the financing commences once the project receives revenue from buyers and customers.

TERMS AND CONDITIONS

WHO IS ELIGIBLE FOR PROJECT FINANCING GUARANTEE?

Danish exporters who make deliveries to a project abroad. In practice, project financing entails such extensive work on assessment, analysis and negotiation that the value of the project should in principle be able to bear the establishment costs.



HOW MUCH PROJECT FINANCING GUARANTEE IS AVAILABLE?

EKF applies no set limits to the scale of projects. The project must however be of a scale that makes the project expenses commensurate with the value of the project.

WHAT IS THE REPAYMENT TERM?

In principle, EKF will offer risk coverage for up to 14 years for project financing guarantee. Risk coverage can however be extended for up to 18 years in the case of projects involving renewable energy.

CONDITIONS

EKF requires that the project is based on a solid and well-conceived business plan. The parties to the project must undergo an impartial due diligence process covering the legal, financial and commercial issues before the project owner and the bank can conclude the final loan agreement.

In addition, your company is required to meet a number of conditions in order to qualify for EKF assistance. The export order must promote economic growth in Denmark, and the buyer must be rated as creditworthy based on a thorough assessment designed to hold the Danish government free from losses.

Any business dealings involving the order must comply with EKF's requirement for good environmental conduct and corporate social responsibility. Bribery or other corrupt practices must not be used in any export transaction, and your company must be willing to allow EKF to publish certain standard details of the export transaction.

WHAT DOES EKF COVER?

EKF's guarantees cover extraordinary risks which private banks and insurance companies are either unable or unwilling to cover. EKF pays out compensation to the bank in the event that problems arise with the project abroad as a result of commercial or political risks.

A commercial risk means that the venture company is unable to pay due to liquidation, insolvency, cancellation of the contract or because the project is unwilling to pay. EKF has to rate the foreign project as creditworthy before we issue any guarantee.

A political risk means that your company does not receive payment for products due to impediments in the country you are exporting to. Such impediments include war (external armed conflict and domestic political violence), currency shortage, restrictions on use of currency, import or export bans, and interventions by local authorities that make it impossible to receive payment for the products.

EKF typically covers between 30 and 80 per cent of the risk on the loan granted by the bank. This means that the project's bank will be liable for at least 20 per cent of the risk.

WHAT DOES IT COST?

Advice is available free of charge from EKF, and a conditional guarantee quotation is also free of charge. The offer is valid for up to six months.

The venture company pays a premium for an EKF guarantee. We calculate the premium on the basis of the overall risk of the specific export transaction: sector, bank, repayment term, the foreign buyer's circumstances and political conditions in the country.



HOW DO I APPLY?

Contact EKF to learn more about how we can assist your company with financing your export venture. Write to ekf@ekf.dk or call +45 35 46 61 00. Our switchboard is open 8:30 am to 4:30 pm Monday to Thursday and Friday 8:30 am to 3:30 pm.

You can also write to or call our customer advisers directly. Find our contact details on our website www.ekf.dk

