



ITFA ARC Webinars No 5 & 6

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On July 5th the ITFA Africa Regional Committee (ARC) hosted the next two educational webinars in its series aimed at financial professionals working in Africa. These webinars explore topical issues in African trade, as well as the basics of trade finance, with insights and learnings drawn from ITFA's network of experts.

The fifth webinar, hosted by Dr Tedd George (Kleos Advisory), explored an issue that is poorly understood in African trade: how best to use trade credit insurance in the African context? To answer this question and share insights from his long career in trade insurance, the ARC called on another of its members, Albert Rweyemamu, Senior Political & Credit Risk Underwriter at African Trade & Investment Development Insurance (ATIDI, formerly the ATI).

Albert's presentation explored how ATIDI can help African traders and their banks, whether through providing LC confirmation lines or Political Risk Insurance (something which is increasingly difficult for traders to secure). Albert walked us through the risk parameters for ATIDI to provide insurance, which include a rough limit of USD 10 million per risk and the requirement that all parties have 'skin in the game'. Albert illustrated this with several case studies, including a Credit Risk Insurance (CRI) deal for a British exporter of packaging materials to East and Southern Africa and an LC confirmation for a pan-African trader shipping oil from Dubai to Egypt. Albert ended with three rules of thumb for determining whether to underwrite a risk: the financial soundness of the borrower; selecting the right structure for the deal; and, ensuring security is in place to offer the insurer a way out in the case of default.

This webinar ended with a lively Q&A session. When asked about the main causes of default, Albert felt they remain bad structuring and fraud, but there are also periodic defaults due to FX challenges which prevent the borrow repaying in hard currency. How to avoid this? By making good decisions from the start, for example insuring for a shorter period (e.g. 1 year rather than 2), risk sharing and using experienced partners who know what they are doing. Looking to future (and following its rebranding), ATIDI is keen to expand beyond Tier 1 banks to Tier 2 and Tier 3, which is essential to reach the SME traders that are financed by these smaller banks. Fintech will help fill the information gap, and the more data banks have on SMEs, the easier it will be for them to finance them.

The sixth webinar in the series, held later that day, explored the the deployment of fintech in African trade finance. Following a presentation by Dr George on the digital landscape of the African economy and trade, there were two presentations by leading innovators in this space.

First, Ahanna Anaba, Head of Sales, Digital Solutions & Partnerships at Finverity, gave a presentation on how Finverity is using fintech to support trade and supply chain finance (SCF). Finverity's focus on mid-cap companies could unlock a major blockage in financing Africa's supply chain, freeing up working capital for traders and their suppliers, driving up trade volumes and building capacity. Their approach removes many of the blockages in the financing chain, from client onboarding and KYC, to managing invoices & settling payments. The critical factor is the delivery of these services through the cloud, with traders able to plug in on a SaaS basis, which significantly lowers the entry barrier.

Second, we heard from Samora Kariuki, Director of Fintech at Sote, a partner of Finverity, which has built a trade credit risk platform for African traders. Drawing on verifiable trade and cargo data, their platform brings together data on the borrower's trade cycle, invoices, customs documentation and repayment history, producing a real-time snapshot of trade flows and collateral. This is a potential gamechanger, giving banks



real visibility of the goods they are financing and how they are progressing through the supply chain, and enabling them to better control their risk – and ultimately offer more financing to African traders.

We finished the webinar with Q&A involving all three presenters. When it comes to quick wins, Ahanna highlighted the agri space, the IT sector and FMCG transactions and she sees potential for the rapid expansion of digital tools, such as e-invoicing, blockchain, digital ID and embedded finance (where Sote sits). Samora added that for Sote the quick win is in the supply chain, especially for receivables financing.

ITFA members can access recordings of all the webinars in this series on the members area of the ITFA website: <https://itfa.org/member-area/itfa-webinars/>

The next webinar in this series will take place on September 13th when ITFA Chairman Sean Edwards will explore the ins-and-outs of supply chain finance. Registration details will be sent out soon.