



**the dtic**

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

## **THE NATIONAL COUNCIL OF PROVINCES**

### **QUESTION FOR WRITTEN REPLY**

#### ***Participation in Afreximbank***

#### **QUESTION NO. 1624**

**Ms H S Boshoff (Mpumalanga: DA) to ask the Minister of Trade, Industry and Competition:**

- (1) Whether his department has established any formal mechanisms for periodic parliamentary reporting on South Africa's participation in the African Export-Import Bank (Afreximbank); if not, when will such mechanisms be introduced to ensure accountability for decisions that are being taken by South Africa's Class A representative; if so, what are the relevant details;
- (2) whether his department has developed any competency and/or fit-and-proper criteria for the nomination of South Africa's representative to the Afreximbank Board, if not, how will transparency and merit be ensured in the appointment process; if so, what are the relevant details;
- (3) whether his department has taken any steps to prevent potential conflicts of interest between the (a) Export Credit Insurance Corporation (ECIC) and (b) Afreximbank-financed projects, particularly where the same (i) beneficiaries and/or (ii) corporate clients may overlap; if not, why not; if so, what are the relevant details;
- (4) whether (a) his department, in consultation with the National Treasury quantified South Africa's maximum callable capital exposure as a Class A shareholder in Afreximbank, (b) such exposure has been reflected in the Medium-Term Expenditure Framework projections and an independent external audit arrangement exists for

South Africa's shareholding and financial participation in Afreximbank and (c) audit findings will be tabled in Parliament annually; if not, why not; if so, (i) what is the value thereof and (ii) what are the further relevant details;

- (5) whether his department (a) intends to ring-fence borrowing that has been undertaken by state-owned entities through Afreximbank under a separate prudential limit to safeguard sovereign debt ceiling and (b) negotiated that a minimum portion of Afreximbank financing that is accessible to South African borrowers will be directed towards (i) domestic industrialisation, (ii) localisation and (iii) beneficiation projects; if not, why not; if so, what are the relevant details? CW1850E

**REPLY:**

- (1) Mechanisms to oversee the engagement with the Afreximbank are being developed to coordinate and track projects and initiatives undertaken, with progress to be reflected in departmental reporting.
- (2) Accession and Class A shareholding will make South Africa eligible to be nominated to the Afreximbank Board of Directors by the shareholding countries, should one of the four (4) current Class A board positions become vacant. Competency and/or fit-and-proper criteria will be developed for the nomination of South Africa's representative to the Afreximbank Board, should South Africa be nominated for a board position.
- (3) Yes, the Department of Trade, Industry and Competition (**the dtic**) will serve as the National Focal Institution (NFI) for projects and initiatives with the Afreximbank, and will establish clear operational boundaries and internal protocols to eliminate conflicts regarding beneficiaries, including between (a) Export Credit Insurance Corporation (ECIC) and (b) Afreximbank-financed projects, particularly where the same (i) beneficiaries and/or (ii) corporate clients may overlap.

(4) (a)&(b)

South Africa's country shareholding in the Afreximbank, which is currently Class B shares and which will be converted to Class A shares following formal accession, is held by the Export Credit Insurance Corporation (ECIC). The ECIC shareholding in the bank is evaluated on an annual basis and is reflected on its balance sheet and in its financial reporting. As per prudential requirements the ECIC does have an external auditor in place which also reports on the institution's financial statements.

(c)

The department from an entity oversight role, as well as the ECIC directly, tables reports to Parliament, including with regards to audit findings.

(i)&(ii)

The value of the maximum callable capital exposure for the current ECIC Class B shareholding is \$13.9 million, and will remain the same with conversion to Class A shareholding, as no additional financial commitments are required for accession to the Afreximbank. The callable capital exposure is managed by the ECIC as part of the corporation's balance sheet.

(5) (a)

All South African state-owned entities are required to manage their finances and borrowings in line with the Public Finance Management Act (PFMA), the National Treasury Regulations, and other governance protocols and this includes regularly monitored and audited compliance to all prudential requirements and limits. To this end, there is no requirement for the Department to duplicate the functions of existing authorities as it relies on the combined assurance provided within existing arrangements.

(b) (i),(ii)&(iii)

The current discussion with the Afreximbank with regards to potential projects to consider for funding and other support mechanisms, does prioritise domestic industrialisation, localisation and beneficiation, also supporting the department's Industrial Policy objectives.

**-END-**