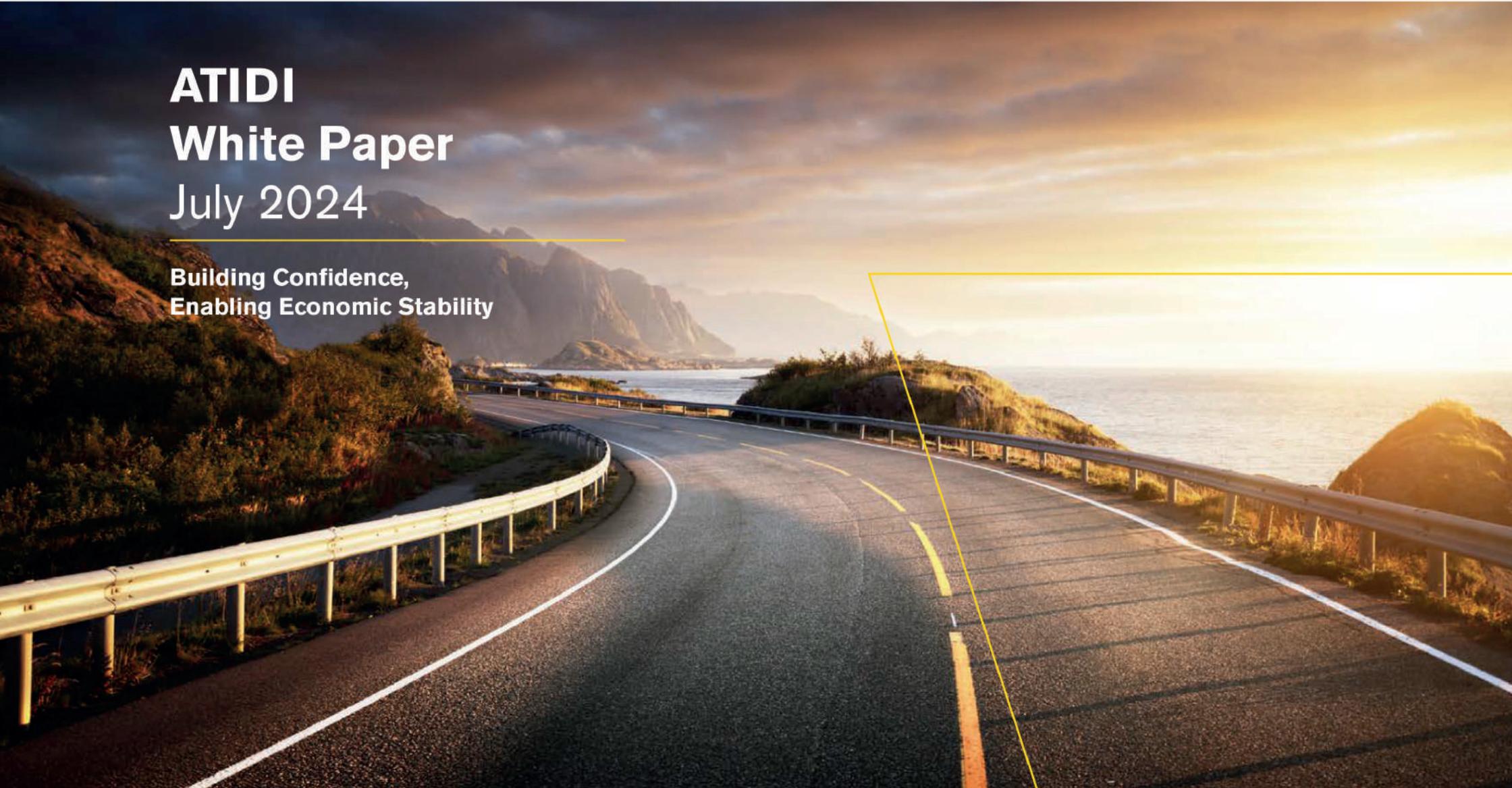


ATIDI

White Paper

July 2024

**Building Confidence,
Enabling Economic Stability**



ATIDI (African Trade & Investment Development Insurance) held its 24th Annual General Meeting in Livingstone, Zambia.

The AGM, with the theme “Empowering tomorrow, enabling investment”, validated ATIDI’s results for 2023 and gathered top policy makers and private sector leads to discuss how to sustainably spur access to finance for sovereigns and private investors in this challenging economic environment.

ATIDI’s Investor Roundtable provided a platform to discuss relevant and critical issues, such as sovereign debt, investment and trade flows, and the obstacles to accessing competitive and long-term financing.

The event brought together government representatives, regional and international investors, insurers and financiers, who not only deliberated on thematic issues but also presented viable solutions for stimulating economic and sustainable growth for Africa.



“I firmly believe that Africa is not receiving fair treatment within the global community. When we, as a continent, endeavor to raise capital, we are invariably subjected to higher costs, even in sectors or businesses that operate under similar conditions to those in other regions. Africa is consistently required to bear a greater financial burden than other parts of the world in comparable circumstances.”

Hakainde Hichilema, President of Zambia

“We should put capital markets development as one of our top priorities. We should not wait for the next crisis to hit to start thinking about what we can do differently.”

Sonia Essobmadje, Chief Innovative Finance and Capital - United Nations Economic Commission for Africa

“In Africa, we don’t see much involvement of the insurance segment in underwriting credit risk particularly for small businesses. That is one area we believe there has to be solutions.”

Dr. Olasupo Olusi, Managing Director - Bank of Industry, Nigeria

“SMEs’ understanding of what financial institutions are looking for is a big challenge. Many of them, due to the skills gap, do not have capacity or knowledge to structure their requests to banks. This makes it hard for banks to come and provide finance.”

Naomi Mwenya, Acting Retail Director - Absa Bank, Zambia

“Generally, data has been a challenge in Africa and investments in this technology age will be how we harness data to feed into the credit process. For example, you need credit history and getting this right is one variable that will help in risk profiling of counter parties.”

Mutisunge Zulu, Chief Risk Officer - Zambia National Commercial Bank

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Attracting capital is vital for Africa’s economic future, however that can be a real challenge. Insurance has become a valuable tool in enabling improved capital flows.

Through this report, the message rings loud and clear: to achieve the financial security that the continent needs, collaboration will be critical. Working together, governments, the banking sector and the insurance sector can between them ensure capital flows to the most appropriate places. Collaboration will also encourage innovation – something that is much needed as Africa looks for solutions to its unique position and will save the continent from the steep price it pays to access credit as well as attract investments.

Banks are being challenged to start paying more attention to Africa’s key sectors, such as agriculture, and to develop tailored products that are bundled with insurance.

As we explore in this report, there is much to be done, however ATIDI continues to grow its place in promoting developments on the continent thanks to its political and credit risk products.

The past year has seen us close with about USD700 million capital and having cumulatively facilitated more than USD85 billion in investment to Africa. By hitting USD1 billion we will be able to support more businesses, take on more risk and deliver greater security to Africa’s investors of the future.”

Manuel Moses, Chief Executive Officer of ATIDI



Putting into perspective: Africa's real and perceived risks

Africa's public and private sectors are confronted by real and perceived risks that have seen the continent continue to struggle attracting capital for both the public and private sectors.

For example, the United Nations Conference on Trade and Development. (UNCTAD) global investment trends monitor report for 2023 shows that for the past two years, Africa accounts for only 3.5% (USD48 billion) of the more than USD1.37 trillion global foreign direct investment flows.

The majority of these flows are concentrated on the natural resource sector and large-scale infrastructure projects like roads, rail, energy, and healthcare. This leaves very little for other sectors, particularly small and medium-sized enterprises (SMEs),

according to ATIDI's Chief Executive Officer, Manuel Moses. He remarked that FDIs to Africa are "a drop in the ocean" and emphasized that much more needs to be done to improve this statistic.

"Among the factors hindering capital flows to Africa are perceived high political risks, especially the risk of expropriation, contract frustration, violence due to terror or civil disturbance, and many more," said Moses at the opening of the roundtable.

Moses called for "concrete and actionable resolutions" that participants can report back in the next roundtable slated for 2025 in Angola.

His sentiments echoed that of President of Zambia, H.E Hakaide Hichilema, who said Africa has been unnecessarily profiled as a high-risk continent and this reflects in the high

interest rates its governments and private businesses pay to access capital.

"I hold a very passionate position about the issue of risk and Africa. I think Africa is not being treated fairly in the global league of nations. When we raise capital as a continent, we pay more, even in sectors or businesses with similar operating conditions. Africa is consistently required to pay more than others," said President Hichilema, who was the founding Board Chair of ATIDI.

"It means we continually act in a manner that suppresses Africa's opportunities to mature by requiring us to pay a higher price for the capital we need. As African heads of state, along with our partners, we have taken this issue seriously."

SMEs, despite being primed as engines of growth and job creation in Africa, are among the most disadvantaged when it comes to accessing capital.

Naomi Mwenya, Acting Retail Director for Absa Bank Zambia, said it is critical to dissect the issue of access to finance by looking at different sectors and sizes of business and responding to specific challenges as opposed to looking at it as a mass market issue.

She said high interest rates in many markets in Africa, added to regulatory challenges also stand in the way, with the situation worsening for micro, small and medium sized enterprises (MSMEs).

The perception of risk within the SME segment is high and this is where financial institutions have a major role to play, according to Dr. Olasupo Olusi, Managing Director of Nigeria's Bank of Industry, adding that low involvement of insurance is another challenge.



3.5%

(USD48 billion)—share of Africa in the USD1.37 trillion global foreign direct investment (Source: UNCTAD)



USD402bn

Africa's financing gap for sustainable development areas like education and energy (Source: African Development Bank)

"Among the factors hindering capital flows to Africa are perceived high political risks, especially the risk of expropriation, contract frustration, violence due to terror or civil disturbance, and many more"

Manuel Moses, Chief Executive Officer - ATIDI

Collaborating for Africa’s growth

Collaboration was among the key messages to the delegates attending ATIDI roundtable in search for solutions to bridging Africa’s financing gaps.

ATIDI’s Chief Executive Officer Manuel Moses said only through collaboration will Africa “go far” in its quest to attract capital and grow its economies for the benefit of the massively young population.

“In our world of insurance, we are always trying to diversify risk because we know the whole idea is to make sure that if an adverse event happens, we won’t carry all the risk alone. So, we tag along reinsurers and that is another collaboration,” he said.

Zambia’s Minister of Finance and National Planning, the Hon. Dr. Situmbeko Musokotwane believes that, for the continent to address poverty, collaboration between governments and private sector as well as consolidating the African market will be critical.

“We want to fight poverty. And to do so, we recognize the role of the private sector because the government can only do so much. And in any case, governments are not known for wealth creation; they are known for creating a conducive environment,” said Hon. Dr. Musokotwane.

ATIDI’s Board Chair Dr. Yohannes Birru added that the multilateral insurer’s commitment to enabling economic stability extends beyond insurance solutions and that has meant forging collaborations across the continent, while Ceasar Siwale, CEO of Pangaea Securities, stressed that access to capital for Africa is “not as difficult as we make it look like,” asking for collaboration in marketing the African brand better and diversifying sources of capital.

2001
Year ATIDI started

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“We want to fight poverty. And to do so, we recognize the role of the private sector because the government can only do so much. And in any case, governments are not known for wealth creation; they are known for creating a conducive environment.”

Hon. Dr. Situmbeko Musokotwane, Zambia’s Minister of Finance and National Planning and Chair of the ATIDI’s 2024 Annual General Meeting

Expert views

“Collaboration is the key to going far. You know the adage that if you want to go far, you must go with others, but if you want to go fast, you go alone. Our AGM and roundtables are collaboration in action. We are bringing governments in touch with the private sector so that they can listen to each other.”

Manuel Moses, ATIDI's Chief Executive Officer

“The market in Africa is fairly small for individual countries and cannot support deep-pocket investors that want to produce in large quantities.”

Hon. Dr. Situmbeko Musokotwane, Zambia's Minister of Finance and National Planning

“We recognise the importance of addressing systemic barriers to growth and prosperity, including inadequate infrastructure, limited access to finance and regulatory challenges. That is why we have been working closely with our partners and stakeholders to develop holistic solutions that address this challenge and create an enabling environment for sustainable economic development.”

Dr. Yohannes Birru, ATIDI's Chairman of the Board of Directors

“Access to capital for Africa is not as difficult as we make it look like, but we knock on the same doors. We let ourselves be judged by an outdated playbook. There has to be more of a unified voice on how we position the continent. We don't have to sell ourselves as poverty to attract capital. We should be selling what other opportunities are there on the continent and partnerships to attract capital.”

Cesar Siwale, CEO of Pangaea Securities



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Number of ATIDI Africa states by June 2024

Masitala Mushinga, Director of Debt Management at Zambia's Ministry of Finance, pointed to the country's debt distress after enjoying a period of economic boom, but said the country has changed its take on mega infrastructure projects — which is something that many African countries have rushed to as a means of spurring development.

“We are now looking at projects that are properly appraised so that when we get financing, especially that emanating from debt resources, we are able to channel it to projects that would be able to increase the debt carrying capacity and grow the economy,” said Mushinga, stressing on the need for sustainable borrowing in Africa.

She said when Zambia could not access the international market, it fell back to the domestic market, offering it a lesson on the need for economies in Africa to strengthen and deepen their domestic debt markets to cut vulnerabilities.

“We have a lot of small [capital] markets instead of

thinking regional so that we start creating the critical size we need to develop and to create liquidity and depth in our capital markets.”

Stuart Hulks, Head of Insurance and Export Credit Agency at London's Rand Merchant Bank, said new financing products for Africa all speak to partnerships.

“We can partner with governments, credit insurers, multi-lateral/DFI agencies and institutional investors in order create these new solutions when we look at more innovative finance/blended finance solutions rather than the more traditional syndicated loan route that has historically been the main source of liquidity for deals across the African continent and where access to such new liquidity streams and the creation of new asset classes can help us close the all-important USD4 trillion pa, (up from USD2.5 trillion in 2015 as identified recently by AfDB) financing gap that currently exists for Africa,” Hulks said.

ATIDI's place in development insurance

ATIDI continues to grow its place in promoting developments on the continent, thanks to its political and credit risk products.

ATIDI's Chief Executive Officer Manuel Moses said the multilateral insurer, which closed 2023 with about USD700 million capital and having cumulatively facilitated more than USD85 billion in investment to Africa, has set its eyes on hitting USD1 billion to enable more business.



Despite a lingering environment and significant geopolitical and economic challenges globally and in Africa, ATIDI posted record results in 2023:

Profit for the year increased by 205% to USD69.1m

Insurance revenue grew by 14% to USD155.7m

Gross exposures grew by 19% to USD9.6bn

Total assets grew by 27% to USD837.1m

Equity grew by 25% to USD699m

Insurance revenue grew by 14% to USD155.7m

"As of today, with about USD700 million, we have been able to underwrite USD10 billion. If you do the math, that is about 12 times our capital. We want to do more because the pie is getting bigger and we have to be ready to respond. Otherwise, there will be no capacity to help businesses," said Moses.

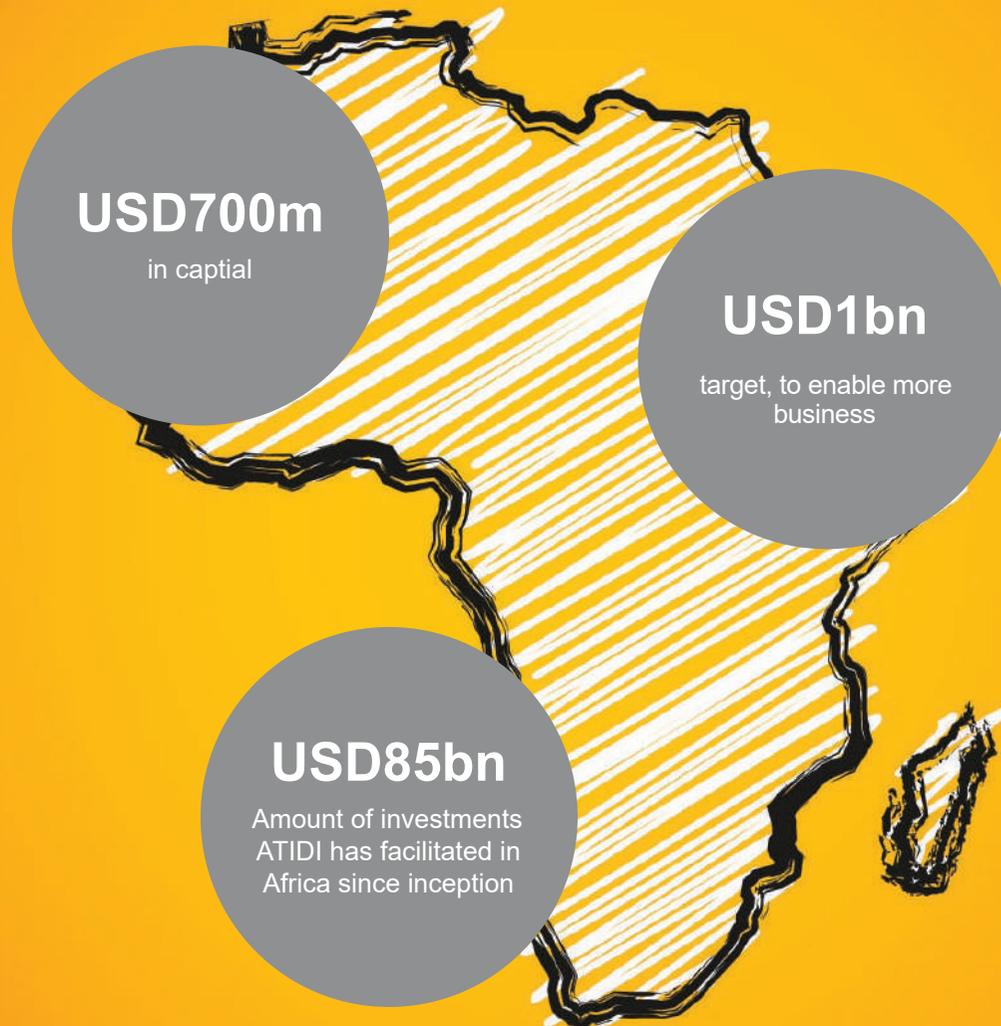
Rennie Kariuki, Senior Underwriter at ATIDI, highlighted that ATIDI's political insurance product that provides cover to foreign investors or local businesses and lenders against actions or inactions of governments that could lead to a loss, continues to see increased uptake.

The product covers aspects such as currency inconvertibility, transfer restriction and civil war in a particular country.

The second product is credit insurance,

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ATIDI closed 2023 with:



which involves private companies trading together and ATIDI comes in to provide non-payment covers for the transacting firms and lenders.

The President of Zambia, Hakainde Hichilema hailed the place of ATIDI in supporting development on the continent, congratulating the newest members — Burkina Faso, Mali and Chad — and asking more countries to join.

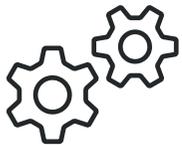


USD155.7m

ATIDI insurance revenue

ATIDI's Board Chair Dr. Yohannes Birru commented on ATIDI's performance in which net profit tripled to a record USD69.1 million in the financial year ended December 2023.

Dr. Birru said the insurer's success extends beyond financial matrices and remains steadfast in supporting sustainable growth by responding to challenges posed by climate change.



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New ATIDI members as at 2024 (Burkina Faso, Mali and Chad)

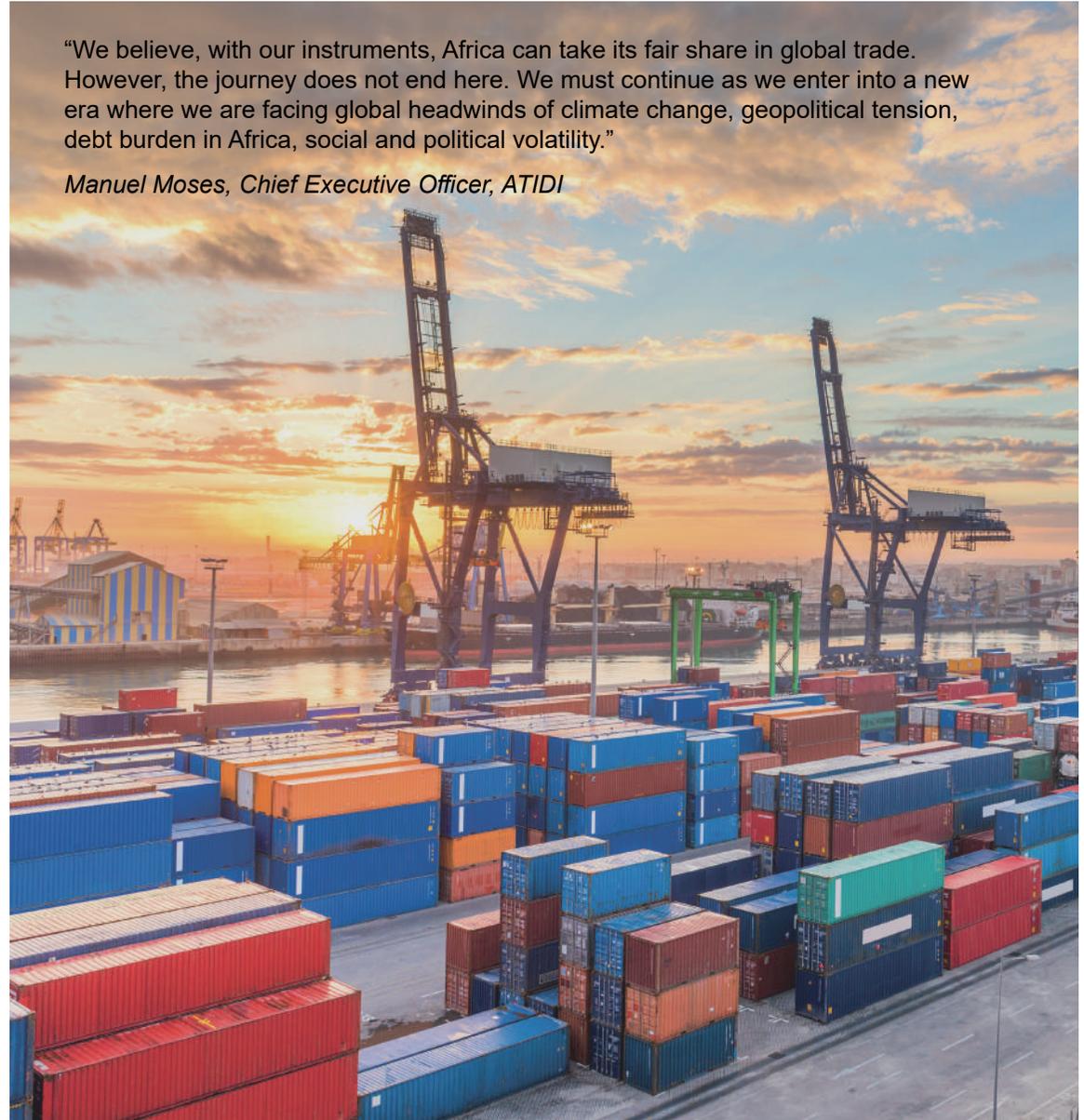


USD17.3m

Amount of dividends ATIDI shareholders received

"We believe, with our instruments, Africa can take its fair share in global trade. However, the journey does not end here. We must continue as we enter into a new era where we are facing global headwinds of climate change, geopolitical tension, debt burden in Africa, social and political volatility."

Manuel Moses, Chief Executive Officer, ATIDI



Rising past risks to spur investments in Africa

Insurers have a chance to work with governments in Africa to confront the real and perceived risks that have seen the continent continue to struggle attracting capital for both the public and private sectors.

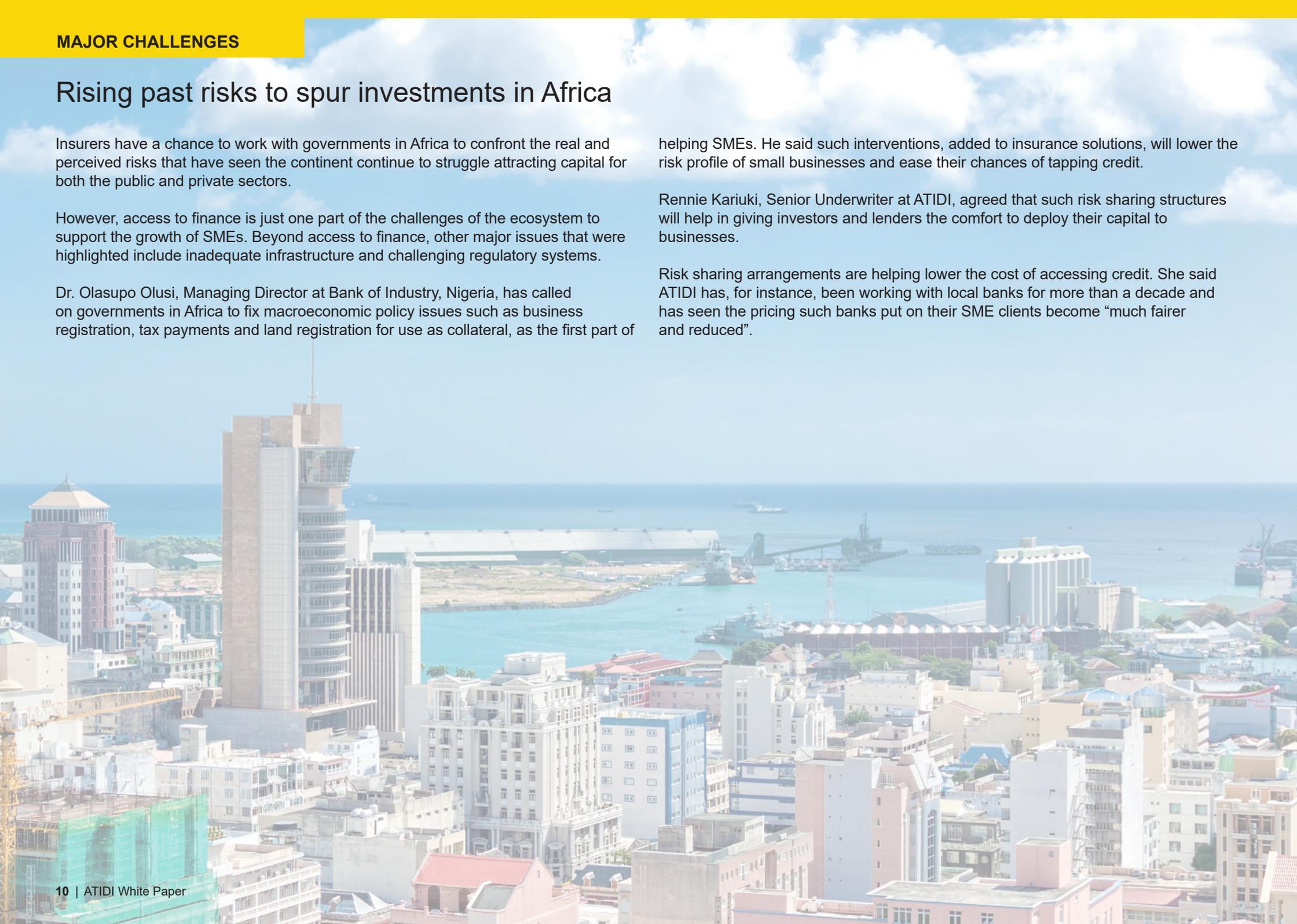
However, access to finance is just one part of the challenges of the ecosystem to support the growth of SMEs. Beyond access to finance, other major issues that were highlighted include inadequate infrastructure and challenging regulatory systems.

Dr. Olasupo Olusi, Managing Director at Bank of Industry, Nigeria, has called on governments in Africa to fix macroeconomic policy issues such as business registration, tax payments and land registration for use as collateral, as the first part of

helping SMEs. He said such interventions, added to insurance solutions, will lower the risk profile of small businesses and ease their chances of tapping credit.

Rennie Kariuki, Senior Underwriter at ATIDI, agreed that such risk sharing structures will help in giving investors and lenders the comfort to deploy their capital to businesses.

Risk sharing arrangements are helping lower the cost of accessing credit. She said ATIDI has, for instance, been working with local banks for more than a decade and has seen the pricing such banks put on their SME clients become “much fairer and reduced”.



“There are a number of things that constitute themselves as barriers to investments but when we have instruments that we have talked about in this conference, then we are able to attract more investors and ensure that all markets are a bloc as it should be.”

Dr Simal Amor, Chief of Strategic Planning, COMESA

“Africa’s perceived risks are very high. The default rate on infrastructure projects in Africa is lower than many other economies. Yet, investment in infrastructure space in Africa is limited. So perceived risk is something that we are all noticing. Given the current macroeconomic environments, we are trying to move the needle. We’re working closely with development partners and commercial banks when it comes to derisking African exposures.”

Ahmed Attout, Director, Financial Sector Development Department, AfDB

“Elections remain a pivotal point in terms of political risks and possibly a driver of a few other risks in terms of the instability that we see. But in the same sense, we are seeing investors being overtly spooked. And often again, for reasons that are not founded on the ground.”

Bilal Bassiouni, Head of Risk Forecasting, PANGEA-RISK



“We are looking at deepening and strengthening the domestic markets. We have seen that the times that we couldn’t access the external markets, we had to fall back on the domestic market. So, we realise that it is very important that countries deepen and strengthen their domestic markets because when you don’t have a very deep domestic market, you face a serious challenge in terms of accessing adequate financing.”

Masitala Mushingwa, Director of Debt Management, Zambia’s Ministry of Finance

“At the end of the day, it is one gap or another that we must concern ourselves with as policymakers. So, what we are doing right now is to ensure that we scale up through regional integration and through providing information and ultimately lower the cost of doing business.”

Dr Simal Amor, Chief of Strategic Planning COMESA

“The perceived risk [in Africa], is indeed an ongoing topic and we think we can bridge the gap as an international bank by bringing investors and African sovereigns together, helping the countries to have a clear marketing and investor positioning strategy before they issue bonds or embark on any other financing structures. It is really helpful for banks and global investors to spend time, be able to ask questions directly to the authorities and get first-hand information, on matters such as the country’s latest economic developments, any challenges, and prospects. Global players find ongoing regular and direct dialogue with African sovereigns extremely important and helpful.”

Maryam Khosrowshahi, Deutsche Bank AG (London)

“The world also goes through challenges, and it is useful to step back and analyse the continent (Africa) within this wider framework of countries. Evaluating risk in a pragmatic and objective manner will allow people interested in this continent in terms of opportunities to be risk aware and not risk averse.”

Bilal Bassiouni, Head of Risk Forecasting, PANGEA-RISK



ATIDI insurance products

1 Non-honouring of sovereign or sub-sovereign obligations

Protects lenders, investors and suppliers against losses resulting from the sovereign or sub-sovereign's failure to make payment.

2 Political risk / investment insurance

Covers against risk of a loss arising from any actions or inactions of governments or a loss following political events. Some of the risks include embargo, currency inconvertibility, unfair calling of bonds, breach of contract and expropriation.

3 Credit risk insurance

The cover protects against payment default risks, giving companies the freedom to offer better payment terms to their clients, increase their cash flow and be internationally competitive by operating on credit terms.

4 Counter guarantees

Protects employers, including government agencies and procuring companies, to ensure contracts are completed in line with mutually agreed terms. ATIDI offers counter guarantees to insurers and banks in case the guarantee is called.

5 Regional liquidity support facility (RLSF)

It provides liquidity to independent power producers by covering the risk of delayed payment of their off-taker—mostly a state-owned entity.



ATIDI

African Trade & Investment
Development Insurance

www.atidi.africa