The Road Ahead
What should be done to improve the capacity of developing countries to finance trade

World Trade Organization
March 27, 2015
Export Credit Agencies (ECAs) have traditionally been seen as a tool for governments to support national companies in their export business and enhance the economy’s capacity to penetrate foreign markets;

In their core business, ECAs can either fund transactions directly or provide guarantees/insurance for export related loans;

While in the past, ECAs were insurers/lenders of last resort, today ECAs have adopted a more proactive approach, actively seeking to promote their role with national exporters and foreign buyers;

With this aim, ECAs are enhancing their business lines in order to develop trade finance in emerging markets.
Exporters as well as recipients in emerging markets are not always aware of the benefits of ECAs. Given sovereign backing, ECAs involvement in financing structures results in:

- A **risk-shift** from the underlying project to the highly-rated ECAs;

- Often **reduced all-in funding costs** for borrowers given that lenders’ Risk Weighted Asset (RWA) and capital requirements are positively affected;

- An **increase in the amount of total funding** which can be made available by lenders;

- An **increase in available tenors** allowing for longer repayment periods for large capex transactions;

- A high degree of **predictability and reliability of funding** as ECAs credit appetite and underwriting strategies are not subject to daily market sentiment.
How to increase awareness in emerging markets: International Network

SACE Offices operate as local regional hubs for major emerging/industrialised markets

1) c/o African Trade Insurance Agency
2) Headquarters, Rome
SACE’s services have been enhanced and widened as to address:

- **ECAs, Banks, Financial Institutions and Multilaterals**: sharing best practices and know how enhances mutual understanding and facilitates cooperation;

- **Italian companies** – with a focus on SMEs – in their internationalization process: SACE acts as a partner and assists SMEs in their growth on international markets, hence its support goes beyond the product offer.
Objectives

- Support emerging markets in their development and institutional building process, by positively affecting the business environment;

- Raise awareness of the benefits of trade finance and provide tools to emerging markets for the implementation of trade finance instruments by sharing best practices;

- Generate indirect benefits and new business opportunities for importers and exporters;

- Build strong and reliable relations for with foreign institutions for future cooperation;

- Create additional capacity to the private market with products which are complementary to those made available by the banking system.
Global Solutions provides advisory to ECAs, IFIs, Banks and MLAs, taking into account their respective operational context, the relevant implementation capacity as well as business environment constraints.

Advisory services are offered through various modalities in order to meet the respective needs of the counterparties, namely:

- **Standardized formulas** of workshops on specific topics;
- **Tailor-made advisory and assistance** for new business/product/activity development. This could include **on-the-job training** through secondment within a SACE department for an agreed upon timeframe,
- **Consultancy on the set-up of an ECA** and assistance to Governments and Supervisory Authorities in the preliminary phase.
Areas of Training

- Governance, Corporate Strategy, Corporate Social Responsibility and Internal Auditing
- Organization of staff, Legal structure and compliance, Code of Ethics
- Business development
- Insurance and financial products: export credit, credit insurance, political risk
- Banking and corporate risk assessment
- Country and Sovereign Risk Analysis
- Project finance
- Risk management and monitoring
- International agreements, regulatory framework and policy for risk underwriting
- Claims and recovery
- Customer relations management
- Environmental impacts review according to international standards
SACE is leading the Working Group on the Capacity Building Initiative, which includes IFC and other Berne Union members;

The main aim is to develop a joint training program on topics of mutual interest for the benefit of the banking sector/interested counterparties in emerging markets;

As a pilot project, the Working Group is planning to organize a first joint training seminar in Nairobi, Kenya in July 2015;

The training modules will cover both IFC and ECA operational areas, illustrating the basic tools in trade payment options and financial instruments, as well as a wide-ranging overview of Export Credit coverage mechanisms.
Thank you for the attention