

Debt Conversions

Introducing the

Debt

Conversion

Scheme

Finance for Investment in

Emerging markets



The Export Credit Guarantee Department
The UK's official Export Credit Agency

<i>How ECGD helps Exporters</i>	<i>Introduction</i>
<p>We have over 80 years experience of working closely with exporters, project sponsors, banks and buyers to help UK exporters compete effectively in overseas markets where the private sector may be unable to help.</p>	<p>Debt conversion is being used increasingly to finance investment in emerging markets.</p>
<p>ECGD is a separate Government Department reporting to the Secretary of State. We derive our powers from the 1991 Export and Investment Guarantees Act.</p>	<p>Our Debt Conversion Scheme allows a proportion of the rescheduled hard currency sovereign debts of a number of emerging markets to be converted into local currency, for investment in local projects approved by ECGD and the government of the country concerned. It is run according to the principles of the Paris Club group of creditor countries.</p>
<p>ECGD arranges Finance Facilities and Credit Insurance for contracts ranging from around £20,000 up to hundreds of millions of pounds. There is special help for smaller exporters. We also provide Overseas Investment Insurance for UK-based companies investing overseas. On average we underwrite business worth over £4 billion.</p>	<p>Our Debt Conversion scheme has financed a wide range of projects, including education, agriculture rehabilitation programmes, commercial investment, health and medical projects funded by charitable organisations.</p>
<p>A Statement of our Business Principles, which sets out clearly and publicly how we conduct our business, was published on 14th December 2002.</p>	
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<p>This booklet is intended to give you an overall impression of ECGD's Debt Conversion Scheme. It is not intended to be exhaustive. You are advised to consult your own legal or technical advisers as to the full implications of purchasing debt from ECGD.</p>	

⊗ **Who Benefits?**

Benefits of the Scheme

The scheme provides benefits to all of the parties involved, these being:

The Purchaser

Purchasers are able to buy local currency debt at a discount, negotiating a margin between the price paid to ECGD and the Redemption Rate offered by the country concerned. This gives access to local currency for use in projects or investments in the country. Such projects and investments, using local currency purchased through the Debt Conversion Scheme, may offer sound development opportunities to the Government of the country.

The Country Whose Debts Have Been Rescheduled

Early settlement of debts at a discount on their face value means that foreign currency reserves are left unaffected, and local currency is reinvested in Government approved projects which may not otherwise take place.

ECGD

Receives cash immediately for debt that may have a long maturity and uncertain payment prospects, while gaining value for money.

- **How it works**

There are four main stages to the debt conversion process, which are set out below.

1. Initial Enquiry and Application

Applications to purchase ECGD debt are formally assessed on a competitive basis and must be made on a standard application form available from our International Debt Division (details below). To comply with ECGD's Business Principles you will be required to provide further information to enable ECGD to make an accurate assessment of any environmental impact. With the application form you will receive our 'Guide for applicants for purchase of debt under ECGD's Debt Conversion Scheme'. We will acknowledge receipt of your application form.

2. Assessment

Your application will be assessed on a value for money basis. If the price offered does not meet ECGD's floor price it will be rejected immediately and you will be invited to submit a further offer. We will take into account the nature of the proposed project or investment that the debt is intended to finance, and we will take note of the contribution the project will make to the social, economic and environmental development of the country. The responses made in relation to any Environmental Impact will be assessed. Further information may need to be provided, e.g. to show compliance with World Bank Standards. We will also assess your resources and track record and those of any other participants in the project or investment. The extent to which projects are consistent with HM Government objectives and policy will also be considered.

The assessment process may include market testing of the purchasing price if the application is to purchase debt with a nominal value in excess of £5m.

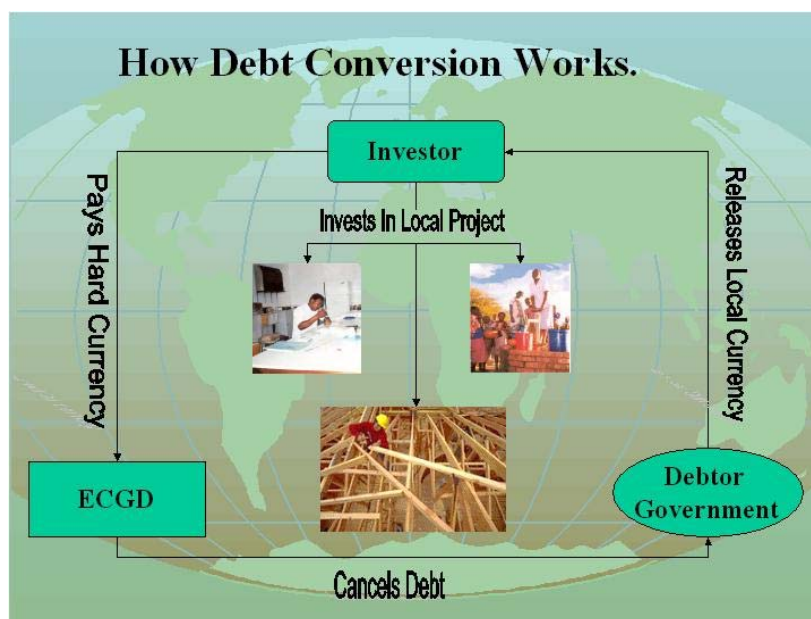
3. Approval

We will write to let you know whether your application has been successful but we must stress that, at this stage, there is no commitment by either side to sell or purchase the debt. Until the Purchase Agreement is signed, either party can withdraw from the negotiations at any stage and there will be no recourse by either party for any expenses incurred or due.

We recommend that before or during the process of making an offer to ECGD for the purchase of debt you ensure that the Government of the country concerned is satisfied with your proposed scheme/project and that the Redemption Rate offered by their Government is acceptable to you. You will also be required to make arrangements with the Government of the country for the release of local currency. These negotiations are solely your responsibility and ECGD will also require written approval for the proposed project from the country's relevant Government Department.

4. Concluding the transaction

Once we have all the necessary information and all negotiations are completed, we will produce an Assignment Agreement concluding the purchase of the debt for conversion. When we have both signed this document and you have paid us the purchase price of the debt, you will be able to conclude your arrangements with the country's government and invest in the approved project. We will agree with you the extent of publicity regarding the transaction and will respect any requests for commercial confidentiality.



• Next Steps

If you require any further information on scheme or application forms please contact:

ECGD
International Debt Division
PO Box 2200
2 Exchange Tower
Harbour Exchange Square
London E14 9GS

Telephone: 020 7512 7078
Fax: 020 7512 7697
Website: <http://www.ecgd.gov.uk>

Further Information

We also publish booklets about the full range of our facilities. In summary, these are:

• Buyer Credits	• Supplier Credit Financing Facility
• Credit Terms	• Project Finance Scheme
• Lines of Credit	• Export Insurance Policy

If you would like a copy of any of these booklets, or general information on any ECGD facilities, please telephone our helpline, or write to us at

ECGD
PO Box 2200
2 Exchange Tower
Harbour Exchange Square
London E14 9GS

Fax: 020 7512 7649 (General)
Email: help@ecgd.gov.uk
Telephone: 020 7512 7000 (Switchboard)
020 7512 7887 (Help Desk & 24-hour answer phone)

**International Debt policy Branch
Business Division 2**

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