

Does South Africa need its own export-import bank?

As a result of globalisation and the concomitant increase in trade, countries need to find financing solutions that will ensure that their participation in the global trade arena serves their national growth agendas.

Globally, export credit agencies (ECAs) are viewed as important catalysts for economic growth through trade. These institutions often provide financing and insurance solutions in order to mitigate risks associated with trade, as well as much-needed working capital financing for businesses involved in trade.

This paper seeks to ascertain the feasibility of South Africa's establishing a new state-owned ECA that will provide concessional financial and insurance solutions to businesses involved in trade. Ideally, this ECA would be a 'one-stop shop' for all the trade finance needs of these businesses and would seek to stimulate exports in priority sectors of the economy in line with the country's economic growth objectives.

The paper begins with an analysis of the ECA landscape internationally, followed by an analysis of the characteristics of ECAs and a critical review of such institutions globally. It then does a stocktake of the trade finance services provided by banking and non-banking financial institutions in South Africa.

The paper shows the extent and depth of this market, demonstrating that there is sufficient trade finance for domestic and international trade currently. Its main finding is that there is a fully-fledged trade finance market in South Africa that compares well with international export and import markets.

Two state institutions – the Industrial Development Corporation (IDC) and the **Export Credit Insurance Corporation (ECIC)** – provide funding for trade and trade insurance facilities respectively. They compete with various private providers of trade finance solutions and distinguish themselves by having a higher risk appetite than their private counterparts thereby enabling access to these facilities by high risk trade participants.

The trade finance market in South Africa is therefore considered to be sufficiently financed and well established. A new state-owned ECA is thus unnecessary and unfeasible, considering the country's current fiscal constraints. However, a concerted effort is needed to improve the financing of small and medium-sized enterprises (SMEs) involved in cross-border trade activities since they are still finding it challenging to access this market. A final recommendation is for the IDC and ECIC to become drivers of growth in the SME space by providing streamlined trade finance solutions.