



EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA SOC LIMITED (ECIC)

Briefing to Portfolio Committee on Trade and Industry
Integrated Report 2017/18 and Quarter 3 Performance Report 2018/19
19 February 2019



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ECIC Representatives

Dheven Dharmalingam – Chairman of Board

Kutoane Kutoane – Chief Executive Officer

Noluthando Mkhathazo – Chief Financial Officer

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ECIC MANDATE

Official Export Credit Agency (ECA) of South Africa – insure against political and commercial risk relating to export of capital goods and services from SA

Facilitation of SA export trade and cross-border investments with the rest of the world – strong Africa regional focus

Enabling Act is the Export Credit and Foreign Investments Insurance Act, 1957, as amended. Presently, under review by **the dti**.

ECIC is a schedule 3B entity and is subject to the supervision and regulation by the Prudential Authority and Financial Services Conduct Authority in terms of the Insurance Act, 2017.



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ECIC VISION AND MISSION

Vision

To be a world class export credit agency in facilitating South African export trade and investment globally.

Mission

To provide export credit and investment insurance solutions in support of South African capital goods and services by applying best practice risk management principles.



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ALIGNMENT WITH THE DTI

- Support NDP and IPAP and the national export strategy
- As an ECA has to support SA content requirement of 50% for Africa-bound projects and 70% elsewhere - Currently under review by **the Dti** in light of global competition and supply chain arrangements.
- Working closely with **Trade Invest Africa** of **the Dti** to adopt a unified SA approach to winning export contracts on the continent.
- Quarterly high level meetings with the Dti and NT on key issues, challenges and milestones.
- Need for closer alignment of cross-border financing strategies of all DFI's (IDC, PIC and DBSA).



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STRATEGIC OBJECTIVES

2017/18

- Improve knowledge and skills
- Increase product range
- Increase strategic partnerships
- Improve business processes
- Improve communication and stakeholder/customer management
- Improve business development
- Decrease cost-to-revenue ratio
- Increase revenue
- Increase capital base
- Increase stakeholder/customer satisfaction

2018/19

- Improve knowledge and skills
- Increase strategic partnerships and stakeholder relations
- Improve business processes
- Improve communication
- Improve business development and customer management
- Increase capital base
- Increase stakeholder/customer satisfaction



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2017/18 INTEGRATED REPORT

HIGHLIGHTS

- Financial assets R7 billion
- Total insured value R27 billion
- Solvency ratio 635%
- Gross written premiums R887 million
- Underwriting profit R389 million
- Targets achieved 100%
- Total equity R4 billion



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2017/18 INTEGRATED REPORT

FINANCIAL PERFORMANCE

Premiums, claims and underwriting profit summary (R'000)

	2017/18	% movement from 2016/17	2016/17	2015/16	2014/15	2013/14
Insurance premium revenue	866,948	501	144,262	411,894	1,788,350	130,642
Underwriting profit	388,496	-33	584,199	615,603	366,649	360,459
Investment income	259,570	92	135,374	254,300	277,102	243,750



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2017/18 INTEGRATED REPORT

FINANCIAL PERFORMANCE

Asset growth (R'000)

	2017/18	% movement from 2016/17	2016/17	2015/16	2014/15	2013/14
Financial assets	6,870,242	-1.44	6,970,516	7,512,623	6,400,188	5,115,967
Total assets	8,539,519	-0.24	8,560,482	9,432,312	7,964,563	5,549,667
Total equity	4,030,045	12.89	3,569,876	5,247,856	4,324,239	3,736,967



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2017/18 INTEGRATED REPORT

MATERIAL RISK ISSUES

Government and credit rating downgrades

- As ECIC cover is “government-backed” any government downgrade would increase the ECIC risk profile and cost for customers. This can cause an automatic loss of business and impair our competitiveness significantly

Interest make-up (IMU) liability risk perceptions

- The absorption of the IMU liability created market concerns about the impact of the liability on ECIC. Stakeholder engagements confirmed that this was a once-off event.
- A risk arises due to the obligation being denominated in US Dollars while **the dti** grant is in Rand – currency mismatch risk.



2017/18 INTEGRATED REPORT

MATERIAL OPPORTUNITY ISSUES

SA EXIM Bank

- Support for establishing an export and import bank for SA to support SMEs and other nascent export industries. The legislative process and the mobilisation of all the key stakeholders and operational readiness may take long.

Afreximbank

- New opportunities created through Afreximbank investment will give us added impetus and capacity to execute our strategy more effectively.



2017/18 INTEGRATED REPORT

MATERIAL ISSUES

Scarce and evolving skills requirements

- The expansion of our mandate and the development of an EXIM bank will require new skills and systems.
- Opportunity to second staff to Afreximbank and collaborate on knowledge sharing and skills development.

Limited investment options

- ECIC is engaging with **the dti** and National Treasury to create a more efficient and diversified investment portfolio – offshore asset classes to include equities and derivatives (the latter for risk management).



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2017/18 INTEGRATED REPORT

AUDIT OUTCOME

ECIC achieved an unqualified audit opinion with one finding relating to:

- An accounting policy note which was corrected to reflect the approach correctly accounted for in accordance with the International Financial Reporting Standards. As such this specific finding has been addressed.

To prevent a similar finding the impact of all upcoming IFRS updates have been assessed and a task team has been formed to deal with IFRS 9 and 17 implementation due for the 2021/22 financial year.



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2018/19 QUARTER 3 PERFORMANCE

Key highlights to date

Launch of the USD1 billion South Africa – Africa Trade & Investment Promotion Program (SATIPP) in partnership with Afreximbank in Quarter 1

Successful hosting of BRICS CEO's Forum meeting in July 2018, chaired by the ECIC's CEO

Achievement 3rd Quarter:

Achieved 90% (9 out of 10) targets at the end of Quarter 3

- The target not met was the training plan implementation (Improve knowledge and skills).
- With certain offerings postponed to Quarter 4, implementation is still on track to ensure the achievement of our annual target.



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2018/19 QUARTER 3 PERFORMANCE

Strategic Objective	Measure	Q3 Target	Q3 Actual Achievement	Reason for variance
Improve knowledge and skills	90-100% Implementation of training plan	75% implementation	64% implementation	Certain offerings were postponed to Q4
Increase strategic partnerships and stakeholder relations	8 knowledge sharing initiatives	6 knowledge sharing initiatives	6 knowledge sharing initiatives	Target achieved
Improve business processes	80-100% Implementation of business system plan	50-70% implementation	Boardpack implemented; Budget Tool at 80%	Target achieved
	50-60% Implementation of process improvement plan	30-50% implementation	30% of process improvement plan implemented	Target achieved



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2018/19 QUARTER 3 PERFORMANCE

Strategic Objective	Measure	Q3 Target	Q3 Actual Achievement	Reason for variance
Improve communication	Brand survey conducted	Conduct brand survey	Brand survey conducted	Target achieved
	80-100% Implementation of marketing and communications plan	N/A for reporting purposes in Q3	N/A	N/A
Improve business development and customer management	2 Research projects to identify new opportunities	First research report presented to EXCO	2 research papers approved by EXCO	Target overachieved
	\$450m-\$550m Value of projects approved	Annual target with quarterly progress reporting	9 projects to the value of \$173m approved	N/A – 3 projects to the value of \$399m are expected to be approved in Q4



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2018/19 QUARTER 3 PERFORMANCE

Strategic Objective	Measure	Q3 Target	Q3 Actual Achievement	Reason for variance
Increase capital base	8% Increase in equity	4% increase in equity cumulatively	Increase in equity of 16,15%	Target overachieved
Increase stakeholder/customer satisfaction	Customer satisfaction survey conducted	Conduct customer satisfaction survey	Customer satisfaction survey conducted	Target achieved



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2018/19 QUARTER 3 PERFORMANCE

Major challenges being discussed with Government

- Income tax exemption of **the dti** transfers
 - The transfers are entirely for repayment of the IMU liability rather than operational expenses
- Income tax functional currency
 - As per December 2018 results ECIC achieved a profit before tax of R26 million based on US Dollar functional currency
 - Tax calculation based on SA Rand functional currency results in a loss after tax of R247 million
- Government guarantee
 - To determine ECIC underwriting capacity from National Treasury point of view

Progress

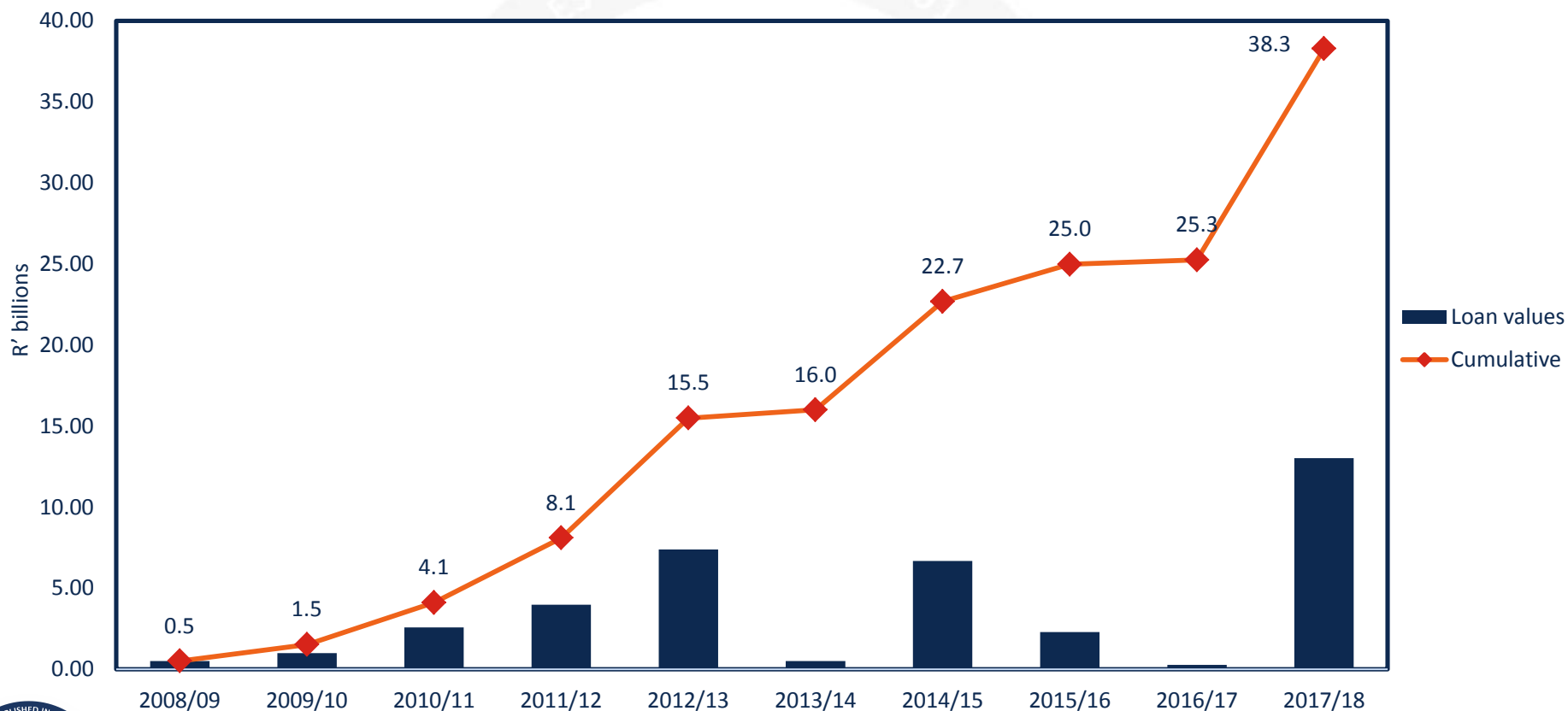
- Ongoing matter being discussed with **the dti** and National Treasury
- ECIC CFO to meet with SARS during Q4
- National Treasury has advised that this item will be discussed during the revision of the ECIC legislation



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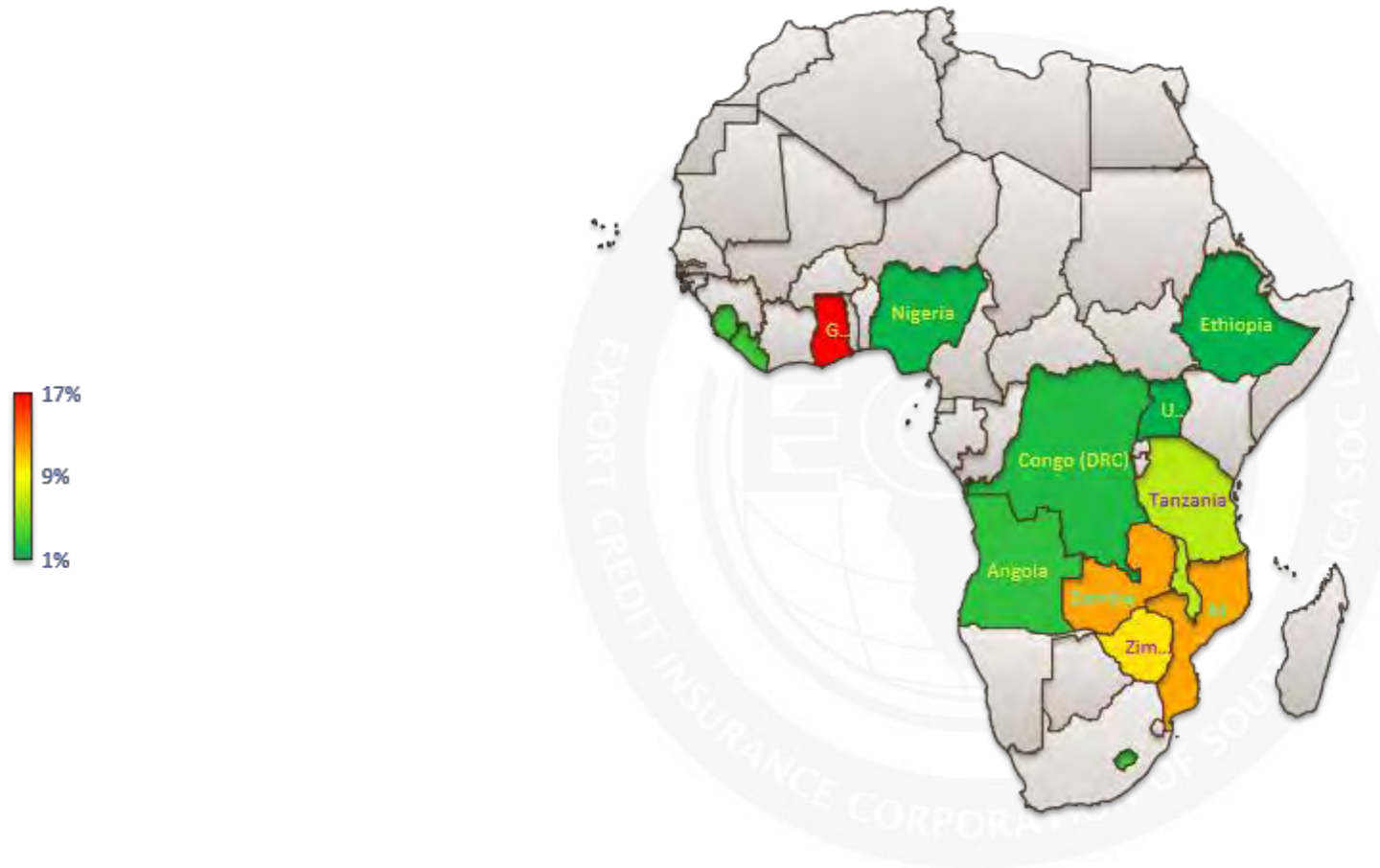
VALUE OF ECIC SUPPORTED PROJECTS

Over the period 2008 – 2018, the ECIC supported projects to the value of R38.3 billion



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ECIC PRESENCE IN AFRICA 2008-2018

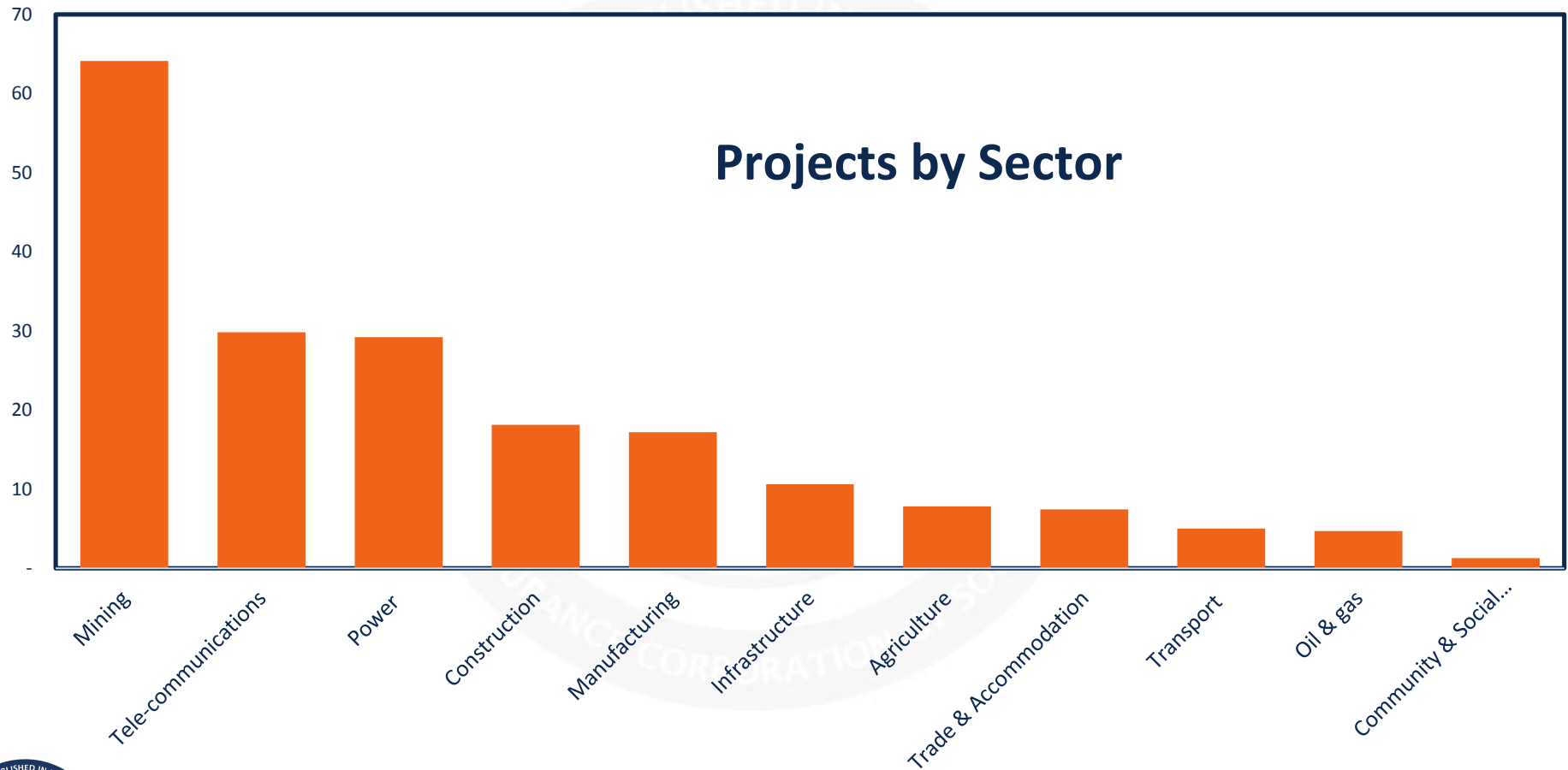


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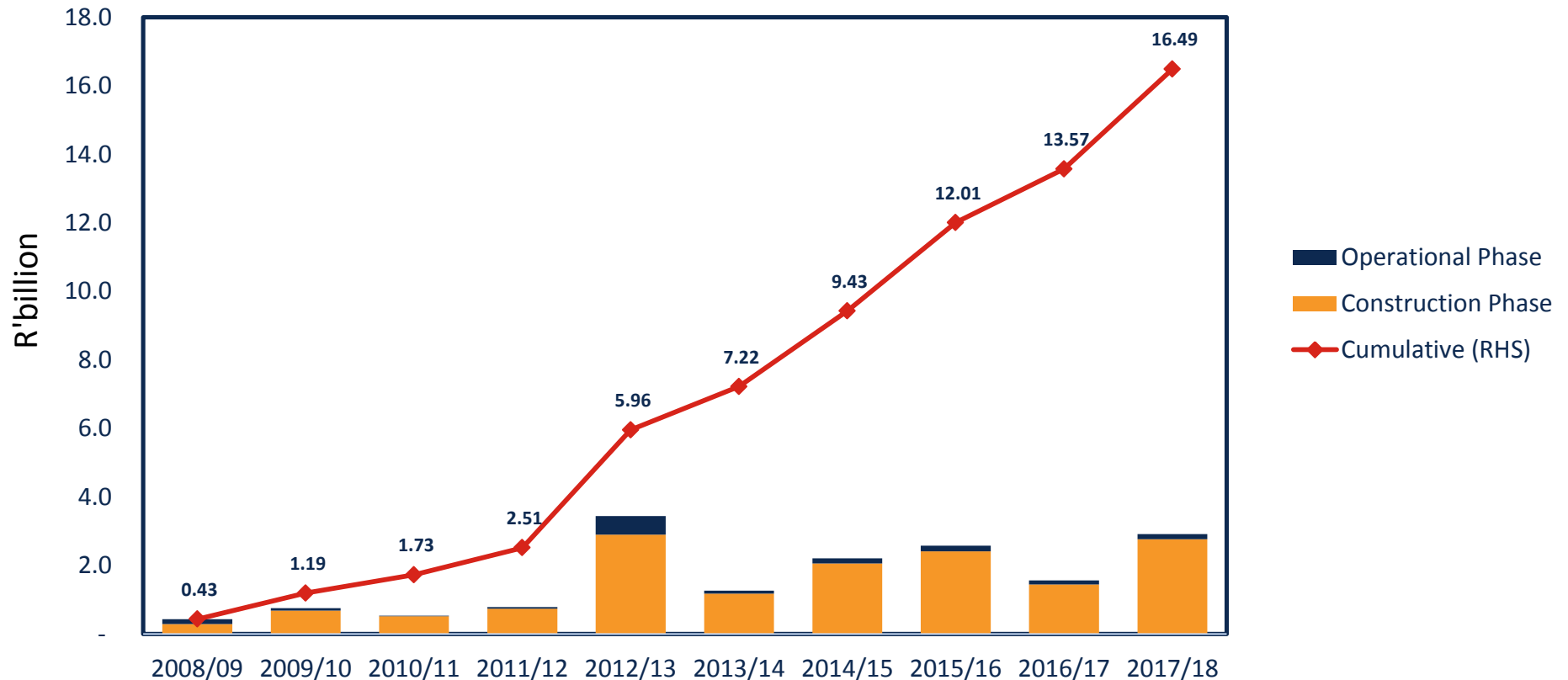
A significant amount of capital investment is destined for mining, telecommunication and power projects



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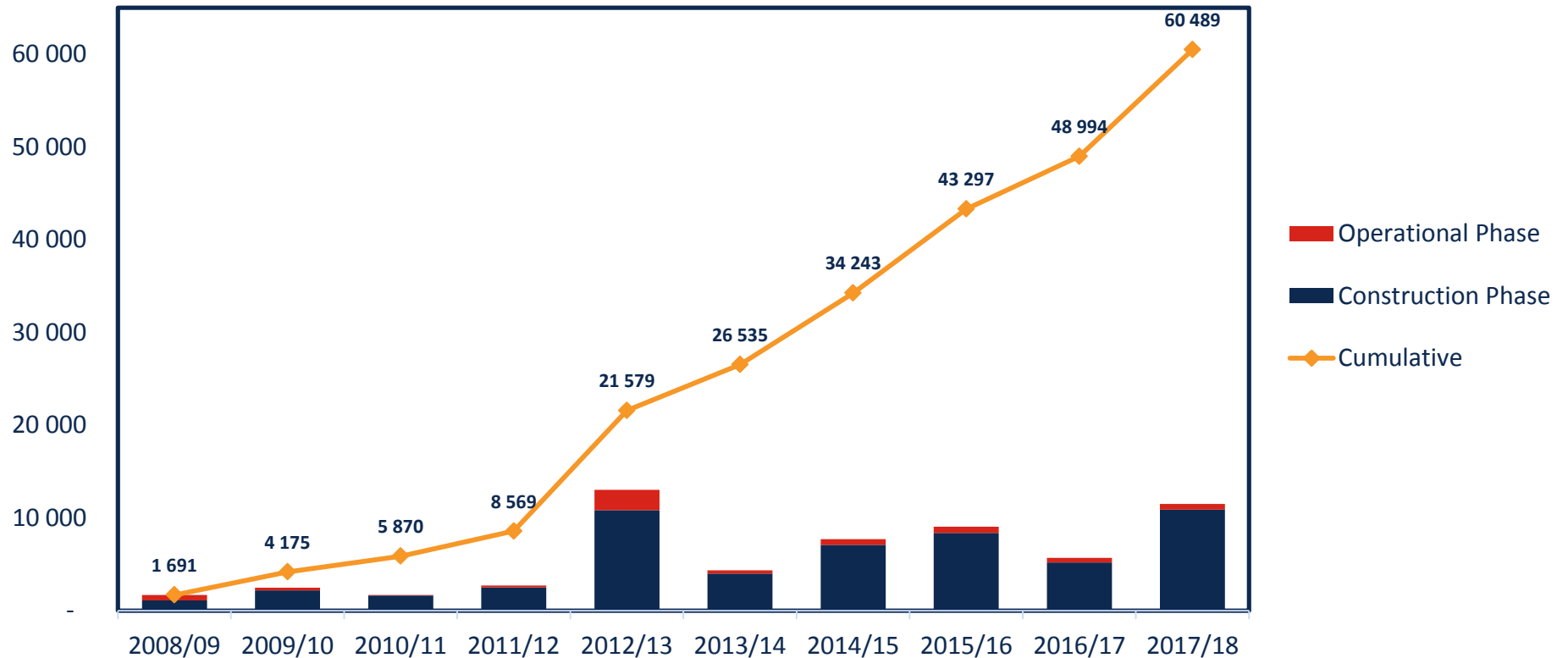
Value added to SA economy

R 16.5 billion is estimated to have been added to the South African GDP



Employment Impact in South Africa

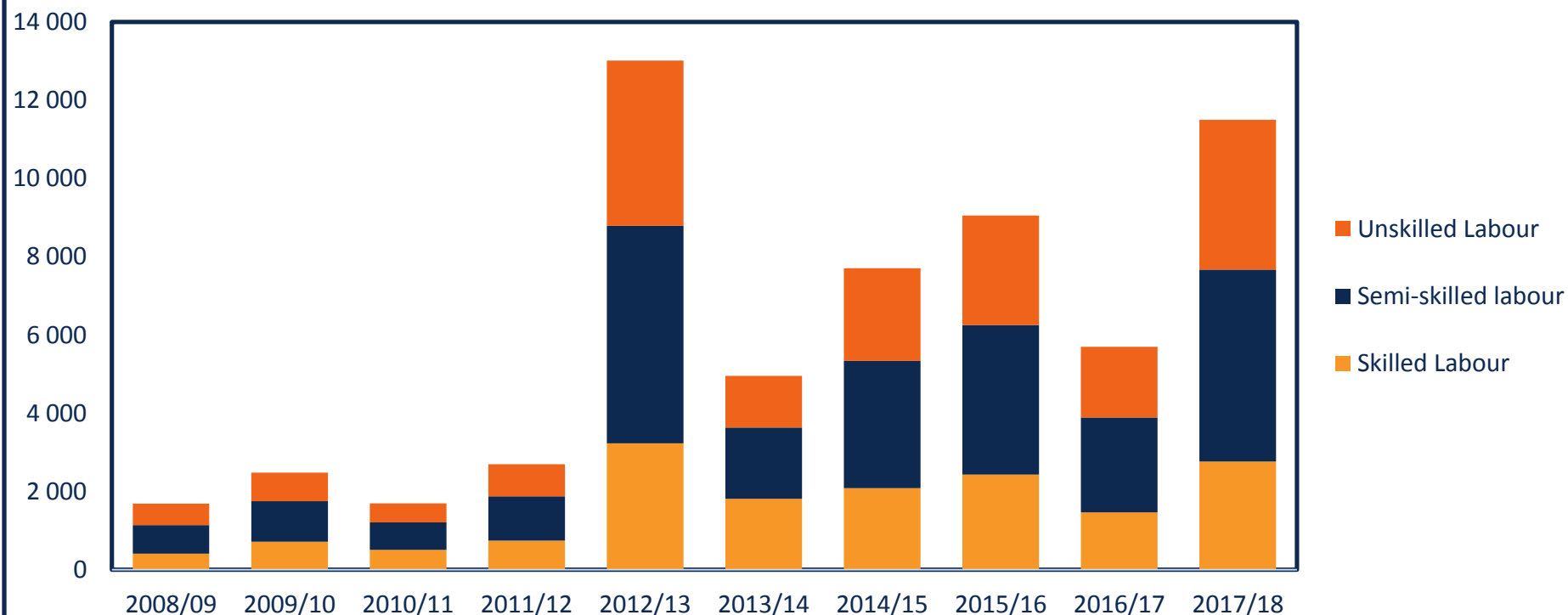
Over 60,000 job opportunities are estimated to have been created/sustained



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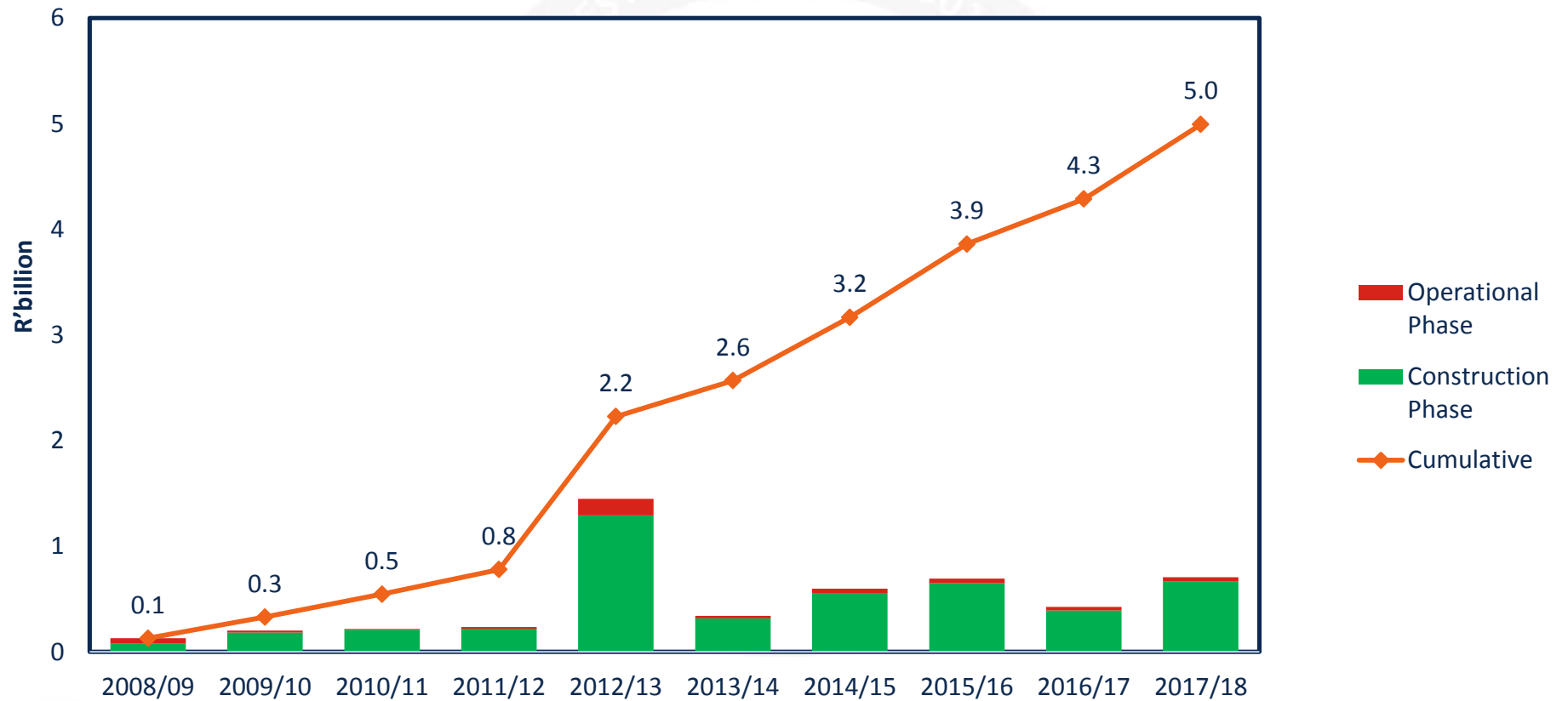
Employment Impact in South Africa (cont....)

Semi-skilled workers have benefited the most



Revenue to government

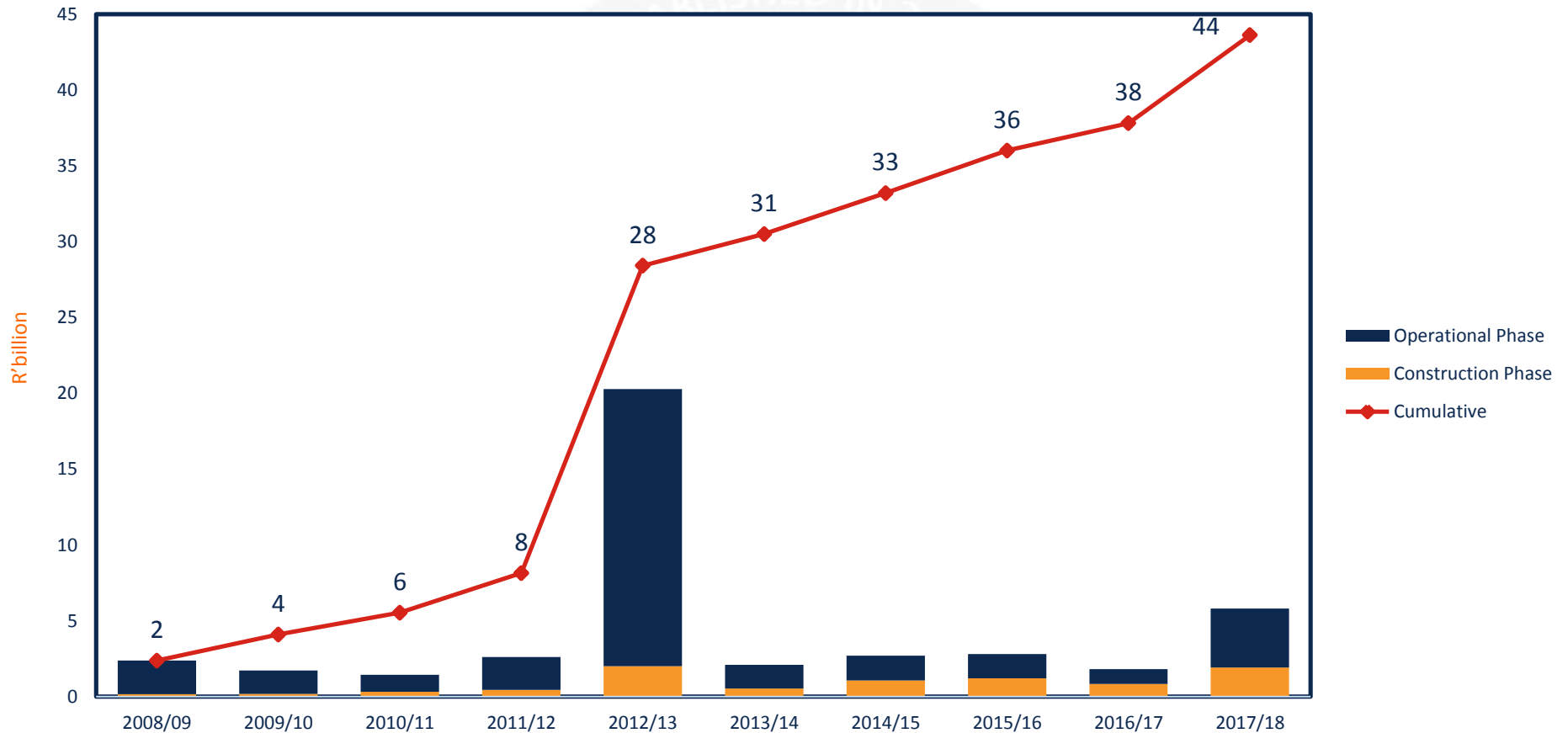
Approximately R5.0 billion was added to the national fiscus



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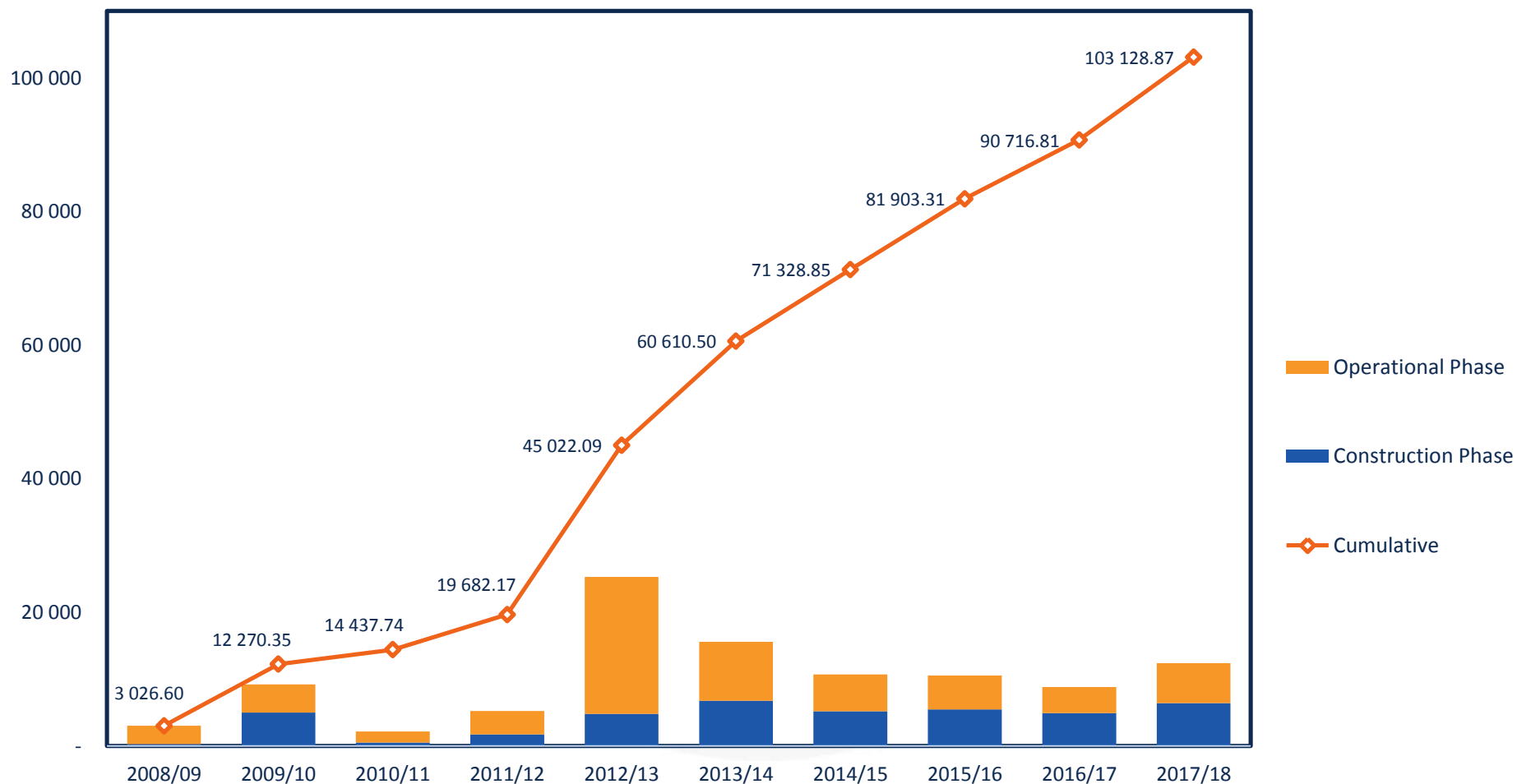
GDP impact amongst the host economies predominant during the operational phase

R44 billion added amongst host countries' national output



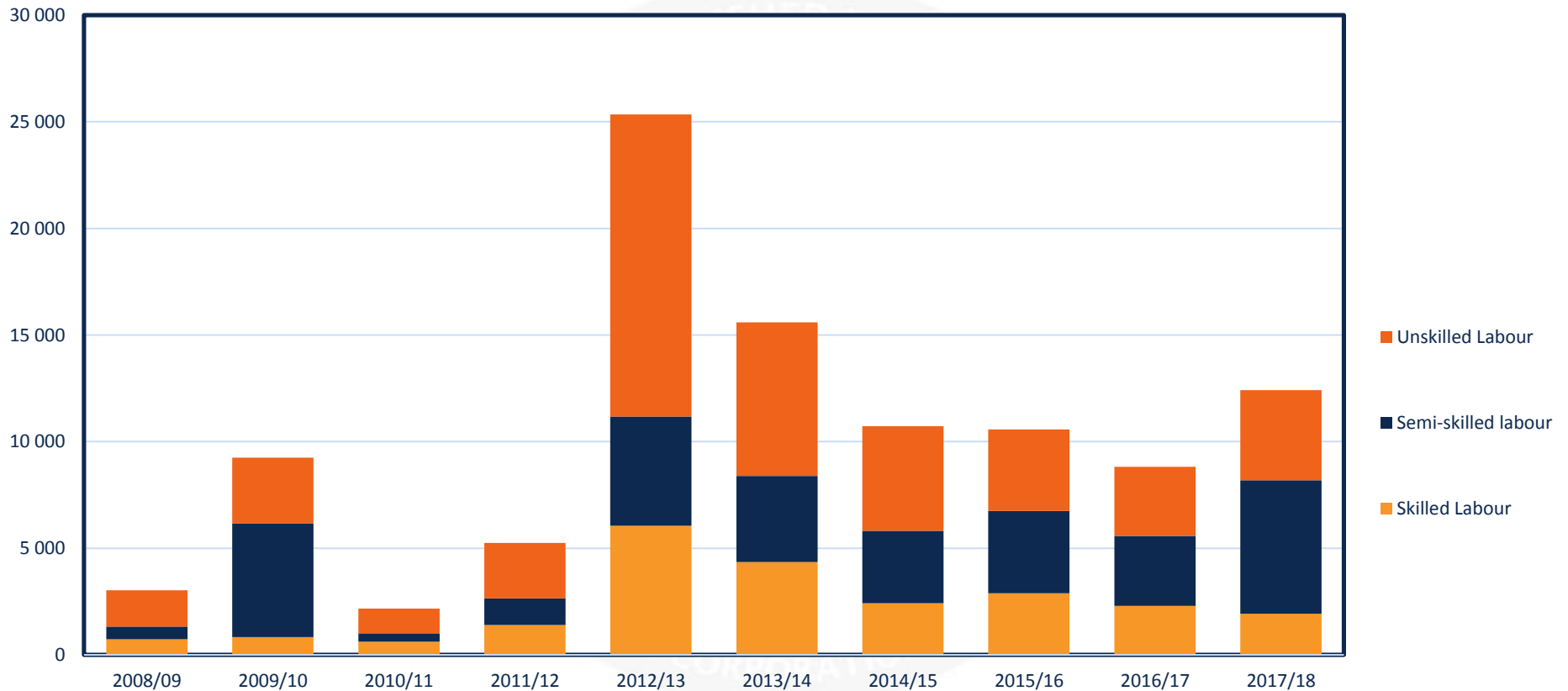
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Over 100 000 job opportunities were created among the host economies



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Most of the job opportunities were created in the unskilled Labour category





THANK YOU



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