

**Bank-Netherlands Partnership Program
Global and Regional Initiatives
Capacity-building**

Concept Note: Sample 1

Concept Note: Program Details *(Program Details should be a maximum of two (2) pages in length)*

(1) Development Objective(s):

- (a) To promote faster, private sector-led growth by improving the access of African exporters and importers to domestic and foreign sources of finance
- (b) To promote intra-regional trade in Africa, thus strengthening regional integration and enhancing the prospects for sustainable development in the region
- (c) To promote exports and encourage the much-needed diversification of economic activity in African countries.

(2) Program Description:

In harmony with WBI's strategy of forging closer working relations with Bank Operations, this activity is being developed by WBIFP in collaboration with the Bank's Africa Financial Sector Division (AFTFS). It seeks to build a capacity building program to complement the Africa Regional Trade Facilitation Project (RTFP) and help deepen its development impact. Under the project, IDA is supporting member countries of the Common Market of Eastern and Southern Africa (COMESA) to provide export credit insurance and political risk insurance for trade finance in the COMESA countries. These trade insurance facilities are being offered through the African Trade Insurance Agency (ATI), a multilateral, pan-African agency established in 2001. Presently, the ATI is providing various forms of insurance cover for transactions with enterprises from Burundi, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia.

The provision of insurance cover is expected to encourage the financing of African enterprises by alleviating the perception of high risk in the region. This is consistent with PRSPs in the COMESA countries, which seek to improve the access of productive enterprises to finance and diversify the base for economic activity.

Now that the ATI has started full operations, capacity constraints are beginning to emerge and may circumscribe the development impact of the project. Since the RTFP does not contain an explicit capacity building component, it is imperative that immediate steps be taken to develop such a program to complement the main project. This is particularly urgent as ATI is envisaged to soon extend its facilities beyond the COMESA countries to include member nations of the Economic Community of West African States (ECOWAS).

Consequently, the proposed program on Developing Capacity for Regional Trade Finance, to be developed and implemented jointly by WBIFP and AFTFS, will contain the following components:

I. ACTIVITIES DIRECTLY CONNECTED WITH THE IDA PROJECT (RTFP)

- (a) Development and delivery of a multi-year training program for the staff of ATI (in HQ and the liaison offices), to cover critical areas such as: i) insurance underwriting; ii) exporter credit risk analysis and portfolio management; iii) handling claims and recoveries; iv) country risk analysis; v) environmental screening and review; vi) factoring and working capital financing; and vii) development and marketing of credit insurance products.
- (b) Development of a hands-on technical assistance program to complement the training program. This will involve the procurement of experts in the various areas of ATI's operations to provide direct, hands-on support in developing methodologies, drafting policies and procedures and providing on-site guidance to ATI staff on actual transactions.
- (c) Development of a twinning arrangement between ATI and a more experienced trade insurance agency, probably in Europe. The twinning arrangement is expected to involve regular exchange of information on specific subjects as well as support in the structuring of specific transactions.
- (d) Development and implementation of a marketing campaign for ATI, to familiarize key private sector players (foreign and local banks, exporters and importers) with the ATI, its mission, products and services.
- (e) Development and delivery of training programs for exporters and importers from the COMESA countries, covering export/import procedures and documentation, sources of trade finance, identification of marketing opportunities and so forth. This activity will be carefully focused and will be anchored on an initial needs assessment.

II. OTHER RELATED ACTIVITIES

(a) A Regional Workshop on Trade Finance in Africa, aimed at key policy makers and private sector players, to share knowledge, discuss best practices and improve understanding of trade finance issues. The Workshop will highlight challenges to trade finance unique to Africa, consider relevant policy issues/options and explore alternative frameworks for sustainable financing of cross-border trade in Africa.

(b) A series of follow-up, Country Policy Dialogs (by videoconferencing), sharing experiences with specific policy challenges in trade finance, targeted mainly at member countries of the COMESA and ECOWAS.

(c) Following the Regional Workshop and Policy Dialogs, the program will provide support to policy makers in the beneficiary countries in the preparation of Policy Action Plans on Trade Finance.

(3) Expected Outputs/Results:

(a) This program is expected to produce a coherent capacity building agenda to complement the IDA Trade Facilitation Project. Some specific outputs include: i) the successful development and delivery of a well-rounded training program for ATI staff; ii) delivery of targeted, demand-driven technical assistance; and iii) successful completion of a twinning arrangement between ATI and a more experienced credit insurance agency.

(b) Policy Action Plans on Trade Finance in the beneficiary countries

(c) The program will also increase general awareness of technical and policy issues in the financing of cross-border trade in Africa, produce better-informed policy makers thereby promoting sound policy formulation and implementation.

(4) Contribution to capacity-building:

(a) The program will substantially strengthen the ATI as an institution and help deepen its impact in the COMESA member countries. It will also put ATI on a solid platform for the envisaged expansion of its activities to cover member countries of the ECOWAS.

(b) It will enhance the ability of COMESA exporters and importers to take advantage of opportunities for cross-border trade.

(c) Lastly, the program will ensure that African policy makers become more familiar with key policy issues affecting sustainable trade finance in the region, are better able to evaluate available policy options and make critical policy decisions.

(5) Gender Strategy:

Although this program has no explicit gender focus, under the proposed training for exporters and importers, special efforts will be made to reach female exporters and importers in the beneficiary countries.