

Sub-Saharan Africa in the spotlight as Berne Union Members weigh solid signs of pandemic recovery against rising political and economic risks

KIGALI 11th November 2022 – Trade and investment in Sub-Saharan Africa is front and centre of discussions this week in Rwanda where a large delegation of the global export credit and investment insurance industry has gathered along with partners from African and international stakeholders for the 2022 Berne Union AGM, hosted by member, African Trade Insurance (ATI).

- 77 financial institutions will participate in the meetings, across 4 days
- Topics under discussion include: 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
- Sub-Saharan Africa is a strategic focus for the Berne Union, which launched a working group to build awareness and promote collaboration among industry stakeholders on projects relating to the region
- At the meeting BU Members elected Maelia Dufour of Bpifrance as President and Benjamin Mugisha of ATI as Vice President for the coming 2 year term 2022-2024
- The BU has also released data on industry performance in H1 2022, which shows positive progress in pandemic recovery, despite rising risk in the global economy

Outgoing Berne Union President, Michal Ron, comments:

“Sub-Saharan Africa has long been an important destination for export credit insurance support. Abundant natural resources and favourable demographics mean that this importance will only increase further in future, and, particularly today, with pressure to replace dislocated supply chains, there are huge opportunities for the continent.”

ATI CEO Manuel Moses adds that:

“ATI will continue to provide the Berne Union with every support that is necessary to keep the organization vibrant and to enable it remain a key player in the realization of Africa’s developmental objectives in line with Agenda 2063 of the African Union.”

The Minister of Finance Rwanda also added that:

“As a member of ATI since 2001, Rwanda has benefited from increased trade flows as a result of access to investment, credit and risk solutions provided by ATI with the operationalization of Africa Continental Free Trade Area, ATI and Berne Union will play a central role in promoting intra-African trade and also continue to increase trade flows between Africa and the World”

Sub-Saharan Africa is a region of growing importance for export credit insurance

Collectively, in the first half of 2022, Berne Union (BU) Members provided new commitments totalling USD 44 billion in support of trade and cross-border investment in Sub Saharan African countries. In recent years, the number of BU members active in Sub-Saharan Africa has increased, along with the total volume of business underwritten and the distribution of this among different destination markets across the continent.

But rising risks mean that attracting long-term finance is becoming more difficult

In H1 2022, Sub-Saharan Africa saw the highest level of new cover of political risk insurance (PRI) since 2017 (USD 3.9 bn) – a sign of increased risk perception among investors. At the same time, long-term finance in the region is becoming more difficult to secure, and, similarly to other emerging markets, the return of serious infrastructure projects to Africa has been slower than for more developed markets – seen in the ~ 20% drop in new MLT commitments to the region in the first half of 2022, compared to the same period in 2021.

Creating bankable projects requires cooperation from all different stakeholders

The developmental impact of increasing trade and investor confidence is well recognised, and in an African context, creating bankable projects which can attract international capital is vital to closing financing gaps for essential infrastructure. Export credit insurance is a flexible de-risking tool which can help catalyse much-needed finance from both public (development finance) and private sources (commercial banks and institutional investors).

Michal adds that:

“The importance of aligning different stakeholders cannot be overstated. Export credit insurance has a huge role to play in delivering the finance, technology transfer and know-how which will contribute to Sub-Saharan Africa’s development over the coming years, particularly in areas such as energy transition and other aspects of climate finance which are so badly needed. A high-level dialogue of the sort found in BU meetings is essential to establishing common understandings which will allow us to work collaboratively with partners in government, in finance and at the project level to deliver the true potential of the region.”

Election of new BU officials

At the meeting in Kigali, Berne Union Members voted on the election of new officials for the following positions during the 2022-2024 term:

- *President* – **Maëlia Dufour**, BPIFRANCE
- *Vice President* – **Benjamin Mugisha**, ATI
- *MLT Committee Chair* – **Edie Quintrell**, LIBERTY
- *MLT Vice Chair* – **Zishan Iqbal**, ETIHAD CREDIT INSURANCE
- *ST Committee Chair* – **Katarzyna Kowalska**, KUKA
- *ST Vice Chair* – **Jean-Paul Steenbeke**, CREDENDO

Details via the BU website: t.ly/gE_V

Incoming Berne Union President, Maëlia Dufour, comments:

“It is a great honour for me to take on the role of BU President, particularly in the current environment when we are facing so many critical challenges globally. The export credit insurance industry is a powerful driver of both stability and innovation and the Berne Union, as a unique platform for collaboration, has a vital role to play in contributing to this. I am excited, along with my Vice President Benjamin Mugisha, to tackle the most demanding, and most important challenges facing our industry today, including advancing the leadership of export credit in global efforts to solve the climate crisis, and finding creative solutions to continue supporting trade and investment in all regions, even as the risk environment increases.”

Highlights from BU Industry Data for H1 2022

BU Data in the first half of 2022 shows solid signs of continuing post-pandemic recovery, with year-on-year growth across business lines in H1 2022, and a partial normalisation of claims patterns

Both Short Term (ST) and Medium / Long-term (MLT) business saw higher new commitments and lower claims paid year-on-year.

The increasing value of trade and strong demand for product is keeping ST business growing in double digits

ST limits increased a further 10% y-o-y, and are now 13% higher than pre-pandemic. This is driven largely by the strong increase in the value of underlying trade on the back of elevated prices across commodities. Demand for cover remains strong, and underwriters report higher utilisation and limit increases for existing clients.

The private insurance market is flying high, benefitting from the post-pandemic return of investment projects and their ability to select the best risks to grow their MLT business

MLT business remains 10% lower than 2019 levels overall, despite further growth this period. Private insurers made real gains and have now returned their MLT business to pre-pandemic levels, while ECA activity in this business line remains subdued.

However, new business remains concentrated in upper and middle-income countries in Europe, Latin America and North America, with emerging markets still not picking up as much since the pandemic.

Infrastructure and manufacturing sectors had a strong 6 months with +75% growth year on year, while Renewable Energy recorded its highest ever value of new commitments for a half year period (USD 5.3 bn)

With investment in natural resources continuing to decline, and transportation stabilising, the overall story looking at industry sectors is: 'pandemic recovery', and clear indication of the picking up of speed in the energy transition.

Domestic business returns to normal levels, but remains a significant tool for ECAs

After two years of elevated domestic support, new cover returned to pre-pandemic levels at USD 26.5 bn. in the first half of 2022. However, looking at the overall portfolio of ECAs it clearly remains a permanent and important feature, accounting for ~25% of total business excluding ST revolving credit.

BU members paid USD 3.9 bn. in claims in H1 2022 – 10% lower than in the first half of 2021 with decreases for both ST and MLT business lines

ST claims fell even further since last year and are still not back within normal range following support measures introduced during the pandemic. However, we are beginning to see increases in individual countries where insolvency levels are returning to normal, as well as

notable hot-spots related to the war in Ukraine, even if these have not yet lifted the overall portfolio. Reports from some members of increasing payment delays in pre-claims situations may indicate a long-anticipated return to 'normal' towards the end of this year.

MLT claims remain 13% higher than pre-pandemic, despite a 4% fall y-o-y, thanks to a normalisation in the transportation sector, which has suffered the most severe consequences of the pandemic. Despite falling from the peak of the pandemic, it seems likely MLT claims will continue to remain elevated for some time as the acute risks of the transportation sector transform into more general risks across a broadly challenging global economic environment.

Attachment: H1 2022 Data Snapshot: New Business, Claims and Recoveries

All figures in USD millions

New Business	2019-H1	2020-H1	2021-H1	2022-H1	Δ 19-22	Δ 21-22
ST	1,716,073	1,663,757	1,761,022	1,936,606	13%	10%
MLT	60,959	50,153	50,455	55,069	-10%	9%
PRI	25,904	20,839	16,965	18,766	-28%	11%
OCB	14,817	9,329	8,164	10,447	-29%	28%
Domestic	24,453	31,202	31,364	26,548	9%	-15%

Claims Paid	2019-H1	2020-H1	2021-H1	2022-H1	Δ 19-22	Δ 21-22
ST	1,320	1,441	1,002	900	-32%	-10%
MLT	1,727	1,187	2,037	1,950	13%	-4%
PRI	114	23	52	243	112%	370%
OCB	229	738	771	573	151%	-26%
Domestic	891	283	442	230	-74%	-48%

Recoveries	2019-H1	2020-H1	2021-H1	2022-H1	Δ 19-22	Δ 21-22
ST	355	196	330	471	33%	42%
MLT	1,258	590	546	880	-30%	61%
PRI	9	1	5	40	357%	647%
OCB	9	25	31	101	995%	229%
Domestic	73	81	75	80	11%	7%

NOTES

- **ST:** *Short Term Export Credit* - Export Credit / Trade-Finance Credit lending and Insurance of which the repayment term is less than 360 days
- **MLT:** *Medium / Long-Term Export Credit* - Insurance, Guarantees and lending for Export/Trade-Finance Credit of which the repayment term is greater than 360 days
- **PRI:** *Political Risk Insurance* - Insurance or Guarantee that indemnifies an equity investor or a bank financing the equity investment for losses incurred to a cross-border investment as a result of political risks
- **OCB:** *Other Cross-border Credit* - Insurance or Guarantee or direct loan relating to a debt-finance instrument, of which the debt obligor resides in a different country than the debt counterparty; AND the debt obligation is provided without any requirement that the debt capital be used to finance an export or international trade

More information about the business lines and products of Berne Union Members, here: <https://bit.ly/3FnfSWj>
 For background data please consult our 2021 state of the industry report: <https://t.ly/S9Tc>