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Africa: still a continent of opportunity despite Covid-19

By Liz Booth on June 16, 2020



As the world continues to battle against the Covid-19 pandemic, those with interests in Africa worry that the economic fallout will be felt much more acutely in many African countries. Liz Booth speaks to risk manager Paul Rowland, senior partner at Invictus Risk Solutions, about doing business in the continent as an overseas investor

Global trade is in disarray, with impoverished European nations grappling with the breakup of the long-established EU trading bloc and the erosion of confidence through the impact of Covid-19. It is ironic therefore that Africa, with all of her

inherent troubles, has a very clear roadmap to success and sustainability, argues risk manager Paul Rowland, senior partner at Invictus Risk Solutions.

He suggests that the leading African nations must now continue to reduce their banking sector vulnerability and maintain a financial buffer to austerity by providing the value and volume of capital resources required to implement and sustain a programme of reform.

Mr Rowland acknowledges that Africa still suffers from a number of key inherent risks that must be overcome, such as an overall economy that remains dominated by agriculture, with all the difficulties of vulnerability associated with disease, drought and weather.

“On a national level,” he says, “many African countries still juggle with political instability; increasing tribal and religious tensions; an inability to diversify their domestic economies that remain vulnerable to external shocks; national insecurity occasioned by the internal presence of armed rebel groups; and border incursions by extremist militant groups.”

Mr Rowland adds: “Trade and tourism have been undermined, as have domestic and export energy supply chains. The continued pressure hits the economic resilience and wellbeing of many countries. With this comes an adverse effect on consumption, growth and investment for weaker countries on the African continent, with resulting payment delays and the risk of sovereign non-payment and country risk downgrades becoming increasingly endemic.”

However, despite all the problems, he remains convinced that Africa presents businesses with the greatest opportunities: “I believe that external foreign direct investors should be seeking to make Africa a priority as the continent seeks to manifestly accelerate the overall ease and positivity of doing business within its borders.

“The overall business climate remains difficult across Africa. However, there are many countries within the continent enjoying vigorous growth, weaker inflationary pressures, the resumption of talks with external financial donors, and relative legislative stability. As such, I believe that Africa is very much open for business and a hungry recipient of external investment.”

Many countries have in the last decade, he says, actively sought to pursue sound economic policies to create an improved business environment. This is evidenced by the simplification of their administrative procedures associated with the promotion of investment, and modernisation of their commercial, legal and infrastructure frameworks. This process has been undertaken to create financial stability, to meet global standards and to boost further trade and financial relationships.

What should risk managers be doing?

Mr Rowland stresses: “The obvious element of a risk manager’s task is to guide their organisation towards success by establishing specialist knowledge and a strong influence and position in their chosen marketplace.

“They must be able to assess and understand the broader commercial and political risks of doing business in Africa and then provide solutions to meet those needs. They must create a service platform of contact continuity vis-à-vis winning new business and servicing it successfully thereafter. They must understand the mindset of the banking and insurance underwriting markets, with advice given to their board to achieve the best outcome possible.”

At the end of the day, he says: “The successful risk manager must be able to repeatedly demonstrate a core value of being customer-focused with a responsive and consistently high quality of service. They must source and support innovative solutions to improve operating success and their company’s competitive edge, thus increasing and maximising its market position, reputation, efficiency and profit.”

However, he also believes overseas companies will want support from the insurance markets in three key areas:

Political risk: A full blanket of political risk insurance covers to protect any proposed investment against government acts such as confiscation, expropriation and nationalisation, forced abandonment and the cancellation by the authorities of licensing and permits.

Trade credit insurance: A trade credit insurance policy to underpin the account receivables against the protracted default and/or insolvency of the off-takers of the company’s products and/or services.

Construction, liability, marine and operational risks: A comprehensive suite of insurances to specifically protect all of the direct and indirect risks associated with the various phases of any investment.

Mr Rowland warns: “There is very little support available at a corporate or country level in Africa, due to a shallow pool of specialist underwriters. In addition, so much of the capacity available is being aggressively taken up by multinational Chinese, European, Russian and US mining corporations and service providers.

“Notwithstanding that, I firmly believe that trust remains the most important element in promoting a strong commercial relationship in Africa between the transaction’s contractual parties.”

He urges risk managers to develop a deep knowledge of an African client’s business and the personalities of its key stakeholders, so that a service can be provided that a competitive newcomer may take months or years to match.

“It is our experience that African clients are more informed than ever vis-à-vis what is available and are beginning to value the customisation of their contracts, personal relationships and ongoing service levels with ever increasing scrutiny,” says Mr Rowland.

“The risk manager that goes the extra mile to meet their client’s needs by explaining and predicting the realities of the trade sector, the risks being faced and the resulting price mechanisms, will always be seen as a reputational asset by that client.

“In addition, the risk manager that is able to look its board and client in the eye when things go wrong and assure them that no stone will be left unturned in the effort to

execute and deliver a solution in everyone's best interests – that is the risk manager who will win or retain a client's loyal commitment through thick and thin, with the resulting income, growth and security," he concludes.

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