COMMITTED TO SUSTAINABLE BUSINESS

The Export Credit Insurance Corporation encourages and facilitates South African export trade to drive domestic job creation and contribute to the country's GDP

AFRICA is rich with natural wealth, which includes arable land, minerals and hydropower potential. This has been the bedrock of the continent's economy and continues to represent a significant development opportunity for its people.

Statistics show that natural resources account for nearly 80% of total exports and around 42% of government revenues. While in the extractives sector for example, it has been estimated that the region accounts for around 30% of all global mineral reserves.

According to the World Bank, trade facilitation can provide important opportunities for Africa. This pertains to increasing the benefits from open trade, and contributing to economic growth and poverty reduction.

However, most African countries face considerable challenges to achieving more open trade. One reason for this is that the costs of trading remain high, which prevents potential African exporters from competing in both global and regional markets.

Realising this, policymakers have started paying more attention to addressing trade-discouraging non-tariff barriers.

The Export Credit Insurance Corporation (ECIC) of South Africa – established in July 2001 – is one of the initiatives that supports the exportation of South African goods and services to drive domestic job creation, contribute to fixed capital formation and GDP and generate fiscal revenue for the country.

Essentially, the ECIC acts as an 'insurer of last resort' by providing insurance for export transactions that will otherwise not take place because commercial lenders are either unable or unwilling to accept the risks in medium-term and long-term transactions. These are the so-called unmarketable risks.

The organisation's vision is clear: to commit to sustainable business growth through innovative products, operational excellence, business development and strategic partnerships.

Kutoane Kutoane, CEO of the Export Credit Insurance Corporation

Therefore, through facilitating and encouraging South African export trade by underwriting export credit loans and investments outside the country, the ECIC helps contractors win international contracts – in pursuit of its key mandate of facilitating cross-border investments and the export of capital goods and related services by South African business entities.

Facilitating the export of capital goods is actually a large part of the ECIC's capacity. Since inception, the ECIC has played a role in facilitating and supporting the construction and expansion of projects on the continent in different sectors and at different levels.

In agriculture, its support extends from simple plantation to agro-processing, whereas in mining, it helps ease the funding of extractive activities by the processing plants.

Currently, mining projects make up more than half of the ECIC's total portfolio, while agriculture and agribusiness account for only 6.6%. Illustrative examples of these include a sugar cane plantation in Mozambique, an ethanol plant in Sierra Leone and copper mining and processing plants in the DRC and Zambia.

Kutoane Kutoane, CEO of ECIC, says the organisation's participation has enabled various frontier markets to optimise their production. Kutoane also says that 'export potential in strategic sectors, such as mining and power generation, dominate the portfolio while the transport and telecommunications sectors are on a rising trend'.

Therefore, the ECIC-supported projects have thus far had a positive socio-economic impact in terms of job opportunities, contribution to GDP and national fiscus and betterment of life both in South Africa and other host economies.

UNLOCKING POTENTIAL

To facilitate this, the organisation also plays a role in unlocking investment opportunities for financiers and investors across Africa through the Africa Investment and Integration Desk (AVID) – an investment facilitation function hosted within the NEPAD Business Foundation. AVID aims to assist financiers and investors overcome bottlenecks related to the availability of information on business opportunities; preparation of project feasibility studies and bankability; matching projects to investors' specific criteria; addressing cross-border issues such as the harmonisation of projects, regulations and standards; and enabling regional integration of project investment.

Another way the ECIC invests in unlocking the continent's potential is through narrowing the skills gap by running three major programmes related to education, skills development and volunteerism.

Some of its skills development initiatives around South Africa include Penreach in Mpumalanga; the Rehoboth Trust in KwaZulu-Natal; the Maths and Science Leadership Academy in the Northern Cape; DeafSA in Limpopo; as well as the sponsorship of six students to participate in False Bay College's (Western Cape) three-year boat building programme.

GROWTH AND DEVELOPMENT

As a dynamic institution, scanning the environment and working to meet the needs of South African economic operators, the ECIC works hand in hand with its shareholder (the Department of Trade and Industry) and all stakeholders, through its market research and business development units to develop new insurance products and ensure government's export-related policy objectives are met.

Kutoane says that in order to bring about a sustainable growth and development path, the extraction of all resources should be buttressed by a mineral transformation process on the continent.

'To achieve such a transformation, Africa will need to overcome a number of obstacles, which include access to capital markets and overcoming infrastructure hurdles.

'The ECIC has a role to play in addressing some of these obstacles through facilitation and increasing the funding capacity for the construction of road and railway infrastructure, power generation plants and the acquisition of processing plants.'

Currently, the ECIC is in the process of launching its Performance Bond insurance cover, which works on the coverage of credit lines and return of plants and equipment.

The ECIC is also involved in assisting money-lending organisations. To help increase the lending capacity for financial institutions affiliated with the group, various agreements with other export credit agencies (ECAs) have been entered into, to establish a framework for both co-insurance and re-insurance.

In fact, the ECIC has recently adopted a plan of action to go along with the BRICS partner ECAs, which is aimed at actualising the co-operation programme for mutual benefits as envisioned in the memorandum of understanding signed last year.

Additionally, as part of the ECIC's African growth/expansion strategy and in line with governments' trade policy, the organisation is currently working on broadening its footprint in East and West Africa, through its research and business development units.

At the moment, country-scoping visits are being undertaken to identify opportunities for South African exporters. While in the past year, countries such as Madagascar, Côte d'Ivoire, the DRC, Ethiopia, Eritrea and South Sudan have been visited to identify opportunities and create inroads for possible support to local exporters.

'Therefore, through its mission, the ECIC is committed to reaching the strategic goals of the government, namely the acceleration of economic growth, the creation and preservation of employment opportunities and the reduction of economic inequalities,' says Kutoane. AD

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