Inquiry by the Senate Foreign Affairs, Defence and Trade References Committee into the Indian Ocean Region and Australia's Foreign, Trade and Defence Policy

Submission by Export Finance and Insurance Corporation (EFIC)

June 2012

Summary: Export Finance and Insurance Corporation (EFIC) is the Australian Government's Export Credit Agency. EFIC is mandated to help Australian exporters and companies investing overseas overcome the financial barriers they face when trying to win, finance and protect their export activity when their bank is unwilling or unable to provide all the support they need. This submission draws on EFIC's experience supporting Australian trade with the nations of the Indian Ocean Region to detail the financial challenges faced by Australian businesses exporting to these markets.

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Introduction

About EFIC

Export Finance and Insurance Corporation (EFIC) is the Australian Government's Export Credit Agency (ECA). EFIC is wholly-owned by the Australian Government and is responsible to the Minister for Trade and Competitiveness as part of the Foreign Affairs and Trade portfolio. EFIC's mandate is to help Australian exporters and companies investing overseas overcome the financial barriers they face when trying to win, finance and protect their export activity where their bank is unwilling or unable to provide all the support they need. EFIC's assistance complements but does not compete with private sector export finance and insurance. EFIC works with exporters and their banks to provide loans, guarantees, bonds and medium/long-term insurance products which are tailored to the needs of both small and large exporters.

Over the past decade, EFIC has supported over $15 billion of Australian exports to 65 countries around the world supporting Australian companies in a diverse range of industries including construction, manufacturing, agriculture, film and television production, engineering and mining services, oil, gas and ship building.

This submission draws on EFIC's experience supporting Australian trade with the nations of the Indian Ocean Region (IOR) to detail the financial challenges faced by Australian businesses exporting to these markets.

Export Credit Agencies

ECAs are typically Government-owned, or supported institutions, which provide financial support for export transactions. Many countries have a national ECA, including all OECD countries except Ireland, Iceland and Chile. Many of the extra-regional stakeholders of the IOR region have their own form of ECA which help their respective national businesses take advantage of trade opportunities; including China (China Exim Bank and Sinosure); France (COFACE); Japan (JBIC and NEXI), Republic of Korea (Korea Exim Bank and K-Sure), the UK (UK Export Finance) and the USA (US Exim Bank) as well as various EU member states.

The scope of activities and nature of financial support provided by ECAs is broad. Generally support includes the provision of buyer and supplier credit, pre-shipment finance, finance to national companies investing offshore often in addition to insurance services to mitigate payment risks and/or coverage for financial loss arising from political actions (or inactions) taken by the host government where the investment is made. Export support is generally divided into short-term (usually payment terms under two years), medium-term (usually two to five years) and long-term (usually over five years).

Defining the Indian Ocean Region

The IOR is of significant strategic and economic importance to Australia, consisting of both important trading partners and emerging markets for Australian exports. The IOR accounts for approximately one third of the world's population; as such it is a heterogeneous grouping encompassing a broad range of cultures, languages, religions and stages of economic development. The IOR spans the distinctive sub-regions of:

- East and South Africa;

- Gulf States;
- South Asia;
- South-East Asia;
- Indian Ocean island states and territories; and
- Australia

The Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) brings together a number of these diverse regional members in the only regional forum to promote cooperation in the Indian Ocean Rim. Australia will assume the role of Chair of IOR-ARC for a two year period from late 2013 to late 2015.

DFAT defines the *Indian Ocean Rim* as the 26 nations located in or bordering the Indian Ocean (excluding French and British territories). The *Indian Ocean Region* (IOR) includes the Indian Ocean Rim in addition to another 10 nearby coastal countries. The *Broader Indian Ocean Region* refers to other nearby countries and extra-regional stakeholders with a presence or interest in the region such as China, EU, France, Japan, Republic of Korea, Russia, UK and the USA as shown in the table below.[1]

Indian Ocean Rim[2]				
Indian Ocean Region				
Broader Indian Ocean Region				
Indian Ocean Rim[3]		Nearby coastal countries[4]	Other nearby countries	Other extra-territorial stakeholders[5]
Australia	**Oman**	Bahrain	Afghanistan	China*
Bangladesh	Pakistan	Egypt*	Bhutan	EU
Burma	**Seychelles**	Eritrea	Botswana	France*
Comoros	**Singapore**	Iraq	Burundi	Japan*
Djibouti	Somalia	Israel	Brunei	Republic of Korea
India	**South Africa**	Jordan	Cambodia	Russia
Indonesia	**Sri Lanka**	Kuwait	Ethiopia	UK*
Iran	**Tanzania**	Qatar	Lao	US
Kenya	**Thailand**	Saudi Arabia	Lesotho	
Madagascar	Timor-Leste	Sudan	Malawi	
Malaysia	**UAE**		Nepal	
Maldives	**Yemen**		Philippines	
Mauritius			Rwanda	
Mozambique	*French Territories in the Indian Ocean including Reunion and Mayotte (France)**		South Sudan	
			Swaziland	
			Uganda	
			Vietnam	
	*British Indian Ocean Territory (UK)**		Zambia	
			Zimbabwe	

Source: DFAT

[1] As defined in the Department of Foreign Affairs and Trade Submission to the Inquiry into Australia's trade and foreign relations with the Indian Ocean Region, April 2012.
[2] Located in the Indian Ocean or facing the Ocean through a water body of the Indian Ocean: Mozambique Channel, Gulf of Aden, Gulf of Oman, Arabian Sea, Bay of Bengal, Andaman Sea, Strait of Malacca and the Timor Sea.
[3] Bold denotes members of the Indian Ocean Rim Association for Regional Cooperation IOR-ARC.
[4] Located in a connected body of water: Red Sea and Persian Gulf
[5] * denotes IOR-ARC Dialogue partners (UK and France both have Indian Ocean territories)

EFIC and the Indian Ocean Region overview

Submissions made to this inquiry by the Department of Foreign Affairs and Trade (DFAT), Australian Trade Commission (Austrade) and others have set out in detail, the scale and nature of opportunities available in the IOR, particularly those aligned with Australia's strength in agribusiness, mining, energy and associated construction services.

As Australia's export credit agency, with a mandate to support Australian exports, specialist knowledge in country risk assessment, and experience developed over more than 50 years of working in emerging markets, EFIC is well positioned to assist Australian companies take advantage of opportunities for export and export-related projects in the IOR where Australian companies or their international buyers face financial barriers.

> ***Over the past decade, EFIC has signed $1.2 billion of facilities to support projects in and exports to the IOR, supporting a total of approximately $4.2 billion of Australian exports.****
>
> **excludes support for export projects in Australia with export off-take* agreements with the IOR.

Financial barriers to trade

There are common risks and challenges associated with cross-border trade, such as a lack of information about risk counterparties, inherent political and country risks associated with foreign markets, cross-border contractual problems, regulatory distortions, and the consequences of financial market disruption. These factors can prompt failures in export finance and insurance markets and consequently a lack of available export finance and insurance support for eligible transactions from private market providers. EFIC utilises its expertise built over more than 50 years and its international networks to understand country and transaction risks and support Australian firms where such a 'market gap' presents barriers to their cross border operations. In doing so, EFIC can promote additional profitable exports, and 'crowd in' the private market to support transactions it otherwise would not have.

EFIC support in the IOR

Australian companies in the agricultural, resources and construction sectors have sought EFIC support to overcome financial barriers to their export business in the IOR. Over the past decade EFIC has signed approximately $1.2 billion worth of facilities supporting projects in, or for exports to, nations of the IOR. This represents approximately $4.2 billion of Australian exports[6] to markets in Indonesia, Malaysia, Singapore, India, Sri Lanka, Pakistan, Bangladesh, United Arab Emirates, Iraq, Kuwait, Qatar, Jordan, Saudi Arabia, Kenya, Mozambique, and South Africa.

In addition, with the growth in Australia's resource sector, EFIC has been increasingly called upon to provide support to export projects in Australia. Due to the large debt requirements of these "mega" projects and the credit constraints of the current financial climate, EFIC and other ECAs from the region have stepped in to fill the financing gap. The current scale of investment in the resources sector will boost Australia's export output to the IOR and broader region in coming years as projects reach production phase and deliver on their off-take agreements to companies or governments in the region. EFIC can assist in this regard by providing finance at the project level or addressing financial barriers faced by firms seeking to take advantage of supply-chain

[6] Value of exports supported is based on contract value at time of signing. Note that this figure does not include facilities extended to support resource and associated infrastructure projects onshore in Australia at the project or subcontract level.

opportunities at the contractor or sub-contractor level, where the contract is integral to the overall export project.

Cross-border supply chains

As the Government's 2011 Trade Policy Statement outlines, '*the build and ship model of production and exchange is giving way to the creation of regional and global supply chains for both goods and services. Consequently, flows of investment are becoming more important in many industries than flows of finished goods.*'[7] Australian firms, particularly SMEs are looking to this cross-border supply chain model to remain competitive in international markets. However, Australian SMEs can struggle to get bank support in overseas markets until they have a track record, and local banks face difficulties in supporting the development of SME supply chains given the complexity of taking security overseas.

EFIC's ability to support Australian firms and their participation in cross-border supply chains for goods and services such as agricultural commodities, engineering, construction and mining services which are significant industries for Australia in the IOR, is currently restricted by the EFIC Act. To reflect the changes in the nature of export, EFIC has proposed to broaden the financial products it can provide in these circumstances. This would give EFIC the flexibility to tailor its support more effectively for the growing number of Australian firms participating in cross-border supply chains.

[7] Gillard Government Trade Policy Statement: Trading our way to more jobs and prosperity, April 2011, page 4.

Helping Australian business overcome financial barriers to the IOR

SME – Mid Market

Working capital and bonding constraints

SMEs may face a range of financial barriers, EFIC's experience with Australian firms seeking to develop opportunities, particularly in the Gulf States region of the IOR, shows exporters are often required to provide performance bonds to guarantee delivery of a contract. However, without the necessary security, banks are sometimes unable to extend the full level of support required despite a company's successful track record and technical ability. In response, EFIC has developed solutions which can be tailored to exporter needs and which complement the available private sector support:

Export Working Capital Guarantee[8]

Developed and delivered in cooperation with Australia-New Zealand Bank (ANZ), Westpac St/George Bank (Westpac), Commonwealth Bank of Australia (CBA), Bankwest, HSBC and Standard Chartered Bank, the EWCG helps Australian exporters source additional working capital to deliver their export contract, by guaranteeing the exporter's bank to extend working capital facilities when further security may be an issue. EFIC has recently provided working capital support for agricultural transactions in Sri Lanka.

Bonding support[9]

EFIC can provide individual bonds or establish a bonding line with exporters when their bank can no longer meet their bonding requirements. EFIC's bonding support can be lent against project or transaction cash-flow to free up additional working capital. EFIC has provided bonding support recently for transactions such as project management services in India and Zambia and construction contracts in Kuwait and the UAE.

Case Study: Gasco, UAE

Gasco Pty Ltd, an Australian combustion and process engineering firm, secured a US$6.5 million contract to supply equipment to the Dolphin Energy Project in the UAE. The contract required the installation of two fired heaters for the 240km Taweelah-Fujairah gas pipeline project which involves the production and processing of natural gas from offshore Qatar and transportation of the processed gas by pipeline to the UAE and Oman. A performance bond was required as a condition of Gasco's contract with the Russian engineering, procurement and construction company Stroytransgaz. However Gasco was unable to get the bonding support it needed from its bank alone. EFIC provided a guarantee to Gasco's bank, ANZ, which in turn provided the performance bond to the buyer (Stroytransgaz) enabling Gasco to retain working capital required to successfully fulfil the contract.

[8] For more detailed information see: http://efic.gov.au/finance/Workingcapitalguarantees/Pages/Exportworkingcapitalguarantee.aspx#content
[9] For more detailed information see: http://efic.gov.au/finance/bonds/Pages/default.aspx

Case Study: Aircraft Support Industries (ASI), UAE

Aircraft Support Industries Pty Ltd (ASI) won a $US68.2 million contract for the design and construction of an aircraft maintenance hangar at Abu Dhabi International Airport in the UAE. Despite extensive experience delivering similar projects, the contract required a 10% Performance Bond which constrained ASI's cash flow and meant ASI was unable to fund the bond without tying up working capital required for the project. EFIC assisted by guaranteeing ASI's bank, National Australia Bank (NAB) who then issued a standby letter of credit to the National Bank of Abu Dhabi, which in turn issued the performance bond to ASI's client, Abu Dhabi Aircraft Technologies (ADAT). Despite technical success and 15 years experience, bonding requirements present a significant obstacle to export success for Australian firms such as ASI. EFIC has assisted ASI with other bonding requirements for projects in markets including Vietnam, Jordan and Singapore.

Working with foreign banks and buyers

The financial constraints of foreign buyers can also present barriers to the export activity of Australian firms. A lack of information or difficulty assuming risk on foreign buyers and/or their banks, can limit the export finance support available to Australian firms from private providers. To assist in this scenario, EFIC can provide buyer finance options including a direct loan to an overseas buyer or an Export Finance Guarantee (EFG) to the exporter's bank, guaranteeing the bank for the overseas buyer's payment obligations to facilitate the Australian export trade.

Case Study: Wellard Rural Exports, Sri Lanka

EFIC provided an Export Finance Guarantee (EFG) to Rabobank to support a US$12.95 million dairy infrastructure project undertaken by Wellard Rural Exports Pty Ltd (Wellard) for the Sri Lankan Government. Under the contract, Wellard will supply the National Livestock Development Board of Sri Lanka with dairy cattle, farming infrastructure and services for the establishment of a high productivity dairy farm. This project serves as a pilot for the Sri Lankan Government's plans to develop larger scale dairy production farms in areas around the country, to rebuild a key industry sector following political and civil unrest. EFIC's provision of an EFG enabled Rabobank to provide a loan to the Government of Sri Lanka to fund the project. Wellard sells into 'complex, developing or politically challenging markets[10]', which can restrict a commercial bank's capacity to provide the necessary level of finance. EFIC's understanding of the complexities of international financing structures and ability to partner with local and international finance networks enabled Wellard to deliver the dairy project in a challenging market with significant potential to open a longer-term market for Australian livestock producers and equipment manufacturers.

[10] Wellard Rural Exports Pty Ltd, submission to the Productivity Commission Review of Australia's Export Credit Arrangements, 13 March 2012 available: http://www.pc.gov.au/projects/inquiry/export-credit/submissions#post-draft

Case Study: BP Solar Pty Ltd, Sri Lanka

BP Solar Pty Ltd required project finance to supply a solar-powered drip irrigation system to the Sri Lankan Ministry of Agriculture, Livestock, Land and Irrigation. When BP Solar was unable to find all the finance it required in the private market, EFIC provided an Export Finance Guarantee to Citigroup which financed the project. This enabled BP Solar to promote rural development through the Sri Lankan Government's program to supply low-cost irrigation kits to farmers to increase crop yields while conserving water and energy. EFIC has worked with BP Solar and its overseas buyers on a number of projects providing solar-powered homes and community lighting in remote areas of Sri Lanka, Indonesia and the Philippines.

Risk of non-payment can be a significant one for Australian exporters doing trade in this region. To mitigate this, exporters will often request that their buyer provide a Letter of Credit (also called Documentary Credit) issued by their local bank to guarantee timely payment for goods and services exported. The exporter is then taking foreign bank risk, and to manage this, may ask its own (often Australian) bank to confirm the Letter of Credit. Yet, an exporter's bank may have difficulty doing so for reasons such as perceived risk, a lack of information about the foreign bank, country or counterparty exposure limits. An important solution that EFIC can provide to support Australian exporters in this scenario is a Documentary Credit Guarantee (DCG). A DCG guarantees the exporter's bank in confirming the Letter of Credit. With a DCG, the exporter's bank can continue to help Australian exporters finance their export transactions in challenging markets.

In addition to its DCG and export finance support, EFIC can assist Australian exporters access more challenging markets through working with multilateral institutions to facilitate trade. In 2011, EFIC signed a US$65 million risk sharing agreement with the Asian Development Bank to help extend the commercial banking sector's capacity to support Australian exporters into these IOR markets. The agreement works in concert with the ADB's Trade Finance Program (TFP) which provides guarantees and loans through banks to support international trade, targeting some of Asia's most challenging markets. Australian exports to Pakistan, Bangladesh and Sri Lanka can be hampered by lack of bank capacity to confirm (guarantee) buyer payments that are backed by letters of credit (LCs) issued by banks in these markets. The EFIC-ADB risk sharing agreement is ADB's first such agreement with an export credit agency and enables EFIC to share up to 50% of the bank counterparty risk that ADB takes in issuing DCGs for Australian exports into these three markets; thereby extending the TFP's ability to support Australian trade in these areas.

Larger clients

Like SME exporters, larger firms may be exposed to the risks in cross border trade and the associated obstacles in export finance and insurance markets. One example is the Middle Eastern region of the IOR, where exporters may face difficulty in securing performance bonds for large contract work in construction, mining, engineering and associated services.

The benefits of assisting Australia's larger exporters where there is a gap in the private export finance market may also be broader than the value of the export contract supported. In EFIC's experience, when these companies enter new markets, they often bring along Australian SME sub-contractors, involving smaller Australian firms in their cross-border supply chains.

Managing political and country risk

Submissions to this inquiry have highlighted the opportunities available throughout the IOR which align with Australian firms' strengths in mining and mining services; however exporters must manage additional political and country risks associated with some markets. Africa contains 30% of the world's mineral reserves but only five per cent of the global mineral extraction budget is allocated to African projects. This provides great opportunity both for Africa, and Australia.[11] More than 220 Australian resource companies have assets in Africa – 200 of these are involved in mining. These companies account for 600 individual projects spread over 42 countries, representing over $20 billion of actual and perspective investment.

However there are challenges associated with operating in these developing markets, particularly for those placing significant investment in resource projects which can be subject to challenges such as political instability or civil unrest. To assist Australian exporters in managing country risk in their export activity EFIC provides a free information resource through its country risk profile available on EFIC's website[12]. The profiles, compiled by EFIC's Economics team, provide information on the key risks of doing business in a particular destination including a review of the economic, political, business conditions, social and security situation of the country. EFIC can also provide political risk insurance to assist Australian firms.

Case Study: Ausenco, Kenya

In 2006, EFIC provided political risk insurance (PRI) to a syndicate of commercial lenders in support of Ausenco's contract to develop the Kwale Mineral Sands Project in Kenya. In 2006 this project represented a sizable foreign direct investment in Kenya and the largest in the country's mining sector. EFIC's support enabled Ausenco to overcome financial barriers to operating in emerging markets, build on its mineral sands engineering experience and manage the design and construction of a significant project for the country.

Australian Resource Projects and the IOR

There is a widening market gap for finance for domestic export-focused projects, particularly in the resources sector and related infrastructure. Following the onset of the global financial crisis, the global banking sector has struggled to provide sufficient capacity for these large, long tenor projects. The demand for debt to finance these projects is unprecedented and ECAs from the broader IOR region including from Japan, China, Malaysia and Korea have stepped in to fill the financing gap.

The current scale of investment in the resources sector will boost Australia's export output to the IOR and broader region in coming years as projects in development reach production phase and deliver on their off-take agreements to companies or governments in the IOR. Foreign direct investment in the Australian resources sector by IOR companies is also becoming more prevalent some examples of which include the Malaysian oil and gas major Petronas' 27.5% stake in the Gladstone Liquefied National Gas Project (GLNG) in Queensland and Kuwait Foreign Petroleum

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[11] Former Foreign Minister Kevin Rudd, The Commonwealth of Nations, Australia and the 21st century, Speech, Annual Commonwealth Lecture, Perth 31 March 2011. See: http://www.foreignmninister.gov.au/speeches//2011/kr_sp_110331.html.
[12] EFIC country analysis available: http://www.efic.gov.au/COUNTRY/Pages/countryanalysis.aspx

Exploration Company's (KUPEC) equity participation in the Wheatstone Project in Western Australia.

Case Study: Santos

In 2012 EFIC signed a US$250 million Export Finance Guarantee for Santos's role in the US$16 billion Gladstone LNG Project (GLNG) in Queensland. Malaysian oil and gas corporation, Petronas is a key partner in the GLNG Project, with a 27.5% equity investment and will receive LNG off-take from the project as part of a 20 year off-take agreement, securing the supply of Australian LNG to Malaysia. Other partners include Korean Gas Company (Kogas) with a 15% stake and French energy major Total with 27.5%. The first LNG cargoes from the project are scheduled to be exported in 2015 and in the first stage of the project GLNG is expected to produce 3-4mtpa of LNG and up to 10 mtpa at peak operation. It will deliver approximately $9 billion in annual export revenue, $40 billion in federal income tax and $6 billion in state royalties over the life of the project.

Subcontracting

The mining boom is presenting Australian contractors and subcontractors with both a challenge and opportunity to diversify their businesses to engage with major projects, boost their competitiveness in international markets and transplant their skills and experience to operations both in Australia and throughout the IOR as further opportunities in construction, engineering and other mining services develop.

EFIC is working with the Resource Sector Supplier Advisory Forum to help address the financial barriers that restrict Australian companies from competing for opportunities in export supply chains, including working capital constraints and working capital requirements. EFIC has established a dedicated website to help Australian firms find out what EFIC support is available for their subcontract activities: http://www.efic.gov.au/contractors

To help Australian companies access the opportunities of the mining boom and in recognition of the sizable opportunities arising for Australian firms in the IOR, EFIC recently announced the establishment of a permanent EFIC office in Perth, Western Australia to boost its presence in the IOR.

Australia's links with other Export Credit Agencies in the IOR

The globalisation of trade and production has clear consequences for the export credit business. In large-scale projects today, inputs are commonly sourced from multiple markets which in many cases requires multi-sourcing of export credit support. In this context ECAs are increasingly entering into reciprocal risk participation agreements (RRPAs). This enables a 'lead' ECA to grant support for a multi-sourced export package while being re-insured or re-guaranteed by the other ECAs in a 'one-stop shop' export finance arrangement. Co-operation among ECAs can therefore be a useful tool in supporting firms as they adapt to the increasingly cross-border nature of export project procurement.

EFIC is no exception with strong links with its IOR ECA counterparts both bi-laterally and through multilateral forums such as the OECD, Asian Exim Banks forum (AEB) and Berne Union.

EFIC's Reciprocal Risk Participation Agreements

EFIC has signed Reciprocal Risk Participation Agreements (RRPA) with other ECAs which can facilitate the financing of projects involving multi-sourcing of capital goods and or services from Australia and the other ECA to a third country. These agreements may also support partner ECAs participate in financing export-related projects domiciled in Australia where the country has an interest in supporting the project i.e. an off-take agreement with an Australian LNG project.

To date EFIC has signed a total of 14 Reciprocal Reinsurance Agreements with other ECAs. EFIC's agreements with IOR partners include Asuransi Ekspor Indonesia (ASEI) and the Export-Import Bank of Malaysia (MEXIM) and a Risk-Sharing Agreement with the Asian Development Bank which aims to facilitate Australian trade to Vietnam, Pakistan, Sri Lanka and Bangladesh.

EFIC also has Memorandums of Understanding with:

- Export-Import Bank of India;
- Export-Import Bank of Thailand; and
- Indonesia Export-Import Bank
- Multilateral Investment Guarantee Agency (MIGA)

EFIC's RRPA's also cover many of the nations in the broader IOR and extra-territorial stakeholders such as:

- Coface of France
- K-Sure of South Korea;
- NEXI of Japan;
- Export-Import Bank of Korea (KEXIM);
- Export-Import Bank of China (CHEXIM);

EFIC's Multi-lateral Regional Engagement

EFIC is a member of the Berne Union, the Asian Exim Bank Group and represents Australia with regard to technical advice on the OECD Arrangement and WTO matters as they relate to export credit.

Berne Union

The Berne Union (International Union of Credit and Investment Insurers) is the leading international association for the export credit and investment insurance industry. It works for cooperation and stability in cross-border trade by supporting the international acceptance of sound principles in export credits and foreign investment and by providing a forum for professional exchange among its members. It currently has 48 members whose collective business covered over US$1.5 trillion worth of business in 2011, which is about 10% of the world's total export trade. Members are both private companies, offering world-wide risk engagement solutions and state backed ECAs, focusing upon the support of national exports and outward investments. Members representing the IOR include:

- Export Credit Guarantee Corporation, India (ECGC)
- Export-Import Bank of Malaysia (MEXIM)
- ASEI Indonesia
- Sri Lanka's SLECIC,
- ECIC SA South Africa
- ECICs Singapore
- ICIEC Multilateral – Islamic Corporation for the Insurance of Export Credit and Investment

Asian Exim Bank Forum

Formed in 1996, the AEB comprises ten national ECAs with the mandate to offer direct financing. In addition to Australia, membership includes the ECAs of IOR nations India, Indonesia, Malaysia and Thailand and those of the broader region such as Philippines, Vietnam and extra-territorial stakeholders China, Japan, Korea. ADB is a permanent observer to the Forum. At the October 2010 Annual Meeting in Bussan, Korea, the AEB member organisations agreed to a number of cooperative measures including a framework for a Reciprocal Risk Participation Agreement (RRPA) and a membership protocol allowing for enlargement of the groups' regional membership base. With the increase of large-scale projects and trade in the region, particularly in the resources sector, the RRPA could be utilised as a basis for ECA cooperation in financing projects which lie beyond the capacity of commercial lenders or a single ECA. This agreement can also be tailored to support export-focussed projects domiciled in each of these member institution's countries.