Issue 005 - May 2023

OUTFRONT

A newsletter focused on credit, investment, political and trade risks in Africa

In this issue:

Message from the CEO

Welcome to this first edition of 2023. We remain focused in our commitment of supporting economic development in Africa through our bespoke insurance solutions made for Africa. This year marks the start of our 2023-2027 corporate strategy, which will see us unveil a new brand identity. This issue will therefore focus on the theme of change as it reflects on our new brand and what it stands for. The new brand is bold & progressive and it will provide a better fit for our growing stature as the largest provider of investment and trade credit insurance on the continent, whilst also symbolically denoting the optimism and vibrancy of the continent.

Before that, I would like to highlight our performance in 2022. ATI continued to exhibit resilience in our business in the midst of the many economic challenges faced by governments and organizations across the globe. We closed the year with a net profit of USD32.8M, a marginal decline of 6% from USD34.9M in the year 2021. The Gross Written Premium stood at USD133M compared to USD143M at the end of 2021. Our Gross Exposure rose to USD8B from USD6.6B, representing a notable increase of 21.5% compared to year end 2021. This increase in exposure signifies our countercyclical role as we utilized our strong "A" rating to stand in the gap between lenders and sovereigns while maintaining our margins to cushion the impact of elevated risks. Equity has increased by 7% to USD553M and our total assets increased by 15% to USD882M.

In the new strategic period, I am proud to announce that Moody's has affirmed our "A3" insurance financial strength rating (IFSR) for the fifth consecutive year and changed the outlook from stable to positive. This positive revision is in line with our 2023 - 2027 strategic objectives in which we target to achieve an upgrade to at least "AA"/Stable rating by both Moody's and S&P. We aim to achieve this by doubling our exposures and increasing our capital to USD1B. We are already on the right track as we welcomed Angola as our 21st member state in February 2023.

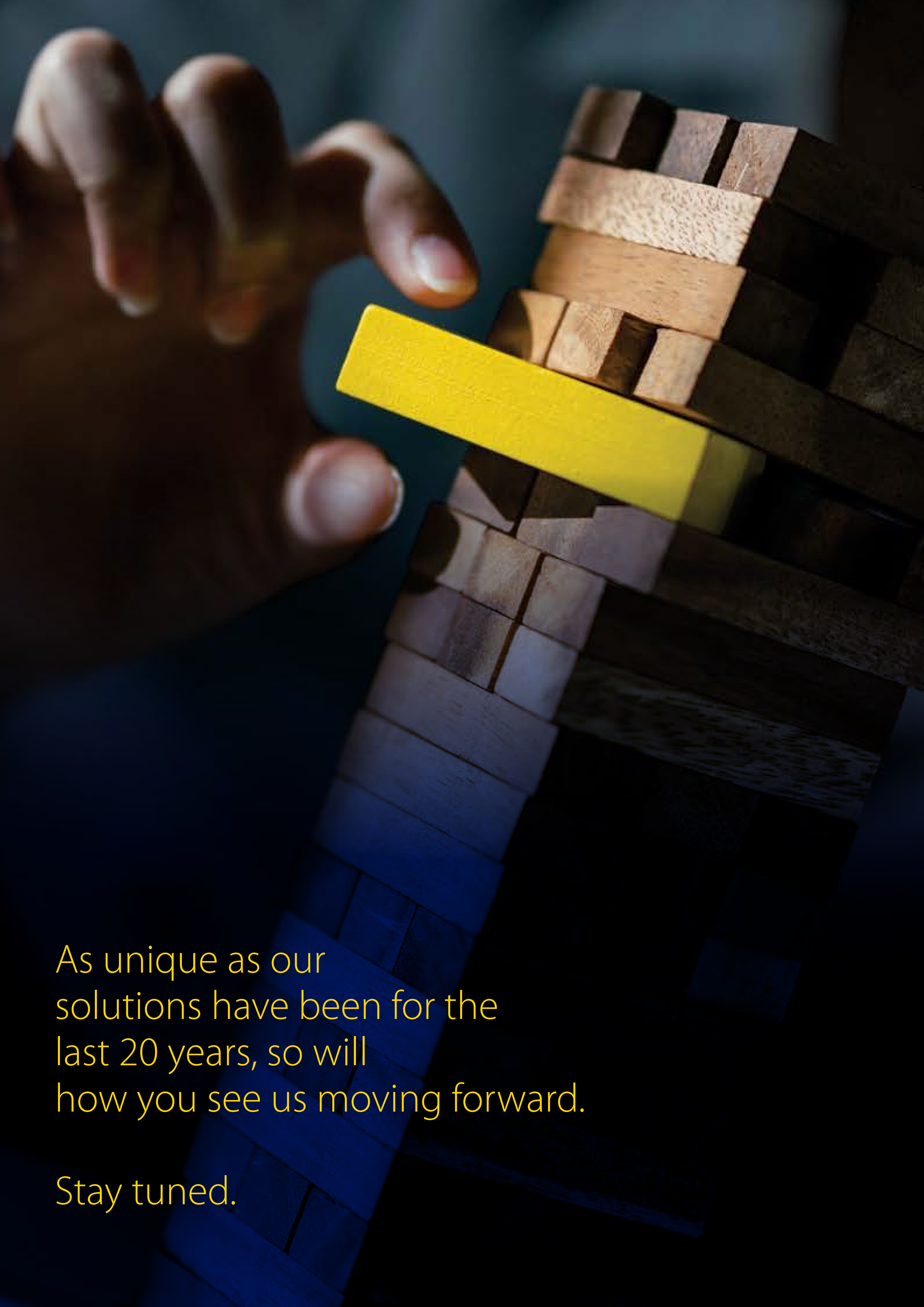
Angola joined with a capital subscription of USD25M. The membership funding, which was paid up in two installments of USD10M and USD15M, was contributed from proceeds of the landmark BITA project, a strategic public investment for the construction of a water project and the Government of Angola's National Treasury.

Continued growth and expansion of the organization made it necessary for us (ATI) to rebrand in order to realign the brand to our business strategy. The research phrase of the rebranding process indicated that both our internal and external stakeholders viewed the organization as a professionally and commercially operated entity of high value, with increasingly diverse and specialist solutions. Additionally it also viewed the organization's purpose – to help deliver development and advance Africa – as paramount to our continued success. The brand consultation process also revealed that the ability of our organization to innovate and develop appropriate solutions for the needs of the market was highly prized by our stakeholders. We plan to officially launch our new brand during our AGM and we will call upon all our stakeholders to support us in the same as time dictates.

As I finalize, I do hope that this issue provides information and guidance on ATI's progress and its position in the trade and investment landscape in Africa and beyond. We are honoured to highlight our partnership with Bpifrance and Etihad Credit Insurance as we explore ways of working together to enhance trade and investment in Africa.

On behalf of ATI, I would like to state that we continue to appreciate your continued support and partnership and we do hope that this incoming change and development to a new brand comes with good tidings. We look forward to strengthening our partnership with you in support of our mission of promoting sustainable economic growth and development on the continent.

Manuel Moses
CEO


As unique as our
solutions have been for the
last 20 years, so will
how you see us moving forward.

Stay tuned.

Partners' Corner

An interview with Maëlia Dufour

Director of International Relations, Business Development, Rating, Environment and Climate, Bpifrance

Q. Who is Bpifrance?

Created in 2012 and owned by the French State and Groupe CDC, the French Public Investment Bank, Bpifrance, is a key partner to companies, banks and investors. The group offers a continuum of solutions adapted to each key stage of a company's growth: business creation, financing, guarantees, equity investment, export finance and insurance.

Bpifrance Assurance Export, the French Export Credit Agency, (ECA) is a subsidiary of Bpifrance, mandated by law, and acting in the name, on behalf and under the control of the French State that delivers credit insurance, export bond and working capital insurance, exchange risk insurance, strategic project insurance and investment insurance.

Q. How much of your business is political and commercial risk insurance in sub-Sahara Africa?

Sub-Sahara Africa represents around 15% of the ECA's global exposure and the number of demands for new commitments to Africa reached 40% of the total number of demands in H1 of 2022.

Q. What are your main strategies for the African business?

Our main strategies rely on cooperation.
We focus on multiplying partnerships (through MoUs and reinsurance agreements), developing complementary activities with DFIs (e.g. AFD and Proparco), maintaining strong relationships with the French embassies in Africa, and strengthening collaboration with the "Team France Export".
We also support EPC contracts cooperating with French SMEs to promote business, development, and growth in Africa, and create more opportunities for French companies.

Q. What have been the greatest challenges in your ability to provide guarantees in Africa?

The greatest challenges we are facing are the critical situation of the countries in debt distress, the political instability, and our high exposure on some countries which restrains the amount of new support we can provide.

Q. How have you managed to mitigate the challenges?

High debt and political instability are challenges all ECAs are facing when supporting their exports to Africa. We have chosen to stay open where many have closed, and opted for risk sharing through reinsurance with other ECAs and with multilaterals such as ATI. We are currently in the process of signing a reinsurance agreement with ATI.

Our answer to the high exposure we face on some countries is once again risk sharing, we are therefore establishing reinsurance of different projects via the private sector.

We have 5 regional offices on the continent (in Abidjan, Casablanca, Nairobi, Dakar, and upcoming in Johannesburg). They work in close collaboration with our 50 Regional Directorates and head offices in France to encourage and facilitate business flows between French companies and public and private African partners/buyers.

Q.What strategic importance does the Africa portfolio play in the Bank's overall growth strategy?

Africa is Bpifrance's most strategic export region. Our priorities are to support SMEs in Africa, not only with our export credit insurance (more than half of the contracts we support on the continent are from SMEs) but also through commercial export finance with 69% of the financing facilities signed for a total of €320M in 2022 (with 85% of the agreements being signed with SMEs).

Q. What opportunities do you see in Africa now and moving forward?

One of the core values of Bpifrance is optimism. Even when the economy indicates a difficult future, we try and give our best to support projects of development on the African continent.

More than half of the global population growth between now and 2050 is expected to occur in Africa. This growth comes with its set of opportunities. Infrastructure, healthcare, clean energies, transportation and water resources are key sectors for both the development of the African continent and the French export. We see great opportunities in these sectors, in which we are already providing support and will continue to do so.

Partners' Corner

An interview with Haitham Al Khazaleh
Director of risk management, Etihad Credit Insurance

Q. Who is Etihad Credit Insurance (ECI)?

ECI is a federal export credit company that aims to be a key stakeholder in the UAE's economic sustainable development.

Our mission is leading efforts towards enabling a competitive, diversified, and sustainable economy by;

- Enabling non-oil trade & industry growth & development
- Supporting in-country value activities
- Facilitating UAE businesses growth and global expansion
- Ease trade financing activities

Q. What is ECI's strategy for Africa?

Africa represents a high potential and strategic market for most exporters in the UAE. ECI is committed to support UAE exporters in their growth in African markets by providing them the capacity and access to information and identify these opportunities.

Q. ECI and ATI recently signed a reinsurance agreement. What is your view of this partnership?

The partnership is a great example of cooperation between ECAs to enable exporters from Africa and the UAE to find opportunities in both markets and provide them the insurance tools they require to trade safely. This cooperation is also a great tool to help companies access funding to grow and seize the opportunities in the two markets.

Q. Which are the top sectors in your African portfolio?

Healthcare, electronics, equipment and petrochemicals.

Q. What have been the greatest challenges in your ability to support business in Africa?

The main challenge is access to data to assess the credit worthiness of obligors and the changing risk profiles of some markets.

Partners' Corner (continued)

Q. What advice would you give to financiers and investors who are reluctant to become more involved in Africa?

Investors have to rely on real market knowledge rather than perception. There are huge opportunities in Africa and many markets perform well with very low default rate. Obviously, they have to work with local experts like ATI who provide access to reliable information and provide insight about their experience and track records on successful transactions.

Q. What risks and opportunities do you see emerging post COVID-19 environment – for African governments and for those doing business on the continent?

Supply chain issues and inflation posed a serious threat and challenges to overall trade globally and Africa was impacted too. While some countries benefited from higher energy prices, the main opportunity would be continuing to diversify sources of income and GDP of nations and attracting more capital to develop infrastructure and development projects.

By Clement Yapo

ATI puts into consideration that undergoing projects may have adverse environmental and social effects to the wider society. We therefore established an Environmental, Social and Governance (ESG) framework to aid in achieving positive and sustainable development outcomes for our member states. The comprehensive review of ATI's ESG framework completed in 2022 led to the definition of new building blocks relevant to its mandate. This includes an ESG policy and guidelines, a grievance mechanism and a climate change strategic framework. These new building blocks are under development.

ATI's ESG framework is benchmarked against the 2012 International Finance Corporation (IFC) Performance Standards, and other multilateral and major financial institutions standards.

Thus, all covered transactions are required to comply with applicable national legislations and international standards to which ATI subscribes, and provide relevant mitigation measures to reduce negative Environmental and Social (E&S) risks within an appropriate time frame. The transactions are subject to a four-step process:

1. Screening
2. Classification (high, medium or low E&S risks)
3. Due diligence
4. Decision and monitoring

In line with the broader commitment to ESG, ATI will set up a separate climate change policy that will seek to address the devastating consequences of climate change in Africa. The policy commitments will be informed by ATI's mandate as well as Africa's development needs.

In accordance with ESG commitments, ATI established a Corporate Social Responsibility (CSR) framework which aims to identify, execute and monitor CSR projects.

As a key step in the proper implementation of the CSR framework, ATI staff were trained on CSR issues in July 2022 with support from Euromoney Learning.

The CSR initiatives carried out in 2022 include:

- Support in improvement of school infrastructure in South Sudan. ATI contributed to the project dubbed *"Standing Up for Safe and Protective Education"* with the construction of two learning spaces for emergency-affected out of school children in two schools.

The two schools, Nairiwo Primary School and Diatoro Primary School, were selected in collaboration with the Ministry of General Education (MoGE). Funding of USD50,000 from ATI will help bring back to school more than 600 children (boys and girls). The project is being implemented by African Educational Trust (AET), an NGO that provides education to children and adults affected by conflict and poverty in Eastern Africa.

- Donation of a motorbike to Cerebral Palsy Society of Kenya (CPSK), a charity organization that offers special education, music therapy and vocational training to children and persons living with cerebral palsy.

ATI's CEO, Manuel Moses, noted *"Every child deserves to get education in a free and fair environment far from any environmental, political or natural setback. A community with children who cannot access education is a disadvantaged community as there will be no positive development. We trust that our partnership will help change the lives of many children and hence the community at large, by giving support to the education sector in South Sudan."*

ATI's ESG journey is well underway. The implementation of the newly defined ESG building blocks will strengthen the consideration of ESG risks in ATI's operations and contribute to the achievement of the Sustainable Development Goals (SDGs).

Clement Yapo
Senior Environmental, Social and Governance Officer

By Obbie Banda

ATI issued the fifth policy under its Regional Liquidity Support Facility (RLSF) in support of the 7.8 MW Nyamwamba II Run-of-the-River hydropower plant in Uganda in May 2022; closing Phase 1 of RLSF, a liquidity instrument jointly founded by ATI and the KfW Development Bank with grant funding from the German Federal Ministry of Economic Cooperation and Development (BMZ).

Under Phase 1, the five RLSF policies have been issued for the benefit of renewable energy projects in Burundi, Malawi and Uganda, enabling a total installed capacity of 116.3 MW and USD172.5M in total project financing. The projects supported in Burundi and Malawi with RLSF cover were the very first solar Independent Power Projects (IPPs) within the two countries – reflecting not only the positive impact of the facility but the nascent nature of power markets across sub-Saharan Africa, in spite of notable progress having been made in recent years.

The launch of Phase 2 and a new RLSF structure

In 2022, the Norwegian Agency for Development Cooperation (Norad) committed additional grant funding to ATI for the enhancement of RLSF and the development of additional guarantee instruments targeted towards similar renewable energy sector initiatives with distributed forms of renewable energy likely to be a key focus area going forward. The adhesion of Norad, alongside the founding partners - ATI and KfW - further strengthens the technical capacity of the RLSF Steering Committee, the body that provides strategic guidance for this initiative.

The grant of NOK500M (around USD56M) from Norad, will go towards increasing the pool of first loss funding under RLSF – a key product feature that makes this unique instrument work – with the rest of the funding being directed towards technical assistance and first loss funding earmarked for similar guarantee initiatives. Courtesy of this additional funding and lessons learnt as the first five policies were negotiated and issued, the product structure was revamped with ATI set to issue guarantees directly to IPPs without the involvement of an LC Issuing Bank as was the case under Phase 1.

This material change has been positively received by various stakeholders, including IPPs, African power utilities, lenders, and advisors, as it will greatly improve the efficiency of the policy issuance, and allow for greater flexibility in the nature of the contracts to be entered into, whilst also reducing costs.

Why RLSF and similar Liquidity Instruments matter

Between 2013 and 2018, structural reforms were undertaken in Malawi's energy sector thanks to the financial support of the Millennium Challenge Corporation (MCC). The reforms, which were undertaken under the USD350.7M Malawi Compact Program, resulted in the procurement of four solar power projects with JCM, Phanes and Voltalia being selected as the preferred bidders. Whilst there was increased investor appetite in the sector, coupled with bankable project documents available to the developers and notable government support for the projects, there was a missing piece to enable the projects advance towards financial close – the requirement for the national power utility, Electricity Supply Corporation of Malawi Limited (ESCOM), to provide Buyer Payment Security for each of the projects.

ATI stepped in on behalf of ESCOM, providing liquidity cover amounting to a total of USD8.9M for the Salima, Golomoti and Nkhotakota projects – reducing the financial burden on ESCOM and providing the projects with a liquidity instrument from an A-rated financial institution that would not only provide assurance that liquidity will be available in the event of any payment delays but a commercially acceptable product that would provide additional comfort to project stakeholders such as international lenders.

In the absence of RLSF, alternative instruments would need to be explored to serve as the form of Buyer Payment Security – likely resulting in project delays, increased costs, and uncertainty on the availability of liquidity throughout the projects life. The RLSF policies issued to the three projects were for tenors of 10 years, a much longer duration than most commercial instruments available to IPPs in many African countries.

A Brief Assessment of the African Power Market and what may follow next

The onset of the COVID-19 pandemic resulted in delays with project development, a deterioration in the financial standing of most power utilities, and an introduction of government policies meant to cushion the cost of buying electricity for end users – both commercial and at household levels. This picture has slowly evolved as government policies shift to return power utilities to some form of financial competitiveness, and additional power generation projects are added to the grid.

Whilst wider sector trends have been well documented, what has become clearer – at least for ATI – is that there are notable cycles in the African power market. Most countries are either in phases where they are looking to procure their very first renewable energy projects (understandably, developers and lenders will seek some form of government guarantees to make projects in these countries bankable), others are looking to transition from bilaterally negotiated contracts to some form of auction or Feed-in-Tariff, and lastly those that have gone through these first few phases and are more selective on the additional projects that need to come on board given a possible mismatch between current power supply and demand.

Why understanding each of these phases is important, particularly for newcomers to the market, is that it will undoubtedly guide the type of documentation each of the utilities and host governments will make available to you and the length of time it may take to negotiate and agree on a form of bankable documentation. Whilst it may seem unfair to list countries in either of the first two categories – at least on record – markets such as Côte d'Ivoire, Kenya and Uganda firmly fit within the third and most advanced category of power markets. North African countries and South Africa should be viewed and assessed in isolation given the unique factors faced by these countries – from high electrification rates (in part due to the dense nature of the North African populations around the Mediterranean Sea to Africa's most industrialized country whose electricity needs far outstrip the type of planning and needs of its neighbours).

What can reasonably be expected is that country's in the first phase of attracting renewable energy IPPs will have the greatest need to provide liquidity guarantees in addition to any government guarantees that address termination payments and other political risks. This is due to the absence of any track record of making payments to IPPs and the need for additional comforts to be in place for investors to view this as an acceptable investment destination relative to other "safer" options in the region. Countries in the second and first phase may still need to make such guarantees available. However (and increasingly), most investors no longer view this as being a deal breaker with an ever-growing number of projects closing without RLSF or similar market alternatives.

Closer to Home

In December 2022, I had the opportunity to drive through and spend some time in the eastern part of Zambia - along the shores of the Luangwa River - right in the middle of the country's rainy season. The timing of my visit coincided with an announcement that the country's power utility - ZESCO – would start rolling blackouts of up to 6 hours (commonly referred to as load shedding) from 15 December 2022 following a notable reduction in water levels at the country's Kariba Dam, the largest man-made lake in the world whose reservoir serves as the main electricity source for Zambia and Zimbabwe (the latter having announced even longer hours of load shedding given that country's greater dependence on electricity from the lake).

As water levels in the Luangwa River continued to rise with each rainy day - with daily shifts that are visible to the eye, seasonal rivers begin to flow, and the savannah becomes greener, everyone starts to slowly forget about the dry months and challenges that preceded this period of relative abundance. Similarly, short sided planning has guided the procurement of power generation projects in many African countries. The dependence on huge hydro dams - whose short comings are immediately forgotten once there is abundant rainfall - has not waned with an imbalance in the generation mix that will likely continue beyond 2023. If we are to make progress and move away from knee jerk reactions once faced with low water levels in our rivers and lakes, resulting in several hours of load shedding, the procurement processes need to be continuous, intentional and efficient.

Whether liquidity instruments such as RLSF will continue to play a role in such procurement should be a secondary consideration - what role each of the stakeholders (including ATI!) can play in supporting sustainable power generation efforts, coupled with additional investments in transmission and distribution infrastructure, should continue (or start to be) a real focus.

As ATI continues to stretch its underwriting pen, the adaptation of RLSF to address financing gaps for transmission infrastructure, could be our next big challenge. Ensuring the availability of bright lights and sustainable electricity to meet growing demand across areas such as eastern Zambia - whether the Luangwa River runs full or dry.

Obbie Banda
Underwriter | Acting RLSF Coordinator

Membership Expansion Update

by Kenneth Tanyi and Hellen Ooko

ATI's Membership & Partnership Development

In February 2023, ATI welcomed its twenty-first and first Lusophone African Member State, the Republic of Angola, with a capital subscription of USD25M. With this significant achievement, ATI now has 21 African Member States, one Non-African Member State, and 11 Institutional Members.

ATI anticipates that other Portuguese speaking African countries (PALOP) such as Cape Verde, Guinea-Bissau, Mozambique, São Tomé and Príncipe will be encouraged to join ATI through financing by the African Development Bank's (AfDB's) Lusophone compact development programme for PALOP countries. ATI is in continuous discussions with these countries identified as eligible for AfDB Financial Support to help them become ATI members.

The Republic of Mali is currently at the tail end of completing its ATI membership. In March 2023, ATI received an initial disbursement of USD9.7M towards the capital contribution of the Republic of Mali for its membership in ATI, thanks to the financial support from AfDB. The Government of Mali has committed to fund the outstanding amount equivalent to 14 shares to enable it to become a fully-fledged ATI member state in line with the minimum shareholding requirement of 75 shares for Class "A" shareholders.

Strategic Partnership Development and Cooperation with Partner Institutions

In response to ATI's growing institutional needs, an effort is being made to strengthen institutional cooperation and strategic partnerships in order to increase ATI's visibility and footprint across Africa. In November 2022, the Government of Rwanda successfully hosted the 2022 Berne Union (BU) Annual Meeting, which was co-organized by ATI and the Berne Union Secretariat.

With the participation of over 84 financial institutions, ATI hosted the world's largest body of global export credit and investment insurance industry in Kigali under the theme - Africa's potential for greater intra-regional trade and integration into international value chains; the transition of Africa's energy sector; and the role of international finance and investment in the context of debt sustainability. BU members elected new officials for the next two years, including the President – Maëlia Dufour of BPI France and Vice President - Benjamin Mugisha of ATI.

ATI also participated in a joint event sponsored by the Government of Niger, AGF, ATI, BADEA, FAGACE and FSA. The event took place in Niamey, Niger from the 21 - 22 November 2022.

The objective for the initiative was for ATI and its partners to come up with clear and robust policy actions and measures for de-risking Africa's MSMEs to spur the implementation of AfCFTA.

Way Forward

In line with ATI's new Corporate strategy goal of making the organisation Transformational, Robust and Reliable, ATI plans to attain greater visibility within the African continent through renewed engagements with prospective member states and to further strengthen ties with funding partners who have been instrumental in funding both new and existing member states through grants and concessional loans.

These strategic partnerships will help ATI increase its business access and geographical footprint in the African continent and beyond. ATI also intends to continue participating in high level Meetings and Annual General Assemblies of key development partners with the aim of strengthening our institutional ties, business development, visibility and outreach for development partners across Africa.

Hellen Ooko & Kenneth Tanyi
Membership Department

SAME

ZEAL & PASSION

NEW

IDENTITY

Something great is coming
to the world of
Trade & Investment insurance.

ATI AGM

ATI is set to hold its 23rd Annual General Meeting from 5 -7 July this year. The event will involve a full-scale meeting with side events, and is to take place in Kigali, Rwanda. The meeting will start off by unveiling the new brand, then proceeded with an Investor Roundtable. The draft agenda can be accessed from here.

The Investor Roundtable is followed by an exclusive and invitation only session Boardroom session between African Governments and key financial partners comprising of international banks, African commercial banks and DFIs as well as other investor classes. The session enables the partners to understand more about the economic environment and the prospect for investments of each of the African country represented, where the government representatives will be required to deliver a presentation highlighting challenges, opportunities and prospective strategic deals for their country, over the next three years.

Learn more:
agm@ati-aca.org

Africa Energy Forum

ATI is sponsoring and speaking at the Africa Energy Forum (aef), the global investment conference & exhibition for Africa's energy, infrastructure & industrial sectors. The event is scheduled for 20 - 23 June 2023 at the Kenyatta International Convention Centre (KICC), Nairobi, Kenya. For bilateral meetings with the delegation, please reach out to rlsf@ati-aca.org.

To learn more about the event, visit www.africa-energy-forum.com

Upcoming Events

Launch of ATI in Senegal

Following completion of Senegal's membership in ATI in 2021, ATI, in collaboration with Senegal's Ministry of Finance and Budget will host a launch event and a series of awareness workshops in Dakar, in order to raise awareness within the private sector and relevant government agencies about the availability of our products and services in Senegal. The workshop, themed, *"De-risking Trade & Investments in Africa,"* will be an opportunity to discuss the role of ATI in mitigating trade and investment risks in Africa. The event is tentatively scheduled for 1 – 3 August 2023.

Learn more:
events@ati-aca.org

AfDB Annual Meeting

An ATI delegation, led by the CEO, will be attending AfDB's Group Annual Meetings, scheduled to take place from May 22 to 26, 2023 in Sharm El Sheikh, Egypt. For bilateral meetings with the delegation, please reach out to events@ati-aca.org

ATI HEAD OFFICE KENYA
Kenya Re Towers, 5th Floor, Off
Ragati Road, Upperhill
Mailing Address: P.O. Box 10620,
G.P.O. 00100, Nairobi, Kenya
Tel. (+254) 20 272 6999 / 271 9727
Mobile. (+254) 722 205 007
Email. info@ati-aca.org

CÔTE D'IVOIRE
Abidjan, Côte d'Ivoire
Mobile: (+225) 77 571 448
Email: cotedivoire@ati-aca.org

SOUTHERN AFRICA REGIONAL OFFICE
Lusaka, Zambia
Tel: (+260) 211 227 745
Mobile: (+260) 978 778 545
Email: zambia@ati-aca.org

TANZANIA
Dar es Salaam, Tanzania
Tel: (+255) 22 260 1913 / 1938
Mobile: (+255) 782 390 531
Email: tanzania@ati-aca.org

UGANDA
Kampala, Uganda
Tel: (+256) 312/393 908 999
Mobile: (+256) 776 966 900
Email: uganda@ati-aca.org

WEST AFRICA REGIONAL OFFICE
Cotonou, Benin
Tel: (+229) 62 33 52 52
Mobile: (+229) 62 73 52 52
Email: benin@ati-aca.org

www.ati-aca.org