

I N T E R N A T I O N A L
F I N A N C I A L
C O N S U L T I N G

Africa Trade Insurance Agency: Impact Assessment

Executive Summary

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List of Acronyms

ATI	African Trade Insurance
CRI	Credit Risk Insurance
ECA	Export Credit Agency
ERM	Enterprise Risk Management
FDI	Foreign Direct Investments
HR	Human Resources
PRI	Political Risk Insurance
SME	Small and Medium Enterprises

Summary of the Africa Trade Insurance Agency Impact Assessment

The African Trade Insurance Agency (ATI), with the assistance of the World Bank, funded an impact assessment that would gauge its overall effect on trade and investment in Africa. An impact assessment was undertaken by International Financial Consulting Ltd. [www.i-financialconsulting.com] between June and November of 2010 when it submitted its comprehensive Impact Assessment Report to the ATI Board. This 'Summary Impact Assessment Report' has been extracted from the main report which can be accessed from ATI by application [www.ati-aca.org].

The African Trade Insurance Agency was created under the Trade Finance Facilitation Project of the World Bank in order to act as a stimulant for trade and investment in Sub-Saharan Africa. Its mandate was to provide Political Risk Insurance and limited Commercial Risk Insurance that could provide the necessary mitigation of risks to support Foreign Direct Investments (FDI) and export insurance.

ATI was established in 2001. However, with low uptake of its original product range and mandate, submissions were made to the World Bank in 2006 that led to the amendments on the ATI Charter by giving a wider and more flexible mandate to provide a more aligned product range covering both Political and Credit Risk Insurance.

"The Purpose and Object of the Agency (ATI) is to provide, facilitate and encourage and otherwise provide the provision of, or the support for insurance, including coinsurance and reinsurance, including the issuance of guarantees and other insurance and other financial instruments and services, for purposes of trade and investment and other productive activities in African State in supplement to those that may be offered by the Public or Private sector, or in cooperation with the public or private sector."

Over the last nearly 10 years of existence, ATI has grown considerably in terms of business, signing less than 4 policies in the first 2 years compared to over 150 policies in the last three years. With the new capital structure, ATI's present business model has been in operation since mid 2006 and hence its largest number of bound policies in that period. The review and assessment covered the entire period of existence of ATI but recognised that its business model had become significantly effective in the latter period only.

A. Purpose and Methodology

The purpose of this assignment was to provide a report on the impact of ATI in facilitating trade and investment in Africa and to develop a Monitoring and Evaluation Framework for monitoring and improving the impact on an annual basis in view of the membership expansion and strategy ATI is undertaking. The Consultants used multiple sources of evidence to establish and corroborate the findings. These are in the main as follows:

- a) Face to Face Interviews;
- b) Web based questionnaire;
- c) Targeted e-mail addressed to specific stakeholders;
- d) Statistics and other publicly available sources of information.

B. Sampling

An important aspect of the review and feedback analysis was based on a fairly large sample. Notably, given the existing business bound in the region, the Consultants were able to meet with and obtain information from approximately 37% of the target stakeholders which included both practitioners and users of the ATI policies as well as shareholders and other public/private stakeholders.

C. Key Outcomes of the Impact Assessment

The main parameters set for the assessment were as follows:

Summary of Findings

Parameter	Score
Relevance	Excellent
Efficacy	Excellent
Efficiency	Satisfactory
Impact on Regional Trade and Risk Perception	Good
Value for Money of ATI Member States	Excellent
Partnerships	Excellent

It is the conclusion of the Impact Assessment Report that ATI has met its purpose and objective as an institution.

The report further illuminated the areas of strength and weakness identified and highlighted both by users and other stakeholders. These are summarised hereunder:

Positive Response and Feedback

Impact/Feedback	Recommended Enhancement
Most clients of ATI are satisfied with the service and cover they receive for Political as well as Commercial Risks	Additional facilities may be cross-sold to the existing clients. A guided ATI/Customer Interaction Module should be introduced for post binding marketing to be handled by Underwriters.
A number of banks pointed out that without ATI participation they would not have been able to lend to their clients	All the banks interviewed indicated that ATI's role has greatly enhanced their ability to take on risk. Banks will form an anchor partnership with ATI. A Research & Development team should work at developing practical banking facilities developed around ATI PRI & CRI products.
Most exporters are sure that without ATI CRI products they would not have been able to export to certain markets or been able to	The default risk of counter-parties trading across borders and within Member countries is real. It is important to widen the breadth of participating

<p>increase their overall exposure to certain markets</p>	<p>exporters through stronger partnerships at Export Promotion Centers.</p>
<p>Investor companies including development banks which have benefited from ATI products stated that they would not proceed without PRI/CRI products</p>	<p>ATI's products are crucial to mitigating Political and Commercial risks. Building networks through wide-angle associations in each target country will form a basis of knowledge and access to ATI. This is notably important due to stiff competition from alternative providers.</p>
<p>Most respondents have commended ATI for their speed and offering of professional service – response time and turnaround time appear to be above the industry average</p>	<p>This indicator was split between positive (for PRI and CRI Single Obligor) in which the experience of turnaround times was “acceptable” to “good.” However CRI WTO products appear to take a very long time to turnaround – mainly challenged by information availability of the target group. Much wider and more aggressive information gathering will be crucial to ATI success. There is a need to partner with service providers with skill and capacity for information gathering. It should be established whether World Bank or a senior donor can develop a nascent commercial information provider.</p>
<p>ATI products have allowed for financial deepening in providing a means of risk mitigation that could stimulate both primary and secondary Financial Markets</p>	<p>Financial deepening allows growth in banking and finance through instruments that free up capital as well as creates new and flexible ways of sharing and mitigating risks therefore allowing further liquidity to the market. ATI instruments (PRI & CRI) are classic vehicles that have demonstrated financial deepening in the region.</p>
<p>ATI products have had important milestone impacts including (but not limited to):</p> <ul style="list-style-type: none"> • Job creation; • Infrastructure development; • Transfer of technology; • Incremental availability of Bank and Financial Services funding (financial deepening); • Incremental exports and sales to new and existing markets; • Increased profitability; • Import substitution and foreign exchange earnings; • South/South collaboration 	<p>These development impacts have been verified in the meetings and surveys.</p>

Negative Response and Feedback

Impact/Feedback	Recommended Enhancement
<p>A number of respondents have raised the issue of costs being high and that whilst they appreciate the coverages, – they feel the cost is enormous; Many of the Exporter Organisations have named ‘cost’ as the main impediment to higher utilisation of ATI products</p>	<p>The issue of cost is notably one of the factors that have kept the turnover of bound policies low. This is true for SME and down-stream supply chain enterprises. This low uptake and perception that the cost is high is also related to the unfamiliarity of PRI/CRI products in the region.</p>
<p>A few respondents have indicated that ATI has not responded or followed-up on key leads for business opportunities</p>	<p>HR Turnover may have impacted on this response. An institutional correspondence tool that captures and tracks the action taken on each letter/note/memo should be implemented as part of an ERM strategy.</p>
<p>Poor visibility and public awareness is rated one of the key concerns so far. It was mentioned over and over even among contacts/stakeholders who view ATI very positively</p>	<p>Apart from existing strategies, a clear visibility and educational platform will have to be put in place to ensure that ATI’s profile is enhanced. This could prove fatal if stakeholders (particularly governments) begin to plan their own country-level ECAs. Visibility and market presence are key success factors.</p>
<p>A poor understanding of the range of products available by ATI in its existing and potential markets was apparent through the surveys undertaken</p>	<p>Training, seminars and other educational means must be used to develop an understanding of ATI and PRI/CRI products.</p>

D. Detailed Work Plan

As part of the assignment per the Terms of Reference, International Financial Consulting Ltd. was also required to develop a detailed work plan based on the recommendations arising from the Impact Assessment.

The recommendations were as follows:

- I. A guided ATI/Customer Interaction Module should be introduced for clients after service care to be handled by Underwriters.
- II. A Research & Development team should work at developing practical banking facilities developed around ATI PRI & CRI products.
- III. The breadth of participating exporters should be widened by creating stronger partnerships at Export Promotion Centers.
- IV. Build networks through wide-angle associations in each target country to form the basis of knowledge and access to ATI due to stiff competition from alternative providers.
- V. Partner with capable and skilled service providers for wider and more aggressive information gathering. Establish whether World Bank or a senior donor can develop a nascent commercial information provider.
- VI. Continuation of financial deepening.

- VII. Increase familiarity of PRI/CRI products in the region to combat low uptake and perception of high cost.
- VIII. Implement an institutional correspondence tool as part of an ERM strategy that captures and tracks the action taken from each letter/note/memo.
- IX. Create a clear visibility and educational platform to ensure that ATI's profile is enhanced in order to deter stakeholders (particularly governments) from instituting their own country-level ECAs.
- X. Utilize training, seminars and other educational means to develop an understanding of ATI and PRI/CRI products.

The Detailed Work Plan captured each key area of action and placed it into perspective by:

- Identifying the key performance area requiring action
- Assessing time-lines
- Identifying deliverables
- Identifying champions and lead persons for the deliverable
- Where possible, the need for external resources

E. Monitoring and Evaluation

As part of the Impact Assessment of ATI, the Consultants developed a Monitoring and Evaluation [M&E] tool that ATI could use to evaluate its business in the region on an ongoing basis. There are three aspects or stages of Monitoring and Evaluation which together form a comprehensive picture of the development impact of an institution's activities: an estimate of the expected impact (ex-ante), an evaluation of the actual impact (ex-post) and a longer-term and periodic confirmation of impact (independent).

F. Conclusion

ATI has had an overall positive impact on trade and investment in Africa and has met –and on some parameters, exceeded– expectations, particularly in the last 3 years of the period under review. Following through on the Impact Assessment, the Consultants have developed a detailed work plan that has broken down some of the key activities that ATI must engage in for the next three years aimed at further augmenting its impact in the region. The M&E will serve as a monitoring tool that enables ATI assess its relevance and impact on an ongoing basis.