



PORTFOLIO COMMITTEE ON TRADE, INDUSTRY AND COMPETITION: INDUCTION - 2024



THE EXPORT CREDIT INSURANCE CORPORATION (ECIC)

The mandate of the Export Credit Insurance Corporation of South Africa SOC Ltd (“the ECIC”), is to facilitate export trade and cross-border investments between South Africa (“SA”) and the rest of the world.

The ECIC was established in 2001 under the Export Credit and Foreign Investment Insurance Act, 1957, as amended:

- Is a 100% State-owned insurance company;
- Reports to the Minister of Trade, Industry and Competition (“the dtic”); and has authority to conclude insurance contracts on behalf of the government of the Republic of South Africa;
- National Treasury raises a contingent liability for ECIC exposures in excess of its capital;
- Is regulated by the Prudential Authority, operating as part of the South African Reserve Bank (“SARB”) and the Financial Sector Conduct Authority (“FSCA”);
- Provides cover for South African Rand (“ZAR”), United States dollar (“USD”) and Euro (“EUR”) denominated transactions.



ECIC VISION AND MISSION

Vision

To be a world-class export credit insurer in facilitating South African export trade and cross-border investment globally.

Mission

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



ECIC MANDATE

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

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.

Since its inception the mandate of ECIC has been the facilitation of export trade and cross-border investments. Historically, ECIC has been supporting capital goods exports and services.



ECIC MANDATE

In 2021, the ECIC mandate was expanded beyond capital goods exports. The authorisation to support non-capital goods exports lays the basis for ECIC to insure consumer goods and short-term export transactions with a tenor of less than two years.



ECIC MANDATE

On 15 May 2024, the Minister approved the expansion of the ECIC cover to include Euro-denominated transactions.

New enquiries which are coming from Francophone countries can be supported to allow South African exporters to seize new opportunities in new markets.

By diversifying its insurance portfolio across different currencies, ECIC can spread its risk and reduce the potential impact of any single currency's volatility.

In addition, the repatriation of Euro currency in South Africa offers an advantage of diversifying the foreign currency reserves basket.



ECIC MANDATE

To support the ECIC Short-Term Insurance product launched in November 2023, the Export Passport Insurance Facility was launched during Q4 with R9 billion available over the next five-years.

The Export Passport Insurance Facility will provide insurance support to any financing facility (i.e., Working Capital Facility, Bond products or Trade Credit Insurance) provided by any of the South African Commercial Banks, IDC, DBSA or NEF, or vendor financing from the exporter.



STRATEGIC OBJECTIVES

1. Contribute to trade facilitation that results in job creation
2. Enhance transformation
3. Improve employee value proposition
4. Improve business processes and systems
5. Improve staff efficiency
6. Embed risk management practices
7. Enhance financial sustainability
8. Stakeholder and customer engagement
9. Enhance corporate governance



MAIN OFFERINGS, KEY PROJECTS, AND IMPORTANT ACTIVITIES

ECIC is a typical National export credit agency mandated to provide political and commercial insurance cover for bank loans in support of South African exporters of capital goods and related services to enable them to provide competitive terms to their foreign markets, be they sovereigns or private.

ECIC is currently involved in the following key activity with **the dtic** and National Treasury:

- Representing SA on the Official Creditors Committee for Ghana debt (Ghana comprises 48% of the ECIC sum insured)



ECIC KEY VALUE PROPOSITION

Facilitates availability for funding export trade

The ECIC comprehensive insurance support is able to crowd in the lenders to provide long term funding to buyers of South African goods and services.

Provides capital relief to reduce cost of funding

Banks benefit from 100% political risk cover and up to 95% commercial risk cover which reduces the capital charge held for these exposures under Basel III and reduces the cost of funding.

Facilitates access to markets

ECIC is open for cover in many countries on the African continent and other emerging markets and some of these markets remain untapped for our exporters and investors and are seen as high-risk jurisdictions.

Facilitates deal origination

Through our business development initiatives, we seek to partner with clients (SA companies, investors, contractors, financiers, advisors etc.) to bid for new contracts through joint bids and expression of interest – by utilizing the “SA Inc” approach.

Support for small and short-term transactions

ECIC provides 100% political and commercial risk cover for transactions that have a value of USD20m or smaller – as well as shorter payment terms - to facilitate access to finance for benefit of the exporters and their buyers.

Enables diversified sources of funding

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Flexible underwriting terms

ECIC may support tenors longer than 15 years and flexible/sculpted repayment terms to suit the cash flow profile of the underlying transaction and is willing and able to restructure and extend cover for projects in distress.

Track record and claims payment history

ECIC has a good track record of success for supported transactions and a reliable payment history for failed transactions.



ECIC PRODUCT SUITE

EXPORT CREDIT INSURANCE

Provided for transactions involving capital goods and/or services outside South Africa. Through the provision of credit insurance to banks and suppliers, the Corporation facilitates term finance for such transactions

INVESTMENT INSURANCE

The investment insurance cover targets South African business entities, which want to invest in foreign countries. The investment insurance covers acquisitions or equity contribution and shareholder loans. This insurance coverage is provided against political risk only

SMALL & MEDIUM TRANSACTIONS

ECIC provides insurance cover for transactions up to a value of USD20 million

BOND INSURANCE

The Performance Bond Insurance Scheme enables the ECIC to work with banks and other financial institutions to increase capacity of the South African market to issue bond facilities for export contracts

WORKING CAPITAL INSURANCE

This insurance cover is offered by the ECIC to the financial institution that has provided working capital to the manufacturer to assist with the manufacture of the machinery or equipment linked to an export contract

TRADE CREDIT INSURANCE

Trade credit is an agreement or understanding between seller and buyer, that allows the exchange of goods and services without any immediate exchange of money. Essentially the buyer is allowed to pay for the goods bought at a later stage. ECIC provides cover for both CRI & PRI



TYPICAL COVERED RISK EVENTS

POLITICAL RISK EVENTS

Confiscation, Expropriation and Nationalization of all or any material part of the business or assets of the foreign buyer/borrower

Change in Law – discriminatory decree or regulation by the host government which prevents normal business operations of the enterprise

Transferability and Convertibility – loss incurred due to any action taken by the host government that prevents the conversion of a local currency into SA Rand or US Dollars or the transfer of SA Rand or US Dollars outside that country

War and Civil Disturbance – loss incurred due to acts of war, revolution, insurrection, civil war, civil commotion and sabotage

Breach of Contract – loss incurred due to a material breach of contractual obligation(s) by the host government

Protracted Default – payment default by a sovereign borrower/ guarantor or state-owned entity

Terrorism and piracy may be covered on a case -by -case basis

COMMERCIAL RISK EVENTS

Insolvency – sequestration, liquidation or judicial management of a borrower

Protracted Default – an undisputed payment default by a borrower



ECIC KEY PROJECTS APPROVED OVER PAST 5 YEARS

Total Moz LNG (\$800 million)

- The development, design, construction, installation, ownership, financing, operation, maintenance and use of the Project Facilities;
- The marketing and sale of the Project Products (LNG, Condensate, and Domestic Gas); and
- The chartering of LNG Carriers for the transport and delivery to certain buyers of LNG.

Amandi Rail Ghana (€64 million)

Construction of sections of the western, central and ART railway line between the Takoradi port and Huni valley, including train stations, signalling system and the purchase of rolling stock.

Amandi Hospital Ghana (€24,3 million)

Rehabilitation and the remodelling of the existing Effia-Nkwanta Hospital and the construction of a new 250 beds state of the art regional hospital in Agona, western region of Ghana.

Vodacom Ethiopia (\$121,5 million)

Support the underdeveloped telecommunication sector in Ethiopia to enable the country to achieve an optimum internet penetration level.

The investment entails the acquisition of a 6,2% shareholding in STE (a newly established telecommunications company to operate telecommunications services in Ethiopia).

Vamed Hospital Angola (€28,63 million)

Engineering, procurement, construction, equipping, training, provision of technical assistance and financing of three military hospitals.

NMSI (Zimbabwe) - \$193 million

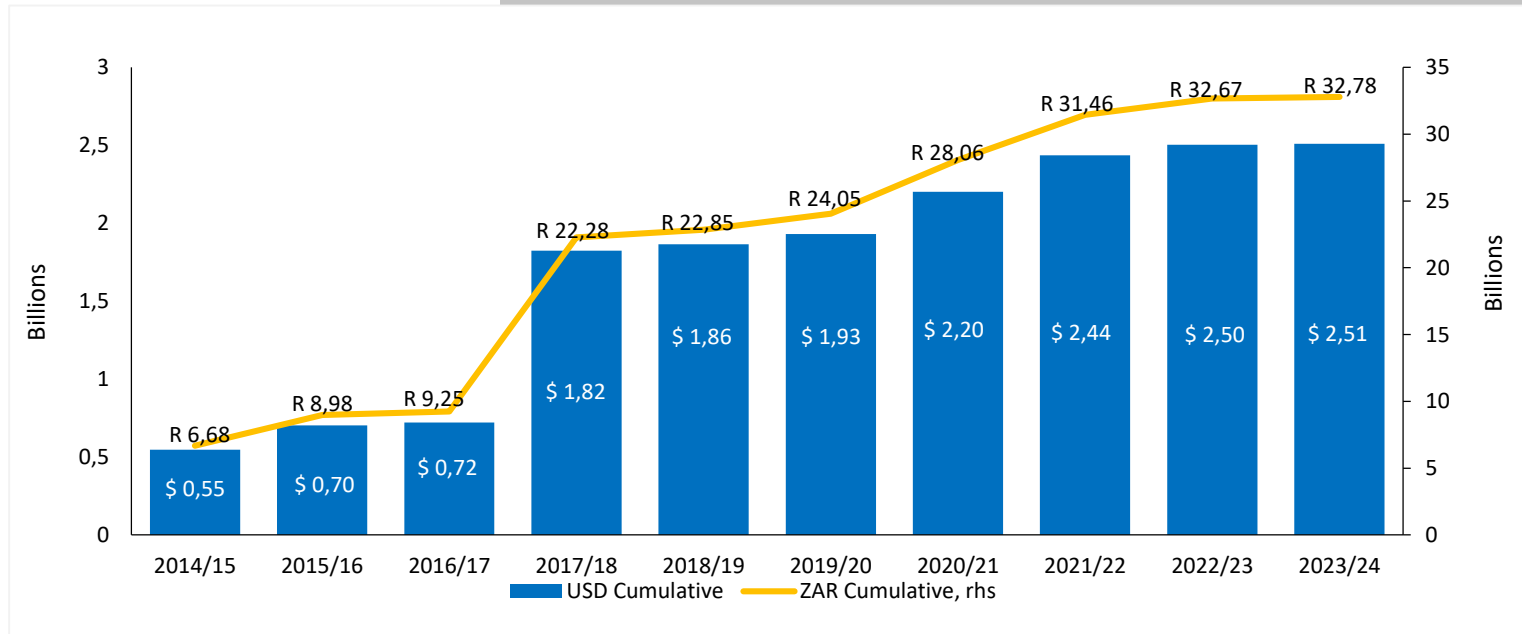
Design, construction and equipping of 2 District Hospitals and 16 Health Centres (Phase 1), and the design, construction and equipping of 3 District Hospitals and 6 Health Centres (Phase 2).



VALUE OF ECIC SUPPORTED PROJECTS

Over the last 10 financial years, ECIC has grown considerably supporting 46 export-led, investment and short-term trade-related transactions across the African continent and other emerging economies. This accumulated to approximately US\$2.5 billion (R32.8 billion) worth of loans supported by ECIC in various sectors among them power, mining, rail, construction, manufacturing and telecommunications.

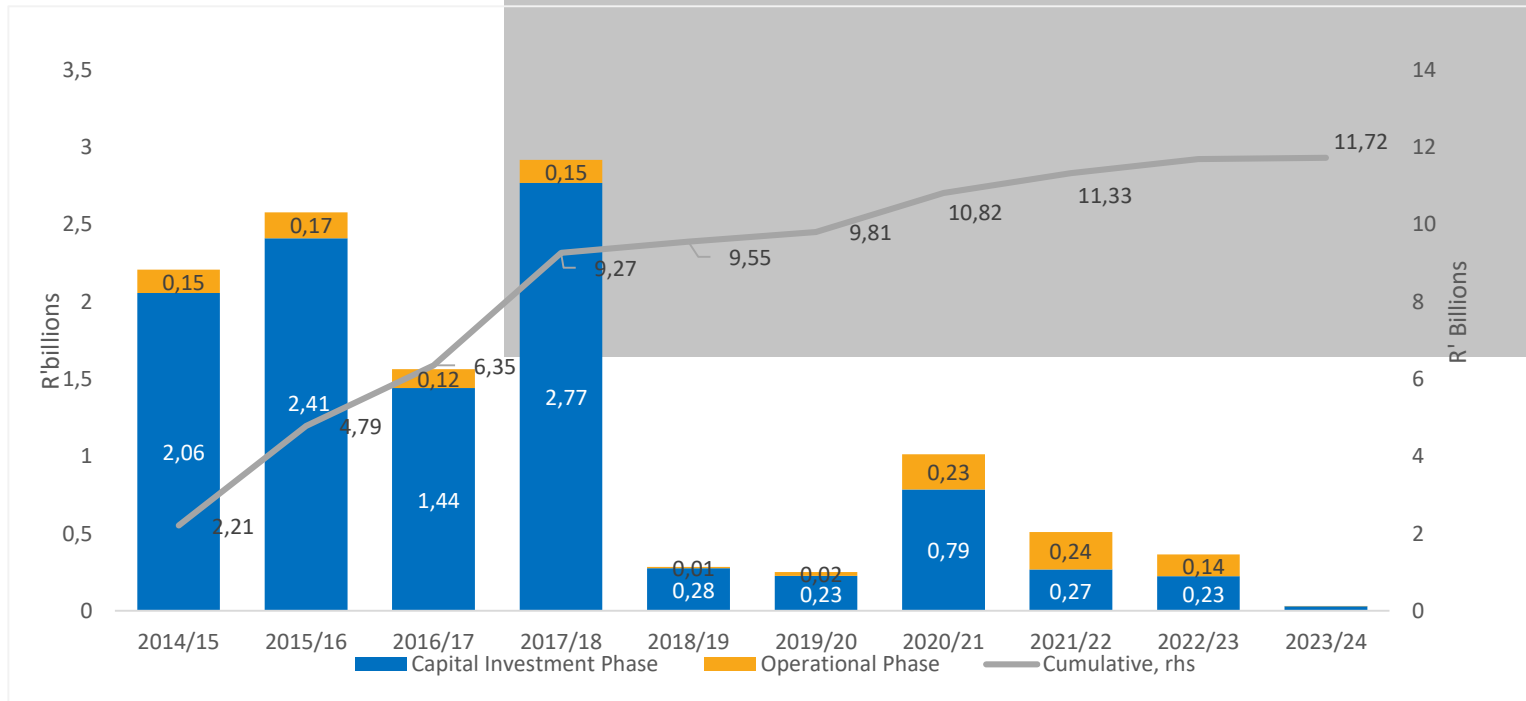
Nominal value of loan and investment amounts supported by ECIC (2014-2024)



VALUE ADDED TO SA ECONOMY

R11.72 billion is estimated to have been added to the South African GDP.

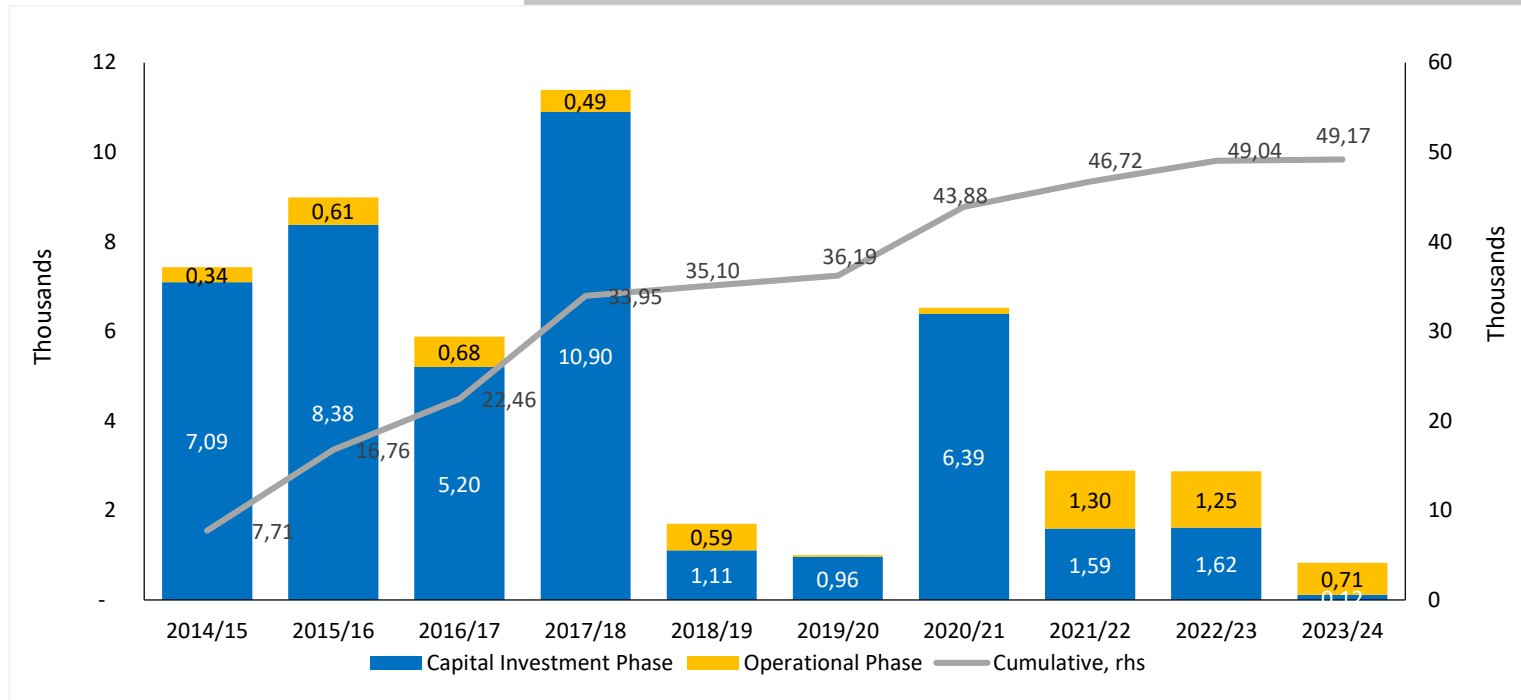
Impact of ECIC on GDP (2014 – 2024)



EMPLOYMENT IMPACT IN SOUTH AFRICA

ECIC's involvement has been instrumental in facilitating the generation and sustainability of an estimated 49 174 job opportunities in South Africa as a result of insured export transactions, over the past 10 years.

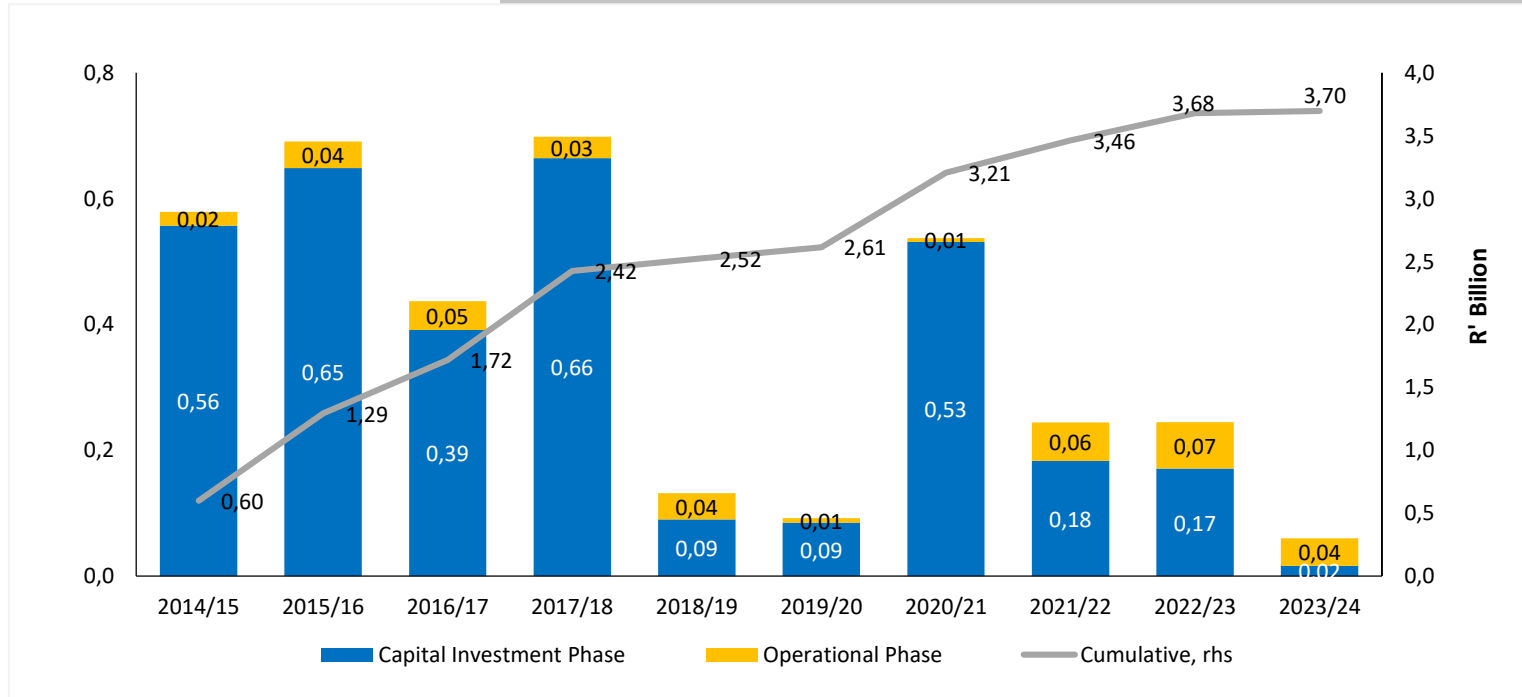
Impact of ECIC on Employment (2014 – 2024)



REVENUE IMPACT IN SOUTH AFRICA

R3.7 billion is estimated to have been added to the South African fiscus.

Impact of ECIC on Revenue (2014 – 2024)



KEY CHALLENGES

- **Ghana**

- With Ghana defaulting on external debt, discussions around the restructuring of the debt has been taking place with an MOU finalised with its bilateral creditors (including ECIC);
- ECIC has already paid insurance claims on Ghana projects to the value of \$167 million
- Under the above MOU, ECIC will only begin obtaining salvages in 2041
- This puts a huge cashflow and tax burden on the Corporation.

- **Indebtedness of other African countries**

- Ethiopia and Zambia have recently defaulted
- The COVID-19 recovery and fiscal challenges being experienced by some of the African countries, and the tough economic conditions which are exacerbated by the ever-worsening power shortages are having a bearing on the value chains that support economic activities, especially in driving exports.

- **Appointment of new CEO**

- The Corporation requires cabinet approval of permanent CEO.



KEY OPPORTUNITIES

- Euro cover
 - Minister Patel approved the cover of Euro-denominated transactions on 15 May 2024
 - New enquiries which are coming from Francophone countries can be supported to allow South African exporters to seize new opportunities in new markets.
 - By diversifying its insurance portfolio across different currencies, ECIC can spread its risk and reduce the potential impact of any single currency's volatility.
 - In addition, the repatriation of Euro currency in South Africa offers an advantage of diversifying the foreign currency reserves basket.
- ECIC Export Passport Insurance Facility
 - To support the ECIC Short-Term Insurance product launched in November 2023, the Export Passport Insurance Facility was launched during Q4 with R9 billion available over the next five years.
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ECIC INSURANCE PORTFOLIO

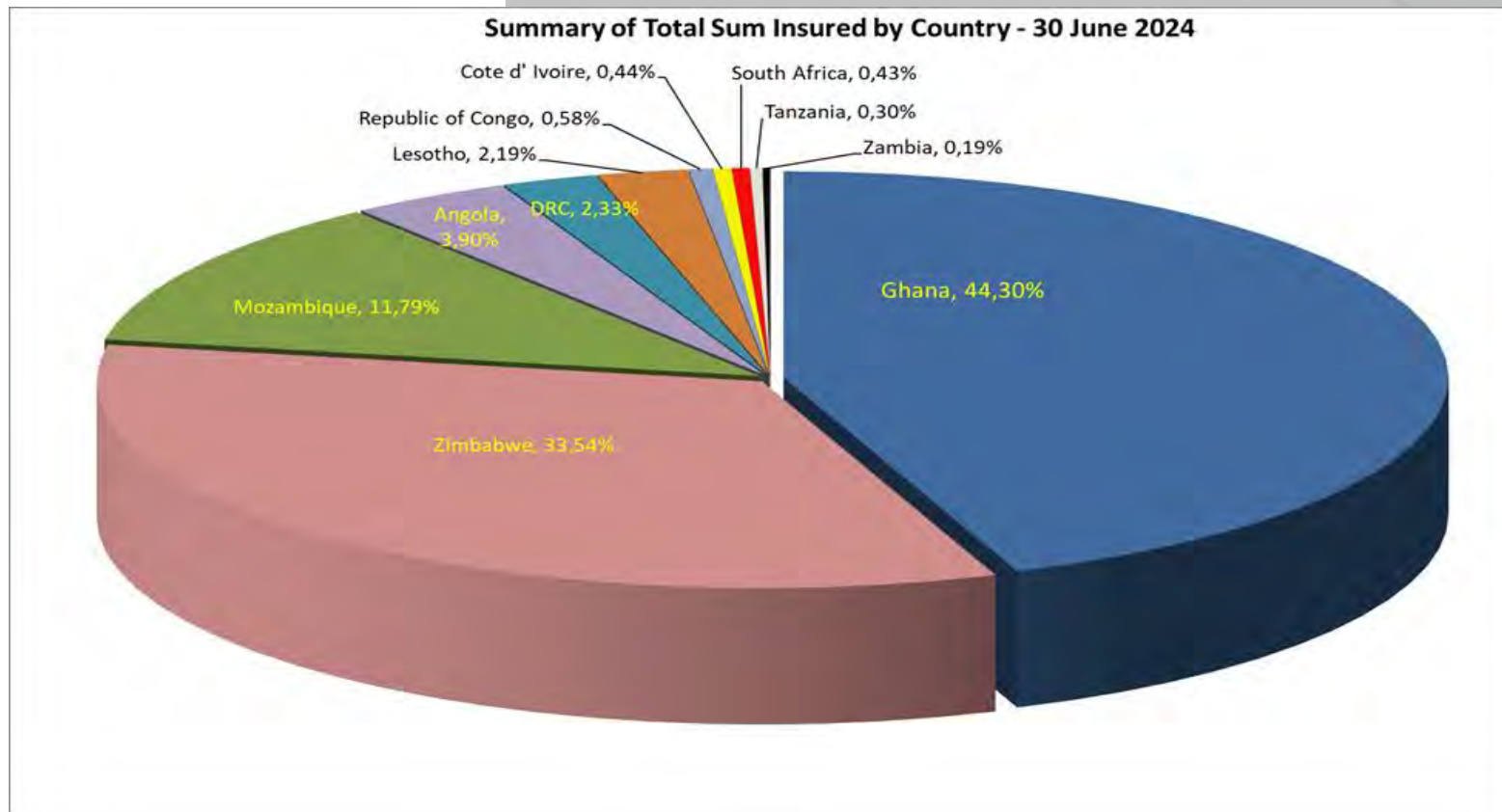
The total sum insured was R10,47 billion (\$575,1 million) on 30 June 2024.

The top three countries account for 90% of the total sum insured with Ghana comprising 44,3% of the insurance portfolio exposure, followed by Zimbabwe at 33,5% and Mozambique at 11,8% respectively as the top three country exposures.

The top three largest sectors account for 98% of the total sum insured, being power and energy at 55,8%, construction (including civil engineering structures) at 39,6%, and mining at 2,2%.

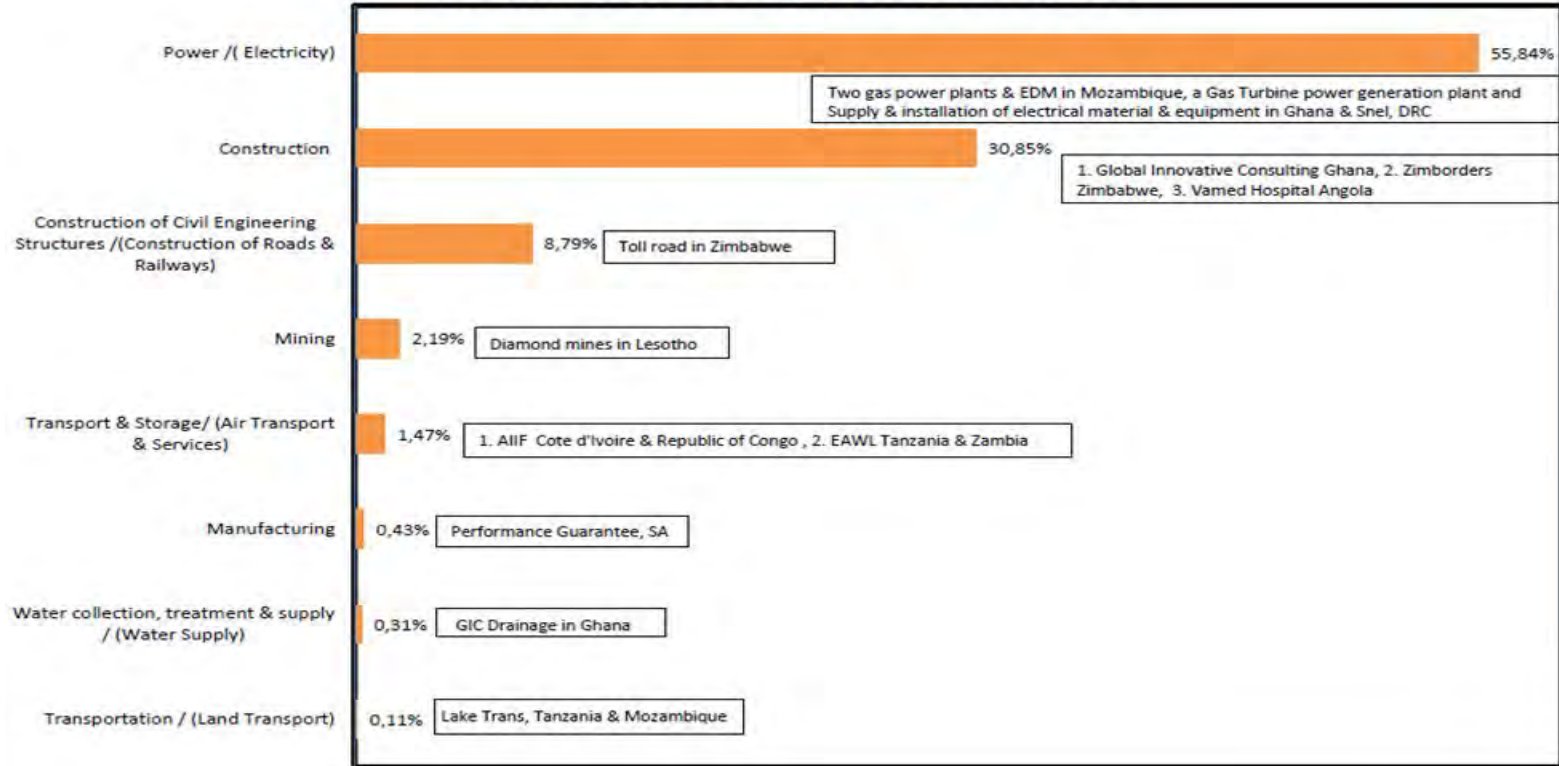


ECIC SUM INSURED BY COUNTRY



ECIC SUM INSURED BY SECTOR

Economic Sector Analysis as at 30 June 2024



TOTAL NUMBER OF BURSARY STUDENTS AND GRADUATES BY FY2022/23

Bursary Programme	Total number of students supported				Total number of students that dropped/suspended or passed away	Total number of graduates	Total number of students failed and not eligible to continue	Total number of students that secured employment by 2023
	FY2019/20	FY2020/21	FY2021/22	FY2022/23				
USB MPhil Development Finance 2-year bursary	-	10	10	-	-	10	-	n/a
USB MPhil Development Finance 1-year bursary	-	-	4	-	-	3	1	n/a
SAADP Actuarial Science 3-year bursary (cohort 2)	10	10	7	-	3	6	1	6
SAADP Actuarial Science 1-year bursary	-	-	10	-	-	10	0	8
Thuthuka 3-year bursary (final year)	10	-	-	-	-	8	2	8
Thuthuka 3-year bursary		13	13	13	-	10	3	10
Thuthuka 1-year bursary	-	-	10	-	-	4	6	4
False Bay College TVET National Certificate (cohort 2)	9	-	-	-	-	9	-	9
False Bay College TVET National Certificate (cohort 3)	-	10	8	8	2	n/a	-	n/a
Total	29	43	54	21	5	60	13	45



DEMOGRAPHIC BREAKDOWN OF BURSARY RECIPIENTS BY FINANCIAL YEAR

Financial Year	African		Coloured		White	
	Male	Female	Male	Female	Male	Female
FY2019/20	8	3	12	-	2	-
FY2020/21	12	15	9	2	2	-
FY2021/22	19	30	9	3	1	-
FY2022/23	9	5	4	2	1	-
Total	48	43	34	7	6	0



TOTAL NUMBER OF STUDENTS REACHED THROUGH FINANCIAL LITERACY FY2023 AND DEMOGRAPHIC BREAKDOWN

Financial Literacy Programme	Total number of students reached				*Black Males	*Black Females	Non-Black Males	Non-Black Females
	FY2019/20	FY2020/21	FY2021/22	FY2022/23				
L+Earn: Beneficiaries who attended multiple sessions	-	461	1008	-	690	709	56	14
L+Earn: Beneficiaries who attended at least 1 session	-	230	384	-	251	360	3	-
SecureTheBag (Universities)	-	-	-	3609	1544	1680	305	80
SecureTheBag (TVET Colleges)	-	-	-	2261	862	1208	81	110
Total		691	1392	5870	3347	3957	445	204

*Please note that Black Males and Females refers to Black People (including coloureds and Indians) as defined in the Codes of Good Practice



