

# UNITED NATIONS ECONOMIC and SOCIAL COUNCIL

Distr.  
LIMITED

E/CN.14/AMA/33  
21 June 1971

ENGLISH  
Original: FRENCH

49992



ECONOMIC COMMISSION FOR AFRICA

Second Regular Meeting  
of the Association of African Central Banks

Rabat, 13-17 September 1971

## ESTABLISHMENT OF SCHEMES FOR EXPORT CREDIT FINANCING AND EXPORT CREDIT INSURANCE

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## Preface

The problem of export credit financing and export credit insurance is closely bound up with measures for promoting economic development in general by giving special help to exports.

In the developing countries, where external financing of development is becoming increasingly difficult or inadequate because of the growing needs of the economy and the various pulls on external liquid assets, export promotion has become a basic and in a way decisive problem because exports are in the end the main, and sometimes the only, source of foreign exchange. This explains the efforts made almost everywhere to set up systems of export credit financing and insurance.

There has recently been an exchange of views on this subject between the Executive Secretary of the Economic Commission for Africa and the Chairman of the Association of African Central Banks. The Executive Secretary stressed the fundamental need, in the economic conditions which at present surround the development of trade between African countries, to establish arrangements capable of reducing the political and commercial risks which accompany expansion and diversification in exports. These arrangements would have to cover the terms and conditions for the financing as well as the risks they involved. He also pointed out that the Commission on International Development, known as the Pearson Commission, had pointed out in its Report that the success of export credit financing systems would depend closely on whether there were facilities for export credit insurance, and that such facilities could be established on multinational bases. He said the main aim in introducing export credit insurance systems in African countries was to facilitate and promote intra-African exports, particularly of manufactured goods or processed agricultural products. In conclusion, he thought the Association of African Central Banks could play an important part in this development, and hoped it would be discussed at the Association's next meeting.

The Chairman of the Association had agreed that it was important to establish export credit insurance systems and recognized that such systems had been very successful in promoting exports from the industrialized countries, but added that large financial resources and extensive technical knowledge were needed for setting up such systems. He had said in conclusion that he would give the problem considerable thought and would put it before the members of the Association of African Central Banks for discussion.

## I. HISTORICAL NOTE AND REFERENCES

1. Statesmen have long thought of the advantages to be gained by setting up an insurance organization to protect producers in some economic spheres against certain chances or risks: that where large numbers are involved, a small sum contributed by the many might help to cover and withstand any large losses which might occur. Thoughts turned first to crop-insurance, and from the early 'twenties onward studies on the subject were published. The possibility envisaged then was a stabilization of prices by insurance techniques. During the 'thirties, the markets were hit by the Depression and threatened by crises and instability. International trade encountered many difficulties and had to face certain risks, so a system of export credit insurance was brought in to maintain the flow of certain exports and thereby to contain the flood of unemployment. In the 'fifties, as conditions for international trade developed, the system of export credit insurance was extended to medium, and then to long-term transactions. These systems now exist in all developed, market-economy countries, in some with centrally-planned economies, and increasingly in developing countries.

2. The work of the international organizations has in recent years been increasingly concerned with export financing and insurance for the credits granted. At its forty-third session the United Nations Economic and Social Council adopted, resolution 1270(XLIII) on export credits both as an instrument of development financing and as a means of promoting exports by developing countries. The Council recognized "the potentialities, noted in the annex to the Secretary-General's report on export credits and development financing 1/, of national or regional export credit systems in the developing countries for assisting them in increasing their exports and in financing trade among each other" and requested the Secretary-General "to consult with the appropriate national and international authorities on the best means of establishing the most practical national and regional schemes for the financing of capital goods exports by and among the developing countries on the basis of the available experience with existing export credit schemes in developing and developed countries". The resolution further requested the Secretary-General to report to the Council on the results obtained in that respect.

3. Similarly, the second session of the UNCTAD Committee on Invisibles and Financing Related to Trade had before it a report entitled "Suppliers' Credits from Industrialized to Developing Countries", drawn up by IBRD in response to recommendation A.IV.14, adopted by the first UNCTAD Conference. It also requested IBRD and the United Nations Secretariat to consider the use of export credits as a means of helping developing countries to increase their exports and of financing trade among such countries. 2/

1/ Documents E/4274, ST/ECA/95 and E/4274/Add.1, ST/ECA/96.

2/ See report of the Committee on its second session (TD/B/118, paragraph 56).

4. In its decision 29(II), adopted at its second session, the United Nations Conference on Trade and Development requested "the United Nations Secretariat and the IBRD to continue, in consultation with other institutions, the study of commercial credit as a means of assisting developing countries to increase their exports and to finance trade with each other including ways in which facilities available to them might be strengthened and developed". By the same decision, the Conference also requested the United Nations Secretariat and IBRD to consider "the possibility of re-financing by international financial institutions of commercial credit extended by developing countries".

5. To implement these requests, a work programme was drawn up by the United Nations Department of Economic and Social Affairs, followed by a meeting of a round table, attended by interested international and national agencies and institutions, to review the results of the survey and enquiry, and to formulate appropriate proposals for action.

6. The progress report of the Secretary-General on export credits and export promotion in developing countries 1/ submitted proposals on the Round Table to the Economic and Social Council at its forty-fifth session. The Council adopted resolution 1358(XLV) approving these proposals and requesting the Governments of Member States and other organizations to give the Secretary-General every assistance with a view to the formulation of dynamic and realistic conclusions by the Round Table.

7. The Round Table was convened at United Nations Headquarters, New York, from 24 to 28 March 1969 and drew up its report on export credit as a means of promoting exports from developing countries 2/.

8. The sixth Summit Conference of Heads of State and Government of central and eastern Africa, held at Khartoum from 26 to 28 January 1970, also adopted resolutions 2 and 3 recommending that studies be carried out of the possibility of establishing one or more export credit insurance institutions in Africa.

## II. EXPORT CREDIT FINANCING

### A. General considerations

9. In any trade promotion policy -- and this applies particularly in African countries -- a fundamental question is what possibilities there are of export financing. It has been recognized that suppliers of processed agricultural products, manufactured consumer goods, and capital goods in developing countries cannot meet the competition of modern world markets if they lack the means at the disposal of their competitors. To obtain export orders they must offer possible buyers attractive conditions, and especially deferred

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1/ Document E/4481.

2/ Document E/4661/ST/ECA/116.

payment facilities, because such facilities are offered by the traditional suppliers of these products. Thus the seller instead of the buyer must seek the means for concluding commercial transactions: the supplier must offer not only the goods but also the capital for buying them. If necessary he must himself arrange bank financing for his sales, because the buyer who is short of the means for cash or short-term payment is often inclined to give preference to sellers who grant longer periods for payment rather than to look first at prices, quality or delivery dates.

10. It has, moreover, been recognized that the institution of export credit financing systems, suitably adapted to the economic situations in African countries and offering buyers deferred payment terms, may improve the volume and effectiveness of investments. This would also bring with it increased production, expanded external trade, and an improvement in the trade balance.

11. In Africa, the arrangements for financing export credits might take the form of intra-African co-operation in trade and finance. For the exporting country the problem falls within the province of its external financing and balance of payments. The value of the goods exported is recovered only after a certain period, which varies from case to case. These sales transactions on deferred terms, by their growth and by the delays they occasion in the return of foreign currency, increase the exchange difficulties experienced by many African countries and create problems for them in finding the foreign exchange to pay for imports which are essential if the flow of exports is to be kept up. These delays may at times prejudice development programmes by reducing the funds available for the projects involved. Financing or refinancing systems, established at regional or sub-regional level in Africa, might provide for African countries financing for remedying these disadvantages by wiping out the delays in the receipts of revenue. Hence these systems can be considered a part of the African co-operation which is very obvious in the present development decade, facilitating continuous economic growth in a number of these countries.

12. These export credits can also be regarded in Africa as assistance to the importing country: while they were originally designed to serve as financing for intra-African trade, they will in future be a substantial source of finance for development projects in the importing country. They may be discussed and agreed on by one African country with another on a purely trade footing, and are of great value to countries facing acute problems of external indebtedness.

13. Export credits are sometimes granted under bilateral agreements: the government of the exporting country insures up to a certain limit, export credits granted to the buyer in the importing country and guaranteed by his government.

B. Export credit financing schemes

14. Export credits are granted in the main in two forms: suppliers' and buyers' credits. These forms are offered in nearly all the countries which export capital goods. Suppliers' credits, granted by the suppliers to the foreign buyers, are either medium-term (1-5 years from the delivery date) or long-term (5-10 years, generally from the delivery date). It is of course understandable that most suppliers who grant their customers deferred payment terms cannot wait till the end of the period to recover their money. To finance the credits they have granted they therefore borrow money from special establishments for refinancing export credits. Buyers' credits are granted directly to the foreign buyer by a credit establishment or a consortium of credit establishments in the exporting country, to enable him to buy for cash from the suppliers in the exporting country. The repayment of these credits is guaranteed in the exporting country under the official export credit insurance programme.

15. Institutionally, suppliers' credits are generally financed by investment banks and commercial banks, separately or in consortia. These banks also grant buyers' credits in co-operation with institutions specializing in export financing.

16. The commercial banks undertake almost all the financing of short-term export credits; they can if necessary use the funds for refinancing put at their disposal by the central bank of their country. For medium and long-term export credits, the commercial banks can use the refinancing facilities offered for this purpose by the specialized institutions. They can offer financing for only a limited time because of the nature of their main resources, and in this matter they therefore act as intermediaries.

17. The investment banks are very active in financing in the strict sense, for exports, especially where installations and industrial capital goods are concerned. They may finance export credits and may sometimes take advantage of the refinancing facilities offered by the central bank and other financial institutions. The nature of their resources makes them less limited than the commercial banks in financing medium and long-term export credits. They play an active part in the formation of consortia for the supply of export credits for large-scale enterprises.

18. The specialized institutions may be public or semi-public. Their purpose is to facilitate the financing of export undertakings by endorsements, acceptances, refinancing operations, or any other form of short, medium or long-term credit. Some specialize in granting credits exceeding certain maturity limits.

19. The system of financial establishments which provide either financing or refinancing of suppliers' or buyers' credits, or both, differs from country to country according to the range and amount of exports, with consequent differences in the methods of financing, and in the conditions and procedures for granting, financing and refinancing export credits.

20. In many countries exporting capital goods the authorities grant credit facilities in the form of refinancing funds from the central bank and the public credit establishments, and sometimes in the form of interest-subsidies, the latter making it possible to supply export credits, particularly for periods of more than five years, at interest rates below those of the market.

21. In Africa, the nature of the exportable goods determines the form and methods of financing for export. Generally speaking, manufactured products and capital goods form only a small proportion of the exports. Consequently the great majority of exports are sold either for cash or on short-term credit. However, credits will be granted for all the stages in the export of manufactured and processed goods: the import of raw materials, production, and the despatch of the exported goods. Sometimes the credit systems can also offer the advantage of supplying the exporter with the credits of which he has a reasonable need for his export operations, at favourable interest rates, while the market rates of interest are fairly high in comparison with those in force on the competing markets. Short-term export credits will be granted by the commercial banks or financed by special funds. The banks can rediscount, at the central bank and in either foreign or national currency, claims which go beyond predetermined maturities. Funds for financing export credits may sometimes be established jointly by the commercial banks, the central bank and the government. The latter two demand neither profits nor interest on their part of the funds to facilitate export credits on favourable terms. Several export financing funds may be established, according to the category of goods exported, the maturity periods of the claims, the rate of interest paid or other considerations. Funds may be established for financing exports of industrial products, or capital goods, and others for financing services.

C. Round Table discussions on the financing and refinancing of export credits granted by developing countries

22. Participants at the Round Table observed that many developing countries had emphasized the need to increase financing facilities for export credits, and considered the insufficiency and high cost of such financing as two of the greatest difficulties faced by exporters of non-traditional products. They recognized that this financing involved two distinct problems: firstly, that the exporter must mobilize his claims to reconstitute his working capital - which raises a problem of domestic credit; and secondly, a long delay in collecting external receipts prejudices the country's balance of payments, and may adversely affect its supplies of imported raw materials - which raises a foreign exchange problem. For the developing countries the difficulties of export financing looked serious where processed agricultural products, manufactured consumer goods, or capital equipment were concerned.



(a) Domestic credit problem

23. Exporters in the developing countries could obtain internal credit only in limited quantities and at high interest rates. In those conditions it was difficult for them to meet competition from suppliers enjoying better facilities; and the participants acknowledged that institutions must be established to ensure for exporters adequate sources of finance at reasonable rates of interest. It was noted that some developing countries had institutions of that type, with the central bank operating as the basic organization in the process of financing export credits. In some countries, special promotion funds assured the financing of export credits.

(b) Foreign exchange problem

24. As has been pointed out, exports on deferred payment terms delay the receipt of export proceeds, which may accentuate the foreign exchange shortage. This explains why developing countries, in the Economic and Social Council UNCTAD and elsewhere, have stressed the need for some international machinery for refinancing their export bills.

25. Participants pointed out the foreign exchange risks faced by exporters in developing countries who have to invoice their exports in reserve currencies. There seemed to be a need for appropriate institutions to provide protection against such risks. Similarly, international institutions should offer refinancing facilities for export credits.

26. It was suggested that the remedial measures adopted by the IMF to help developing countries experiencing exchange difficulties should be broadened to include the mobilization of the bills issued in connexion with short-term credits granted by the countries concerned. Medium-term credits for these countries should, it was felt, be refinanced by the World Bank and the regional development banks.

27. The representative of the IMF raised certain objections and said that its position, as a disinterested multinational agency, might be eroded if it were required to provide financing to some of its members only. The representative of IBRD said it would have to be discovered how much exports of goods from developing countries were impeded by a lack of credit and how much by a lack of competitiveness on the world market. The representative of the ADB said his institution was preparing a dynamic programme for accelerating the industrialization of African countries, and that it would study the opportunities open to it to play an active part in an internationally concerted move to speed up industrialization in Africa by promoting its exports. The representative of the East African Development Bank said it would give serious consideration to the establishment of any international machinery that would protect East African manufacturers against export risks and make it possible for the monetary authorities of the region to obtain refinancing for export credits granted by suppliers in the countries concerned.

28. It was suggested that the Secretariat should study the possibility offered by the international private capital market for financing or refinancing export credits granted by developing countries. It had been pointed out that the establishment of a multinational export credit insurance would greatly facilitate such financing or refinancing. The Round Table agreed that the Secretariat study should also examine the possibility of arranging for international financial institutions to guarantee export credit insurance initially granted by developing countries, on the understanding that such guarantees could provide a basis for financing or refinancing such export credits in the private capital markets of developed countries.

D. Conclusions and proposals for action formulated by the Round Table

29. In conclusion, the Round Table recognized that it was difficult for exporters in developing countries to secure export orders unless they could offer buyers deferred payment terms similar to those offered by traditional suppliers. A supplier's capacity to offer such deferred payment terms often depended on his ability to obtain bank financing for the export credits he granted, and insurance for those credits was very useful for obtaining such financing. The Round Table stressed the part which export credit and export credit financing schemes properly adapted to conditions in developing countries, could play in promoting their exports and thus bringing about an expansion of world trade.

30. The Round Table therefore drew up the following proposals for action on export credit financing.

(a) National financing of export credits

31. The United Nations Secretariat in co-operation with UNCTAD, UNIDO, FAO, IBRD, IMF, the regional and sub-regional development banks, and regional export promotion organizations, should assist developing countries at their request to adapt their banking structures to their export credit financing needs and to strengthen existing national export credit financing schemes or to establish such schemes where appropriate.

32. The United Nations Secretariat, in co-operation with the same international bodies should organize seminars to explore practical means of improving and harmonizing export credit financing methods.

(b) International financing or refinancing of export credits

33. The United Nations Secretariat should hold consultations on the possibility of convening a conference of national export credit financing institutions to establish an international association of such institutions.

34. The United Nations Secretariat should study under what conditions credits for exports from developing countries might be financed or re-financed by private and public sources in developed countries or by international financial institutions. In co-operation with IMF it should study ways of enabling developing countries to ease the balance-of-payments strains arising from the short-term financing of export credits granted by their exporters.

35. It would be useful to establish a working party to assist the United Nations Secretariat to draw up precise recommendations and to determine appropriate steps for the possible refinancing, by international institutions, of export credits with maturities exceeding six months, granted by developing countries.

36. The Economic and Social Council might wish to invite the regional development banks which operate or intend to operate export credit financing schemes to broaden the scope of their programmes so as to encompass all types of goods normally sold on the international market on credit terms in excess of 180 days.

37. At the forty-seventh session of the Economic and Social Council, the Secretary-General submitted his report on the conclusions reached by the Round Table on export credit as a means of promoting exports from developing countries. <sup>1/</sup> This report contains the work programme suggested for implementing the proposals for action formulated by the Round Table.

### III. EXPORT CREDIT INSURANCE

#### A. General considerations

38. It therefore emerges that the possibilities open to the supplier of offering his customers deferred payment terms are proportionate to the facilities he himself has for obtaining credits from institutions specializing in this type of financing, or to the facilities on the capital market for mobilizing the medium or long-term claims arising from his exports. The institutions for financing or for mobilizing those claims often demand guarantees for the credits granted, covering commercial or non-commercial risks, or both. This problem has been solved by the institution of export credit insurance schemes now operating in many developed countries. The banks make the financing of suppliers' credits dependent upon the granting by an establishment specializing in export credit insurance of a policy covering commercial and non-commercial risks. The insurance policy, issued in favour of the supplier, and handed over by him to the credit establishment which is financing the credit, serves as a security for the credit, and the length of its validity generally determines that of the credit. Armed with this security, the credit establishment financing the export can in turn refinance these credits with special refinancing establishments or the central bank. Export credit insurance has become an integral part of export financing. The functions of the export credit insurance institutions

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<sup>1/</sup> Document E/4662.

are on the whole complementary to those of the credit establishments. The developed countries are offering their manufacturers ever-increasing insurance facilities to enable them to grant longer and longer credits. They are inclined to consider export credit insurance not only as a means of encouraging their exports of capital goods and services, but also to some extent as an instrument in their aid policy. These systems of export credit insurance have in fact proved their usefulness and effectiveness in promoting exports. Their success has aroused the interest of the developing countries, which have seen in them a means of advancing their economies and improving their trade balances. Some have already established export credit insurance systems.

39. Export credit financing and export credit insurance have become closely linked. As stated above, arrangements for export financing are intended to allow the producer to obtain credits for financing his export operations in conditions in which he can be competitive in the international markets. These conditions must also enable him to grant credits to buyers at current terms. All these credits, granted for more or less long periods, involve risks, particularly the risk of non-payment. In view of these risks, financing establishments hesitate to give their help and support to the exporting producer. The purpose of the insurance is to help the exporter to obtain credits by providing the financing institutions an additional guarantee that they will be covered in any case against non-repayment of their credits. This insurance, contracted by the exporters with specialized companies, give them a new impetus, allowing them to increase their activities in the markets where they are already introduced, to explore other markets and to become firmly established in them.

40. An export credit insurance policy thereby provides a very special protection in countries on the way to industrialization. New industries, particularly those aiming at exports, must continually make great efforts if they are to get established in new markets. In this, these exporters are sometimes exposed to certain risks. It is here that the credit insurance policy is of particular importance. Moreover, the financial institutions which supply export credits in the developing countries take the exporter's financial standing as their basis for meeting any possible risks in the undertaking. The possession of a credit insurance policy allows an expansion of this basis, and also makes it possible for many small and medium-sized industrialists to gain easy access to financing facilities and to obtain this finance at fairly low cost.

41. In African countries the main aim in introducing export credit insurance systems is to support the financing of exports in order to promote the expansion of intra-African trade by diversifying and increasing the elements in this trade, particularly by introducing articles which have not hitherto figured in it. It is well-known that African exports consist largely of raw materials. New products will have to find a place in the range of these exports, such as processed agricultural products, light industrial articles and processed goods, transport equipment and capital goods. But in these new branches of exports, African suppliers will have to face competition from traditional exporters, and will feel an increasing need of export credit financing and export credit insurance schemes. These schemes will have two aims: to assemble sufficient

financial resources to meet export needs for a long time to come, and to provide exporters with means comparable to those of their competitors. Financing, and insurance for it, are therefore two basic conditions for the promotion of intra-African trade in its new shape.

B. Export credit insurance schemes

42. Export credit insurance schemes need an appropriate legislative background if they are to establish the groundwork for this insurance and the administrative machinery to ensure its proper functioning. In practice, these schemes are generally put in the hands either of public or of mixed organizations, but financial support by the authorities is in any case essential. It is assured either by the State subscribing the whole or the major part of the capital of the company, or by a State guarantee up to a fixed amount to cover the risks it undertakes.

43. The export credit insurance company guarantees both suppliers' and buyers' credits. Several export operations may be covered by the guarantee, such as sales of goods, the supply of services and the execution of public works abroad. Policies may be general, covering all the sales by an exporter in one or more foreign countries, and may be contracted for a fixed period or may be special, covering only certain operations. Risks covered may include those arising before or after delivery. The insurance may cover both commercial and non-commercial risks. Commercial risks are notably those of insolvency of the buyer, failure by him to meet his contractual obligations, and failure to pay within the prescribed or subsequently agreed time-limit. Non-commercial risks are those of politics, of natural disasters, of exchange and other transfer difficulties. The percentages covered vary according to the nature of the risks. Premiums are generally calculated according to the country of destination, the nature of the goods, the length of the credit, the financial standing of the importer and the exporter, and the type of policy.

C. Round Table discussion on export credit insurance in developing countries

44. The general opinion of the participants in the Round Table was that all developing countries needed this scheme, and the exporters in those countries were convinced of its usefulness.

(a) Problems relating to the establishment and operation of national export credit insurance schemes in developing countries

45. The establishment and operation of these schemes would involve a number of problems, namely the solvency of the scheme, which would have to ensure a balance between premium income and expenditure, including the payment of claims; the need to provide for the scheme facilities for obtaining credit information; and the availability of trained staff to operate the scheme.

46. With regard to making the scheme self-supporting, several participants felt that in developing countries an export credit insurance scheme should not always be expected to be self-supporting but should be considered an integral part of the government export promotion programmes, and be provided with sufficient funds. The necessary funds might be derived from a small surtax on imports. It was agreed that if the schemes, were to maintain their financial balance they must have available information on the exporter, the prospective buyer and the prospective market. Such information was obtained from commercial organizations and commercial banks. Concerning the problem of personnel, the Round Table noted that the establishment and operation of a national export credit insurance scheme called for a nucleus of highly specialized staff. This nucleus might be trained in existing export credit insurance institutions in developed countries. It was agreed that it was desirable for export credit insurance schemes to be operated according to strict commercial principles. It was felt, moreover, that there were few developing countries which could establish a self-supporting national scheme, that is, capable of maintaining its financial equilibrium.

(b) The case of multinational export credit insurance schemes for developing countries

47. For those countries which could not operate a national export credit insurance scheme on a self-supporting basis, it was felt that the best solution might be to become members of a multinational export credit insurance scheme. This association would provide exporters in the countries participating with some credit financing facilities and would also give new and existing national schemes improved opportunities to achieve financial equilibrium. The establishment of multinational schemes at the sub-regional or regional level would promote trade and economic co-operation among the countries of the sub-region or region concerned. However, the establishment of such a scheme would face, just as do national schemes, problems of solvency and of obtaining accurate information. It would also be necessary to find a formula for sharing responsibility among the participant countries. Some participants wondered whether some sub-regions or regions would be able to support their own export credit insurance schemes, and bearing all considerations in mind it was felt that the interests of the developing countries as a whole might best be served by the establishment of a global multinational export credit insurance scheme whose membership would initially encompass developing countries in all regions. This scheme might eventually evolve into one that would include both developed and developing countries. It would be co-ordinated with sub-regional and regional schemes where such schemes were considered feasible and with national schemes where they existed. In countries having no national schemes, the global scheme would provide credit insurance facilities for exporters through a government agency specially designated for that purpose.

48. It was pointed out that the establishment of this global system would facilitate the mobilization of international private resources, and that export credit insurance played a dual role: it protected the exporters and provided security for the banks. There were, however, certain reservations, because an ordinary export credit insurance policy would not provide the comprehensive guarantees against all risks likely to be required by private sources of export credit refinancing.

D. Conclusions and proposals for action

49. The Round Table considered that export credit insurance schemes constituted a particularly effective means of expanding trade among developing countries, and it proposed that action should take the following form:

(a) Action at the national level

50. The United Nations Secretariat, in co-operation with the international organizations mentioned above, should continue to assist developing countries, at their request, to strengthen existing national export credit insurance schemes and to establish new national schemes where appropriate.

(b) Action at the international level

51. The United Nations Secretariat, assisted by expert consultants and in co-operation with international export promotion organizations and national export promotion bodies, should prepare draft agreements for the establishment of multinational export credit insurance schemes for developing countries at the subregional, regional or global level. The draft agreements should be prepared with a view to:

- (i) Enabling the many developing countries which cannot operate a national export credit insurance scheme on a self-supporting basis, and cannot afford to subsidize such a scheme, to provide their exporters with at least some export credit insurance facilities;
- (ii) Enabling new and existing export credit insurance schemes in developing countries to improve their prospects of solvency; and
- (iii) Facilitating the mobilization of international private resources for the financing or refinancing of export credits granted by exporters in developing countries.

52. The United Nations Secretariat should organize seminars at the regional or interregional level for the discussion of export credit insurance techniques and problems.

(c) Action at the national and international levels

53. The United Nations Secretariat, assisted by expert consultants and in co-operation with the bodies mentioned above, should explore the possibility of broadening the scope of national or multinational export credit insurance and/or guarantee arrangements so that they may apply to financing provided by sources in the importing as well as the exporting country, or by other national or multinational lending sources.

54. These conclusions were submitted in the report of the Secretary-General to the forty-seventh session of the Economic and Social Council, together with a programme of work for their implementation. 1/

IV. STUDIES AND ENQUIRIES PROPOSED FOR THE AFRICAN CENTRAL BANKS ON EXPORT CREDIT FINANCING AND EXPORT CREDIT INSURANCE

55. Export credit financing and export credit insurance schemes have certain advantages for African countries. These techniques have in fact become important tools in the policies of stability and economic growth in developing countries. It is possible therefore to regard them as integral parts of an overall programme for promoting economic development and particularly exports. It is in the interests of African governments to associate themselves closely with the programmes envisaged by the United Nations Secretariat, and to help in establishing or furthering these schemes in their countries. However, their implementation is feasible only in countries where there is already a certain minimum financial structure and adequate institutions. The problems involved in that implementation are greater and more intractable in African countries than elsewhere. The difficulties should not be underestimated, but they are not insurmountable.

56. The implementation of these programmes might be undertaken under the auspices of the Association of African Central banks. The central bank in each country or group of countries would conduct the study in its own sphere of action. The problem has many ramifications, which it would be wise to analyse first separately in the context of the economy of each country. It would be necessary to carry out a thorough analysis of the non-traditional production sector, to discover whether its present or potential development warrants the steps to be taken in financing and credit insurance for exports.

57. In any case, before a decision could be taken on whether it would be appropriate to establish a national scheme for export credit financing and export credit insurance, it would be necessary to know whether the advantages likely to accrue to the national economy from such a scheme would justify it, particularly as regards the earmarking by the government of sufficient funds to cover the administrative expenses of the credit insurance scheme and the settlement of claims arising from risks. If there were not a great enough volume of the types of exports which could benefit from an expanded scheme for the financing and insurance of export credits, that should not be regarded as a reason for hesitating to set up such a scheme, because it is probably the lack of such a scheme which discourages existing enterprises from producing for export or hampers the creation of new export-oriented industries.



58. The following procedure might be suggested for carrying out this task:

- (i) An evaluation study of national schemes for export credit financing and export credit insurance in countries where they now exist. The study would determine the characteristics of these schemes and the conditions which ensure their effectiveness;
- (ii) An enquiry in other countries on the present or potential position as regards their export capacities and the present or potential facilities for export financing by the banks. The enquiry would find out what means these countries had or might mobilize for export financing or credit insurance;
- (iii) Consultations with national or international authorities on the possible establishment of national, subregional or regional export credit financing or export credit insurance;
- (iv) Arrangement of systems and procedures for obtaining information on the financial standing of individuals and on the nature of operations which might benefit from the financing and insurance schemes in question;
- (v) An enquiry into the possibilities of mobilizing international, public or private resources for financing or refinancing export credits granted by African countries; and
- (vi) Proposals for definite action based on the conclusions drawn from these studies, enquiries and consultations.

59. Here it should be pointed out that on the occasion of the enquiry regarding conditions relating to the possible establishment of national, subregional or regional export credit insurance and export credit schemes for the promotion of exports by developing countries, the Secretary-General of the United Nations sent to the governments of those countries a questionnaire on present and potential bank financing facilities for export transactions. This document <sup>1/</sup> might be consulted with advantage for the conduct of the fundamental enquiries for the studies to be undertaken. It is annexed to the present study for information.

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<sup>1/</sup> Annex II, document E/4481.