

AfCFTA: Opportunities for India in Africa's Economic Integration



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AfCFTA: OPPORTUNITIES FOR INDIA IN AFRICA'S ECONOMIC INTEGRATION

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EXECUTIVE SUMMARY

Africa is the second-largest continent in the world, with a collective GDP of US\$ 2.3 trillion in 2018. It is estimated to grow at 3.4 percent in 2018, marginally easing from the 3.6 percent growth achieved in the previous year.

Africa's growth in 2019 is projected to ease at 3.2 percent, before picking up by 3.8 percent in 2020. This recovery is expected to be supported by pickup in exports from the expected impact of the African Continental Free Trade Area (AfCFTA), sustained public infrastructure investments, strong private consumption, and expected rise in commodity prices, among others.

The AfCFTA is an outcome of Africa's continued efforts towards economic integration. It was signed in Kigali, Rwanda, on March 21, 2018, and presently has all the African Union (AU) states as signatories except for Eritrea. On April 29, 2019, with the ratification of the AfCFTA by Sierra Leone and the Sahrawi Republic, the minimum threshold of ratification by member states was reached, which led to the formal existence of the free trade area. The AfCFTA came into force on May 30, 2019. This Study examines the opportunities that exist for India in Africa's economic integration through the AfCFTA.

A review of Africa's global trade concludes that after touching a peak of US\$ 1.2 trillion in 2012, Africa's trade witnessed a decline, reaching a low of US\$ 802.8 billion in 2016, before it started recovering in 2017. Africa's trade increased from US\$ 929.1 billion in 2017 to over US\$ 1 trillion in 2018, with positive trends shown by both exports and imports. Africa's trade recovery is largely driven by its oil-exporting countries, and its expanding trade with emerging economies.

Intra-regional trade in Africa stood at 14.6 percent in 2018 increasing modestly from a share of 13.9 percent in 2009. This intra-African trade is mainly driven by the strengthening demand for manufactured goods produced by leading industrialised African economies, such as Egypt and South Africa. On comparison with other regional trading blocs that are already operational, North American Free Trade Agreement (NAFTA) accounted for the highest intra-regional trade share of 41.2 percent in 2018, followed by European Union (28 nations) (38.8 percent), Association of South East Asian Nations (ASEAN) (22.0 percent) and Latin American Integration Association (LAIA) (13.6 percent). This intra-continental

shortage of trade in Africa underscores the extent of the revenue foregone within the continent and the scope for improvement of commercial engagements among African countries. This is particularly critical for Africa, considering that 16 of the 54 countries are landlocked. This gap also highlights the benefits that the African economies may reap by working towards a successful implementation of the AfCFTA.

Despite having eight regional economic communities [Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel–Saharan States (CEN–SAD), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Inter-governmental Authority on Development (IGAD) and Southern African Development Community (SADC)] and four sub-regional groupings, Africa's intra-regional trade continues to remain low. According to the United Nations Conference on Trade and Development (UNCTAD), the share of SADC's intra-regional trade was the highest among all the African Regional Economic Communities (RECs) at 20.1 percent in 2018 followed by EAC accounting for 14.1 percent of intra-regional trade.

Further, country-wise analysis of the share of intra-regional exports of African economies to their total exports reveals that 93 percent of Eswatini's exports in 2018 were to Africa, particularly South Africa, mainly under SADC. Further, it may also be noted, that as compared to a share of 33.3 percent in 2009, the growth in Africa's share in Eswatini's total exports has been significant in 2018. Among the larger exporters of the continent, the share of Africa in South Africa's total exports was 26.5 percent in 2018, followed by Egypt (16.2 percent), Nigeria (13.2 percent of its global exports), Angola (5.2 percent), Algeria (3 percent), and Libya (0.3 percent).

A major challenge to AfCFTA is that Africa is a highly fragmented continent, with its economies at varying stages of development. According to WTO data, intra-African trade is characterized by trade in manufacturing whereas trade between Africa and the rest of the world is dominated by primary commodities (majority being fuel and mining products). AfCFTA's success therefore depends on Africa's ability to overcome several challenges, including limitations in infrastructure, resources, political climate, existing regional trade agreements, and facilitation of goods and people within the continent.

- The present low level of intra-regional trade also indicates that regional integration is yet to be established in the African continent. Some RECs have successfully encouraged effective trade between member countries,

despite challenges faced. Côte d'Ivoire, Kenya, Senegal, Morocco and South Africa have become regional trading hubs, having leveraged alliances they established through their respective RECs. African economies should draw on the lessons from these successful RECs to further implement effective intra-regional trade.

- Since the RECs in Africa are fragmented, the Rules of Origin (RoO) are also fragmented, for example SADC members follow the SADC RoO model. To boost intra-regional trade, African countries also need to ensure that a well-integrated policy framework is in place, particularly in terms of the RoO compatible with the African productive capacity needs.
- Businesses in Africa currently face higher tariffs (with average tariffs of 6.1 percent) when they export within Africa than when they export outside it. There is thus a need to eliminate tariffs on intra-African trade, making it easier for African businesses to trade within the continent and cater to and benefit from the growing African market.
- Last but not the least, is the issue of addressing the other non-tariff barriers to intra-regional trade. Apart from infrastructure and poor trade logistics, onerous regulatory requirements, volatile financial markets, regional conflict and complex and corrupt customs procedures pose significant hindrance to smooth trade.

India-Africa Bilateral Relations

With a view to facilitate and further enhance bilateral trade and commercial relations with countries in Africa, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Major policy initiatives and institutional frameworks include, among others, Focus Africa Programme, India's Duty Free Tariff Preference (DFTP-LDC) Scheme for Least Developed Countries, Pan-African E-Network: India and Pan-African Countries Initiative (now called e-VidyaBharati and e-AarogyaBharati (e-VBAB) Network Project), IBSA Initiative, Inter-bank Cooperation among BRICS members, and India-Africa Forum Summit, among others.

The synergy that exists between India and Africa can be gauged from the robust trends in India-Africa trade relations. India's bilateral trade with Africa increased from US\$ 39.0 billion in 2008-09 and peaked in the year 2014-15 reaching US\$ 71.5 billion. India's trade trends with Africa have been in line with its global trade, with bilateral trade recovering since 2017-18 after falling for two consecutive years. India's total trade with Africa was at US\$ 69.7 billion in 2018-19.

India's exports to Africa have more than doubled to US\$ 28.5 billion in 2018-19, vis-à-vis that of 2008-09. India's exports to Africa account for 8.7 percent share in India's total exports. India's imports from Africa, at the same time, also increased to US\$ 41.1 billion in 2018-19 from US\$ 25.6 billion in 2008-09, which represent 8.0 percent share in India's total imports. India's exports to Africa grew at an annual average of 10.4 percent during 2008-09 to 2018-19, while India's imports from Africa grew at an annual average of 7.1 percent during the same period. India's trade deficit with Africa significantly narrowed during 2012-13 to 2016-17, reflecting fall in commodity prices. In 2017-18, trade deficit increased to US\$ 12.9 billion, and settled at US\$ 12.6 billion in 2018-19.

South Africa is the leading destination for India's exports to Africa, accounting for around 14.3 percent of India's exports to the region in 2018-19, followed by Nigeria, Egypt, Kenya, and Tanzania. As regards India's imports from Africa, Nigeria dominated with a significant share of 26.5 percent of India's imports from Africa during 2018-19, reflecting significant imports of crude oil from the country. South Africa is the second-largest import source from Africa, with a share of 15.8 percent during 2018-19, followed by Angola, Ghana, Algeria and Egypt. The combined share of Nigeria and South Africa, which are India's major suppliers from Africa, has declined over the past decade, indicating diversification of India's import sources from Africa.

Petroleum products are the largest items in India's export basket to Africa, contributing 17.9 percent to India's total exports to Africa during 2018-19. Other important items of exports to Africa in 2018-19 include vehicles other than railway or tramway, pharmaceutical products, machinery and equipment, cereals, electrical machinery and equipment and plastics and its articles.

Mineral fuels, mineral oils and its products (mainly crude) accounted for more than half of India's total imports from Africa during 2018-19. Other major imports from Africa include natural or cultured pearls, precious or semi-precious stones, inorganic chemicals, edible fruit and nuts, and ores, slag and ash.

As regards investments, India has increasingly emerged as an important global investor in overseas markets, besides being one of the major recipients of global foreign direct investment (FDI) inflows. Indian investments in Africa are both in greenfield and brownfield, spanning sectors such as pharmaceuticals and healthcare, energy, ICT, power, roads, railways, and automobiles, among others.

According to data from the Ministry of Finance, Government of India (GoI) and the Reserve Bank of India (RBI), India's approved cumulative investments (implies

RBI approvals for Overseas Direct Investment in Equity, Loan and Guarantees) in Africa during April 1996 to March 2019 amounted to US\$ 64.6 billion. Mauritius, Mozambique, Sudan, Egypt and South Africa were the top destinations of India's investments in the African region.

Indian FDI in Africa has largely been concentrated in Mauritius, mainly due to the then operational Double Taxation Avoidance Convention. Though a large proportion of Indian investments in Mauritius were 'round-tripped' back to India, the country also serves as a gateway to Indian investments in Africa. However, with the given data, it is not possible to disaggregate the FDI data to know the volume of Indian FDI outflows that are routed through Mauritius to other countries.

Stepping Up India's Engagements in Africa

The AfCFTA proposes to create a single market for goods and services with the purpose of boosting Africa's intra-regional as well as global trade, among others. Concomitantly, India and Africa have an untapped trade potential of US\$ 42 billion, according to a joint study by Afreximbank and Exim India. Exim India, therefore, decided to address issues in enhancing India-Africa trade and investments by collecting feedbacks from stakeholders at a half-day Seminar on 'Stepping Up India's Engagements in Africa' held at New Delhi on January 31, 2020. The Seminar had three sessions, namely, (i) Strengthening India's Engagements in Africa (Sustainable Partnership towards achieving Agenda 2063 and AfCFTA), (ii) Bridging the Gap: Opportunities and Challenges to India's Engagements in Africa, and (iii) Experience Sharing Session: Roundtable with Diplomats & Indian Companies. Apart from serving as inputs to Exim India's research studies on Africa, the Seminar gave the industry a chance to find areas for diversification and therefore greater collaboration given the increased importance of integrating with global value chains (GVCs).

A questionnaire, aimed at identifying key challenges to enhance India's engagements in Africa, was also circulated during this Seminar. The respondents to the questionnaire included 24 Indian Companies across sectors such as food and agro-based products, agricultural equipment, construction and real estate, healthcare and hospitals, heavy engineering/ project exports, oil and gas, power & energy, renewable energy, textiles, water infrastructure, transmission and distribution, consultancy, project management & turnkey services, vocational training centres and incubation centres and defence.

The examination of the current investments in Africa of the respondents highlights that the area of motivation to the present investment/ engagement

in Africa was mainly to serve regional markets in Africa. The most preferred form of investment by the respondents was buying, acquiring shares in an existing company. Apart from this, the next preferred mode of investment was through joint ventures. Setting up a new subsidiary / associate company was the least preferred form of investment in Africa for these companies. As regards identification of challenges to enhancing investments /engagements in Africa, the respondents were asked to identify challenges in doing business in Africa under these 17 broad heads, namely, market size and growth, distance from India, tax incentives, access to inputs, political stability / regulatory framework, level of investor protection, business environment, availability of technology, skilled labour, cost of labour, import - export procedures, tariff rates, transport efficiency, investment agreements with India, intellectual property protection, existing business relationships, and access to finance. The respondents on an average highlighted that access to inputs and access to finance are the key constraints in doing business in Africa. Political stability / regulatory framework, level of investor protection, availability of technology, skilled labour, cost of labour, and tariff rates are moderate to large constraint to enhancing India's engagements in Africa. While tax incentives, business environment, investment agreements with India, intellectual property protection and existing business relationships were cited as moderate constraints; market size and growth, distance from India, import - export procedures, and transport efficiency were low to moderate constraint.

Opportunities and Strategies for India in Africa's Economic Integration

The scope of AfCFTA exceeds that of a traditional free trade area. The AfCFTA, if successfully implemented, would clearly be a game changer for the African growth story. It would thus be the right time in stepping up and integrating India's engagements in Africa.

According to a study by United Nations Economic Commission for Africa (UNECA), within the industrial sectors, textile, apparel, leather, wood and paper, vehicle and transport equipment, electronics and metals would benefit the most from the AfCFTA reform, in terms of trade expansion. As regards the agricultural sector, sugar, vegetables, fruit, nuts, beverages, tobacco, meat and dairy products would obtain the largest trade expansion.

The African Union's Agenda 2063 has identified seven aspirations, clearly indicating their much needed desire for shared prosperity and well-being, for unity and integration, for a continent of free citizens and expanded horizons, where the full potential of women and youth are realised. India's strategy to enhance its trade and investment relations with African countries would entail

an integrated approach comprising, inter alia, integrating Africa to the Global Value Chain (GVC), strengthening Africa's infrastructure and connectivity, and facilitating Trade Finance in Africa, among others.

- **Integrating Africa to the Global Value Chain (GVC)**

The success of the AfCFTA heavily depends on the industrialization of African countries and increasing their productive capabilities in a highly competitive landscape. Value addition would integrate Africa to the global value chain and would give the continent that added edge.

To evaluate Africa's present standing in global value chains, the following section draws an analysis of Africa's GVC participation. The Foreign Value Added (FVA) and Indirect Domestic Value Added (DVX) when expressed as a share of gross exports, gives the GVC participation of a particular country. The larger the ratio, the greater the intensity of involvement of a particular country in GVCs. FVA is also referred to as a measure of "backward participation", given that it measures imported intermediate inputs that are used to generate output for export. DVX is a measure of "forward participation", i.e. it measures exports of intermediate goods that are used as inputs for the production of exports of other countries. African economies tend to have low FVA share in their exports or downstream component in their exports.

$$GVC \text{ Participation} = \frac{FVA + DVX}{Gross \text{ Exports}}$$

Although Africa's GVC participation ratio tend to be higher, in terms of value, Africa's role in GVC is still small as a share of value added to other countries exports. Participation index is above 0.5 for countries such as Central African Republic, Mauritius, South Africa, Mauritania, Djibouti and the Gambia, implying higher GVC participation rates.

To further understand the relative upstreamness of a country in a particular value chain, Koopman et al. (2014) also defined GVC position index. It is defined as the log ratio of a country's supply of intermediates used in other countries' exports to the use of imported intermediates in its own production. The similar methodology has been applied to calculate the overall GVC position of select African economies. Countries with positive position index are relatively more upstream, that is, they contribute more value added to other countries exports than other countries contribute to theirs.

$$GVC \text{ Position} = \ln \left(1 + \frac{DVX}{Gross \text{ Exports}} \right) - \ln \left(1 + \frac{FVA}{Gross \text{ Exports}} \right)$$

However, two countries may have identical GVC position and yet have different degree of GVC participation, hence both parameters are used in conjunction to understand the importance of global supply chain for a country. Some African economies have higher GVC position index implying higher upstream activity but a low GVC participation that implies lower involvement in GVCs, such as Cameroon, Egypt, and Angola. Similarly, Mauritius has a high GVC participation, but negative GVC position.

Countries with significant share of natural resources like oil or other commodities in their exports, tend to have higher share of domestic value added trade as such kind of exports are the “initial stages of GVC” and require hardly any foreign inputs. Also, countries with significant share of port trade as well as countries with processing trade sectors would have higher foreign value added as a share of their exports. Countries that have significant share of exports in highly segmented industries have a higher share of foreign value added in their exports. In case of African economies, domestic value added is particularly high for two reasons. First, owing to the relative importance of export of natural resources and second is the relatively small size of the local non-tradable economy.

Commodity-exporting regions have a significantly higher GVC participation rate than their foreign value added share would suggest, indicating that much of their exports are processed and their value added is incorporated in third-country exports – i.e. they operate at the starting point of GVCs. GVC participation – or the role that individual countries play in international production networks – is driven by many different factors, from size of the economy to industrial structure and level of industrialization, composition of exports and positioning in value chains, and policy elements, among others. As a result, countries with very different characteristics may be very similar in the ranking of GVC participation. Africa, however, has the lowest share of intra-regional GVC flows among all the regions.

According to UNCTAD, there has been a decline in the number of projects in the typical early-industrialization industries in low income countries. This is a matter of concern, especially for Africa, as the need for these countries to attract more FDI in these industries to support their structural transformation remains urgent, explaining the proliferation of industrial policies.

The regional proportion of total GVC flows is also low in Africa. Modest intra-regional FDI and GVC flows across regions in Africa suggest that regional economic cooperation initiatives still have significant potential to promote regional trade and investment links. Further, the AU also intends to formulate

an African Commodity Strategy to add value to what it generates and promote vertical and horizontal diversification and integrate itself to relatively higher level of the GVCs, compared to where it presently exists at the beginning of the value chain, supplying basic raw materials.

African economies are generally characterised by the low share of manufacturing in its GDP (around 10 percent). Presently, this limited production capacity is compensated by imports. AfCFTA, which aims at reducing the barriers to intra-regional trade, has the potential to reduce this import dependence.

Further, the low intra-African trade is also an indicator of the low supply capacities, poor connectivity and high trade barriers in the continent. Apart from these, there is also an increasing need felt for export diversification (both in terms of type of goods produced as well as export markets) among African economies, this would reduce commodity dependence as well as help them move up the value chain.

Enhancing manufactured exports from and within Africa would entail addressing supply capacity of economies and improving trading infrastructure, and the facilitating human capital development and entrepreneurial base, to make them more responsive to export opportunities. This will require massive investments in productive and trading infrastructure, with a view to increasing the continent's competitiveness in the world market of manufactured products.

So far, India has invested in pharmaceuticals, textiles or steel majorly with a focus on a particular country or with the motive of exporting to the US or European Union. However, the investment paradigm needs to shift to a point that the products could be exported across the continent. Fast moving consumer goods, agro-processing, IT services, mining, and textiles need to be further explored.

India could also prove to be a crucial partner for helping Africa in marketing these resources. African countries are major producers of gold, diamond, however, these are taken by London, Belgium and sold by MNCs. Similarly, Ghana and Côte d'Ivoire are the major producers of cocoa and yet chocolates are famous across the globe for being 'Swiss chocolates', though most of the raw cocoa is imported from Ghana and Côte d'Ivoire. India could help these African countries process these primary commodities and add value to them.

As regards the agricultural sector value chain, the AfCFTA offers huge potential. According to Alliance for a Green Revolution in Africa (AGRA), though African countries account for nearly 60 percent of the world's uncultivated land, Africa's food import bill stands at a staggering US\$ 35-50 billion per year. Expansion in trade particularly in the agricultural sector, opens avenues for mechanisation, which plays an important role to in the agricultural value chain.

Agribusiness is one of the potential sectors where India can look to invest in Africa. The agricultural sectors of both India and Africa are largely characterized by labour intensive farming, small landholdings and diverse nature of agricultural production. India's stance on the agricultural sector of Africa has been more towards providing technology expertise to Africa. The African agribusiness sector needs support in terms of finance, market information, logistics and adequate infrastructure in the form of cold storage facilities, warehouses, etc. Investment opportunities have been identified in the following segments: a) Processing factories, b) Cold storage and relevant transportation infrastructure; cleaning and grading facilities; market development; and c) contract farming and large scale commercial farming. Exim India has been partnering Africa in its development by financing activities in the continent across a wide range of sectors, with agriculture being one of the important ones. These contracts include acquisition of tractors, harvesters, agricultural processing equipment; farm mechanisation; setting up plantation projects and processing plants; development of sugar industry; procurement of design, supply, installation and commissioning of fuel storage facilities, establishment of irrigation network, commissioning of sugar processing facility; and rice self-sufficiency programme; among others.

The service sector plays a key role in enhancing the competitiveness of manufacturing as well as the agricultural sectors, and thus their participation in GVCs. The sector plays a fundamental role in adding value at each link along the supply chain, while FDI helps drive international trade expansion. Services can also be an avenue for economic transformation, particularly for small countries and island states, as not all African countries can develop through manufacturing. Establishing services hubs and regional value chains (RVCs) can help African countries exploit each other's capabilities and boost competitiveness and thus integrate them into the GVC. Indian companies may explore opportunities in this area.

Scaling up in all these three broad sectors, as well as enhancing exports through AfCFTA, would simultaneously reduce the reliance on donor funding in many African countries.

- **Strengthening Infrastructure and Connectivity**

Inadequate infrastructure has been a constraint to accelerating and sustaining growth in Africa. Africa remains one of the continents with a huge infrastructure deficit, which has adverse impacts on transaction costs for traders and investors alike, forming part of the non-tariff barriers that restrict trade within Africa and between its regions and other parts of the world. For AfCFTA to be successfully

implemented, which has its core objective of strengthening intra-regional trade, exporters need access to local markets for their products. AfCFTA is projected to increase intra-African trade by 52.3 percent by 2022, primarily based on the assumption of improvement in trade-related infrastructure and transit costs.

Estimates by the African Development Bank (AfDB) suggest that the continent's infrastructure needs amount to US\$ 130– US\$ 170 billion a year, with an annual financing gap ranging between US\$ 67.6 and US\$ 107.5 billion. This vast infrastructure gap in Africa, which includes transport and utilities infrastructure, must be urgently addressed so as not to restrict increased trade integration. Presently, there are large infrastructure projects in the pipeline, which need to be completed as early as possible. These include the Trans-Maghreb Highway in North Africa, North-South Multimodal Corridor, the Central Corridor project and the Abidjan-Lagos Corridor Highway project.

Indian investors could involve in the development of these projects. A conceptual framework could be built with an Integrated Development Approach for Africa's Growth.

- Africa's raw materials could be better utilized by ensuring dedicated railway networks and ports. These areas where Indian expertise can give access to transportation and ensure that the raw materials have found the right market. Indian project exporters and investors may explore this opportunity in partnership with other countries to build the Integrated High Speed Train Network, envisaged in the Agenda 2063.
- Indian companies can also explore the African housing market, which severely lacks capacity. This will be win-win situation for Africa in the form of getting access to mortgage market as well as housing for all. Developing a mortgage market will ensure flow of finance through companies and the respective borrower governments with financial institutions intervening based on the requirements.
- In healthcare, hospitals could be set up with Indian investment, which could be handed over to the African governments after five years or so. This would ensure efficient functioning and transfer of know-how and Indian technology and medical practices.
- India's enabling environment for PPPs has a strong focus on project preparation and capacity building, and India is at the right place to offer technical assistance and cooperation in development of PPP projects in other developing countries. India could share its know-how with Africa in terms of development of PPP regimes, particularly infrastructure buyer's credit.

- **Financing the Infrastructure Deficit**

Currently, African countries are not sufficiently investing in connectivity and infrastructure, which is represented by the low levels of intra-regional trade. According to UNCTAD, this lack of adequate investment in infrastructure and connectivity is mainly because Africa's development banks remain undercapitalised and trade finance for African SMEs is limited. For example, the asset size of the East African Development Bank is only US\$ 390 million. The Development Bank of Southern Africa is the largest with US\$ 5.3 billion. Even the AfDB is small compared with other regional banks, with a loan asset of US\$ 20.3 billion compared with US\$ 95 billion for Asian Development Bank or US\$ 82 billion for Inter-American Development Bank.

Africa is still the most popular target region, representing 42 percent of blended finance deals, however, there is a vast regional disparity in these deals within the continent. Further, though there is a growing need for climate-related investments, the usage of blended finance approach for climate-related investment is low. There is therefore a need for further leveraging blended finance, debt and equity instruments for investments in Africa.

- **Fortifying Trade Finance in Africa**

Trade finance is traditionally considered to be a relatively low-risk activity, as they are generally asset backed, short-term and self-liquidating. Despite this, the access to trade finance is an issue which most African enterprises face, particularly SMEs. SMEs in Africa represent 80 percent of all of enterprises in Africa, however, they account for only 28 percent of the trade finance portfolio. Further, many African banks are risk-averse in view of the limited collateral guarantees presented by small traders. Limited access to finance therefore remains an overriding constraint to Africa's trade, particularly SMEs. As it is a low risk business, the estimated default rate on trade finance transactions in Africa during 2011 and 2014 was 4-5 percent, compared to 9-12 percent of non-performing loan (NPL) ratios for all bank asset classes. Apart from these, the tightening of global KYC and AML regulations since 2014, as well as the decline in correspondent banking, has resulted in the withdrawal some of the largest banks from the region.

Export Credit Agencies (ECAs) facilitate the development of critical industries through the provision of affordable credit, either directly or indirectly, thus enabling exporters to enter new and relatively riskier markets. Presently, there are 17 ECAs across the 55 countries in Africa, and amongst these, 5 ECAs are

members of the Berne Union (BU). Additionally, the African Trade Insurance Agency (ATI) is also a member of the BU. There is thus a need for strengthening the financing institutional capacity of Africa.

India's Structured Financial Messaging System (SFMS) and intra-banking transfer system could be explored and implemented in Africa and banking and finance play a major role in enhancing trade and investment. The RBI's engagement with African financial institutions could be increased strategically. One of the flagship projects of Agenda 2063 is establishing an African Central Bank, which could be facilitated by the RBI. Other Pan-African financial institutions proposed are the African Investment Bank, Pan-African Stock Exchange and African Monetary Fund. All these may be explored by India as opportunities for contributing its expertise in financial sector and building resilient financial architecture through contributions from SEBI and other such organisations. A special purpose vehicle could be created to facilitate this initiative.

Further, a digital SME platform could be set up in collaboration between India and African SMEs. Indian companies can upload information on this site and African companies could locate Indian products on such platforms. This would create further opportunities for collaboration between the SMEs of India and Africa.

- **Policy Reforms on the African Side**

Apart from strengthening its capacities, moving up the value chain and improving infrastructure, Africa needs to bring in policy level changes, to reduce the risks associated with trade and investment in the region.

For AfCFTA to operate at optimum capacity, there is a need to have in place coherent trade rules and standards, common compliance and mechanisms for investments, and policies that override the uncertainty that is endemic to policy in individual nations within the region.

The existing logjams and bureaucracy must be reduced, and there is a need to have harmonious regulations, common rules, simpler documentations, one-stop shop border posts, among others. The Rules of Origin (RoO), which decides the products that get preferential tariffs depending on its classification, need to be clearly defined.

Further, there is a need for extensive data collection and its mapping, to ensure that these policies are effective. There is a significant amount of informal trade among African countries. According to Economic Development in Africa Report 2019, informal trade is estimated to account for up to 30 to 40 percent of regional

trade in Africa. Informal cross-border trade in Africa can contribute up to 43 percent of incomes in the region. Supporting informal traders in formalizing their trade matters, apart from facilitating formal trade, can also provide Governments with additional tax revenues that can be used to compensate for loss of tariff revenues under tariff liberalization.

There is also a need for reducing cost of business, fostering skills for entrepreneurship and providing more access to credit and capital.

- **Reducing Non-Tariff Barriers (NTBs)**

As highlighted in the preceding chapters, there are 8 RECs in Africa and despite lower import duty within these RECs, there exists a range of non-tariff and regulatory barriers that continue to raise transaction costs and limit the movement of goods, services, labor, and capital across borders. These barriers include border delays, burdensome customs and inspection procedures, multiple licensing requirements, and increasingly the requirement that importers secure national transit bonds along key routes. Trading across borders in Africa is still more costly and time-consuming than in any other region of the world. This is indicated with African countries trading more with the rest of the world than with each other.

The average cost of importing a container in Africa is about US\$ 2,492 compared with US\$ 935 in East Asia and the Pacific and US\$ 1,488 in Latin America and the Caribbean. In addition to non-tariff barriers, the state of governance, the structure of production, the direction of trade inherited from the colonial model of resource extraction, and supply-side constraints are at play. Supply-side constraints include a low manufacturing base, costly trade financing, limited access to information, and trade-enabling infrastructure that is either lacking or costly.

Existing NTBs should be addressed to increase trade. A recent study by Exim India highlights that in recent years African countries such as Uganda, Kenya, Rwanda, Burundi and Tanzania were among the major notifying countries along with Egypt for sanitary and phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures. In 2018, WTO also witnessed new entrants into the notification mechanism at the WTO such as Montenegro, Liberia and Namibia.

While SPS notifications primarily cover food and food products, for TBT the range of products is more extensive. Major products subject to TBT notifications are food, chemical, auto and auto component, electronic product and appliances, machinery, iron and steel, construction, cosmetics, fertilizer and pharmaceuticals. Kenya and Uganda feature among the top ten countries issuing SPS notification

at WTO. Indian products therefore face conformity assessment issues while exporting to Africa. The African, Caribbean and Pacific States (ACP) with the EU and the African Growth and Opportunity Act (AGOA) with the US have both forged a cooperation agreement on standards. Both these agreements have also seen the introduction of a number of multinational companies that export products to the EU and have contributed to the development of national standards by bringing in methodologies and technologies from their home country which may not be even relevant for African conditions. India and Africa need to enhance cooperation in addressing these barriers to trade.

Following are the barriers faced by certain Indian products exported to and from Africa -

- Food, sea food and agriculture – Additional duties imposed by customs, GATT WTO agreement on import licensing, export inspections and SPS Contain Sealing.
- Pre-shipment procedures inspection and other formalities are quite slow. Testing of product is very time consuming.
- Gems and Jewellery, Leather and Textiles - The Customs charge additional ad-valorem tax of 15 percent; further, Luxury Tax charged on these products is high.
- Electrical and engineering products - Customs tariff rates are higher due to which demand is less and profit margins are also reduced.

Further, importer and exporter require pre-shipment inspection and proper labelling on goods required at the time of export.

● **Policy Reforms on the Indian Side**

India's policy level focus on Africa was initiated with the launch of the "Focus Africa" programme in March 2002. The programme initially focused on just seven targeted countries, namely South Africa, Ghana, Tanzania, Mauritius, Nigeria, Kenya and Ethiopia. To date, this programme spans over all the countries in the Continent.

Though India is a key trading partner for Africa, the Continent still has unfulfilled demand for Indian commodities, especially foodstuffs, finished products (automobiles, pharmaceuticals, consumer goods) and services such as IT/IT-Enabled Service, healthcare and education, skilling, expertise in management and banking, financial services and insurance. India needs to anticipate the

positive impact of the AfCFTA and act proactively. There is thus an increasing need for India to give AfCFTA priority on its foreign policy map. The future of India-Africa ties, now would depend on innovative strategies that optimise growth and development for the two regions.

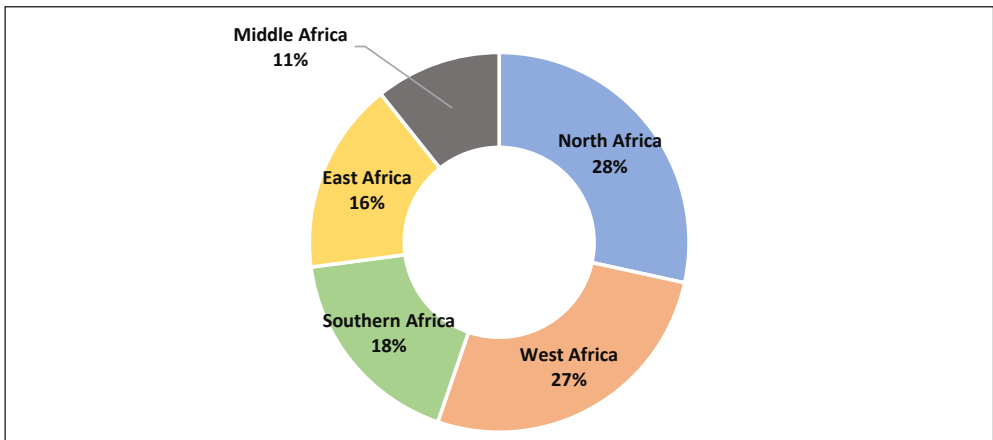
With the onset of COVID-19 pandemic, the implementation of the AfCFTA has been postponed to 2021. According to a study by the UNCTAD, Africa's total exports are projected to decline by 16.7 percent in 2020 with fuel and agricultural exports taking the major hit. Implementation of the AfCFTA can help Africa overcome the economic damage caused by the COVID-19 through reorientation of markets and diversification of export products. According to the World Bank, this trade pact could boost Africa's income by US\$ 450 billion or 7 percent. The volume of total exports by Africa is expected to increase by 29 percent by 2035 whereas share of intra-regional exports is expected to increase by 81 percent. Potential sectors which could be developed to ensure sustainable growth and resilient value chain are agriculture and agro-processing, renewable energy, healthcare and pharmaceuticals.

1. AFRICA: AN EMERGING CONTINENT

Africa's collective GDP is estimated to be at US\$ 2.3 trillion in 2018. According to the International Monetary Fund (IMF), it is expected to cross US\$ 3 trillion by 2023. Africa is the second-largest and the second-most populous continent in the world, with a population of 1.2 billion people. It is estimated that Africa's population would reach 1.4 billion in 2023. Africa offers a great market potential for the coming years.

Africa's GDP is dominated by its commodity dependent regions, largest being North Africa, followed by West Africa and Southern Africa (**Chart 1.1**). Major countries in these regions such as Egypt, Nigeria and South Africa together alone accounted for 44 percent of Africa's GDP in 2018 (**Annexure I**).

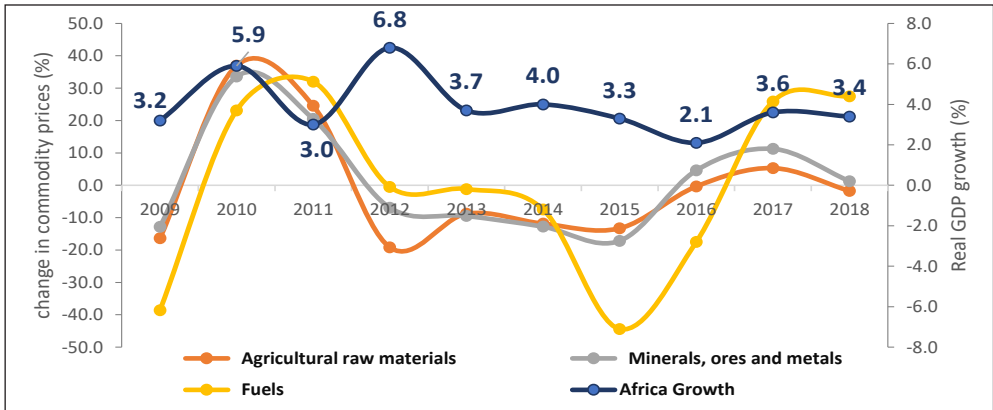
Chart 1.1: Africa's Regional Nominal GDP



Regional classification based on UNCTAD are as follows North Africa: Algeria, Egypt, Libya, Morocco, Sudan, and Tunisia; East Africa: Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Mozambique, Rwanda, Seychelles, Somalia, South Sudan, Tanzania, Uganda, Zambia, and Zimbabwe; West Africa: Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, The Gambia, and Togo; Middle Africa: Angola, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Republic of Congo, and São Tomé and Príncipe; Southern Africa: Botswana, Eswatini, Lesotho, Namibia, and South Africa; *Africa's GDP stood at US\$ 2.3 trillion in 2018.

Source: IMF, WEO October 2019; and Exim Bank Analysis

Chart 1.2: Rate of Change in Annual Commodity Prices and Real GDP Growth rate in Africa (growth %)

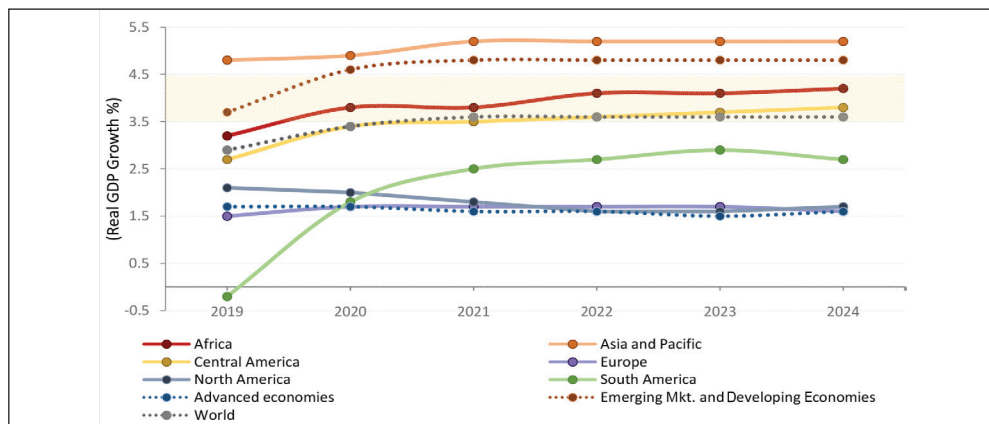


Source: IMF World Economic Outlook January 2020 Update. Data for Africa based on IMF Data Mapper October 2019 (as per latest data available); and Exim Bank Analysis

The African economy is estimated to grow at 3.4 percent in 2018, marginally easing from the 3.6 percent growth achieved in the previous year (**Chart 1.2**). The Chart highlights the movement of growth of real GDP of Africa with the annual percentage change in the commodity price indices. As it is evident, fuel price index has been the most volatile in the last ten years. Agricultural commodities and mineral price indices have also moved in tandem, declining after 2010. The real GDP growth rate of Africa has followed a similar trend with the economies majorly dependent on commodity exports, except for 2012. However, although commodity prices have started recovering from 2016, the economic growth of the region has remained modest over the last few years as some of the major economies continue to remain in recession or debt distress due to loss of revenues.

Africa's growth is projected to ease at 3.2 percent in 2019, before picking up by 3.8 percent in 2020. This recovery is expected to be supported by pickup in exports from the expected impact of the African Continental Free Trade Area (AfCFTA), sustained public infrastructure investments, strong private consumption, and expected rise in commodity prices, among others. According to the African Economic Outlook 2020, drivers of Africa's economic growth have been gradually rebalancing, unlike that in earlier years. Africa's growth fundamentals have improved, presently driven mainly by investments and net exports, as against private consumption.

Chart 1.3: Africa's Growth Forecasts for 2019-2024



Source: IMF World Economic Outlook January 2020 Update. Data for Africa based on IMF Data Mapper October 2019 (as per latest data available)

The economic outlook of Africa continues to remain robust compared to most regions as evident from **Chart 1.3**. Africa's growth is forecast to be in the range of 3.5-4 percent during 2019-2024. According to the African Economic Outlook 2020, six economies in Africa, viz. Rwanda, Ethiopia, Côte d'Ivoire, Ghana, Tanzania, and Benin, are among the top ten fastest growing economies of the world.

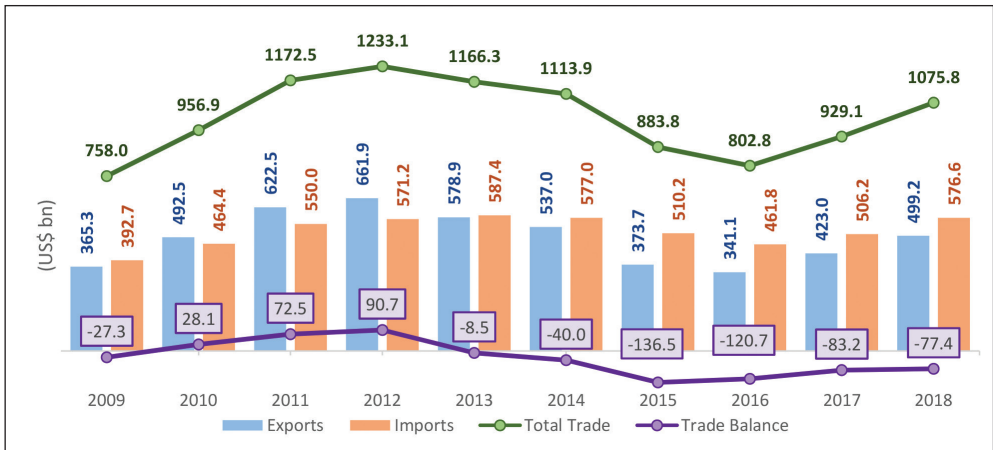
Trends in Africa's Foreign Trade

Africa's trade, after touching a peak of US\$ 1.2 trillion in 2012, witnessed a decline, reaching a low of US\$ 802.8 billion in 2016 before it started recovering in 2017. Africa's trade increased from US\$ 929.1 billion in 2017 to over US\$ 1 trillion in 2018, with positive trends shown by both exports and imports (**Chart 1.4**). Africa's trade recovery is largely driven by its oil-exporting countries and its expanding trade with emerging economies.

Africa's trade deficit significantly narrowed in the recent years, from US\$ 136.5 billion in 2015 to US\$ 77.4 billion in 2018 as growth in merchandise exports outperformed its imports.

According to the African Trade Report 2019, the sustained recovery in the growth of Africa's merchandise trade also partly reflects the improving performance of intra-African trade, which marginally increased to 16 percent of Africa's total trade in 2018, compared to 15.5 percent in 2017. The growing share of intra-African trade is mainly due to strengthening demand for manufactured goods produced by leading industrialised African economies, such as Egypt and South Africa.

Chart 1.4: Africa's Foreign Trade, 2009-2018



Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

• Africa - Major Export Items

Mineral fuels, oils and its products continue to be the largest export items from Africa, accounting for as much as 42.9 percent of Africa's total exports in 2018, reflecting the significant share of petroleum crude exports from Africa (**Table 1.1**). Other major items of export from Africa during the same year include pearls and precious stones, ores and slag, copper and its articles, vehicles other than railway and tramway, and electrical and electronic equipment.

Within mineral fuel, oil and its products, Africa majorly exports crude oil (HS 2709). Nigeria, Algeria, Angola and Libya are among the leading global exporters of crude oil, with a combined share of 13.2 percent of the global crude petroleum exports, and 79.9 percent of Africa's crude petroleum exports, in 2018.

Africa's exports are skewed towards primary commodities, making the continent vulnerable to adverse price shocks. During 2009-2018, the share of mineral fuel, oil and its products in Africa's total exports has declined from 56.1 percent in 2009 to 42.9 percent in 2018, this decline is mainly due to the fall in crude prices during the period. The period also witnessed corresponding increase in the shares of ores, slag and ash; copper and its articles; vehicles; electrical machinery and equipment; and edible fruit and nuts.

Table 1.1: Commodity-wise Major Exports of Africa

HS Code	Product label	Exports in 2009 (US\$ bn)	Share in total exports (%)	Exports in 2018 (US\$ bn)	Share in total exports (%)
Total	All products	365.3	100.0	499.2	100.0
27	Mineral fuels, oils and its products	204.8	56.1	214.0	42.9
71	Pearls, precious or semi-precious stones and metals	20.8	5.7	51.8	10.4
26	Ores, slag and ash	11.0	3.0	23.2	4.7
74	Copper and its articles	5.1	1.4	16.6	3.3
87	Vehicles other than railway or tramway	6.8	1.8	16.0	3.2
85	Electrical machinery and equipment	7.4	2.0	13.5	2.7
08	Edible fruit and nuts	4.2	1.2	10.6	2.1
18	Cocoa and cocoa preparations	7.2	2.0	9.3	1.9
72	Iron and steel	6.8	1.9	8.9	1.8
84	Machinery and equipment	6.4	1.7	8.2	1.6

Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

• Africa - Major Import Items

Africa's import basket is relatively diversified compared to its exports. Minerals fuels, mainly dominated by petroleum oils, not crude (16.8 percent of Africa's imports in 2018) and machinery and mechanical appliances (10.6 percent of Africa's imports in 2018) are the two largest import items, followed by electronic and electrical equipment, vehicles other than railway and tramway, cereals, and plastics and its articles (**Table 1.2**). Thus implying, that most of Africa's consumer and capital goods are imported.

However, analysing Africa's import pattern during 2009-2018, reveals that Africa is reducing its dependence on imports for its consumer and capital goods, but has continued to remain sizable. The share of machinery and equipment, electrical machinery and equipment, vehicles, iron and steel and articles of iron and steel has reduced over the past ten years.

Table 1.2: Commodity-wise Major Imports of Africa

HS Code	Product label	Imports in 2009 (US\$ bn)	Share in total Imports (%)	Imports in 2018 (US\$ bn)	Share in total Imports (%)
Total	All products	392.7	100.0	576.6	100.0
27	Mineral fuels, oils and its products	51.1	13.0	98.2	17.0
84	Machinery and equipment	54.9	14.0	61.0	10.6
85	Electrical machinery and equipment	35.6	9.1	44.2	7.7
87	Vehicles other than railway or tramway	38.8	9.9	41.9	7.3
10	Cereals	15.4	3.9	22.4	3.9
39	Plastics and its articles	12.8	3.3	21.9	3.8
72	Iron and steel	13.8	3.5	16.9	2.9
30	Pharmaceutical products	9.4	2.4	15.4	2.7
73	Articles of iron or steel	18.7	4.8	14.6	2.5
89	Ships, boats and floating structures	4.5	1.1	11.6	2.0

Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

In 2018, Africa was a net importer of machinery and equipment (with a deficit of US\$ 52.8 billion), electrical machinery and equipment (US\$ 30.7 billion), vehicles (US\$ 25.9 billion), cereals (US\$ 21.2 billion), plastic and its articles (US\$ 17.1 billion), and pharmaceutical products (US\$ 14.3 billion).

- **Africa – Major Exporters and Importers**

South Africa has the highest global trade among African economies, with a total trade of US\$ 187.8 billion in 2018. Other major countries dominating Africa's global trade include Egypt, Algeria, and Nigeria (**Table 1.3**).

Table 1.3: Africa – Major Exporters and Importers

Exporters	Exports in 2009 (US\$ bn)	Share in total exports (%)	Exports in 2018 (US\$ bn)	Share in total exports (%)
Africa	365.3	100.0	499.2	100.0
South Africa	53.9	14.7	94.4	18.9
Nigeria	49.9	13.7	52.9	10.6
Angola	40.6	11.1	42.0	8.4
Algeria	45.2	12.4	41.8	8.4
Libya	27.3	7.5	30.6	6.1
Egypt	24.2	6.6	29.4	5.9
Morocco	14.1	3.9	29.3	5.9
Ghana	5.1	1.4	17.1	3.4
Tunisia	14.4	4.0	16.3	3.3
Côte d'Ivoire	10.3	2.8	11.8	2.4

Importers	Imports in 2009 (US\$ bn)	Share in total Imports (%)	Imports in 2018 (US\$ bn)	Share in total Imports (%)
Africa	392.7	100.0	576.6	100.0
South Africa	63.8	16.2	93.4	16.2
Egypt	44.9	11.4	81.0	14.0
Morocco	32.9	8.4	51.3	8.9
Algeria	39.3	10.0	49.0	8.5
Nigeria	33.9	8.6	36.5	6.3
Tunisia	19.1	4.9	21.1	3.7
Kenya	10.2	2.6	17.4	3.0
Angola	23.9	6.1	16.4	2.8
Libya	12.9	3.3	12.9	2.2
Togo	1.2	0.3	11.9	2.1

Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

In 2018, African countries that had the largest trade deficit include Egypt (US\$ 51.6 billion), Morocco (US\$ 21.9 billion), and Kenya (US\$ 11.3 billion). African countries that had the largest trade surplus in 2018 include Angola (US\$ 25.6 billion), Libya (US\$ 17.7 billion), Nigeria (US\$ 16.4 billion), and Congo (US\$ 8.7 billion).

- **Africa- Major Export Markets and Import Sources**

Africa is also largely dependent on unilateral preferences in key export markets. However, this trend is changing. China has emerged to be both a major source of imports as well as major destination for exports for Africa.

In 2018, China accounted for 14.4 percent of Africa’s total exports and was the largest market for Africa, up from being the second-largest market for Africa in 2009 (after the USA). During the same time, India is the second-largest market for Africa in 2018, with a share of 6.9 percent in Africa’s total exports; it was the sixth-largest market for Africa in 2009 (**Table 1.4**).

As regards imports, as well, the share of traditional markets such as France, USA, Germany, and Italy, as Africa’s key import sources has also been declining. China was the largest source for Africa’s imports, accounting for 15.7 percent of Africa’s total exports in 2018, up from 11.3 percent in 2009. India’s share increased from 3.4 percent in Africa’s global imports in 2009 to 4.4 percent in 2018.

Table 1.4: Africa’s Major Export Markets and Import Sources

Importers	Exports in 2009 (US\$ bn)	Share in total exports of Africa (%)	Exports in 2018 (US\$ bn)	Share in total exports of Africa (%)
China	40.3	11.0	72.0	14.4
India	15.8	4.3	34.3	6.9
Spain	18.7	5.1	30.0	6.0
France	28.1	7.7	30.0	6.0
USA	51.1	14.0	28.2	5.7
Italy	25.3	6.9	24.3	4.9
Germany	10.6	2.9	19.5	3.9
UAE	3.4	0.9	18.5	3.7
Netherlands	14.9	4.1	17.8	3.6
UK	13.4	3.7	16.5	3.3
South Africa	11.2	3.1	15.0	3.0

Exporters	Imports in 2009 (US\$ bn)	Share in total Imports of Africa (%)	Imports in 2018 (US\$ bn)	Share in total Imports of Africa (%)
China	44.5	11.3	90.6	15.7
France	30.2	7.7	30.6	5.3
USA	24.5	6.2	28.2	4.9
Germany	22.1	5.6	26.0	4.5
India	13.4	3.4	25.1	4.4
South Africa	21.6	5.5	24.6	4.3
UAE	7.2	1.8	22.7	3.9
Italy	18.2	4.6	22.1	3.8
Spain	11.7	3.0	21.2	3.7
Saudi Arabia	13.1	3.3	18.4	3.2
Russia	5.1	1.3	16.8	2.9

Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

Africa Trade – An Analysis

Trade performance of African countries has improved in recent years. It has positioned itself as a key partner in the global arena. Though the region is among the fastest growing regions in the world, its share in global trade has been declining (**Table 1.5**). Africa's exports accounted for 2.6 percent of global exports in 2018, while its imports accounted for 2.9 percent of global imports.

Table 1.5: Share of Select Regions in Global Trade

Region	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Africa	3.2	3.3	3.2	3.4	3.2	3.2	2.8	2.6	2.6	2.7
Asia	34.9	37.1	37.8	39.0	39.2	39.2	39.4	38.8	39.4	39.5
Europe	41.7	39.0	38.6	36.9	37.2	37.1	36.4	37.4	37.3	37.4
North America	13.1	13.1	12.7	13.0	12.8	13.1	14.0	14.0	13.5	13.3
Latin America and the Caribbean	5.5	5.8	6.0	6.1	6.0	5.9	5.9	5.7	5.6	5.6
Other Regions	1.5	1.6	1.7	1.7	1.6	1.6	1.5	1.5	1.6	1.5

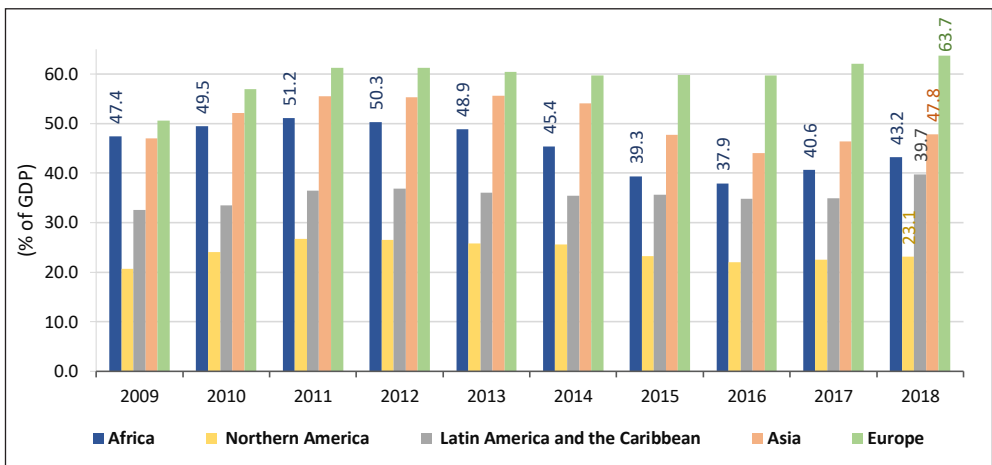
Source: UNCTADstat; and Exim Bank Analysis

• Africa's Trade Openness

A cross continental comparison of merchandise trade openness¹ reveals that Africa's trade openness has declined over the last ten years after peaking at 51.2 percent in 2011 (**Chart 1.5**). In 2018, Africa's trade openness increased to 43.2 percent of its GDP. However, it remained less open compared to Asia and Europe. Latin America and the Caribbean, and Northern Africa are less open to trade compared to Africa. At the sub-regional and country level, trade openness varies for Africa. North African countries tend to be more trade open with merchandise trade accounting for 49.2 percent of GDP in 2018, whereas trade openness of Sub-Saharan Africa stood at 40.9 percent in 2018.

Among African economies, Seychelles had the highest merchandise trade openness at 114.8 percent of GDP in 2018, while Ethiopia had the lowest merchandise trade openness at 20.7 percent of GDP in the same year.

Chart 1.5: Merchandise Trade Openness as a Percentage of GDP



Source: UNCTADStat and Exim Bank Analysis

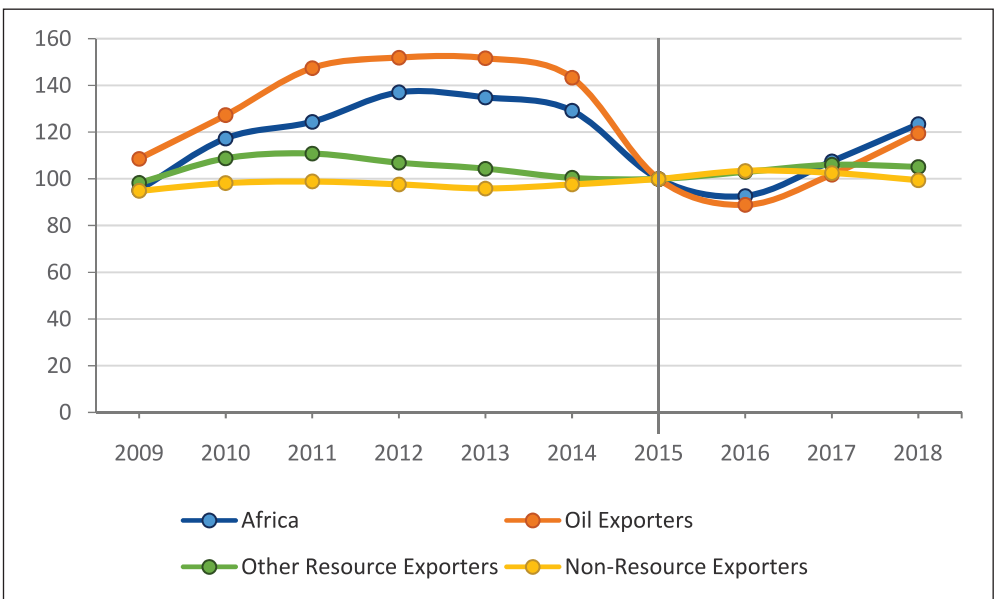
¹Sum of merchandise exports and imports as a percentage of nominal Gross Domestic Product (GDP) for a given year.

- **Africa's Terms of Trade**

The terms of trade or “net barter” terms of trade represents the percentage ratio of the export unit value index to the import unit value index. Therefore, increase in the value of terms of trade indicates a rise in the price of exports relative to import prices.

Despite a challenging global environment, several external factors have helped stabilize Africa’s growth and offset the effects of negative shocks. Commodity prices have broadly stabilized around US\$ 60/ per barrel in 2019. Overall, the terms of trade for Africa, particularly for energy exporters in Africa, have been strengthening since 2016 (**Chart 1.6**).

Chart 1.6: Africa's Terms of Trade



Note: The “net barter” terms of trade, defined as the ratio of the export unit value index to the import unit value index, with Index 2015=100; countries are classified as per African Economic Outlook 2020 country classification; data for Sudan and South Sudan are not available
 Source: UNCTADStat & Exim Bank Analysis

- **Export Product Concentration Index**

Among African economies, the degree of export product concentration² of Angola is the highest, while that of South Africa is the lowest indicating a well-diversified export basket. During 2009-2018, Liberia, Gabon and Burundi had witnessed significant decline in export product concentration, indicating their efforts to diversify its export basket. It was reverse in the case of Botswana, DR Congo, Sao Tome and Principe, and Zimbabwe, where their indices moved toward 1 (**Chart 1.7**).

During the 2009-2018, the export product concentration of Sub-Saharan Africa has remained unchanged at 0.4. Sub-regionally within Sub-Saharan Africa, Central Africa had the highest export product concentration at 0.7 in 2018; followed by Western Africa (0.5), Eastern Africa (0.2) and Southern Africa (0.1).

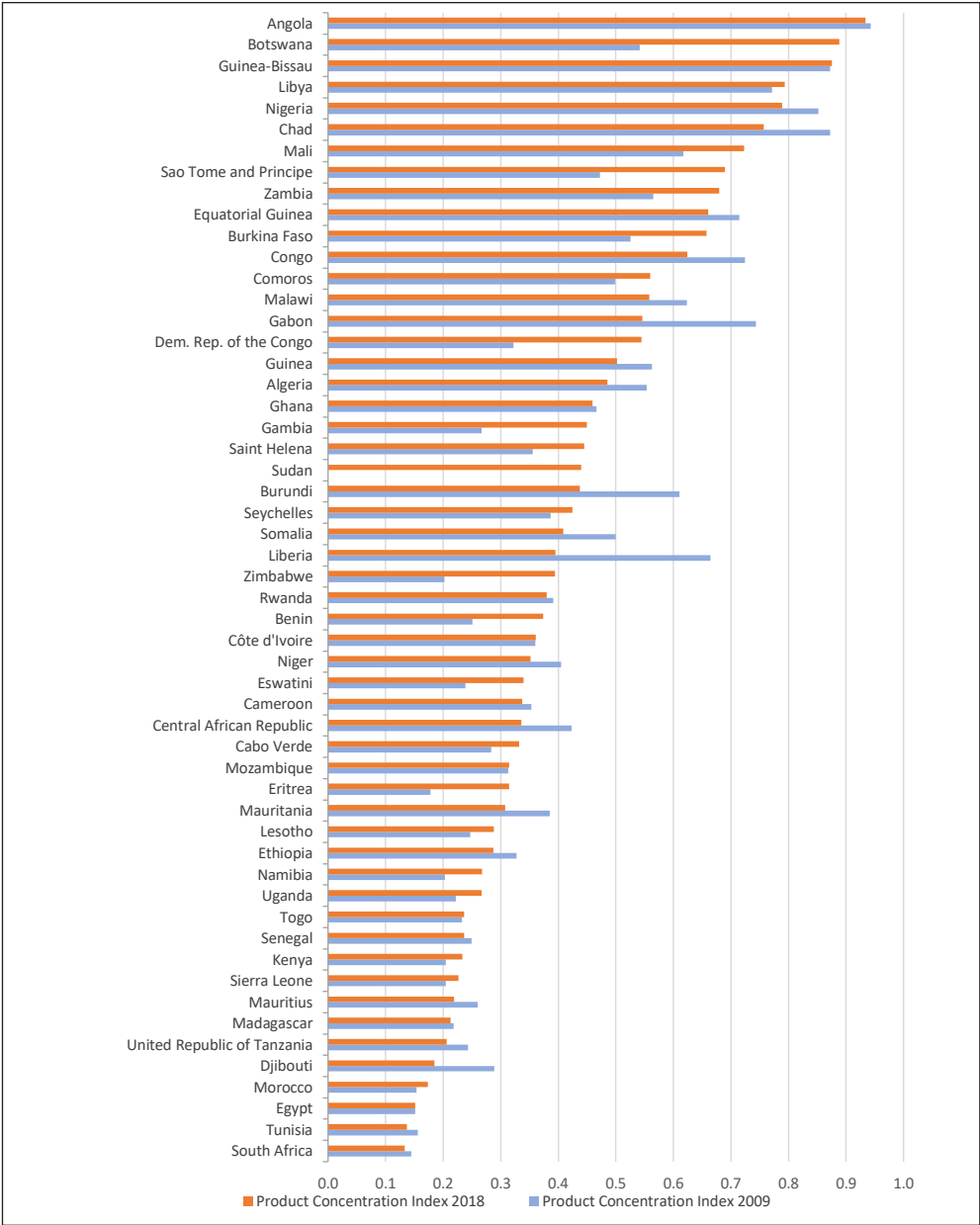
The export product concentration index of North Africa also remained unchanged at 0.4 in 2018 vis-à-vis that of 2009.

Globally, Africa had the highest degree of export product concentration (0.4), as compared to Asia (0.2), Latin America and the Caribbean (0.1), North America³ (0.2), or Europe (0.1).

²The export product concentration index is a measure of the degree of product concentration in a country's exports. An index value closer to 1 indicates a country's exports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports are more homogeneously distributed among a series of products.

³UNCTAD's classification for North America includes Greenland and Saint Pierre and Miquelon, which has been excluded to calculate the regional average of North America.

Chart 1.7: Export Product Concentration Index of African Economies



Note: Concentration index, also named Herfindahl-Hirschmann Index (Product HHI), is a measure of the degree of product concentration. An index value closer to 1 indicates a country's exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products.

Source: UNCTADstat; and Exim Bank Analysis

Foreign Direct Investment flows in African Region⁴

Foreign Direct Investment (FDI) flows to Africa recovered in 2018, increasing by 10.9 percent to US\$ 45.9 billion, after two successive years of decline. Growth in FDI was mainly supported by increasingly diversified investments in a few economies, and a recovery in South Africa (**Table 1.6**). FDI outflows from African countries in 2018 dropped by 26 percent to nearly US\$ 10 billion. This fall was mainly due to the significant reductions in outflows from Angola and South Africa. Egypt was the largest recipient of FDI inflows in Africa in 2018, with investments mainly in the oil and gas industry, as significant discoveries of offshore gas reserves attracted investments from MNEs. South Africa and Republic of Congo were the other recipients to foreign investment in 2018 of investments (**Chart 1.8**). As regards FDI outflow from Africa, South Africa was the largest investor (**Chart 1.9**).

Africa's manufacturing sector attracted an FDI of US\$ 33 billion in 2018, an increase of nearly 60 percent over the preceding year. Africa's investment outlook for 2019 is positive with FDI inflows projected to increase by 15 percent, in view of an expected acceleration of economic growth and advances in regional integration.

FDI inflows to North Africa increased by 7 percent to US\$ 14 billion. Egypt continued to be the largest FDI recipient in the region, with inflows at US\$ 6.8 billion in 2018. Foreign investment in Egypt was skewed towards the oil and gas industry, as significant discoveries of offshore gas reserves attracted investments from MNEs during the year.

FDI flows to Sub-Saharan Africa recovered by 13 percent to US\$ 32 billion in 2018, after a significant contraction for two years, mainly into natural resources and mineral etc. sectors. This increase can largely be attributed to recovery of inflows to South Africa.

FDI flows to Southern Africa recovered to nearly US\$ 4.2 billion in 2018, from a divestment of (-) US\$ 925 million in 2017. FDI flows to South Africa more than doubled to US\$ 5.3 billion in 2018, contributing to progress in the Government's campaign to attract US\$ 100 billion of FDI by 2023. FDI flows to West Africa fell 15 percent to US\$ 9.6 billion, largely due to the substantial drop in FDI flows to Nigeria. FDI flows to East Africa and Central Africa were largely unchanged in 2018 at US\$ 9 billion and US\$ 8.8 billion, respectively.

⁴UNCTADstat and World Investment Report 2019, UNCTAD

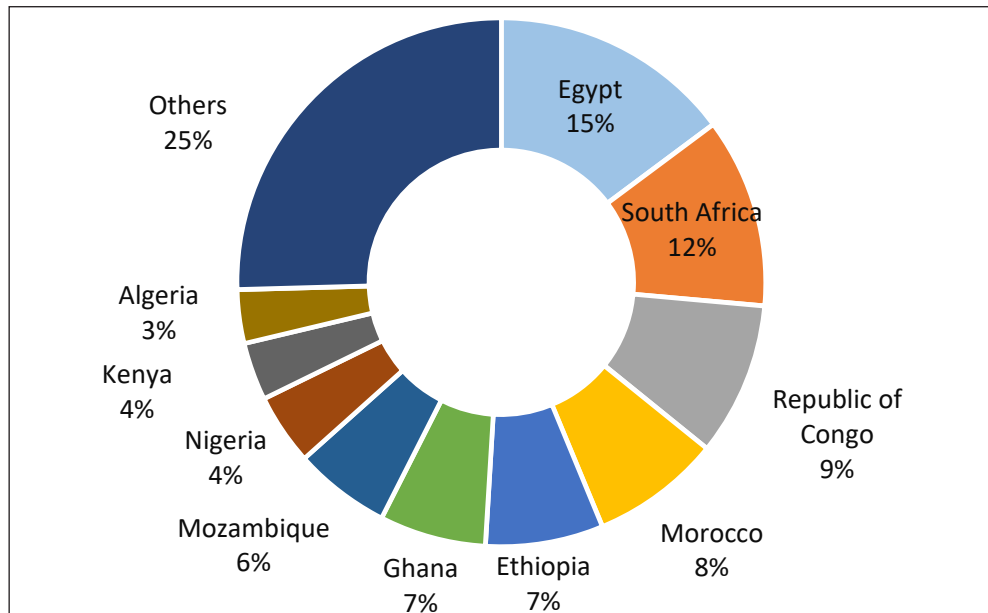
According to UNCTAD’s World Investment Report 2019, India is the tenth-largest investor in Africa in stock terms in 2017. According to Earnest Young’s Africa Attractiveness report, FDI to Africa remained generally steady in 2018. While Africa’s extractives attracted a large portion of inbound capital in 2018 (36 percent), majority of the projects and jobs created were actually in the services and industry sectors. Sectors such as telecoms, media, and technology (TMT) and consumer products and retail (CPR) in Africa have gained prominence in 2018. It further states that FDI in the consumer segment has been driven by the demands of Africa’s rapidly urbanizing population with rising income levels, while investment in TMT has been driven by increasing presence of global technology companies in Africa.

Table 1.6: Africa’s Foreign Investment Flows, 2009-2018 (US\$ mn)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Africa Inflows	54,926.0	44,556.4	43,899.1	56,853.7	50,074.8	53,906.0	56,874.1	46,482.4	41,389.8	45,902.2
Africa Outflows	6,461.2	10,468.8	5,316.5	10,676.1	11,119.1	10,532.7	9,654.0	9,497.0	13,251.8	9,800.9

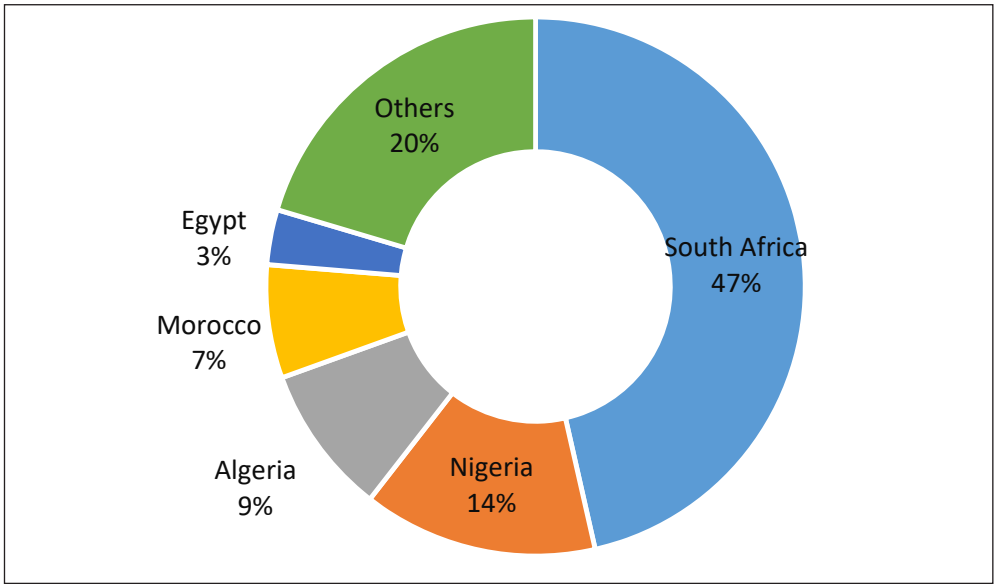
Source: UNCTADstat; and Exim Bank Analysis

Chart 1.8: Major Recipients of FDI Inflows in Africa in 2018



Source: UNCTADstat; and Exim Bank Analysis

Chart 1.9: Major Source of FDI Outflows from Africa in 2018



Source: UNCTADstat; and Exim Bank Analysis

2. AFRICAN CONTINENTAL FREE TRADE AGREEMENT

The African Continental Free Trade Agreement (AfCFTA) was first signed in Kigali, Rwanda, on March 21, 2018. The AfCFTA presently has all the African Union (AU) states as signatories except for Eritrea. On April 29, 2019, with the ratification of the AfCFTA by Sierra Leone and the Sahrawi Republic, the minimum threshold of ratification by member states was reached, which led to the formal existence of the free trade area. The AfCFTA finally came into force on May 30, 2019. The AfCFTA is an outcome of Africa's continued efforts towards economic integration.

As on January 2020, 30 countries have ratified the AfCFTA, implying that the Agreement is effective in those 30 countries, i.e the rights, provisions and obligations of the Agreement now apply⁵.

Before the existence of the AfCFTA, there were eight Regional Economic Community (REC) recognized by the AU for continental economic integration. RECs recognized by AU include Arab Maghreb Union (UMA), Common Market for Eastern and Southern Africa (COMESA), Community of Sahel–Saharan States (CEN–SAD), East African Community (EAC), Economic Community of Central African States (ECCAS), Economic Community of West African States (ECOWAS), Intergovernmental Authority on Development (IGAD) and Southern African Development Community (SADC). These eight sub-regional bodies are the building blocks of the African Economic Community established in the 1991 Abuja Treaty, which provides the overarching framework for continental economic integration.

In lines with the objectives of the Abuja Treaty, the AfCFTA was designed to create an integrated continental market for goods and services and to support the movement of capital and natural persons. The AfCFTA is one of the flagship projects of the First Ten Year Implementation Plan under the AU Agenda 2063. Trade under this Agreement is expected to commence from July 2020. The AfCFTA is expected to create ample opportunities for entrepreneurs across the continent. It has the potential to enhance competitiveness, promote industrial

⁵African Continental Free Trade Area, Questions & Answers, United Nations Economic Commission for Africa, January 2020.

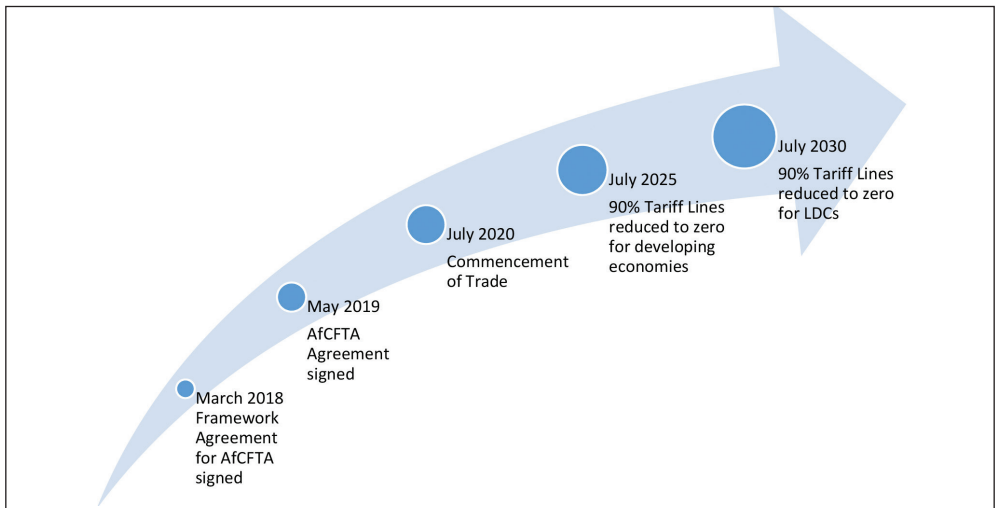
development through diversification and regional value chain development as well as sustainable socio-economic development and structural transformation of the continent.⁶

The 'operational phase' of the AfCFTA was launched by an Extraordinary AU Summit in Niamey, Niger on July 7, 2019, following which the removal of tariffs on goods traded under the AfCFTA by July 1, 2020. During this Summit, it was also decided that the AfCFTA Secretariat will be established by March 31, 2020 in Accra, Ghana.

The Niamey Summit also launched five complementary initiatives to support the implementation of the AfCFTA, which include: (a) AfCFTA product-specific rules of origin covering 90 percent of tariff lines; (b) Continental Online Mechanism for Monitoring, Reporting and Eliminating Non-Tariff Barriers; (c) Pan-African Payments and Settlements System; (d) Online Portal for Trade in Goods Tariff Negotiations; and (e) AU Trade Observatory. The timelines for implementing the AfCFTA is highlighted in **Exhibit 2.1**.

The AfCFTA is being negotiated in two phases. Trade in goods and services and dispute settlement are negotiated in Phase I, whereas Phase II negotiations will focus on investment, competition policy and intellectual property rights.⁷ Following are the objectives of the AfCFTA for enhancing goods and services trade (**Table 2.1**).

Exhibit 2.1: Timeline for the Implementation of AfCFTA



⁶UNCTAD (2019), A step forward for continent if transport, utilities, capital and the right rules of commerce are put in place, Dr. Mukhisa Kituyi, Secretary-General of UNCTAD

⁷UNCTAD (2019), The African Continental Free Trade Area Agreement – what is expected of LDCs in terms of trade liberalisation?, Trudi Hartzenberg, LDC Portal, UNCTAD

Table 2.1: Key Objectives of the AfCFTA

Trade in Goods	Trade in Services
<ul style="list-style-type: none"> • Elimination of duties and quantitative restrictions on imports • Imports shall be treated no less favourably than exports • Elimination of non-tariff barriers • Enhance efficiency of custom procedures • Improve cooperation on product standards and regulations • Cooperation in technical assistance and capacity building • Industrialization of African economies and promote regional and continental global value chains 	<ul style="list-style-type: none"> • Transparency of service regulations • Mutual recognition of standards, licensing and certification • Services suppliers not be treated less favourably than domestic suppliers in liberalized sectors • Progressively liberalize services trade

Source: African Continental Free Trade Area, Questions & Answers, United Nations Economic Commission for Africa

Tariff concessions are a matter of concern for African LDCs. Despite low levels of intra-Africa trade, tariff revenue is still an important source of government revenue. The African countries also use tariffs to protect their domestic industries by reducing import competition. **Table 2.2** summarises the modalities for the negotiation of tariff concessions under AfCFTA.

Starting from July 1, 2020⁸, tariffs on 90 percent of goods traded within AfCFTA countries will be reduced in equal annual instalments until they are eliminated within 5 years for non-LDCs and 10 years for LDCs. Therefore, under AfCFTA, a product which was facing a tariff of 25 percent and is being imported into a non-LDC will have a tariff at only 20 percent from July 2020, then 15 percent from July 2021, these reductions would be there each year until the product is traded duty-free by July 2025.

For an additional 7 percent of ‘sensitive’ goods, tariffs will fall within 10 years for non-LDCs and 13 years for LDCs. A final 3 percent of ‘excluded’ products are to retain their tariffs to allow flexibilities for Members with particular sensitivities, but will be subject to a review process every five years.

⁸African Continental Free Trade Area, Questions & Answers, United Nations Economic Commission for Africa, January 2020

As a special dispensation, the ‘G6’ countries of Ethiopia, Madagascar, Malawi, Sudan, Zambia and Zimbabwe, which face specific development challenges, will reduce tariffs on 90 percent of goods over the longer period of 15 years. Angola and Sao Tome and Principe, which are due to graduate from their LDC status in 2021 and 2024, respectively, are not included in the G6 group.

The division of 10 percent tariff lines among the sensitive and excluded products are yet to be decided for these economies.

Apart from these, the AfCFTA also contains commitments on customs cooperation and mutual administrative assistance, trade facilitation, technical barriers to trade, sanitary and phytosanitary standards, and trade transit.

Most economies in the region are small and substantially underdeveloped. The AfCFTA provides scope for boosting intra-African trade and thus, improve the participation of such countries in global trade.

Table 2.2: Tariff Liberalization under the AfCFTA

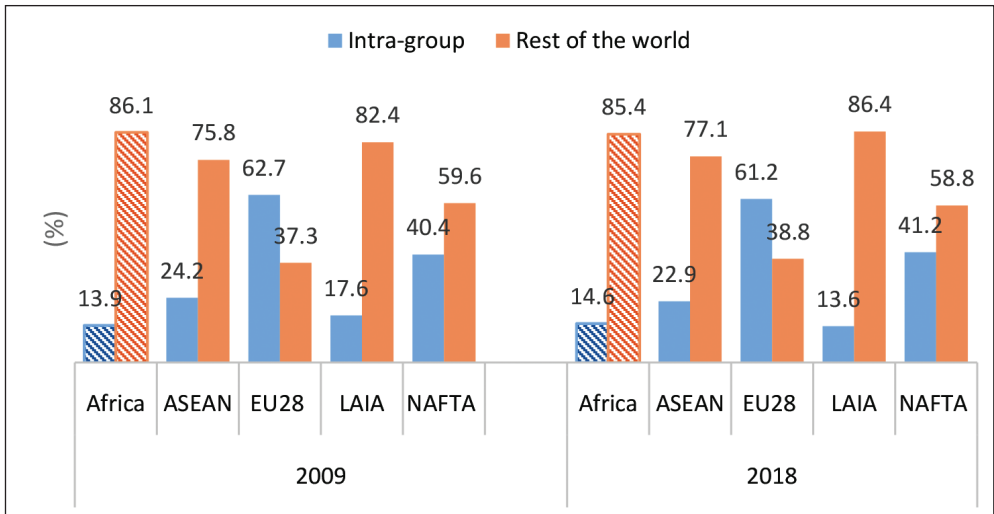
	LDCs	Non-LDCs	G6 countries
Full liberalisation	90 percent of tariff lines	90 percent of tariff lines	90 percent of tariff lines
	10-year phase down	5-year phase down	15-year phase down
Sensitive products	7 percent of tariff lines	7 percent of tariff lines	
	13-year phase down (current tariffs can be maintained during first 5 years – phase down starting in year 6)	10-year phase down (current tariffs can be maintained during first 5 years – phase down starting in year 6)	Not yet determined
Excluded products	3 percent of tariff lines	3 percent of tariff lines	Not yet determined

LDCs: Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, South Sudan, Sudan, Togo, Uganda, United Republic of Tanzania, Zambia

G6 countries: Ethiopia, Madagascar, Malawi, Sudan, Zambia, Zimbabwe

Source: African Continental Free Trade Area, Questions & Answers, United Nations Economic Commission for Africa, January 2020; UNCTAD LDC Portal; and Exim Bank Analysis

Chart 2.1: Intra-regional Merchandise Trade by Region



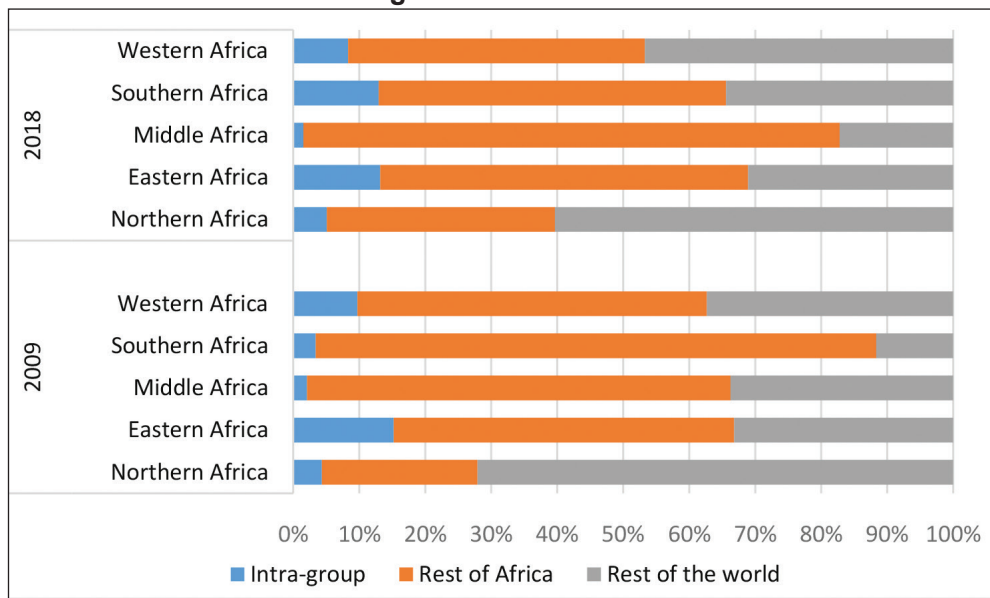
Source: UNCTADStat and Exim Bank Analysis

To gauge the effects of AfCFTA on Africa, this section examines the present status of the intra-regional trade of Africa.

Presently, intra-regional trade in Africa stood at 14.6 percent in 2018 increasing modestly from a share of 13.9 percent in 2009. North American Free Trade Agreement (NAFTA) accounted for the highest intra-regional trade share of 41.2 percent in 2018, followed by European Union (28 nations), Association of South East Asian Nations (ASEAN) and LAIA (Latin American Integration Association) (**Chart 2.1**). This intra-continental shortage of trade in Africa underscores the extent of the revenue foregone within the continent and the scope for improving commercial engagements among African countries. This is particularly critical for Africa, considering that 16 of the 54 countries are landlocked. This gap also highlights the benefits that the African economies may reap by working towards a successful implementation of the AfCFTA.

According to the traditional trade theory, a free trade area results in creation and diversion with a net positive effect on economic welfare (Viner's Theory). According to a simulation done by Mevel and Karingi using the Computable General Equilibrium model in 2012, deepened regional integration in Africa would boost exports, real income and wages. The simulations further reveal that the removal of tariffs, supplemented by trade facilitation in the AfCFTA (the paper AfCFTA would be applicable from 2017), could lead to trade creation effects

Chart 2.2: Intra-regional Merchandise Trade in Africa



Source: UNCTAD Stat and Exim Bank Analysis

that are stronger than trade diversion effects, with intra-African trade estimated to increase by 52.3 percent or by US\$ 34.6 billion in 2022, compared with a baseline scenario of not having a free trade area⁹.

Presently, intra-African exports stood at US\$ 77.3 billion in 2018 whereas imports stood at US\$ 73.6 billion so the intra-regional trade (considering the average of export and import¹⁰) comes to US\$ 75 billion.

Africa's market is highly fragmented. An analysis of intra-regional trade within Africa highlights the dependence of Middle Africa on the continent, primarily reflecting the dependence of landlocked countries (**Chart 2.2**).

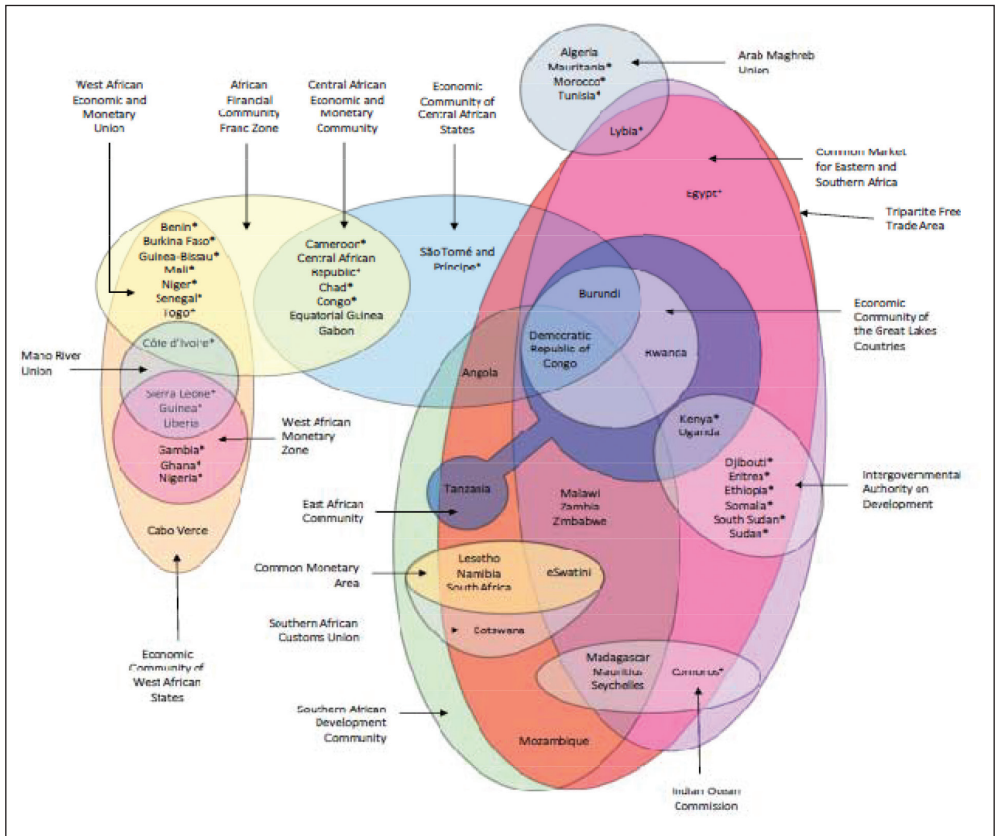
Africa is characterized by a plethora of trade regimes shaped majorly by its colonial past. It may be divided into three broad categories. The first category includes those African countries that entered into preferential agreements with other countries outside the continent. These include agreements under the Generalised System of Preferences (GSP) and Duty-Free Treatment for Least-

⁹AfDB (2012), Deepening Regional Integration in Africa: A Computable General Equilibrium Assessment of the Establishment of a Continental Free Trade Area followed by a Continental Customs Union, Simon Mevel, Stephen Karingi, Paper presented at the 7th African Economic Conference Kigali, Rwanda, 30 October - 2 November, 2012

¹⁰UNCTAD Methodology

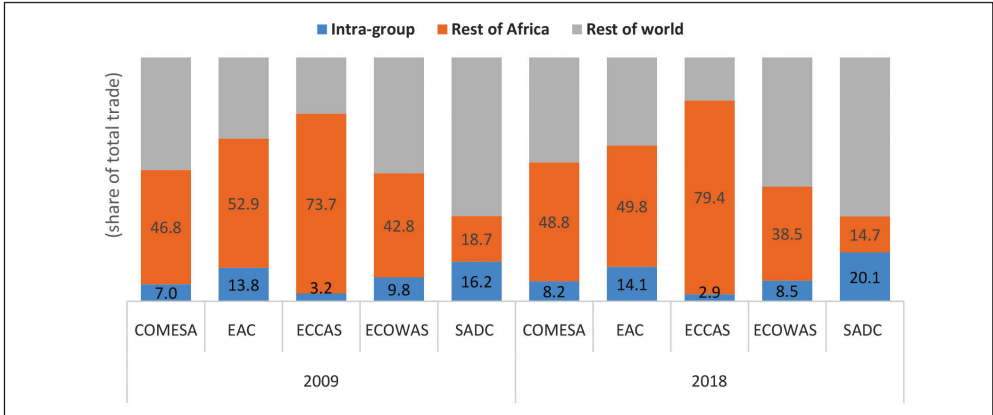
Developed Countries (LDCs), and preferential access to the US market under the African Growth and Opportunity Act (AGOA). The second category covers the regional trade agreements between African countries and countries outside Africa. This grouping includes the various Economic Partnership Agreements (EPAs) that the EU has negotiated with different countries and regional groupings on the continent, which also call for the partial and gradual opening of African markets to EU imports. Third, there is a web of intra-African trade agreements, including eight RECs, and four sub-regional groupings (**Exhibit 2.2**).

Exhibit 2.2: Existing Regional Trade Agreements in Africa in 2019



Source: Adapted from African Economic Outlook 2019

Chart 2.3: Intra-regional Trade by Select Economic Communities in Africa



Source: UNCTAD Stat and Exim Bank Analysis

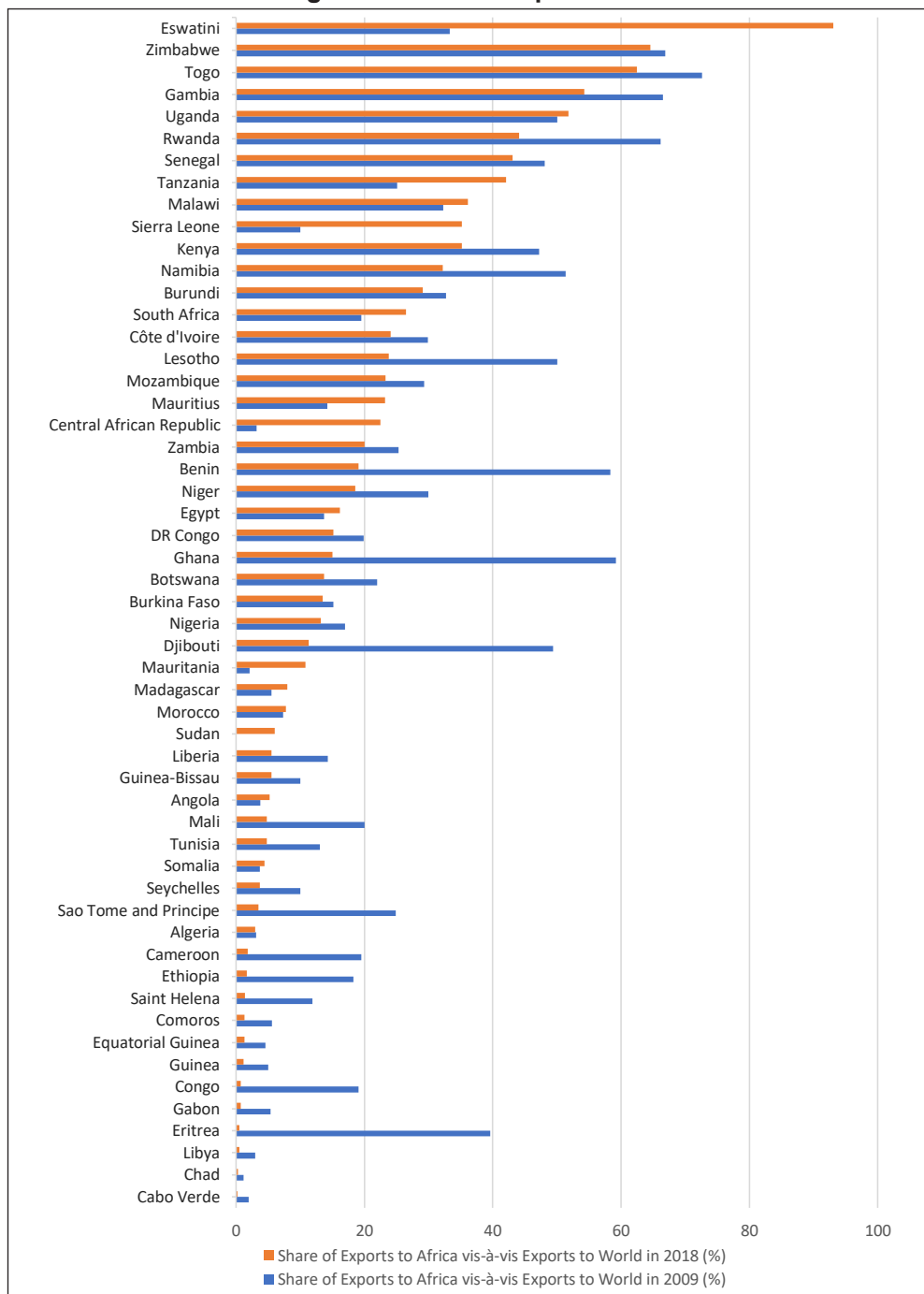
Despite having eight regional economic communities and four sub-regional groupings, Africa's intra-regional trade continues to remain low. According to the United Nations Conference on Trade and Development (UNCTAD), the share of SADC's intra-regional trade was the highest among all the RECs at 20.1 percent in 2018 followed by EAC accounting for 14.1 percent of intra-regional trade. The following chart reveals that although SADC is found to be among the most integrated trade blocs among the African Economic Communities, it trades less with the rest of Africa compared to the others (**Chart 2.3**).

The difference in intra-trade across these trading blocs reflects various economic factors leading to a difference in trade integration. The economic groups as well as the countries are at different stages of economic as well as industrial development, production processes and structures, state of political situations and implementation of agreements. As established in our earlier study¹¹ using WTO data, intra-African trade is characterized by trade in manufacturing whereas trade between African and the rest of the world is dominated by primary commodities (majority being fuel and mining products).

Chart 2.4 highlights the share of intra-regional exports of African economies to their total exports. It may be noted that 93 percent of Eswatini's exports were to Africa, particularly South Africa, mainly under Southern African Development Community (SADC). Further, it may also be noted, that as compared to the share of 33.3 percent in the growth in Africa's share in Eswatini's total exports has been significant. Among the larger exporters of the continent, the share of Africa in South Africa's total exports was 26.5 percent in 2018, followed by Nigeria (13.2 percent of its global exports), Angola (5.2 percent), Algeria (3 percent), and Libya (0.3 percent).

¹¹Exim Bank (2019), India-SADC Trade and Investment Relations: Harnessing the Potential, March 2019

Chart 2.4: Intra-regional Share of Exports of African Countries



Source: ITC Geneva, based on COMTRADE Statistics; and Exim Bank Analysis

Estimated Gains from the AfCFTA

In the African Economic Outlook 2019, the African Development Bank (AfDB) uses the Global Trade Analysis Project (GTAP) model for estimating the expected gains from the AfCFTA. Phase I of implementation of the AfCFTA calls for eliminating tariffs and non-tariff barriers in goods and services. The analysis is done based on four scenarios (**Table 2.3**).

In scenario 1, where only bilateral tariffs are removed, intra-regional trade of Africa in volume terms increases by 14.6 percent. There is modest trade diversion—Africa would be exporting somewhat less to the rest of the world (–US\$ 4.3 billion), in volume terms the reduction would be around 0.8 percent.

Scenario 2 would be extending the AfCFTA to removing the ad valorem tariff equivalents of non-tariff barriers on goods and services on a Most Favoured Nation (MFN) basis. The removal of the high ad valorem tariff equivalents of nontariff barriers on imports into Africa leads to a large boost in intra-African trade of around 107.2 percent in volume terms. This would also lead to an increase in rest of the world's imports from Africa by 35.7 percent in volume terms.

In scenario 3, there is implementation of the World Trade Organization's (WTO's) Trade Facilitation Agreement (TFA) on an MFN basis. The TFA aims at reducing the time for cross border trade and in turn reduce trade transaction costs tied to non-tariff measures, implying that this scenario witnessed a more aggressive form of AfFTA. This would give further boost to intra-Africa trade. In volume terms, intra-Africa trade would improve by 132.7 percent.

Scenario 4 witnesses an increase in market access in other developing countries and adds to the domestic reform agenda. This scenario thus assumes that other developing nations also carry out reforms and there is a 50 percent reduction in tariffs and non-tariff barriers in other developing countries on MFN basis. In this scenario, Africa's intra-regional trade in volume terms increases by 110 percent, lower than that recorded in scenario 3. There is thus a modest rotation away from intra-African trade toward exporting to the rest of the world relative.

Table 2.3: Estimated Impact across four trade integration scenarios under the AfCFTA

	Estimated Impact on Africa's Imports from Africa, change in value terms (US\$ billion)	Estimated Impact on Rest of the World's Imports from Africa, change in value terms (US\$ bn)	Estimated Impact on Africa's Imports from Africa, change in volume terms (%)	Estimated Impact on Rest of the world's Imports from Africa, change in volume terms (%)
<i>Scenario 1:</i> Removal of Bilateral Tariff within Africa	10.1	-4.3	14.6	-0.8
<i>Scenario 2:</i> Scenario 1+ removal of ad valorem tariff equivalents of nontariff barriers on a MFN basis	74.3	181.8	107.2	35.7
<i>Scenario 3:</i> Scenario 2+ TFA on MFN Basis	92.0	203.6	132.7	40.0
<i>Scenario 4:</i> Scenario 3+ 50 percent reduction in tariffs and non-tariff barriers in other developing countries on MFN basis	76.3	252.4	110.0	49.6

Source: African Economic Outlook 2019

The AfCFTA establishes the largest free trade area in the world since the creation of the WTO in 1995. Undoubtedly, the estimated gains from the AfCFTA are enormous, but they need to be supplemented by reforms, especially at the institutional level and remove any restrictions to cross-border trade. RECs should pursue stronger technological advances that facilitate movement of funds across borders.

Challenges to AfCFTA

Africa is a highly fragmented continent, with its economies at varying stages of development. AfCFTA's success depends on the Africa's ability to overcome several challenges, including limitations in infrastructure, resources, political climate, existing regional trade agreements, and facilitation of goods and people within the continent.

The present low level of intra-regional trade indicates that regional integration is yet to be established in the African continent. Some RECs have successfully encouraged effective trade between member countries, despite challenges faced. Côte d'Ivoire, Kenya, Senegal, Morocco and South Africa have become regional trading hubs, having leveraged alliances they established through their respective RECs. African economies should draw on the lessons from these successful RECs to further implement effective intra-regional trade¹².

Since RECs in Africa are fragmented, the Rules of Origin (RoO) are also fragmented; for example SADC members follow the SADC RoO model. To boost intra-regional trade, African countries also need to ensure that a well-integrated policy framework is in place, particularly in terms of the RoO compatible with the African productive capacity needs¹³.

Businesses in Africa currently face higher tariffs (with average tariffs of 6.1 percent) when they export within Africa than when they export outside it¹⁴. There is thus a need to eliminate tariffs on intra-African trade, making it easier for African businesses to trade within the continent and cater to and benefit from the growing African market.

Last but not the least, is the issue of addressing the other non-tariff barriers to intra-regional trade. Apart from infrastructure and poor trade logistics, onerous regulatory requirements, volatile financial markets, regional conflict and complex and corrupt customs procedures pose significant hindrance to smooth trade.

¹²'How to Unlock Africa's \$3 Trillion Free Trade Opportunity', Baker McKenzie, November 11, 2019

¹³'The African continental free trade area and its implications for India-Africa trade', Observer Research Foundation, October 2018.

¹⁴United Nations Economic Commission for Africa (UNECA), African Continental Free Trade Area - Questions & Answers (<https://www.uneca.org/publications/african-continental-free-trade-area-questions-answers> accessed on January 15, 2020)

3. INDIA'S TRADE AND INVESTMENT RELATIONS WITH AFRICA: A BACKGROUND

The recent years have witnessed tremendous increase and deepening of economic and cultural exchanges and cooperation between India and Africa. With a view to facilitate and further enhance bilateral trade and commercial relations with countries in Africa, India has put in place important policy measures as also institutional frameworks to create an enabling trade and business environment. Major policy initiatives and institutional frameworks include, among others, Focus Africa Programme, India's Duty Free Tariff Preference (DFTP-LDC) Scheme for Least Developed Countries, Pan-African E-Network: India and Pan-African Countries Initiative (now called e-VidyaBharati and e-AarogyaBharati (e-VBAB) Network Project), IBSA Initiative, Inter-bank cooperation among BRICS members, and India-Africa Forum Summit.

Trends in India-Africa Bilateral Trade

The synergy that exists between India and Africa can be gauged from the robust trends in India-Africa trade relations (**Table 3.1**). India's bilateral trade with Africa increased from US\$ 39.0 billion in 2008-09 and peaked in the year 2014-15 reaching US\$ 71.5 billion. India's trade trends with Africa has been in line with its global trade, with bilateral trade recovering since 2017-18 after falling for two consecutive years.

India's exports to Africa have more than doubled to US\$ 28.5 billion in 2018-19, vis-à-vis that of 2008-09. India's exports to Africa account for 8.7 percent share in India's total exports. India's imports from Africa, at the same time, also increased to US\$ 41.1 billion in 2018-19 from US\$ 25.6 billion in 2008-09, which represent 8.0 percent share in India's total imports. India's exports to Africa grew at an annual average of 10.4 percent during 2008-09 to 2018-19, while India's imports from Africa grew at an annual average of 7.1 percent during the same period. India's trade deficit with Africa significantly narrowed during 2012-13 to 2016-17, reflecting fall in commodity prices. In 2017-18, trade deficit increased to US\$ 12.9 billion, and settled at US\$ 12.6 billion in 2018-19.

Table 3.1: India's Trade with Africa

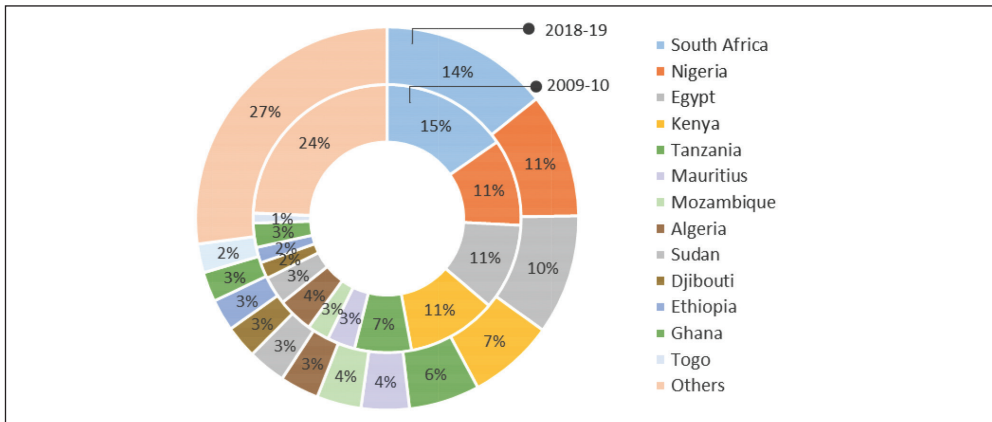
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
India's Exports to Africa (US\$ bn)	13.4	19.7	24.7	29.1	31.2	32.8	25.0	23.1	24.9	28.5
<i>Africa's Share in India's Exports (%)</i>	7.5%	7.9%	8.1%	9.7%	9.9%	10.6%	9.5%	8.4%	8.2%	8.7%
India's Imports from Africa (US\$ bn)	25.6	32	44.1	41.1	36.6	38.6	31.7	28.8	37.8	41.1
<i>Africa's Share in India's Imports (%)</i>	8.9%	8.6%	9.0%	8.4%	8.1%	8.6%	8.3%	7.5%	8.1%	8.0%
India's Total Trade with Africa (US\$ bn)	39.0	51.7	68.8	70.3	67.9	71.5	56.7	52.0	62.7	69.7
India's Trade Balance with Africa (US\$ bn)	-12.2	-12.2	-19.4	-12.0	-5.4	-5.8	-6.6	-5.7	-12.9	-12.6

Source: Ministry of Commerce and Industry (MOCI), Government of India; and Exim Bank Analysis

Major Export Partners

South Africa is the leading destination for India's exports to Africa, accounting for around 14.3 percent of India's exports to the region in 2018-19, followed by Nigeria, Egypt, Kenya, and Tanzania. Trends in India's exports to major markets in Africa are shown in **Chart 3.1**. India's export market concentration in Africa has remained unchanged from that recorded in 2009.

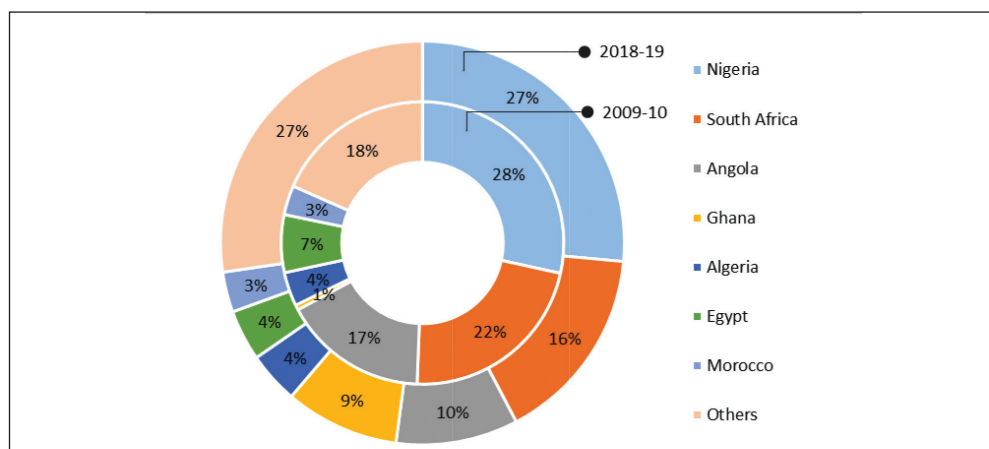
Chart 3.1: India's Major Export Destinations in Africa



Note: India's exports to Africa stood at US\$ 13.4 billion in 2009-10 and US\$ 28.5 billion in 2018-19

Source: Ministry of Commerce and Industry (MOCI), Government of India; and Exim Bank Analysis

Chart 3.2: India's Major Import Sources from Africa



Note: India's imports from Africa stood at US\$ 25.6 billion in 2009-10 and US\$ 41.1 billion in 2018-19

Source: Ministry of Commerce and Industry (MOCI), Government of India; and Exim Bank Analysis

Major Import Partners

As regards India's imports from Africa, Nigeria dominated with a significant share of 26.5 percent of India's imports from Africa during 2018-19, reflecting significant imports of crude oil from the country. South Africa is the second-largest import source from Africa, with a share of 15.8 percent during 2018-19, followed by Angola, Ghana, Algeria and Egypt (**Chart 3.2**). The combined share of Nigeria and South Africa, which are India's major suppliers from Africa, has declined over the past decade, indicating diversification of India's import sources from Africa.

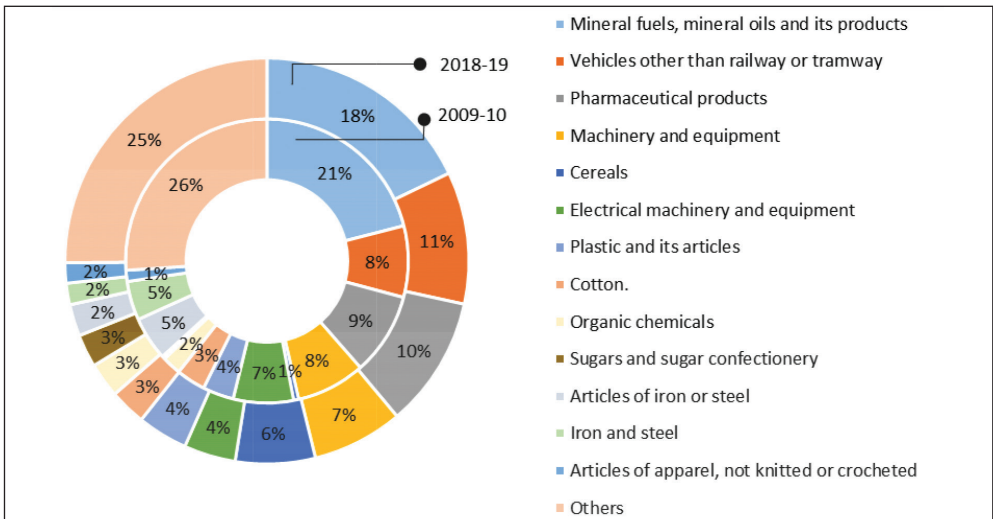
Major Traded Items

Exports

Petroleum products are the largest items in India's export basket to Africa, contributing 17.9 percent to India's total exports to Africa during 2018-19 (**Chart 3.3**). Other important items of exports to Africa in 2018-19 include vehicles other than railway or tramway, pharmaceuticals products, machinery and equipment, cereals, electrical machinery and equipment and plastics and its articles.

The importance of Africa as India's export destination can be assessed from the fact that Africa accounts for 8.7 percent of its global exports in 2018-19. Of which, India's export of mineral fuels, mineral oils and its products (mainly petroleum oils), accounts for 1.5 percent.

Chart 3.3: India's Major Export Items to Africa



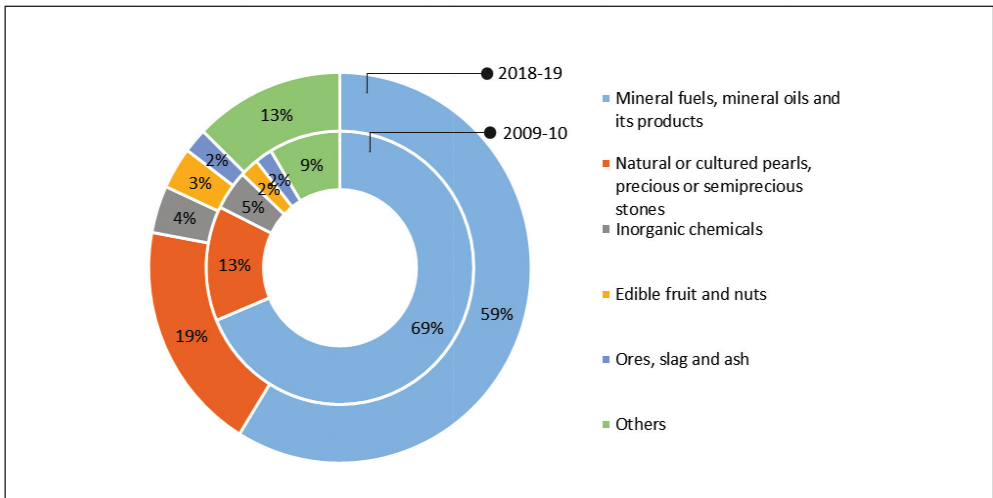
Note: India's exports to Africa stood at US\$ 13.4 billion in 2009-10 and US\$ 28.5 billion in 2018-19

Source: Ministry of Commerce and Industry (MOCI), Government of India; and Exim Bank Analysis

Imports

Chart 3.4 highlights the major items imported by India from the African Region. As is evident, mineral fuels, mineral oils and its products (mainly crude) accounted for more than half of India's total imports from Africa during 2018-19. Other major imports from Africa include natural or cultured pearls, precious or semiprecious stones, inorganic chemicals, edible fruit and nuts, and ores, slag and ash. During 2009-10 to 2018-19, India's imports from Africa have been dominated by mineral fuels, mineral oils and its products (mainly crude) and natural or cultured pearls, precious or semiprecious stones that together have been accounting for nearly 80 percent of India's imports from Africa.

Chart 3.4: India's Major Import Items from Africa



Note: India's imports from Africa stood at US\$ 25.6 billion in 2009-10 and US\$ 41.1 billion in 2018-19

Source: Ministry of Commerce and Industry (MOCI), Government of India; and Exim Bank Analysis

Trends in India-Africa Bilateral Investments

India increasingly emerged as an important global investor in overseas markets, besides being one of the major recipients of global FDI inflows.

Historically, India's business interest and investments in Africa were largely driven by small and medium enterprises and traders. In the recent past, such investments were increasingly driven by bigger Indian companies. Most of these companies have made significant investments in the extraction sector of different African countries. Increasing demand for energy and raw materials in the domestic economy is the major driving force for these companies.

Indian investments in Africa are both in greenfield and brownfield, spanning sectors such as pharmaceuticals and healthcare, energy, ICT, power, roads, railways, and automobiles, among others. Many Indian investments resulted in creation of infrastructure backbone in several African countries. Major Indian investors include Tata Motors, Mahindra and Mahindra, Bharati Airtel, ONGC Videsh, Reliance Industries, Tata Group, Vedanta Resources, Shree Renuka Sugars Ltd, Apollo Tyres, Mahindra Group, Cipla, Kanoria Chemicals, Glenmark Pharmaceuticals, Onmobile Global, RITES, Larsen & Toubro Ltd, and Ashok Leyland, among others.

Indian Investments in Africa Region

According to data from the Ministry of Finance, Government of India (GoI) and the Reserve Bank of India (RBI), approved¹⁵ cumulative India's investments in Africa during April 1996 to March 2019 amounted to US\$ 64.6 billion. Mauritius, Mozambique, Sudan, Egypt and South Africa were the top destinations of India's investments in the African region (**Table 3.2**).

Indian FDI in Africa has largely been concentrated in Mauritius, mainly due to the Double Taxation Avoidance Convention¹⁶.

Table 3.2: India's Overseas Investments in Africa (US\$ mn)

S. No.	Name of the country	April 1996 to March 2010	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	April 1996 to March 2019
1	Mauritius	9081.4	13106.9	7421.1	4438.9	4581.9	4580.8	3670.4	5392.7	1387.1	3086.8	56748.0
2	Mozambique	18.2	3.0	1.0	0.6	2643.1	7.7	1.7	8.0	37.3	40.2	2760.8
3	Sudan	1224.8	13.9	-	-	-	-	-	-	-	-	1238.8
4	Egypt	821.8	24.0	11.8	76.6	29.2	17.6	8.3	1.0	13.8	22.0	1026.1
5	South Africa	197.5	41.8	12.2	137.5	19.1	29.5	60.6	32.5	64.9	54.8	650.4
6	Libya	163.2	56.0	-	0.8	27.2	7.4	0.1	0.5	0.6	5.2	261.0
7	Kenya	150.4	0.7	1.8	8.7	1.8	6.1	3.8	7.8	28.1	20.7	229.9
8	Tunisia	5.2	-	-	4.7	103.5	-	82.2	0.1	2.5	-	198.2
9	Liberia	191.0	-	0.4	0.4	0.3	0.2	-	-	-	-	192.3
10	Zambia	3.1	0.9	2.8	4.5	12.0	41.7	79.7	10.8	10.2	2.6	168.3
	Africa Total	12216.0	13346.7	7510.0	4717.5	7492.5	4790.2	3970.5	5520.9	1651.6	3335.5	64551.4
	Total (including GIFT City)	89479.8	43929.0	30862.9	26872.4	36900.5	30919.5	22016.5	24863.0	18654.9	21322.6	345821.1
	Share of Africa	13.70%	30.40%	24.30%	17.60%	20.30%	15.50%	18.00%	22.20%	8.90%	15.60%	18.67%

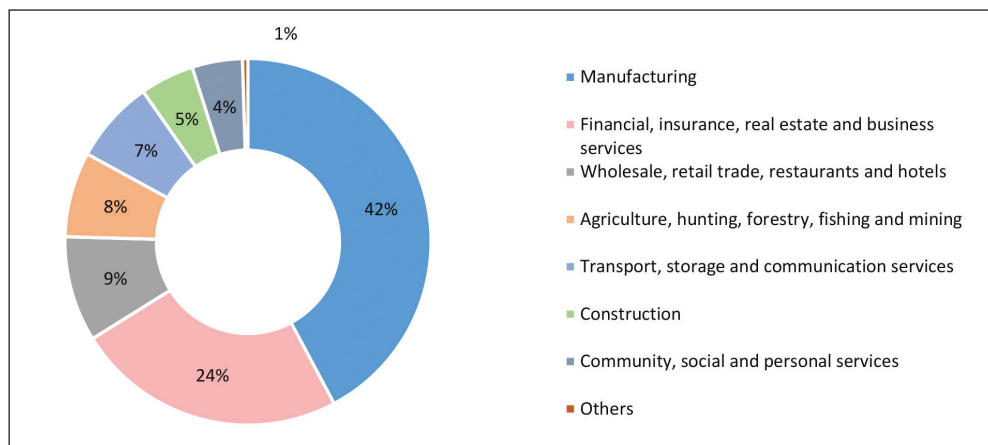
- Negligible/ nil

Source: Ministry of Finance, GoI and Reserve Bank of India (RBI); and Exim Bank Analysis

¹⁵Approved Overseas Direct Investment implies RBI approvals (financial commitments) for Overseas Direct Investment in Equity, Loan and Guarantees

¹⁶In 2016, the Indian government amended its tax treaty with Mauritius; after which, the preferential tax benefits were removed partially starting in the fiscal year of 2017, and removed completely starting fiscal year 2019.

Chart 3.5: Sector-wise Indian Investments in Africa during April 2010-March 2019



Others include electricity, gas and water and miscellaneous; and *Cumulative approved investments during April 2010- March 2019 stood at US\$ 52.3 bn*

Source: RBI; and Exim Bank Analysis

Setting up a wholly owned subsidiary (WOS) is the most preferred route of investment for Indian investors in Africa and accounts for nearly 88 percent of the total approved investments during April 2010-March 2019.

Africa's manufacturing sector attracted the highest Indian investments during April 2010-March 2019 (**Chart 3.5**). Other major sectors attracting Indian investments include financial, insurance, real estate and business services, and wholesale and retail trade, restaurants and hotel.

Major Indian investments in manufacturing, financial, insurance, real estate and business services, and wholesale, retail trade, restaurants and hotels (which account for 75 percent of India's investments in Africa) during April 2010-March 2019, were in Mauritius. Though large proportion of Indian investments in Mauritius were 'round-tripped' back to India, the country also serves as a gateway to Indian investments in Africa. However, with the given data, it is not possible to disaggregate the FDI data to know the volume of Indian FDI outflows that are routed through Mauritius to other countries. Sector-wise classification of major countries in Africa attracting investments from India are given in **Table 3.3**.

Mozambique is the second largest investment destination for India in Africa. Indian investments in Mozambique have been mainly concentrated towards mining, mainly reflecting investments by ONGC Videsh Limited (OVL).

Table 3.3: Sector-wise Major Countries in Africa Attracting Indian Investments

Sector/ Major Countries	Share in the respective sector
Manufacturing	
Mauritius	94.7%
Tunisia	0.9%
Ethiopia	0.6%
South Africa	0.6%
Morocco	0.6%
Financial, insurance, real estate and business services	
Mauritius	96.5%
South Africa	2.0%
Egypt	0.9%
Zambia	0.2%
Tanzania	0.1%
Wholesale, retail trade, restaurants and hotels	
Mauritius	98.0%
South Africa	0.7%
Uganda	0.6%
Ghana	0.3%
Kenya	0.1%
Agriculture, forestry, fishing and mining	
Mozambique	69.3%
Mauritius	28.3%
Zambia	0.6%
South Africa	0.4%
Tanzania	0.3%
Transport, storage and communication services	
Mauritius	99.6%
Kenya	0.2%
Mozambique	0.1%
Madagascar	-
Gambia	-
Construction	
Mauritius	98.9%
Zambia	0.5%
South Africa	0.3%

Sector/ Major Countries	Share in the respective sector
Uganda	0.1%
Kenya	0.1%
Community, social and personal services	
Mauritius	98.8%
South Africa	0.3%
Uganda	0.2%
Guinea republic	0.2%
Ethiopia	0.2%
Miscellaneous	
Mauritius	93.6%
Nigeria	6.4%
Chad	-
Electricity, gas and water	
Mauritius	48.9%
Zambia	39.0%
Egypt	5.5%
Ghana	4.1%
Seychelles	2.0%

- Negligible/ nil; Note: Cumulative approved investments during April 2010- March 2019 stood at US\$ 52.3 bn

Source: RBI; and Exim Bank Analysis

FDI inflows

FDI inflows to India from Africa have been dominated by investments from Mauritius that accounts for 31.9 percent of India's overall FDI inflow (**Table 3.4**). Other African countries investing in India include South Africa, Seychelles, Morocco, and Kenya.

Table 3.4: FDI Inflows to India from Africa

S. No	Name of the Country	Apr 2000 to Mar 2019 (US\$ mn)	Share in India's Total Inflows (%)
1	Mauritius	134,469.2	32
2	South Africa	463.7	0.1
3	Seychelles	206.4	0.1
4	Morocco	138.9	-
5	Kenya	23.0	-
6	Liberia	14.7	-
7	Mozambique	14.6	-
8	Nigeria	14.5	-
9	Uganda	10.2	-
10	Egypt	8.7	-
	Africa Total	135,387.0	32.2
	India Total	420,141.9	100.0

Source: Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India; and Exim Bank Analysis

Bilateral Investment Treaties/Agreements

In Africa, India has signed and enforced Bilateral Investment Treaties (BITs) with Egypt, Libya, Mauritius, Morocco, Mozambique, Senegal and Sudan (**Table 3.5**).

Table 3.5: List of Indian Bilateral Investment Treaties/Agreements in Africa

Country	Date of Agreement	Date of Enforcement	Date of Termination [#]
DR Congo	13 April 2010	-	-
Djibouti	19 May 2003	-	22 March 2017
Egypt	09 April 1997	22 November 2000	22 March 2017
Ethiopia	05 July 2007	-	22 March 2017
Ghana	05 August 2002	-	22 March 2017
Libya	26 May 2007	25 March 2009	-
Mauritius	04 September 1998	20 June 2000	22 March 2017
Morocco	13 February 1999	22 February 2001	22 March 2017
Mozambique	19 February 2009	23 September 2009	21 March 2020
Senegal	03 July 2008	17 October 2009	-
Seychelles	02 June 2010	-	22 March 2017
Sudan	23 October 2003	18 October 2003	-
Zimbabwe	10 February 1999	-	22 March 2017

- Information not available.

[#] These BITs normally have sunset clauses, i.e. a period during which even after termination, obligations persist, which are normally 10 to 15 years for African Countries.

Source: Department of Economic Affairs, Ministry of Finance, Government of India (accessed on January 15, 2020)

4. STEPPING UP INDIA'S ENGAGEMENTS IN AFRICA: A SURVEY

Export-Import Bank of India (Exim India), being a policy arm of the Government of India, has actively participated in both, the India-Africa Forum Summit (IAFS) and the CII-EXIM Bank Conclave on India-Africa Project Partnership. Exim India has also had its publications released during these events apart from having dedicated sessions in these gatherings, which include broad-based participation from respective governments and industry bodies.

Fifty-four African countries have signed the AfCFTA to create a single market for goods and services with the purpose of boosting Africa's intra-regional as well as global trade, among others. Concomitantly, India and Africa have an untapped trade potential of US\$ 42 billion, according to a joint study by Afreximbank and Exim India¹⁷. Exim India, therefore, decided to address issues in enhancing India-Africa trade and investments by collecting primary feedbacks from stakeholders at the Seminar on 'Stepping Up India's Engagements in Africa'. Apart from serving as inputs to Exim India's research studies on Africa, the Seminar gave the industry a chance to find areas for diversification and therefore greater collaboration given the increased importance of integrating with global value chains (GVCs).

The half-day Seminar on 'Stepping Up India's Engagements in Africa' was held at New Delhi on January 31, 2020 (Programme Schedule in **Annexure 2**); and was well represented by African diplomats in India, Indian companies, industry bodies, and think tanks, among others (List of participants is given in **Annexure 3**). The Seminar was broadly divided into three critical areas which were addressed through panel discussions and feedbacks from the audience.

¹⁷Export-Import Bank of India (2018). 'Deepening South-South Collaboration: An Analysis of Africa and India's Trade and Investment', Joint Publication the African Export-Import Bank (Afreximbank)

Discussions* and Key Takeaways

Session I

‘Strengthening India’s Engagements in Africa’ (Sustainable Partnership towards achieving Agenda 2063 and AfCFTA)

In this session, the issues faced by Africa in the structural transformation process under AfCFTA and Agenda 2063 were addressed. It was acknowledged that AfCFTA is a milestone that could serve as an important foundation for transforming Africa’s future development, catalysed by surge in intra-African trade, free trade and investments, among others. It was however felt that there is a need for successfully addressing the demand side constraints to trade in the region, particularly those linked to market size, availability of infrastructure and access to finance, and supply side constraints such as business environment also cannot be ignored for AfCFTA’s successful implementation.

It was also emphasised that consolidating the continent into a single free trade area provides large opportunities for trading enterprises, businesses and consumers across the African continent and gives an opportunity to support sustainable development in the continent that has most of the world’s least developed countries.

It was reiterated that intra-African trade is presently at low levels, mainly a result of poor connectivity and high trade barriers compared to intra-Asian and Intra-Europe trade. Therefore, removing these barriers is critical to increase intra-regional trade and thus generate employment. The growing middle class and a combined GDP of 1.2 billion will serve as a growing market. This population is expected to grow by 2.5 billion by 2050 with the 26 percent of the working age population residing in the continent. India needs to leverage on this opportunity.

Africa’s FDI inflows into manufacturing is expected to increase further once AfCFTA becomes operational. Keeping in view India’s investments so far in Africa, it was highlighted that pharmaceuticals, textiles or steel have been the key sectors apart from mining, and was noted that these investments have been with a focus on a particular country or with the motive of exporting to the US or European Union. This investment paradigm needs to shift to the point that the products could be exported across the continent. Fast moving consumer goods, agro processing, IT services, among others, need to be further explored. Several options for financing in the form of local currency funding and barter trade may

*Details in this section are excerpts from the transcript of the Seminar and do not necessarily reflect the views of Exim India.

also be explored. Other areas of financing proposed were the PPP models in infrastructure financing.

According to the Ambassador of Ghana to India, the idea of sustainable partnership was proposed where India could explore opportunities in Africa that would not only benefit India but Africa as well. He also mentioned that initiatives such as the CII-EXIM Bank India-Africa Conclave have played a key role in generating new trade and investment opportunities. In order to step up trade and investment, the Indian companies would have to shift their focus to a more continental than country specific perspective with the AfCFTA coming up.

It was also agreed that mind-set needs to change for enhancing trade and doing business in Africa. New entrants to Africa are still sceptical of their investments in Africa. The Indian diaspora have shared friendly relations with Africans and lived in harmony over the years, which has led to creation of sustainable business opportunities. The same could be enhanced further with more Indian companies investing in Africa with a more open approach.

The vast natural resources that Africa possesses could be the biggest challenge for it as well. India could therefore prove to be a crucial partner for helping Africa in marketing these resources. Examples were cited of African countries being major producers of gold, diamond, yet these are taken by London, Belgium and sold by MNCs. Ghana and Ivory Coast are the major producers of cocoa and yet raw cocoa is procured by companies in Switzerland later to be sold as “Swiss chocolates”. India could help these African countries process these primary commodities and add value to them therefore retaining the export earnings which could be generated by processed products.

It was also noted by other speakers that African governments’ receive financing proposals from ECAs of Turkey, China, and USA among other countries hence the rates need to be competitive as well. Bureaucratic stumble blocks need to be addressed through increased interaction between Indian companies and Indian ambassadors in Africa.

The misalignment of the commodities produced by Africa vis-à-vis what it consumes was also highlighted in this session which has in turn led to a low intra-regional trade. Increased engagement with the regional economic communities like EAC, ECOWAS, SADC and then the continent as a whole would help India to tap the African market for further trade opportunities.

The need for a long-term Africa policy to be structured by India was also highlighted during the session. In July 2018, the Hon'ble Prime Minister of India, Shri Narendra Modi had addressed Uganda Parliament with the ten guiding principles of India Africa engagements. India should work on the lines of these guiding principles and work towards enhancing them further.

- Africa will be on the top of India's priority in international relations.
- Africa has 60 percent of world's arable land and yet produces just 10 percent of global output. India could share its expertise to enhance Africa's agriculture and ensure Africa's food security.
- Using India's experience with digital revolution to support Africa's development through better delivery of public services, education and health, digital literacy and financial inclusion.

During the session it was emphasised that technology and finance are the most important areas for enhancing bilateral trade and investment. India's Structured Financial Messaging System (SFMS) and intra-banking transfer system could be explored and implemented in Africa. RBI's engagement with African financial institutions could be increased strategically. It was also mentioned that out of the 21 IT centres opened by India, only 8 are fully functional and rest have not been functional due to various constraints, these centres need to be operational. It was also noted that Exim India may have to step up its role in this area.

The panel also stressed on the need for informative sessions and outreach activities that could be organised by Indian business associations and chambers to educate Indian business persons about the various aspects of AfCFTA to enhance further participation.

Session II

Bridging the Gap: Opportunities and Challenges to India's Engagements in Africa

This session focused on the issues faced for enhancing India's engagements in Africa. The speakers acknowledged that there is a huge gap in the existing infrastructure in the region and the infrastructure requirement in the region. The lack of financing for the enormous infrastructure deficit that countries face has been exacerbated by rapid urbanisation, the global economic slowdown, rising debt levels, climate change and the commitments that governments have

made to the achievement of the Sustainable Development Goals (SDGs). It was mentioned that while appropriate policy initiatives and measures would need to be formulated by policy makers in respective countries in Africa, partner developing country like India could assume an important role in these endeavours.

It was also highlighted that issues related to perception is a major deterrent to investments in infrastructure projects. Investors have concerns before taking a step in investing. Hence, this perception needs to be changed. The AfCFTA is itself one of the ways of addressing this challenge.

The Charge d’Affaires, High Commission of the Republic of Rwanda highlighted that Rwanda has been one of the beneficiaries of Exim India’s lines of credit (LOCs) since 2008. One of the reasons behind the infrastructure gap is the lack of participation of the private sector. The African governments; have mostly worked for infrastructure development, be it connectivity, transport or energy infrastructure. The Indian companies have only gone majorly to the extent of the LOC and Buyer’s Credit under National Export Insurance Accounts (BC-NEIA) programmes of Exim India. He emphasised the need for companies to explore investment options beyond the purview of these LOC and BC-NEIA programmes.

During the discussion, the panelists also highlighted that project delays are also an issue mainly caused by bureaucracy like procurement procedure, approval procedure, and the contract negotiation procedure, among others. Implementation of a project under LOC should be expedited in terms of the procedural formalities. Better ways to negotiate contracts and mechanisms to shorten the procurement procedures need to be explored. In this regard, the idea of a single clearance window was suggested.

With regards to the projects previously executed successfully by Indian project exporters, the seminar deliberations reiterated on using the similar technique for successfully implementing the future projects as the Government of India usually considers the Indian companies which have a successful track record in executing projects in that particular line of business.

The Indian private sector was encouraged to delve further into sectors which are inherently India’s strengths – agriculture, healthcare, pharmaceuticals, education, construction, and infrastructure.

It was also highlighted that a conceptual framework could be built with an Integrated Development Approach for Africa’s Growth.

- For agriculture command area development, irrigation, equipment, better practices of agriculture could be enhanced with Indian assistance. India could also tap some imports from Africa for pulses, food grains by giving LOCs.
- Africa's raw materials could be better utilized by ensuring dedicated railway networks and ports. Indian expertise can give access to transportation in these areas and ensure that the raw materials have found the right market.
- Indian companies can also explore the African housing market, which at present severely lacks capacity. This will be win-win situation for Africa in the form of getting access to mortgage market as well as housing for all. Developing a mortgage market will ensure flow of finance through companies and the respective borrower governments with financial institutions intervening based on the requirements.
- Healthcare – Hospitals could be set up which may for at least 5 years be run by Indian operators later could be handed over to the African governments. This would ensure efficient functioning and transfer of know-how and Indian technology and medical practices.
- Under the PPP set up, Indian companies could share their knowledge with African companies in terms of infrastructure buyer's credit.

Session III

Experience Sharing Session: Roundtable with Diplomats & Indian Companies

The deliberations during this session focussed on the issues faced in enhancing India's engagements with Africa. Exim India being the policy arm executes the Lines of Credit (LOC) extended by the GOI to various African governments. Exim India raises funds from capital market for these projects and borrower governments have to repay this amount along with interest. As on December 31, 2019, 298 LOCs have been extended to 64 countries to the tune of US\$ 30.62 billion. Out of 780 contracts worth US\$ 10 billion, 533 contracts worth of US\$ 5.4 billion have been completed.

Exim India shared its experience of executing these LOCs since 2004. Exim India highlighted that the IDEAS guideline that was introduced in 2015 brought about major changes in the terms of credit, classification of countries, processes

with Detailed Project Report (DPR) becoming mandatory, pre-qualification to be done by Exim India, and best suited companies classified for tendering. These addressed the major bottlenecks to projects being executed under LOCs. Further, the frequency for monitoring projects was also increased. In the last three years, the projects have attracted better participation in terms of quality and number, ensured level playing field, resulting in increased interest of companies, best technology and best price for borrower country for executing the projects.

According to the Ambassador of Malawi to India, India matches the needs of African countries with reasonable offers for the projects proposed by the African governments. He also mentioned that many of the problems faced have been resolved after 2015.

During the session, it was highlighted that there is a need for further collaboration among governments of countries involved to sort out problems that arise during the implementation of these projects. Further, increasing local participation in the projects may help in reducing the delay in project proposal and implementation, while generating capacity building and employment. He also proposed that, certain jobs, which could be done locally, could train and involve local labours so that there is capacity creation. Medical tourism is one of the areas where Indians could train African doctors. The use of internet and technology may also be leveraged for fostering relationships through online training programmes.

On the aspect of training programmes, Exim India highlighted that training for local contractors and technicians is part of the DPR which would be used for the project.

This session actively focused on seeking inputs from industry representatives in order to understand their experience in executing projects in Africa.

It has also been stressed that India has supported capacity building in Africa through various channels, including Indian Technical and Economic Co-operations (ITEC) In this context, it was also mentioned that certain amount of capacity building is also being insisted to the contractors to be part of the DPR. It was also highlighted that experience of developmental projects under LOC gave exposure to many Indian companies to implement other projects of international financial institutions on commercial terms. It was learnt from the discussion that after successful implementation of one project in Liberia, WAPCOS was able to win several projects from World Bank, AfDB and other financial institutions.

It was also acknowledged that projects funded under LOC have mixed results. Delays have been due to certain procedural issues in both client and host country. From a project management consultant perspective some suggestive areas were :

- Experienced consultants could be straight away asked to prepare proposals in collaboration with the borrower country.
- DPR and Project Management Consultant (PMC) could be allotted as one package rather than breaking up into two processes to shorten the process.
- Quality of output of the contractor need to be addressed in a stringent manner by the consultant and host country, and some sort of regularization in payment procedure need to be addressed.
- Exim India has already set up a Project Preparatory Facility (PPF) for countries which may not have the required resources readily available for identification and preparation of project proposal; a grant is extended to them to prepare such proposals.

During the session, it was also emphasised that trilateral partnerships with countries like Japan, South Korea, and UAE, among others, could be explored for supporting larger infrastructure projects which cannot be solely taken up by Exim India's LOCs. It was also pointed out that several projects do not find light of the day because of limited finance.

Supports from other financial institutions in collaboration with Exim India is already in place. One reason noted for the lack of adequate investment in infrastructure and connectivity is that Africa's development banks remain undercapitalised and trade finance for African SMEs is limited.

It was also proposed that all business and industry associations like CII, FICCI, ASSOCHAM, among others, could build up a single strategy for Africa helping to scale up the Indian companies. The annual CII-EXIM Bank Conclave could be held in other cities to create impetus for many regional players who wish to participate in this developmental initiative.

Setting up of a dedicated think tank for India-Africa Relations in collaboration with corresponding African institutions, was also one of the suggestions to further integrate Institutions from both sides.

It was also highlighted that under the International Solar Alliance (ISA), LOCs of US\$ 1.4 billion have been announced to select African countries. Solar projects have scope not only for large companies but for medium companies as well. If a concurrent pre-qualification could be looked at for consultancy and EPC, this would lead to faster implementation. Many West African States would be benefitted under the credit line extended by Exim India to the ECOWAS Bank for Investment and Development (EBID) under the ISA.

Larsen and Toubro (L&T) had executed a project under the Millennium Challenge Account (MCA) for construction of medium voltage distribution substations and underground cabling works in Malawi. This project employed around 1000 Malawians for two and a half years and now is part of advanced infrastructure.

Africa being the last frontier demands for a dedicated compact between India and Africa. This would give added edge to the already existing expertise possessed by Indian companies doing business in Africa. Concessional finance for deserving mega projects could then be executed with developed countries participating as secondary partners banking on India's experience of doing business with Africa.

A digital SME platform could be set up in collaboration between India and African SMEs. Indian companies can upload information on this site and African companies could locate Indian products on such platform. This would create further opportunities for collaboration between the SMEs of India and Africa.

As the AfCFTA matures, an idea of Free Trade Agreement between Africa and India may be explored.

Identification of Challenges and Way Forward to Enhance India's Engagements in Africa

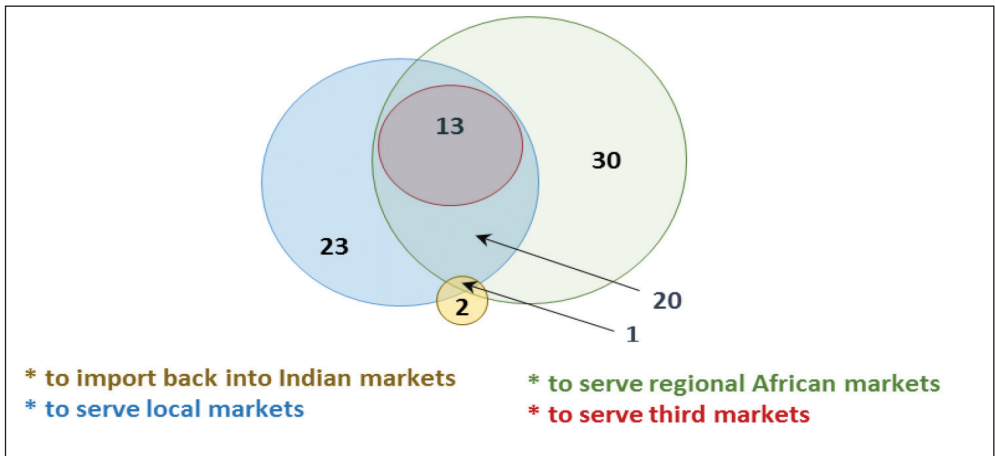
During this Seminar, a questionnaire was circulated to the participants (**Annexure 4**) for identifying the challenges and way forward to enhance India's engagements in Africa. Responses from the questionnaire are summarised in this section.

The assessment on 24 Indian Companies across sectors such as food and agro-based products, agricultural equipment, construction and real estate, healthcare and hospitals, heavy engineering/ project exports, oil and gas, power & energy, renewable energy, textiles, water infrastructure, transmission and distribution, consultancy, project management & turnkey services, vocational training centres and incubation centres and defence. Of these companies, select companies are operational in twenty countries in Africa, such as Botswana, Côte d'Ivoire, Egypt,

Ethiopia, Ghana, Gabon, Kenya, Madagascar, Mauritius, Morocco, Nigeria, Rwanda, Senegal, Seychelles, South Africa, Tanzania, the Gambia, Togo, Tunisia, and Uganda.

In the survey, an examination of the current investments in Africa of the respondents highlight that the area of motivation to the present investment/ engagement in Africa was mainly to serve regional markets in Africa (**Exhibit 4.1**). The most preferred form of investment by the respondents was buying, acquiring shares in an existing company, apart from this, the next preferred mode of investment was through joint venture. Setting up a new subsidiary / associate company was the least preferred form of investment in Africa for these companies.

Exhibit 4.1: Motivation to the Present Investment/ Engagement in Africa



Numbers indicate the number of responses for the respective category

As regards identification of challenges to enhancing investments /engagements in Africa, the respondents were asked to identify challenges to doing business in Africa under these 17 broad heads, namely, market size and growth, distance from India, tax incentives, access to inputs, political stability / regulatory framework, level of investor protection, business environment, availability of technology, skilled labour, cost of labour, import - export procedures, tariff rates, transport efficiency, investment agreements with India, intellectual property protection, existing business relationships, and access to finance. Key findings from the respondents have been classified under sub-regional groups of Africa, i.e. East, West, North, Middle and Southern Africa. Countries under these sub-regions have been classified based on UNCTAD's classification for Africa.

The respondents in East Africa have either invested or executed projects mainly in Ethiopia, Kenya, Madagascar, Mauritius, Mozambique, Seychelles, Tanzania, Uganda, Zambia, and Zimbabwe. Likewise, Central Africa, mainly had respondents from Gabon and Democratic Republic of the Congo; Southern Africa includes South Africa, Botswana and Namibia; West Africa mainly included Côte d'Ivoire, Ghana, Niger, and Nigeria; and North Africa included Egypt, Sudan and Morocco. **Table 4.1** highlights that on an average access to inputs and access to finance are the key constraints in doing business in Africa. Political stability / regulatory framework, level of investor protection, availability of technology, skilled labour, cost of labour, and tariff rates are moderate to large constraint to enhancing India's engagements in Africa.

While tax incentives, business environment, investment agreements with India, intellectual property protection and existing business relationships were cited as moderate constraints, market size and growth, distance from India, import - export procedures, and transport efficiency were low to moderate constraint.

Table 4.1: Summary of Key Challenges to Enhancing Investments / Engagements in Africa

Parameter	Average Answer				
	East Africa	Central Africa	Southern Africa	West Africa	North Africa
Market size and growth	low to moderate constraint	low to moderate constraint	moderate to large constraint	no constraint to low constraint	low to moderate constraint
Distance from India	no constraint to low constraint	moderate constraint	no constraint	low to moderate constraint	moderate constraint
Tax incentives	no constraint to low constraint	moderate constraint	large constraint	moderate constraint	low constraint
Access to inputs	large constraint	large constraint	large constraint	moderate to large constraint	large constraint
Political stability / regulatory framework	large constraint	large constraint	moderate to large constraint	large constraint	low to moderate constraint
Level of investor protection	large constraint	large constraint	moderate to large constraint	moderate to large constraint	no constraint to low constraint
Business environment	moderate constraint	moderate constraint	moderate to large constraint	moderate constraint	low to moderate constraint
Availability of technology	moderate constraint	moderate constraint	moderate constraint	moderate to large constraint	moderate to large constraint
Skilled labour	moderate to large constraint	moderate to large constraint	moderate to large constraint	moderate to large constraint	moderate to large constraint
Cost of labour	moderate constraint	moderate constraint	moderate to large constraint	moderate constraint	moderate to large constraint
Import - export procedures	low to moderate constraint	low to moderate constraint	low to moderate constraint	moderate constraint	moderate constraint
Tariff rates	moderate constraint	moderate constraint	moderate to large constraint	moderate to large constraint	low to moderate constraint
Transport efficiency	large constraint	moderate constraint	low to moderate constraint	moderate to large constraint	low to moderate constraint
Investment agreements with India	moderate constraint	moderate constraint	moderate to large constraint	moderate constraint	low to moderate constraint

Intellectual property protection	moderate constraint	moderate constraint	moderate constraint	low to moderate constraint	low to moderate constraint
Existing business relationships	no constraint to low constraint	moderate constraint	low to moderate constraint	low constraint	moderate constraint
Access to finance	large constraint	large constraint	large constraint	moderate to large constraint	large constraint

Source: Compiled by Exim Bank

5. EXPORT-IMPORT BANK OF INDIA IN AFRICA

Export-Import Bank of India (Exim India) commenced operations in 1982. The Bank was set up under an Act of Parliament (Export-Import Bank of India Act 1981), for providing financial assistance to exporters and importers, and for functioning as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services with a view to promoting the country's international trade. In its endeavour to promote India's international trade, Exim India's vision has evolved from financing, facilitating and promoting trade and investment, to a conscious and systematic effort at creating export capabilities; Exim India today seeks to develop commercially viable business relationships with externally oriented companies.

The countries in the African continent have always been a focus region for Exim India, and thus a critical component of its strategy to promote and support two-way trade and investment. As a partner institution to promote economic development in Africa, the commitment towards building relationships with the African Region is reflected in the various activities and programmes, which Exim India has set in place.

Exim India has representative offices in Abidjan, Côte d'Ivoire; Addis Ababa, Ethiopia, Dubai, United Arab Emirates; and Johannesburg, South Africa; which play key roles in facilitating economic cooperation with the African Region, and are closely associated with several of the Bank's initiatives. The representative offices interface with multilateral institutions such as African Development Bank (AfDB), Afreximbank, regional financial institutions such as Trade and Development Bank (TDB) (erstwhile PTA Bank), West African Development Bank (BOAD), and developmental financial institutions such as Industrial Development Corporation of South Africa Ltd. (IDC), as well as Indian missions in the region, with the aim of increasing bilateral commercial engagements between the two regions.

Lines of Credit

To enhance bilateral trade and investment relations, Exim India has in place several Lines of Credit (LOCs) extended to developing partner countries in Africa. These LOCs supplement the 'Focus Africa' programme of the Government of

India (GOI) and are extended especially to priority sectors, identified by GOI for mutual cooperation and benefit. Besides these operating LOCs extended at the behest of GOI, Exim India extends its own commercial LOCs to various financial institutions and other entities in Africa, some of which have included TDB (covering 17 countries in the eastern and southern African region), BOAD (covering 8 countries in the West African region), Indo-Zambia Bank, Nigerian Exim Bank and Afreximbank. These LOCs facilitate import of project-related equipment and services from India on deferred credit terms. At the same time, many of these LOCs are earmarked for infrastructure and related projects. As on December 31, 2019, the total number of operative GOI-supported LOCs to Africa stood at 172, which were extended to 40 countries and ECOWAS Bank for Investment and Development (EBID) and amounting to US\$ 9.7 billion. A list of LOCs extended to African countries is given at **Annexure 5**. Select examples include:

Countries:

- **Angola** – Railway rehabilitation project; industrial park; and textile project;
- **Benin** – Supply of railway equipment; agricultural equipment; tractor assembly plant; water supply project; and cyber city project;
- **Burkina Faso** – Rural electrification; agricultural projects including acquisition of tractors, harvesters, agricultural processing equipment; and low cost housing and economical buildings project;
- **Burundi** – Hydro-electric project; farm mechanization; and integrated food processing complex;
- **Cameroon** – Plantation projects;
- **Central African Republic** – Cement plant and procurement of buses; hydro-electric project; and mining project;
- **Chad** – Setting up of cotton yarn plant, bicycle plant and rolling mill; agro-processing plants for tomato and mango and irrigation equipment;
- **Comoros** – Power project;
- **Côte d'Ivoire** – Project for renewal of urban transport system in Abidjan and for agricultural projects; IT & biotechnology park; fisheries and coconut fibre processing plant; electricity interconnection project; rice production

programme; and electricity interconnection project;

- **Democratic Republic of Congo** – Hydroelectric project; setting up a cement factory, acquisition of buses, rehabilitation of manganese mine and acquisition of equipment; transmission and distribution project; and installation of pumps;
- **Djibouti** – Supply of diesel generator sets; and setting-up cement plants;
- **Eritrea** – Agricultural and educational projects;
- **Eswatini** – IT project; and agricultural development and mechanization of agriculture;
- **Ethiopia** - Energy transmission and distribution project; and development of sugar industry;
- **The Gambia** – Setting up of tractor assembly plant; national assembly building complex; electrification expansion project; and replacement of asbestos water pipes with UPVC pipes project;
- **Ghana** – Rural electrification, agriculture, communication and transportation projects; construction project; sugar plant; fish harvesting and processing project; procurement of high capacity wagons and spares; waste management equipment and management support project; and sugarcane development and irrigation project;
- **Guinea** – Strengthening of Health System; Solar Projects; and drinking water supply of Grand Conarky-Horizon 2040;
- **Guinea Bissau** – Electricity project; food processing unit; and purchase of tractors and water pumps for development of the agricultural sector;
- **Kenya** – Power transmission lines; agriculture mechanization project; and development of various small and medium enterprises;
- **Lesotho** – Export of tractors, pump sets, consultancy services and irrigation equipment; and vocational training centre project;
- **Liberia** – Power transmission and distribution project;
- **Madagascar** – Rice productivity and fertilizer production project;
- **Malawi** – Cotton processing; one-village one-project; green belt initiative; irrigation and threshing plant; procurement of design, supply, installation and commissioning of fuel storage facilities; irrigation network; commissioning of sugar processing facility; and construction of water supply system;

- **Mali** – Rural electrification, and setting up of agro machinery and tractor assembly plant; electricity transmission and distribution project; agriculture and food processing project; and acquisition of railway coaches and locomotives from India.
- **Mauritania** – Potable water project; and milk processing plant;
- **Mauritius** – Supply of offshore patrol vessel; purchase of specialised equipment and vehicles; and acquisition of Waterjet Fast Attack Craft;
- **Mozambique** – Gaza Electrification Project; water drilling project; IT park project; housing project; road rehabilitation project; rural drinking water and electricity project; and solar photovoltaic module manufacturing plant;
- **Niger** – Acquisition of transport equipment, transformers, motor pumps and flourmills; power projects; supply of potable project; and electrification of villages using solar photovoltaic system;
- **Nigeria** – Supply and commissioning of transmission lines; solar mini grid electrification and solar street lighting; and construction of gas-based power plant;
- **Republic of Congo** – Rural electrification projects; development of transport system; and cement plant project;
- **Rwanda** – Power projects; irrigated agriculture project; establishment of vocational training centres; road project; and development of SEZ;
- **Senegal** – Supply of medical equipment; supply of buses and accessories; fruit processing units; rural electrification project and fishing industry development project; irrigation project; and acquisition of railway coaches and locomotives from India; rice self-sufficiency programme; setting meat processing, cold storage, rendering and tannery plant and market place; IT training projects; and women poverty alleviation programme;
- **Seychelles** – Implementation of integrated health information system; and import of goods and services from India for specific projects;
- **Sierra Leone** – Procurement of tractors and connected implements, harvesters, rice threshers, rice mills, maize shellers and pesticide spray equipment; rehabilitation of existing facilities and addition of new infrastructure

to supply potable water; and transmission lines;

- **Sudan** – Transmission and sub-station project; project for setting up power plant; agricultural equipment; scientific equipment; solar electric panels; supply of equipment for railways; micro-industrial projects; development of livestock production and services; and sugar plant project;
- **Tanzania** – Export of tractors, pumps and vehicles; water supply schemes; and extension of pipeline;
- **Togo** – Rural electrification project; power transmission line; and farming and cultivation projects;
- **Zambia** – Hydroelectric project; and Pre-fabricated Health Posts; and
- **Zimbabwe** – Up-gradation of pumping station and river water intake system; and renovation/ upgradation of thermal power plant.

Institutions:

- **ECOWAS Bank for Investment and Development (EBID)** – Financing private sector projects.

Project Exports

Exim India has been providing a steady stream of support to project activities in engineering, procurement, and construction (civil, mechanical, electrical or instrumental). This includes the provision of specific equipment related to supplies, construction and building materials, consultancy, technical know-how, technology transfer, design, and engineering (basic or detailed). Exim India also supports existing or new projects, plants or processes that require additional assistance in processes such as international competitive bidding including multilaterally funded projects in India.

Buyer's Credit under National Export Insurance Account (NEIA)

In order to provide further impetus to project exports from India on medium- or long-term basis, especially in the infrastructure sector, a product called Buyer's Credit under National Export Insurance Account (BC-NEIA) was introduced in April 2011. Under this programme, Exim India facilitates project exports from India by way of extending credit facility to overseas sovereign governments and government-owned entities for import of goods and services from India on deferred credit terms. Indian exporters can obtain payment of eligible value from

Exim India, without recourse to them, against negotiation of shipping documents. NEIA is a Trust, set up by the Ministry of Commerce and Industry and administered by the ECGC Ltd. As on December 31, 2019, a positive list of 91 countries have been identified by ECGC for which Indian exporters can avail BC-NEIA, of which 37 countries belong to Africa. During the same period, Exim India has sanctioned an aggregate amount of US\$ 1.6 billion under BC-NEIA for 16 projects in Africa valued at US\$ 1.7 billion.

Finance for Joint Ventures Overseas

Further, Exim India supports Indian companies in their endeavour to globalise their operations, through overseas joint ventures (JVs) and wholly owned subsidiaries (WOS). Such support includes loans and guarantees, equity finance and in select cases direct participation in equity along with Indian promoters to set up such ventures overseas. In Africa, Exim India has supported several such ventures in countries such as South Africa, Kenya, Mauritius, Ghana, Nigeria, Sudan, Egypt, Zambia, Morocco, Uganda and Tanzania, across a range of sectors like agriculture and food processing, agro-based products, auto and auto components, chemicals, construction, electronics, engineering goods, EPC services, mining and minerals, plastics and rubber products, packaging, pharmaceuticals, software and IT enabled services, and textiles. These ventures serve to promote value addition, as also contribute to capacity building and capacity creation in host countries. As on December 31, 2019, Exim India, through its overseas investment finance programme, has supported 51 Indian companies in 14 countries in Africa with an aggregate sanction of ₹59.3 billion.

Association with African Development Bank (AfDB)

India is a member of the African Development Bank (AfDB) Group. Many Indian companies participate in projects funded by the AfDB Group. Exim India works very closely with the AfDB and has an active programme which offers a range of information, advisory and support services to Indian companies to enable more effective participation in projects funded by multilateral funding agencies, including the AfDB. Exim India assists Indian companies in projects supported by the AfDB, through fund and non-fund based assistance, while also providing advance alerts on upcoming opportunities. With the support from Exim India, Indian project exporters have secured a number of overseas contracts in Africa in sectors such as power, telecommunications, transport, water supply & sanitation. Exim India also organizes Business Opportunities seminars across various centres in India on Projects funded by AfDB.

Africa – India Partnership Day

Exim India together with Federation of Indian Chambers of Commerce and Industry (FICCI) organizes the Africa – India Partnership Day, on the side-lines of AfDB's Annual Meeting, with an objective of sharing India's developmental experiences with Africa, particularly in Public-Private Partnership (PPP) model of financing infrastructure development. Exim India, along with FICCI, has so far hosted six such events; first being on May 30, 2013 in Morocco; followed by Rwanda on May 22, 2014; Côte d'Ivoire on May 27, 2015; Zambia on May 24, 2016; Ahmedabad, India on May 24, 2017; and Equatorial Guinea on June 13, 2019. The Africa-India Partnership Day has become a regular feature of the AfDB Annual Meeting, and showcases the immense scope for expanding the mutually enriching partnership between Africa-India.

Project Development Company (PDC) in Africa

Africa is a region of opportunities, as the continent is receiving plenty of investments in the infrastructure space. The PPP structure is slowly getting popularised by the national governments, increasing the interest of the private sector in infrastructure development. However, institutional capacity in several African nations is in a nascent stage.

Addressing the limited institutional capacity in Africa on conceptualisation, management, execution and imparting project development initiatives, Exim India along with other Indian institutions have joined hands with the AfDB, and promoted a Project Development Company (PDC) for infrastructure development in Africa.

The PDC, named Kukuza Project Development Company, has been incorporated in Mauritius in July 2015. 'Kukuza' in Swahili means 'a cause to growth'. Reflecting the name, the PDC is expected to provide specialist project development expertise to take the infrastructure project from concept to commissioning in the African Continent. The PDC will provide the entire gamut of project development expertise to various infrastructure projects, such as project identification, pre-feasibility/ feasibility studies, preparation of detailed project reports, environmental and social impact assessment, etc.

The PDC shall utilise the domain expertise of each partner during the project development process to establish a bankable and sustainable implementation format based on an in-depth understanding of the concerns of all the stakeholders - public authority, users community, developers/ investors and lenders.

Exim India's engagements in ITC's SITA

On March 09, 2014, the Department for International Development (DFID) mandated the International Trade Centre (ITC), United Kingdom, to design and implement a project, called 'Supporting India's Trade Preferences for Africa' now called 'Supporting Indian Trade and Investment for Africa' (SITA). SITA is a six-year (2014-2020) project that aims at promoting exports from five East African countries – Ethiopia, Kenya, Rwanda, the United Republic of Tanzania and Uganda – to India through investment and skills transfer from the Indian side. Exim India has entered into an MOU with ITC in Geneva on March 26, 2014, through which the Bank has been associated with ITC's SITA initiative. The Project was in its inception Phase during March 2014 to March 2015, where a roadmap for SITA, including the focus sectors, was defined. The implementation phase of SITA (March 2015-March 2020) was officially launched in New Delhi, India, during March 19-20, 2015.

Member of Association of African Development Finance Institutions (AADFI)

Exim India is a member of Association of African Development Finance Institutions (AADFI), a forum of institutions/ banks with the objective of creating co-ordination and economic solidarity among the development finance institutions in the African continent. The membership of AADFI helps to provide a platform for building linkages with other institutions in Africa, which are members of AADFI.

Association with Other Indian Institutions

Exim India's equity in Agricultural Finance Corporation, which offers consultancy support in development of agro-technology; and promoter membership in 'Small Farmers' Agri-Business Consortium (SFAC)', an investment institution whose objectives include promoting small and medium agri-business ventures, places Exim India in a vantage position to share its expertise and support development related activities in Africa.

Global Network of Exim Banks and Development Finance Institutions (G-NEXID)

Exim India has entered into a Memorandum of Understanding (MOU) with four Exim Banks/ Development Financial Institutions (DFIs) to form Global Network of Exim Banks and Development Financial Institutions (G-NEXID). The five signatories are Export-Import Bank of India, Export-Import Bank of Malaysia, African Export-Import Bank, Andean Development Corporation and Export-Import Bank of Slovakia. G-NEXID was formally launched at its inaugural

meeting at UNCTAD, Geneva on March 13, 2006. Annual Meetings are held to deliberate upon measures to foster long-term relationship, share experience and strengthen financial cooperation to promote trade and investment relations among developing countries. The UNCTAD is a permanent observer in all statutory meetings and a key partner in the Network's activities.

G-NEXID members in the African Region include: African Export-Import Bank, Egypt; Central African States Development Bank (BDEAC), Republic of Congo; Development Bank of Zambia; ECOWAS Bank for Investment and Development (EBID), Togolese Republic; Ghana Export-Import Bank (GEXIM); Nigerian Export-Import Bank; and Trade and Development Bank (TDB), Burundi.

Inter-Bank Cooperation Mechanism among BRICS members

BRICS, which comprise Brazil, Russia, India, China and South Africa, is an association of five major emerging national economies. In order to develop and strengthen economic ties and investment cooperation between BRICS countries, in 2010 state financial institutions for development and export support of the BRICS nations entered into a MOU, laying the foundation of BRICS Inter-Bank Cooperation Mechanism. Export-Import Bank of India (Exim India) is the nominated member development bank under the BRICS Interbank Cooperation Mechanism, along with other nominated member development banks from member nations of BRICS namely Banco Nacional de Desenvolvimento Economico e Social (BNDES), Brazil; State Corporation Bank for Development and Foreign Economic Affairs – Vnesheconombank, Russia; China Development Bank Corporation, and Development Bank of Southern Africa. The inter-bank cooperation among BRICS countries is expected to facilitate trade and help raise the economic profile of member countries at regional and global levels. Inter-bank cooperation is a first step toward closer cooperation within BRICS, and the member countries will jointly finance projects in high technology, innovation and energy saving.

Select MOUs signed by Exim India under the BRICS Inter-Bank Cooperation Mechanism include:

BRICS Summit 2010 (Brazil)

- Memorandum of Cooperation among BRICS Development Banks.

BRICS Summit 2011 (China)

- Framework Agreement for Financial Cooperation.

- Protocol of Accession of DBSA to the MOC signed in 2010.

St. Petersburg Economic Forum (2011), Russia

- Memorandum for Cooperation in Personnel and Training.

BRICS Summit 2012 (India)

- Master Agreement on Extending Credit Facility in Local Currency.
- BRICS Multilateral Letter of Credit Confirmation Facility Agreement.

BRICS Summit 2013 (South Africa)

- BRICS Multilateral Infrastructure Co-financing Agreement for Africa.
- BRICS Multilateral Cooperation and Co-financing Agreement for Sustainable Development.

BRICS Summit 2014 (Brazil)

- Multilateral Cooperation Agreement on Innovation.

BRICS Summit 2015 (Russia)

- Memorandum of Understanding on Cooperation with the NDB.

BRICS Summit 2016 (India)

- Memorandum of Understanding amongst Members of BRICS Interbank Cooperation Mechanism and New Development Bank on General Cooperation.

BRICS Summit 2017 (China)

- Interbank Local Currency Credit Line Agreement under BRICS Interbank Cooperation Mechanism.
- Cooperation Memorandum Relating to Sharing of Credit Ratings.

BRICS Summit 2018 (South Africa)

- Memorandum of Understanding on Collaborative Research on Distributed Ledger and Blockchain Technology in the Context of the Development of the Digital Economy.

BRICS Summit 2019 (Brazil)

- Memorandum of Understanding for Mobilisation of Private Investment in Infrastructure.

Partner in Institutional Building in Africa

As a partner institution in promoting economic development in Africa, Exim India shares its experience in the setting up of institutional infrastructure for enhancing international trade. In this regard, the Bank has taken active participation in the institutional building process in a number of countries in Africa. Besides being associated in the setting up of the Afreximbank, Exim India undertook an assignment to design, develop, and implement a programme on Film Financing for Nigerian Export-Import Bank (NEXIM Bank) for expanding its exposure in financing films (under Film Financing Programme). Exim India has also been involved in the design and implementation of Export Finance Programmes for Industrial Development Corporation, South Africa; Consultancy Assignment for the Government of Mauritius on 'Projecting Mauritius as an investment hub for Indian Firms'; establishment of Export Credit Guarantee Company in Zimbabwe; and preparing a blue print for setting up of Export-Import Bank of Zimbabwe.

In 2015, International Trade Centre (ITC), Geneva, under its 'Supporting Indian Trade and Investment for Africa (SITA)' Project, awarded Exim India an assignment for 'Institution Capacity Building for Export Credit and Insurance' to enhance trade competitiveness in Rwanda. The objective of the assignment is to establish a rationale and suggest a broad framework for establishing an Export Credit Insurance Corporation in Rwanda.

In 2018-19, Exim India concluded an assignment for the Ghana Export-Import Bank (GEXIM) for providing technical assistance across its various operational areas. Exim India also delivered a 21-day training programme for GEXIM officials in Ghana, and organised a skill enhancement programme for the top management of GEXIM in Mumbai.

Institutional Linkages

Exim India has been consciously forging a network of alliances and institutional linkages to help further economic co-operation with the African Region. Towards this end, Exim India has taken up equity in Afreximbank, West African Development Bank (BOAD), and Development Bank of Zambia. These endeavours are supplemented by the various Memoranda of Cooperation (MOCs) / Memoranda of Understanding (MOUs). The Bank has entered into MOUs/ MOCs with key institutions in the African Region including: AfDB; Trade and Development Bank (TDB); Afreximbank; Banque De Financement Des Petites Et Moyennes Entreprises (BFPME), Tunisia; Banque Internationale Arabe de Tunisie, Tunisia; Board of Investment (BOI), Mauritius; ECO Bank (Pan African Bank); Foreign

Investment Promotion Agency, Tunisia; Industrial Development Bank of Sudan; Industrial Development Corporation of South Africa Limited (IDC); Nigerian Export-Import Bank (NEXIM); National Bank of Egypt; and Societe Tunisienne de Banque, Tunisia.

Knowledge Building and Technology Transfer

In the area of knowledge building and technology transfer, Exim India's research studies focus on potential areas for boosting India's trade and investment relations with various regions in Africa, which include, among others, the Southern African Development Community (SADC), Economic Community of West African States (ECOWAS), Southern African Customs Union (SACU), North Africa, Common Market for Eastern and Southern Africa (COMESA), Least Developed Countries (LDCs), Maghreb region and East African Community (EAC). In order to support AfDB's High 5 agenda, Exim India released five studies namely, Integrate Africa: A Multi dimensional Perspective; Feed Africa: Achieving Progress Through Partnership; Water, Sanitation and Healthcare in Africa: Enhancing Facility, Enabling Growth; Power Sector in Africa: Prospect and Potential; and Manufacturing in Africa: A Roadmap for Sustainable Growth.

6. OPPORTUNITIES AND STRATEGIES FOR INDIA IN AFRICA'S ECONOMIC INTEGRATION

In the previous chapters, the Study has brought out that India's engagements in Africa, though have improved significantly in recent years, is yet far from reaching its full potential. India has become third-largest trading partner for Africa in 2018, but as regards investments, it is the tenth-largest investor in Africa. This section of the study highlights the key opportunities that AfCFTA presents for Indian investors and delves on the strategies for enhancing India's engagements in Africa's economic integration.

As highlighted in the previous chapters, the scope of AfCFTA exceeds that of a traditional free trade area. The AfCFTA if successfully implemented would clearly be a game changer for the African growth story. It would thus be the right time in stepping up and integrating India's engagements in Africa.

According to a study by United Nations Economic Commission for Africa (UNECA), within the industrial sectors, textile, apparel, leather, wood and paper, vehicle and transport equipment, electronics and metals would benefit the most from the AfCFTA reform, in terms of trade expansion. As regards the agricultural sector, sugar, vegetables, fruit, nuts, beverages, tobacco, meat and dairy products would obtain the largest trade expansion¹⁸.

The African Union's Agenda 2063 has identified seven aspirations, clearly indicating their much needed desire for shared prosperity and well-being, for unity and integration, for a continent of free citizens and expanded horizons, where the full potential of women and youth are realised. India's strategy to enhance its trade and investment relations with African countries would entail an integrated approach comprising, inter alia: integrating Africa to the Global Value Chain (GVC), strengthening Africa's infrastructure and connectivity, and facilitating trade finance in Africa, among others.

Integrating Africa to the Global Value Chain (GVC)

The success of the AfCFTA heavily depends on the industrialization of African countries and increasing their productive capabilities in a highly competitive

¹⁸An empirical assessment of the African Continental Free Trade Area modalities on goods', United Nations Economic Commission for Africa (UNECA) and African Trade Policy Centre (ATPC), November 2018

landscape. Value addition would integrate Africa to the global value chain and would give the continent that added edge.

To evaluate Africa's present standing in global value chains, the following section draws an analysis of Africa's GVC participation. The Foreign Value Added (FVA) and Indirect Domestic Value added (DVX)¹⁹ when expressed as a share of gross exports, gives the GVC participation of a particular country. The larger the ratio, the greater the intensity of involvement of a particular country in GVCs. FVA is also referred to as a measure of "backward participation", given that it measures imported intermediate inputs that are used to generate output for export. DVX is a measure of "forward participation", i.e. it measures exports of intermediate goods that are used as inputs for the production of exports of other countries²⁰. The DVX share in exports tends to be higher for countries that are involved in upstream production with the output and exports of that country feeding into the production and export of downstream producers. African economies tend to have low FVA share in their exports or downstream component in their exports.

$$GVC \text{ Participation} = \frac{FVA + DVX}{Gross \text{ Exports}}$$

Although Africa's GVC participation ratio tends to be higher as is reflected in **Chart 6.1**, in terms of value, Africa's role in GVC is still small as a share of value added to other countries exports. Participation index is above 0.5 for countries such as Central African Republic, Mauritius, South Africa, Mauritania, Djibouti and the Gambia, implying higher GVC participation rates.

To further understand the relative upstreamness of a country in a particular value chain, Koopman et al. (2014) also defined GVC position index. It is defined as the log ratio of a country's supply of intermediates used in other countries' exports to the use of imported intermediates in its own production²¹. The similar methodology has been applied to calculate the overall GVC position of select African economies. Countries with positive position index are relatively more

¹⁹The portion of this domestic value added used as inputs by industries in other countries, which produce goods or services for export to third countries, is referred to as the indirect value added exports (DVX). Foreign value added embodied in gross exports (FVA) refers to the value added of foreign goods and services that are used as intermediates to produce goods and services for export (Koopman, R., W. Powers, Z. Wang and S.-J. Wei, "Give credit to where credit is due: tracing value added in global production chains", NBER Working Papers Series 16426, September 2010).

²⁰Aqib Aslam, Natalija Novta, Fabiano Rodrigues-Bastos (2017). "Calculating Trade in Value Added". IMF Working Paper 17/178. July 31, 2017.

²¹Koopman, Robert, Zhi Wang, and Shang-Jin Wei (2014). "Tracing Value-Added and Double Counting in Gross Exports." American Economic Review 104(2). February 2014.

upstream, that is, they contribute more value added to other countries exports than other countries contribute to theirs.

$$GVC_{Position} = \ln\left(1 + \frac{DVX}{Gross\ Exports}\right) - \ln\left(1 + \frac{FVA}{Gross\ Exports}\right)$$

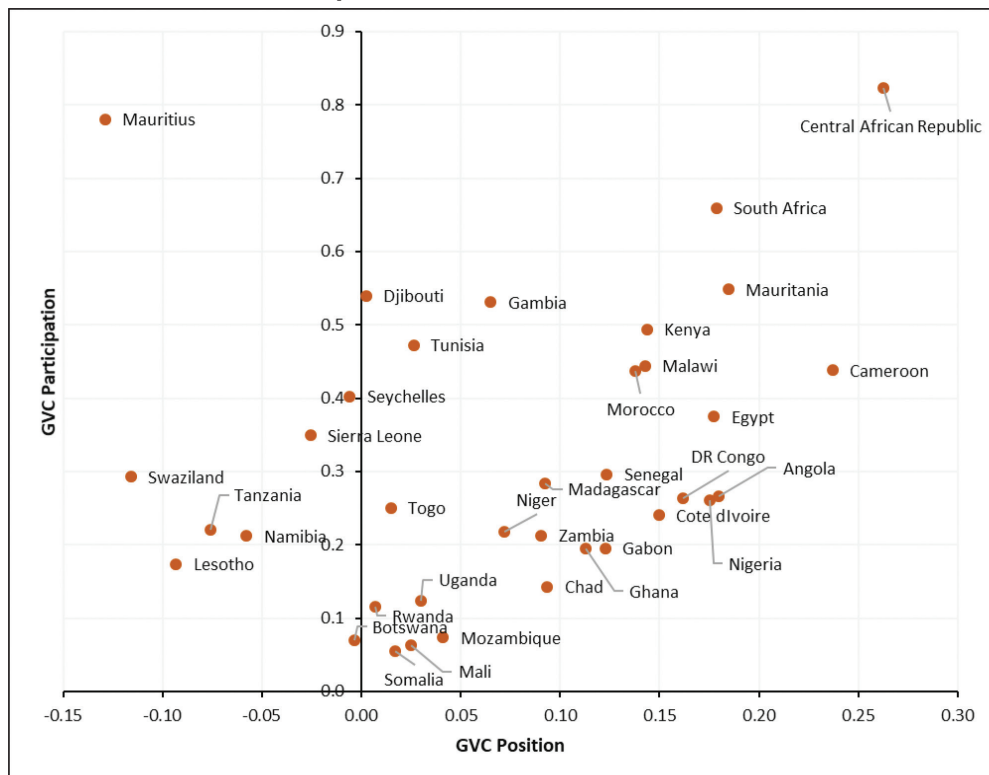
However, two countries may have identical GVC position and yet have different degree of GVC participation hence both parameters are used in conjunction to understand the importance of the global supply chain for the country. Some African economies have higher GVC position index implying higher upstream activity but a low GVC participation that implies lower involvement in GVCs, such as Cameroon, Egypt, and Angola. Similarly, Mauritius has a high GVC participation, but negative GVC position.

Countries with significant share of natural resources like oil or other commodities in their exports, tend to have higher share of domestic value added trade as such kind of exports are the “initial stages of GVC” and require hardly any foreign inputs. Also, countries with significant share of port trade as well as countries with processing trade sectors would have higher foreign value added as a share of their exports. Countries that have significant share of exports in highly segmented industries have a higher share of foreign value added in their exports. In case of African economies, domestic value added is particularly high for two reasons. First, owing to the relative importance of export of natural resources and second is the relatively small size of the local non-tradable economy.

Commodity-exporting regions have a significantly higher GVC participation rate than their foreign value added share would suggest, indicating that much of their exports are processed and their value added incorporated in third-country exports – i.e. they operate at the starting point of GVCs. GVC participation – or the role that individual countries play in international production networks – is driven by many different factors, from size of the economy to industrial structure and level of industrialization, composition of exports and positioning in value chains, and policy elements, among others. As a result, countries with very different characteristics may be very similar in the ranking of GVC participation. Africa, however, has the lowest share of intra-regional GVC flows among all the regions²².

²²UNCTAD, World Investment Report Various Issue

Chart 6.1: GVC Participation and Position of Select African Countries



Source: UNCTAD EORA Database; and Exim Bank Analysis

Box 1: Lessons from EU’s GVC network

Global Value Chain networks are typically characterized by two distinct group of economies: the headquarter economies of Japan, USA or other developed economies and the factory economies in Asia and developing Europe. The former provides the capital and know-how thereby creating production networks and the latter provides labour through processing of intermediate goods. The European Union has been a classic example of an integrated market and well as production network. The developed economies like Luxembourg and Belgium depend on other Eastern European countries for sourcing their inputs. Therefore, the Eastern European economies often serve as the production hubs or factory economies for the Western European economies – a phenomenon known as nearshoring. In contrast to this, countries like Japan or South Korea have diversified their production hubs to other Asian or African economies with China joining the group now.

In case of EU, countries like Bulgaria, Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Romania, Slovenia, and Slovakia) have been the traditional providers of intermediate goods to the developed economies like Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. This model is very similar to that of the U.S and Mexico.

However, in the recent decades, offshoring has gained more prominence due to several factors like lower wages, enhanced connectivity and improved logistics. China became the production hub of many multinational corporations of developed economies. Now with the rebalancing of

growth dynamics, China has also started outsourcing through its neighbouring Asian economies and offshoring to economies in Africa.

As witnessed in Europe, Africa's GVC integration is heterogeneous because of the structural difference in the economies. The Northern and Southern Africa accounted for major share of the GVC trade given the resource intensiveness of both regions. A large share of Africa's exports of intermediate products like electronic equipment, vehicles and apparel products are shipped to Europe, USA and some Asian economies. Only a few countries like South Africa serve as a destination of intermediary products, which is indicated in the relatively larger quantum of intra-regional trade witnessed in Southern Africa compared to the other regions. The AfCFTA, if implemented successfully, would provide a base to reduce these structural differences within African countries, and could lead to nearshoring, and move the continent as a whole up the value chain.

Source: ADB (2014). Asia and Global Production Networks - Implications for Trade, Incomes and Economic Vulnerability

According to UNCTAD, there has been a decline in the number of projects in the typical early-industrialization industries in low income countries. This is a matter of concern, especially for Africa, as the need for these countries to attract more FDI in these industries to support their structural transformation remains, explaining the proliferation of industrial policies.

The regional proportion of total GVC flows is also low in Africa. Modest intra-regional FDI and GVC flows across regions in Africa suggest that regional economic cooperation initiatives still have significant potential to promote regional trade and investment links. Further, the African Union also intends to formulate an African Commodity Strategy to add value to what it generates and promote vertical and horizontal diversification and integrate itself to relatively higher level of the Global Value Chains compared to where it presently exists at the beginning of the value chain supplying basic raw materials.

African economies are generally characterised by the low share of manufacturing in its GDP (around 10 percent). Presently, this limited production capacity is compensated by imports. AfCFTA, which aims at reducing the barriers to intra-regional trade, has the potential to reduce this import dependence.

Further, the low intra-African trade is also an indicator of the low supply capacities, poor connectivity and high trade barriers in the continent. Apart from these, there is also an increasing need felt for export diversification (both in terms of type of goods produced as well as export markets) among African economies, this would reduce commodity dependence as well as help them move up the value chain.

Enhancing manufactured exports from and within Africa would entail addressing supply capacity of the economies and improving trading infrastructure, and facilitating human capital development and entrepreneurial base, to make them

more responsive to export opportunities. This will require massive investments in productive and trading infrastructure, with a view to increasing the continent's competitiveness in the world market of manufactured products.

So far, India has invested in pharmaceuticals, textiles or steel majorly with a focus on a particular country or with the motive of exporting to the US or European Union. However, the investment paradigm needs to shift to the point that the products could be exported across the continent. Fast moving consumer goods, agro processing, IT services, mining, and textiles need to be further explored.

India could also prove to be a crucial partner for helping Africa in marketing these resources. African countries are major producers of gold, diamond, however, these are taken by London, Belgium and sold by MNCs. Similarly, Ghana and Côte d'Ivoire are the major producers of cocoa and yet chocolates are famous across the globe for being 'Swiss chocolates', though most of the raw cocoa is imported from Ghana and Côte d'Ivoire. India could assist these African countries process these primary commodities and add value to them.

As regards the agricultural sector, the AfCFTA offers huge potential. According to Alliance for a Green Revolution in Africa (AGRA), though African countries account for nearly 60 percent of the world's uncultivated land, Africa's food import bill stands at a staggering US\$ 35-50 billion per year²³. Expansion in trade particularly in the agricultural sector, opens avenues for mechanisation, which plays an important role in the agricultural value chain.

Agribusiness is one of the potential sectors where India can look to invest in Africa. The agricultural sector of both India and Africa are largely characterized by labour intensive farming, small landholdings and diverse nature of agricultural production. India's stance on the agricultural sector of Africa has been more towards providing technology expertise to Africa. The African agribusiness sector needs support in terms of finance, market information, logistics and adequate infrastructure in the form of cold storage facilities, warehouses, etc. Investment opportunities have been identified in the following segments: a) Processing factories b) Cold storage and relevant transportation infrastructure; cleaning and grading facilities; market development; and c) Large scale commercial and contract farming. Exim India has been partnering Africa in its development by

²³Agra. 2017. "Doubling Productivity and Incomes of Smallholder Farmers in Africa." AGRA: Growing Africa's Agriculture. August 23, 2017

financing activities in the continent across a wide range of sectors, with agriculture being one of the important ones. These contracts include acquisition of tractors, harvesters, agricultural processing equipment; farm mechanisation; setting up plantation projects and processing plants; development of sugar industry; procurement of design, supply, installation and commissioning of fuel storage facilities, establishment of irrigation network, commissioning of sugar processing facility; and rice self-sufficiency programme; among others.

The service sector plays a key role in enhancing the competitiveness of manufacturing as well as the agricultural sectors, and thus their participation in GVCs. The sector plays a fundamental role in adding value at each link along the supply chain, while FDI helps drive international trade expansion. Services can also be an avenue for economic transformation, particularly for small countries and island states, as not all African countries can develop through manufacturing. Establishing services hubs and regional value chains (RVCs) can help African countries exploit each other's capabilities and boost competitiveness and thus integrate them into the GVC²⁴. Indian companies may explore opportunities in this area.

Scaling up in all these three broad sectors, as well as enhancing exports through AfCFTA, would simultaneously reduce the reliance on donor funding in many African countries.

Infrastructure and Connectivity

Inadequate infrastructure has been a constraint to accelerating and sustaining growth in Africa. Africa remains one of the continents with a huge infrastructure deficit, which has adverse impacts on transaction costs for traders and investors alike, forming part of the non-tariff barriers that restrict trade within Africa, and between its regions and other parts of the world. For AfCFTA to be successfully implemented, which has its core objective of strengthening intra-regional trade, exporters need access to local markets for their products. AfCFTA is projected to increase intra-African trade by 52.3 percent by 2022, primarily based on the assumption of improvement in trade-related infrastructure and transit costs.

Estimates by the African Development Bank suggest that the continent's infrastructure needs amount to US\$ 130 – US\$ 170 billion a year, with an

²⁴UNECA (2015). Economic Report on Africa 2015: Industrializing Through Trade.

annual financing gap ranging between US\$ 67.6 and US\$ 107.5 billion. This vast infrastructure gap in Africa, which includes transport and utilities infrastructure, must be urgently addressed so as not to restrict increased trade integration. Presently, there are large infrastructure projects in the pipeline, which need to be completed as early as possible. These include the Trans-Maghreb Highway in North Africa, North-South Multimodal Corridor, the Central Corridor project and the Abidjan-Lagos Corridor Highway project – should improve the situation.

Indian investors could involve in the development of these projects. A conceptual framework could be built with an Integrated Development Approach for Africa's Growth.

- Africa's raw materials could be better utilized by ensuring dedicated railway networks and ports. These areas where Indian expertise can give access to transportation and ensure that the raw materials have found the right market. Indian project exporters and investors may explore this opportunity in partnership with other countries to build the Integrated High Speed Train Network, envisaged in the Agenda 2063.
- Indian companies can also explore the African housing market which severely lacks capacity. This will be win-win situation for Africa in the form of getting access to mortgage market as well as housing for all. Developing a mortgage market will ensure flow of finance through companies and the respective borrower governments with financial institutions intervening based on the requirements.
- In healthcare, hospitals could be set up with Indian investments, which could be handed over to the African governments after five years or so. This would ensure efficient functioning and transfer of know-how and Indian technology and medical practices.
- India's enabling environment for PPPs has a strong focus on project preparation and capacity building, and India is at the right place to offer technical assistance and cooperation in development of PPP projects in other developing countries. India could share its know-how with Africa in terms of development of PPP regimes, particularly infrastructure buyer's credit.

- **Financing the Infrastructure Deficit²⁵**

Currently, African countries are not sufficiently investing in connectivity and infrastructure, which is represented by the low levels of intra-regional trade. According to UNCTAD, this lack of adequate investment in infrastructure and connectivity is mainly because Africa's development banks remain undercapitalised and trade finance for African SMEs is limited. For example, the asset size of the East African Development Bank is only US\$ 390 million. The Development Bank of Southern Africa is the largest with US\$ 5.3 billion. Even the AfDB is small compared with other regional banks, with a loan asset of US\$ 20.3 billion compared with US\$ 95 billion for Asian Development Bank or US\$ 82 billion for Inter-American Development Bank.

Africa is still the most popular target region, representing 42 percent of blended finance deals, however, there is a vast regional disparity in these deals within the continent. Further, though there is a growing need for climate-related investments, the usage of blended finance approach for climate-related investment is low. There is therefore a need for further leveraging blended finance, debt and equity instruments for investments in Africa.

²⁵UNCTAD (2019). 'A step forward for continent if transport, utilities, capital and the right rules of commerce are put in place', Dr. Mukhisa Kituyi, Secretary-General of UNCTAD, December 28, 2019

Box 2: List of Africa's Select Flagship Projects Indian Investors may Explore

Africa has designed a blueprint to transform the continent into a global powerhouse of the future. The Agenda 2063 is the continent's strategic framework that aims to deliver on its goals for inclusive and sustainable development. It identifies key Flagship projects aimed to boost Africa's economic growth and development which could lead to structural transformation of the continent.

1. Integrated High Speed Train Network

An African High Speed Rail Network would be built for facilitating movement of goods, services and people. All African capital cities and commercial centres would be connected through rail which would reduce transport costs and remove the present congestions and inefficiencies in the existing system.

2. African Commodities Strategy

African countries need to integrate into Global Value Chains, and promote diversification through addition of local content. The African Commodities Strategy aims to transform Africa from being a raw material supplier to utilise its own resources and develop the industries.

3. Implementation of the Grand Inga Dam Project

The Inga Dam in DR Congo, is expected to generate 43,200 MV of Power which would support current regional pools. Their combined service would transform Africa from traditional to modern sources of energy and ensure access to electricity to across Africa.

4. Single African Air-Transport Market (SAATM)

The SAATM aims to ensure intra-regional connectivity between the capital cities of Africa and create a single unified air transport market in Africa, as an impetus to the continent's economic integration and growth agenda. SAATM provides for the full liberalisation of intra-African air transport services in terms of market access, traffic rights for scheduled and freight air services by eligible airlines thereby improving air services connectivity and air carrier efficiencies. It removes restrictions on ownership and provides for the full liberalisation of frequencies, tariffs and capacity.

5. Establishment of African Financial Institutions

Establishment of Pan-African financial institutions would help in mobilizing resources faster and efficient management of the financial sector. The financial institutions envisaged to promote economic integration are the African Investment Bank and Pan-African Stock Exchange; the African Monetary Fund and the African Central Bank.

6. The Pan-Africa E-Network

This aims to put in place policies and strategies that will lead to transformative e-applications and services in Africa; especially the intra-African broad band terrestrial infrastructure; and cyber security, making the information revolution the basis for service delivery in the bio and nanotechnology industries and ultimately transform Africa into an e-Society.

7. An African Virtual and E-University

This project aims to use ICT based programmes to increase access to tertiary and continuing education in Africa by reaching large numbers of students and professionals in multiple sites simultaneously. It aims to develop relevant and high quality Open, Distance and eLearning (ODEL) resources to offer students guaranteed access to the University from across the world.

Source: Agenda 2063 (<https://au.int/en/agenda2063>)

Facilitation of Trade Finance in Africa

Trade finance is traditionally considered to be a relatively low-risk activity, as they are generally asset backed, short-term and self-liquidating. Despite this, the access to trade finance is an issue which most African enterprises face, particularly SMEs. SMEs in Africa represent 80 percent of all of enterprises in Africa, however, they account for only 28 percent of the trade finance portfolio. Further, many African banks are risk-averse in view of the limited collateral guarantees presented by small traders. Limited access to finance therefore remains an overriding constraint to Africa's trade, particularly SMEs. As it is a low risk business, the estimated default rate on trade finance transactions in Africa during 2011 and 2014 were 4-5 percent respectively compared to 9-12 percent of non-performing loan (NPL) ratios for all bank asset classes²⁶. Apart from these, the tightening of global KYC and AML regulations since 2014, as well as the decline in correspondent banking, has resulted in a withdrawal of the largest banks from the region.

ECAs facilitate the development of critical industries through the provision of affordable credit, either directly or indirectly, thus enabling exporters to enter new and relatively risky markets. Presently, there are 17 ECAs across the 55 countries in Africa, and amongst these, 5 ECAs are members of the Berne Union (BU). Additionally, the African Trade Insurance Agency (ATI) is also a member of the BU. There is thus a need for strengthening the financing institutional capacity of Africa.

India's Structured Financial Messaging System (SFMS) and intra-banking transfer system could be explored and implemented in Africa and banking and finance play a major role in enhancing trade and investment. The RBI's engagement with African financial institutions could be increased strategically. One of the flagship projects of Agenda 2063 is establishing an African Central Bank, which could be facilitated by the RBI. Other Pan- African financial institutions proposed are the African Investment Bank, Pan-African Stock Exchange and African Monetary Fund. All these may be explored by India as opportunities for contributing its expertise in financial sector and building resilient financial architecture through contributions from SEBI and other such organisations. A special purpose vehicle could be created to facilitate this initiative.

Further, a digital SME platform could be set up in collaboration between India and African SMEs. Indian companies can upload information on this site and African

²⁶AfDB (2017). "Trade Finance in Africa Overcoming the Challenges". September 2017. African Development Bank Group (AfDB), 2017

companies could locate Indian products on such platform. This would create further opportunities for collaboration between the SMEs of India and Africa.

Policy Level Change Needed on the African Side

Apart from strengthening its capacities, moving up the value chain and improving infrastructure, Africa needs to bring in policy level changes, to reduce the risks associated with trade and investment in the region.

For AfCFTA to operate at optimum capacity, there is a need to have in place coherent trade rules and standards, common compliance and mechanisms for investments, and policies that override the uncertainty that is endemic to policy in individual nations within the region.

The existing logjams and bureaucracy must be reduced, and there is a need to have harmonious regulations, common rules, simpler documentations, one-stop shop border posts, among others. The Rules of Origin (RoO), which decides the preferential tariffs of products depending on its classification, need to be clearly defined.

Further, there is a need for extensive data collection and its mapping, to ensure that these policies are effective. There is a significant amount of informal trade among African countries. According to Economic Development in Africa Report 2019, informal trade is estimated to account for up to 30 - 40 percent of regional trade in Africa. Informal cross-border trade in Africa can contribute up to 43 percent of incomes in the region²⁷. Supporting informal traders in formalizing their trade matters, apart from facilitating formal trade, can also provide Governments with additional tax revenues that can be used to compensate for loss of tariff revenues under tariff liberalization.

There is also a need for reducing cost of business, fostering skills for entrepreneurship and providing more access to credit and capital.

- **Reduction in Non-Tariff Barriers (NTBs)**

As highlighted in the preceding chapters, there are 8 RECs in Africa and despite lower import duty within these RECs, there exists a range of non-tariff and regulatory barriers that continue to raise transaction costs and limit the movement of goods, services, labor, and capital across borders. These barriers include border delays, burdensome customs and inspection procedures, multiple licensing requirements, and increasingly the requirement that importers secure national transit bonds along key routes. Trading across borders in Africa is still

²⁷UNCTAD (2019). "Economic Development in Africa Report 2019". June 2019.

more costly and time-consuming than in any other region of the world—and African countries trade more with the rest of the world than with each other.

The average cost of importing a container in Africa is about US\$ 2,492 compared with US\$ 935 in East Asia and the Pacific and US\$ 1,488 in Latin America and the Caribbean²⁸. In addition to non-tariff barriers, the state of governance, the structure of production, the direction of trade inherited from the colonial model of resource extraction, and supply-side constraints are at play. Supply-side constraints include a low manufacturing base, costly trade financing, limited access to information, and trade-enabling infrastructure that is either lacking or costly.

Existing NTBs should be addressed to increase trade. A recent study by Exim India²⁹ highlights that in recent years African countries such as Uganda, Kenya, Rwanda, Burundi and Tanzania were among the major notifying countries along with Egypt for sanitary and phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures. In 2018, WTO also witnessed new entrants into the notification mechanism at the WTO such as Montenegro, Liberia and Namibia.

While SPS notifications primarily cover food and food products, for TBT, the range of products is more extensive. Major products subject to TBT notifications are food, chemical, auto and auto component, electronic product and appliances, machinery, iron and steel, construction, cosmetics, fertilizer and pharmaceuticals. Kenya and Uganda feature among the top ten countries issuing SPS notification at WTO. Indian products therefore face conformity assessment issues while exporting to Africa. The African, Caribbean and Pacific States (ACP) with the EU and the African Growth and Opportunity Act (AGOA) with the US have both forged a cooperation agreement on standards. Both these agreements have also seen the introduction of a number of multinational companies that export products to the EU and have contributed to the development of national standards by bringing in methodologies and technologies from their home country which may not be even relevant for African conditions. India and Africa need to enhance cooperation in addressing these barriers to trade.

Following are the barriers faced by certain Indian products exported to and from Africa -

- Food, sea food and agriculture – Additional duties imposed by customs, GATT

²⁸A Competitive Africa, FINANCE & DEVELOPMENT, DECEMBER 2018, VOL. 55, NO. 4, December 2018; and Brenton, Paul, and Gözde Isik, eds. (2012). "De-Fragmenting Africa: Deepening Regional Trade Integration in Goods and Services". World Bank.

²⁹Export-Import Bank of India (2019). Non-Tariff Measures on Indian Exports. March 2019

WTO agreement on import licensing, export inspections and SPS Contain Sealing.

- Pre-shipment procedures inspection and other formalities are quite slow. Testing of product is very time consuming.
- Gems and jewellery, leather and textiles - Customs charge, additional ad-valorem tax of 15 percent and luxury tax charged on these products are high.
- Electrical and engineering products - Customs tariff rates are higher due to which demand is less and profit margins are also reduced

Further, importer and exporter require pre-shipment inspection and proper labelling on goods required at the time of export.

Policy Level Change Needed on the Indian Side

India's policy level focus to Africa was initiated with the launch of the "Focus Africa" programme in March 2002. The programme initially focused on just seven targeted countries, namely South Africa, Ghana, Tanzania, Mauritius, Nigeria, Kenya and Ethiopia. To date, this programme spans over all the countries in the Continent.

Though India is a key trading partner for Africa, the Continent still has unfulfilled demand for Indian commodities, especially foodstuffs, finished products (automobiles, pharmaceuticals, consumer goods) and services such as IT/IT-enabled Service, healthcare and education, skilling, expertise in management and banking, financial services and insurance. India needs to anticipate the positive impact of the AfCFTA and act proactively. There is thus an increasing need for India to give AfCFTA priority on its foreign policy map. The future of India-Africa ties, now would depend on innovative strategies that optimise growth and development for the two regions.

7. SUPPLEMENT ON AfCFTA AND COVID-19 PANDEMIC

The COVID-19 pandemic has taken a toll on human life and brought major disruption to economic activity across the world. The impact of this unprecedented crisis on human life and the global economy reflects the speed and magnitude of the contagion, greater global integration, and its massive impact on global supply chains, international travel, and commodity markets.

The year 2019 marked an important milestone for the African Union with the launching of the operational phase of the AfCFTA, thus connecting 55 countries and 1.3 billion people. Trade under this agreement was expected to start by July 2020, which has now been postponed to 2021 due to the outbreak of the COVID-19 pandemic in January 2020. Although the COVID-19 outbreak in Africa was late in Africa compared to the other parts of the world, the economic consequences along with inadequate health infrastructure may lead to increased debt levels, loss of income, unemployment and poverty. As on August 18, 2020, there were 1,128,245 registered cases of COVID-19 in Africa (5 percent of the global reported cases). According to the IMF Regional Outlook, Sub-Saharan Africa, June 2020, over 60 percent of Africa's cases were detected in Ghana, Nigeria, and South Africa. However, spread of the virus has been less in Sub-Saharan Africa compared to the other regions like Latin America, Europe and Asia.

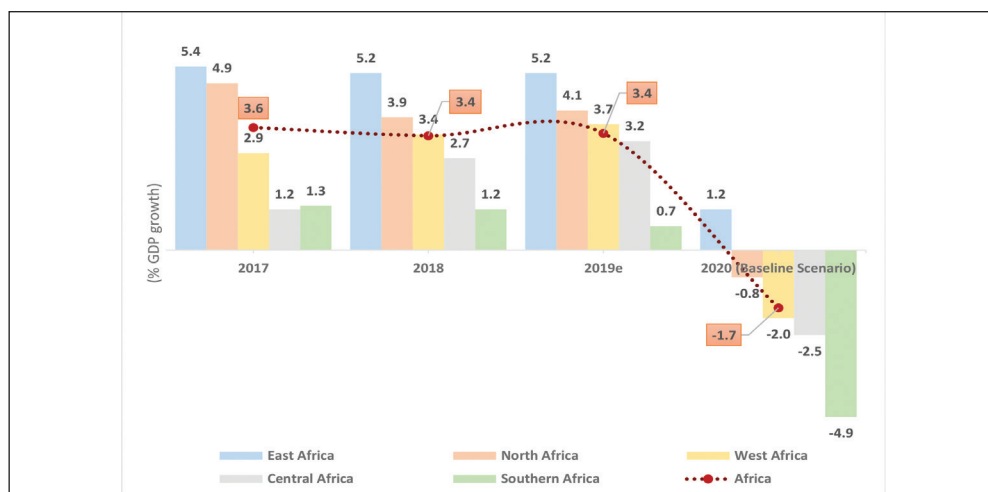
Growth Outlook

The African Economic Outlook 2020 released by the AfDB in January 2020 projected Africa to grow at 3.9 percent in 2020 as compared to 3.4 percent growth in 2019, followed by 4.1 percent in 2021. However, the outbreak of COVID-19 pandemic has led to major disruptions across the world economy leading to a health and as well as economic crisis. As a result, the growth projections made earlier have been revised. The real GDP of Africa is expected to contract by 1.7 percent in 2020 (baseline scenario - if the pandemic is restricted to the first half of 2020). If the pandemic continues beyond the first half of 2020, the real GDP is expected to contract by 3.4 percent in 2020 (worst case scenario).

The impact across the continent is expected to be disjointed due to difference in the nature of the economies. East Africa is expected to be resilient while entering

the crisis with a strong growth of an estimated 5.2 percent in 2019 (**Chart 7.1**) due to its wider diversification and lesser dependence on commodity exports. In the baseline scenario, East Africa's growth is projected to be at 1.2 percent in 2020. All the other regions are expected to undergo contraction in 2020. Southern Africa is expected to be affected the most with a contraction of 4.9 percent in 2020. GDP growth in West Africa is projected to decline by 2.0 percent in 2020. In Central Africa, economic activity is expected to contract by 2.5 percent. GDP in North Africa is projected to contract by 0.8 percent. Countries with inadequate healthcare system, dependent on tourism, commodity exports, remittances and volatile international financial flows or having high debt burden or are dependent on volatile international financial flows are expected to be affected the most.

Chart 7.1: Real GDP Growth Rate of Africa



Source: AfDB Statistics and Exim Bank Analysis

Tourism-dependent and resource-intensive economies are expected to contract whereas growth in non-resource intensive economies is expected to stagnate. According to the AfDB estimates, that COVID-19 could cost Africa a GDP loss between US\$ 145.5 bn and US\$ 189.7 bn during 2020. The IMF expects the average per capita incomes across Sub-Saharan Africa to fall by 7 percent and remain close to levels seen nearly a decade ago. Most African countries are heavily dependent on commodity exports or on developed countries for their export market. Africa's largest trading partners, viz. economies in Asia, Europe, and the Middle East, have been most affected by the pandemic, with demand being significantly impacted. Algeria, Morocco, Nigeria, and South Africa, the largest economies, would account for the major contraction in output of the continent.

According to the IMF, South Africa's economy was already fragile due to high debt levels, before the COVID-19 shock hit its economy. Supply-chain and transport disruption, falling trade and a collapse in travel and tourism compounded by a strict five-week domestic lockdown is expected to weigh heavily on the real GDP (-8 percent in 2020) (**Table 7.1**).

Nigeria is expected to undergo a recession with a negative growth of 5.4 percent due to the fall in oil prices (crude oil prices fell by almost by 55 percent between December 2019 to March 2020) and containment measures. Likewise, Algeria (-5.2 percent) is also expected to fall into a recession due to its exposure to oil price fluctuations.

Morocco is expected to undergo a contraction of 3.7 percent in 2020 due to declining demand for its exports of natural phosphates and derivative products, automotive components and electronic parts to the EU.

Egypt, although an oil exporting economy, is expected to grow at 2 percent in 2020 due to its diversified export basket and strong economic reforms implemented prior to the crisis.

Mostly the non-resource-intensive economies are expected to remain resilient and experience growth such as Côte d'Ivoire (1.8 percent), Ethiopia (1.9 percent), Kenya (-0.3 percent), Rwanda (2 percent) and Senegal (1.3 percent). However, this positive growth is subject to the risks of continued widespread contagion and a second phase of the COVID-19 infection. Other risks include subdued commodity prices (notably for oil), tight and volatile global financial conditions, political stability, and weather conditions like the recent desert locust swarm invasion in East Africa.

The outlook for Africa's recovery remains uncertain and susceptible to the immediate and long-term consequences of the COVID-19 pandemic. A partial recovery of about 3 percent is projected for 2021, much depending on the duration of the pandemic. For 2021, the projected GDP losses could vary from US\$ 27.6 billion to US\$ 47 billion from the potential GDP of US\$ 2.8 trillion without the pandemic. Many countries entered the COVID-19 crisis with high debt to GDP ratio and therefore remain at a high risk of debt distress. On an average the debt levels are projected to increase further by 10 percentage points due increased sovereign borrowings. Such a situation is particularly worrisome because of the present structure of Africa's debt with increasing share of commercial debt and debt with high foreign currency denomination.

Table 7.1: Growth Outlook for Major Economies in Africa

Countries	2017	2018	2019 ^e	2020 ^f	2021 ^f
Nigeria	0.8	1.9	2.2	-5.4	2.6
South Africa	1.4	0.8	0.2	-8.0	3.5
Egypt	4.1	5.3	5.6	2.0	2.0
Algeria	1.3	1.4	0.7	-5.2	6.2
Morocco	4.2	3.0	2.2	-3.7	4.8
Kenya	4.9	6.3	5.4	-0.3	4.0
Angola	-0.2	-1.2	-0.9	-4.0	3.2
Ethiopia	10.1	7.7	9.0	1.9	0.0
Ghana	8.1	6.3	6.1	1.5	5.9
Tanzania	6.8	7.0	6.3	1.9	3.6

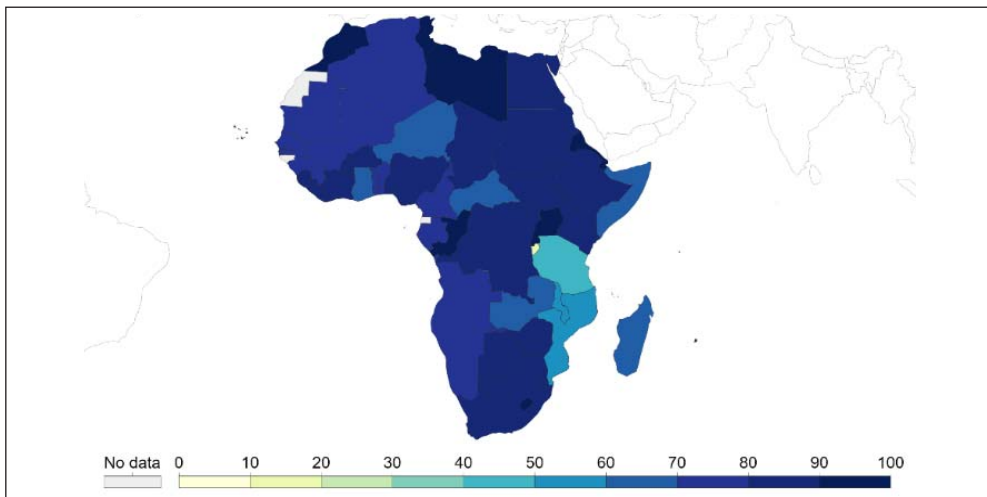
Note: e - estimate; f-forecast. Growth data for the top 10-economies based on the nominal GDP size in 2019.

Source: IMF World Economic Outlook April 2020 and June 2020 Update

Containment Measures

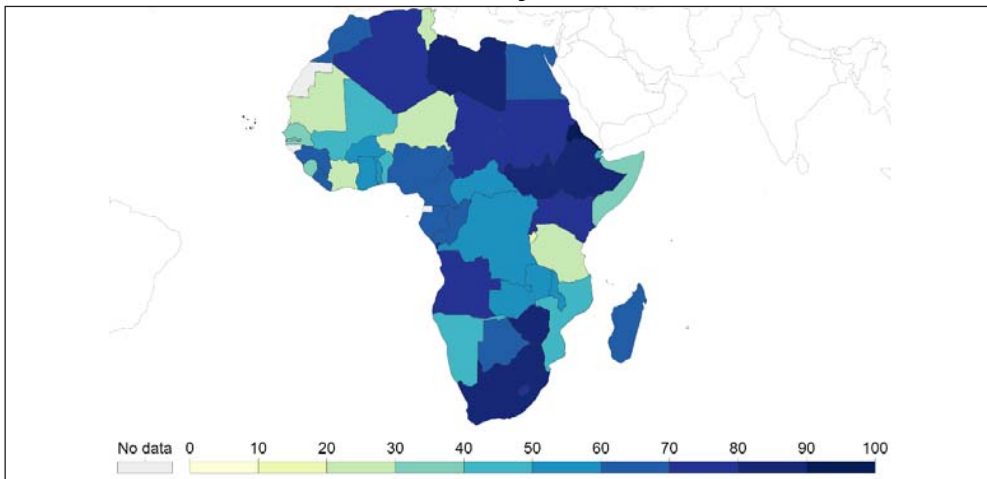
The COVID-19 pandemic triggered a closure across the world in order to contain the contagion. The IMF termed it the “Great Lockdown” as the global economy virtually came to a halt. The following exhibits show the intensity of government restrictions imposed across the African continent over a period. The Oxford COVID-19 Government Response Tracker (OxCGRT) calculates a Government Stringency Index for 180 countries (0 to 100, 100 being the strictest) a composite measure of nine of the response metrics. The nine metrics used to calculate the Government Stringency Index are: school closures; workplace closures; cancellation of public events; restrictions on public gatherings; closures of public transport; stay-at-home requirements; public information campaigns; restrictions on internal movements; and international travel controls. As on April 30, 2020, Djibouti, Libya, Republic of Congo, Morocco, Seychelles, Uganda and Kenya had Government Response Stringency Index above 91. Least stringent countries were Burundi, Tanzania, Mozambique and Malawi which had less than 60 as a value of stringency index (**Exhibit 7.1**). As on July 31, 2020, the most stringent countries were Libya, South Africa, South Sudan, Eswatini and Zimbabwe whereas the least stringent were Mauritius, Tanzania, Niger, Burundi and Cote d’Ivoire (**Exhibit 7.2**).

Exhibit 7.1: COVID-19 Government Response Stringency Index for Africa as on April 30,2020



Note: Data for 49 countries is available; This index is a composite measure based on nine repose indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.
 Source: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

Exhibit 7.2: COVID-19 Government Response Stringency Index for Africa as on July 31,2020



Note: Data for 49 countries is available; This index is a composite measure based on nine repose indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region.
 Source: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government

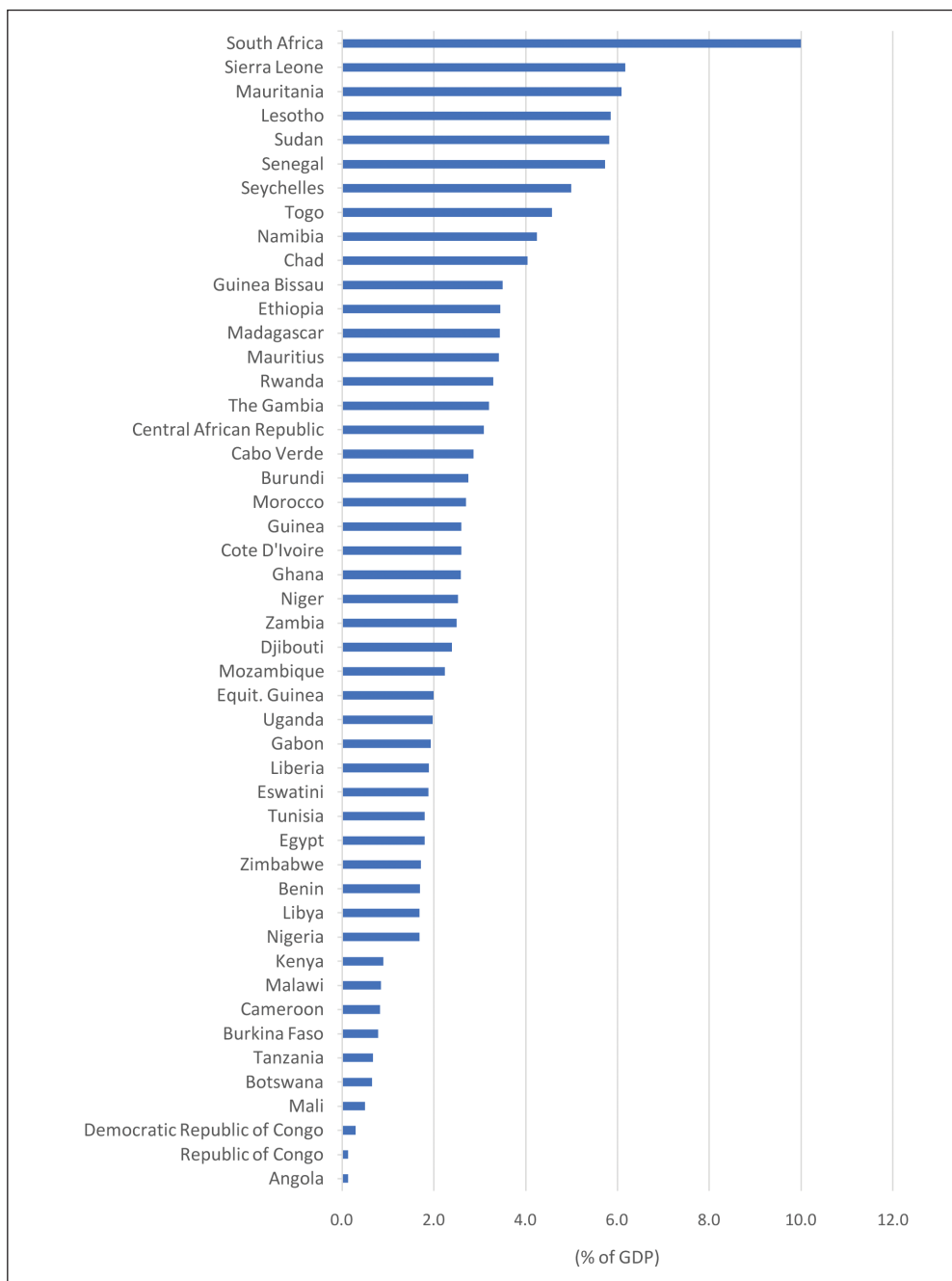
Fiscal Response

In response to the crisis many African countries have allocated greater resources to the healthcare and virus containment measures along with providing support to the vulnerable households and businesses. Even in situations with weak domestic revenue mobilization, the size of announced fiscal packages have averaged at 3 percent of GDP (**Chart 7.2**), of which nearly 0.75 percent of GDP was linked to increases in health spending. Many authorities are constrained in their ability to mitigate the impact of the crisis through greater spending and support their economies due to deteriorating financial conditions and diminishing fiscal space. Therefore, many of these increased health expenditures are at the cost of current and capital spending in other areas.

In Africa, the average debt-to-GDP ratio has increased from 39.5 percent in 2011, to 61.3 percent in 2019. Heavy debt burdens are partly due to commercial borrowing to finance the continent's large annual infrastructure financing gap of US\$ 68 billion to US\$ 108 billion — equivalent to about 3-5 percent of the continent's GDP. In addition, most African countries lack the fiscal space to respond adequately to the crisis due to low domestic saving rates, low levels of domestic resource mobilization, capital flight, volatile commodity prices, low tax base and high fiscal deficits³⁰. To avoid debt crisis in the long-term, Africa must seek alternative sources of financing. These include stronger domestic resource mobilization, increased production, value addition and economic diversification.

³⁰United Nations Policy Brief: Impact of COVID-19 in Africa, May 20, 2020

Chart 7.2: Fiscal Response by African countries (as a percentage of GDP)



Note: Data for 48 countries available

Source: COVID-19 Economic Stimulus Index, Elgin, C., as on August 13, 2020

Outlook for Africa's Trade

Africa's total merchandise exports decreased by 8.3 percent to US\$ 452.7 billion in 2019, performing worse than its imports that decreased at 4.3 percent in 2019 to US\$ 546.2 billion. This led to the widening of trade deficit to US\$ 93.5 billion in 2019, compared to US\$ 77.3 billion in the previous year. Africa's exports accounted for 2.4 percent of global exports in 2019, while its imports accounted for 2.9 percent of global imports.

According to the WTO Press release in June 2020, the volume of global merchandise trade shrank by 3 percent in the first quarter year-on-year (y-o-y) and projected a y-o-y drop of around 18.5 percent in 2020, as the virus and associated lockdown measures affected a large share of the global population. African countries are expected to undergo similar contraction in trade in 2020 on the back of a weak external demand.

According to a study by the UNCTAD³¹, Africa's total exports are projected to decline by 16.7 percent in 2020 with fuel exports and export of agricultural raw materials taking the hit. The decline in crude oil prices by nearly 60 percent will put significant strains on the revenue of the net oil exporters, particularly those whose revenues are highly determined by crude oil sales.

Impact of Commodity Prices

The deterioration of the global economic outlook as the pandemic spread and the breakdown of the OPEC+ (Organization of the Petroleum Exporting Countries, including Russia and other non-OPEC oil exporters) agreement among oil suppliers weighed heavily on commodity prices. Base metal prices fell about 15 percent, natural gas prices declined by 38 percent, and crude oil prices dropped by about 65 percent (a fall of about US\$40 a barrel) between January and March 2020. Crude oil prices recovered in June 2020 from their historic lows in March and April with gradual unlocking of economies and steep global supply decline by OPEC+ countries.

International Energy Agency (IEA), in its July 2020 report, has projected a record decline in global oil demand of 8.1 mb/d YoY in 2020, with recovery to 5.7 mb/d in 2021, mainly due to weakness in the aviation sector. However, it may be noted that China's oil demand is recovering strongly. Fears of a second wave of cases of COVID-19 are keeping the oil price pick-up in check. Bearish demand

³¹UNCTAD (2020), Assessing the Impact of COVID-19 on Africa's Economic Development, Grace Gondwe, July 2020

for industrial metals in early part of 2020 has also witnessed moderate growth of 4.5 percent in July 2020 (m-o-m) as global economies and industries have unlocked and China, one of the largest consumers of base metals has begun to expand. Overall non-fuel commodity prices are expected to grow by a marginal 0.2 percent in 2020. This emphasises even more for Africa to reduce commodity dependence and increase value addition in its resource intensive economies which could be facilitated by trade under AfCFTA.

Importance of Implementing AfCFTA post COVID-19

According to a report by the Afrexim Bank³², the share in intra-African trade continued to remain at 16 percent in 2019, same as 2018. To increase the intra-regional share as well as the global share, Africa needs to diversify its export basket as well as destination. The outbreak of COVID-19 had disrupted the supply chains leading to countries struggling to procure goods and essential supplies. This has created further incentives to develop regionalised value chains and localised manufacturing by rebalancing and reducing dependence on distant suppliers. The AfCFTA will help Africa expand intra-African trade and promote value addition and industrialisation for a sustainable economic growth.

The trade-related impacts of COVID-19 highlight the underutilization of the fragmented regional markets by African countries. Commodity price volatilities continue to dictate the direction of economic progress, whereas the diversification of exports and increased value addition could help build resilience to shocks in African countries. Potentially, the full implementation of the AfCFTA which will provide countries with opportunities for growth and economic diversification, particularly through industrialization and manufacturing, could be a game changer for Africa. According to the World Bank (2020), if implemented fully, the trade pact could boost Africa's income by 7 percent or US\$ 450 billion, speed up wage growth for women, and lift 30 million people out of extreme poverty by 2035.

The report suggests that achieving these gains will be particularly important given the economic damage caused by the COVID-19 (coronavirus) pandemic. According to the report, the AfCFTA has the potential to reorganise markets and economies across the region, leading to the creation of new industries and the expansion of key sectors. Overall economic gains would vary, with the largest gains going to countries that currently having high trade costs. Côte d'Ivoire and Zimbabwe would be biggest gainers with increasing income by 14 percent as trade costs in these two countries are among the region's highest.

³²Annual Trade Development Effectiveness Report 2019, Afrexim Bank

AfCFTA would significantly boost African trade, particularly intra-regional trade in manufacturing. The volume of total exports would increase by almost 29 percent by 2035 relative to the baseline. Intracontinental exports would increase by over 81 percent, while exports to non-African countries would rise by 19 percent. Intra-AfCFTA exports to AfCFTA partners would rise especially fast for Cameroon, Egypt, Ghana, Morocco, and Tunisia, with exports doubling or tripling with respect to the baseline. Under the AfCFTA scenario, manufacturing exports would gain the most, 62 percent overall, with intra-Africa trade increasing by 110 percent and exports to the rest of the world rising by 46 percent. Smaller gains would be observed in agriculture 49 percent for intra-Africa trade and 10 percent for extra-Africa trade. The gains in the services trade are more modest about 4 percent overall and 14 percent within Africa³³.

Building Resilient Supply Chains

Potential sectors which could be developed to ensure sustainable growth and resilient value chains are agriculture and agro-processing, renewable energy, health and pharmaceuticals among others.

Disruptions in global supply chains and import tariffs are a threat since most African countries are dependent on the outside world for the majority (94 percent) of the continent's pharmaceutical needs. To mitigate the continent's dependence on imported pharmaceuticals, Africa should accelerate the realization of its Pharmaceutical Manufacturing Plan, which aims to address the lack of access to quality, affordable medical products. The AfCFTA could be an opportunity to promote the pharmaceuticals sector and contribute to strengthening African healthcare systems for the long-term.

Reliable energy access is key for medical service delivery, including those relating to lighting, refrigeration and sterilization. During the COVID-19 crisis, decentralized renewable energy solutions have been proven to be sustainable, clean and reliable ways to power isolation centres and health facilities in Africa. This could be further expanded for ensuring seamless power supply across Africa.

Increasing India's Engagements with Africa

According to the Africa's Development Dynamics 2019, Africa's domestic demand is the most important driver of its growth performance. It accounted for 69 percent

³³World Bank (2020). The African Continental Free Trade Area: Economic and Distributional Effects. Washington, DC: World Bank, July 2020.

of annual growth between 2000 and 2018. This demand is shifting towards more processed goods. The continent's demand for processed food is growing 1.5 times faster than the global average; demand for many other products such as road vehicles, manufactures of metals and industry machinery is expanding faster than the global average as well. It is established that at this point of inflection, the implementation of AfCFTA will certainly prove to be beneficial for the African economy. However, to gain the maximum benefits under the AfCFTA, African firms will need to prepare for a new, more competitive economic landscape. With around 22 percent of working-age Africans starting new businesses, compared to 19 percent in Latin America and 13 percent in Asia, Africa has the highest entrepreneurship rate in the world. African firms will need to improve their organizational, productive, and technological capabilities. Indian firms could partner with such firms by increasing their capacity and profitability and also gain market access.

MSMEs in Africa account for 80 percent of the enterprises. Start-up culture is increasingly becoming significant in Africa. As proposed in the seminar organized by the Exim India for, Stepping Up India's Engagements in Africa, digital SME platform could be set up in collaboration between India and African SMEs. Further, value chains under development in each of the continent's five regions offer clear opportunities for ambitious firms.

AfCFTA is a milestone that could serve as an important foundation for transforming Africa's future development, catalysed by surge in intra-African trade, free trade and investments, among others.

1. Select Macroeconomic Indicators of African Countries

Country/ Region	GDP at Current Prices (US\$ bn)				Real GDP Growth (%)				Population (mn)			
	2017	2018	2019*	2020 ^f	2017	2018	2019*	2020 ^f	2017	2018	2019*	2020 ^f
Africa	2188.7	2312.0	2404.2	2586.6	3.6	3.4	3.2	3.8	1231.5	1262.0	1292.6[*]	1324.0^f
Algeria	167.4	173.8	172.8	178.6	1.3	1.4	2.6	2.4	41.7	42.6	43.4	44.2
Angola	122.1	105.9	91.5	89.0	-0.2	-1.2	-0.3	1.2	28.4	29.3	30.1	31.0
Benin	12.7	14.3	14.4	15.5	5.7	6.7	6.6	6.7	11.2	11.5	11.8	12.1
Botswana	17.4	18.6	18.7	19.7	2.9	4.5	3.5	4.3	2.3	2.3	2.4	2.4
Burkina Faso	12.4	14.1	14.6	15.8	6.3	6.8	6.0	6.0	19.2	19.8	20.3	20.9
Burundi	3.4	3.4	3.6	3.7	0.0	0.1	0.4	0.5	10.9	11.2	11.5	11.9
Cabo Verde	1.8	2.0	2.0	2.2	3.7	5.1	5.0	5.0	0.5	0.6	0.6	0.6
Cameroon	35.0	38.7	38.6	40.6	3.5	4.1	4.0	4.2	24.3	24.9	25.5	26.1
Central African Republic	2.1	2.3	2.3	2.5	4.5	3.8	4.5	5.0	5.0	5.1	5.2	5.3
Chad	10.1	11.1	11.0	11.9	-2.4	2.4	2.3	5.4	12.2	12.5	12.8	13.1
Comoros	1.1	1.2	1.2	1.3	3.0	3.0	1.3	4.2	0.8	0.9	0.9	0.9
Côte d'Ivoire	38.1	43.0	44.4	48.4	7.7	7.4	7.5	7.3	25.0	25.6	26.3	27.0
Democratic Republic of the Congo	37.6	47.1	49.0	51.6	3.7	5.8	4.3	3.9	92.3	95.0	97.9	100.8
Djibouti	2.8	2.9	3.2	3.4	5.1	5.5	6.0	6.0	1.0	1.0	1.1	1.1
Egypt	236.5	249.6	302.3	353.0	4.1	5.3	5.5	5.9	94.8	97.0	99.2	101.5
Equatorial Guinea	12.3	13.7	12.1	11.6	-4.7	-5.7	-4.6	-5.0	1.3	1.3	1.4	1.4
Eritrea	1.9	2.0	2.1	2.2	-9.6	12.2	3.1	3.9	5.9	6.0	6.2	6.3
Eswatini	4.5	4.7	4.7	4.8	2.0	2.4	1.3	0.5	1.1	1.1	1.1	1.1
Ethiopia	75.7	80.3	91.2	103.6	10.1	7.7	7.4	7.2	92.7	94.1	95.6	97.2
Gabon	14.9	16.9	16.9	17.6	0.5	0.8	2.9	3.4	2.0	2.1	2.1	2.1
Ghana	59.0	65.5	67.1	69.8	8.1	6.3	7.5	5.6	28.9	29.6	30.2	30.8
Guinea	10.3	12.1	13.4	14.4	10.0	5.8	5.9	6.0	13.0	13.3	13.6	14.0
Guinea-Bissau	1.4	1.4	1.4	1.5	5.9	3.8	4.6	4.9	1.7	1.7	1.8	1.8
Kenya	78.7	87.9	98.6	109.1	4.9	6.3	5.6	6.0	46.7	48.0	49.4	50.7
Lesotho	2.7	2.7	2.7	2.8	0.5	2.8	2.8	-0.2	2.0	2.0	2.0	2.1
Liberia	3.3	3.2	3.2	3.2	2.5	1.2	0.4	1.6	4.4	4.5	4.6	4.7
Libya	30.6	41.0	33.0	34.1	64.0	17.9	-19.1	0.0	6.4	6.5	6.6	6.6
Madagascar	11.5	12.1	12.6	13.6	4.3	5.2	5.2	5.3	25.6	26.3	27.1	27.8
Malawi	6.2	6.9	7.5	8.1	4.0	3.2	4.5	5.1	19.2	19.7	20.3	20.9

Country/ Region	GDP at Current Prices (US\$ bn)				Real GDP Growth (%)				Population (mn)			
	2017	2018	2019 ^e	2020 ^f	2017	2018	2019 ^e	2020 ^f	2017	2018	2019 ^e	2020 ^f
Mali	15.4	17.2	17.6	19.0	5.4	4.7	5.0	5.0	18.0	18.5	19.1	19.7
Mauritania	4.9	5.2	5.7	5.9	3.1	3.6	6.6	5.9	3.9	4.0	4.1	4.1
Mauritius	13.3	14.2	14.4	14.9	3.8	3.8	3.7	3.8	1.3	1.3	1.3	1.3
Morocco	109.7	118.5	119.0	124.5	4.2	3.0	2.7	3.7	34.9	35.2	35.6	36.0
Mozambique	12.6	14.4	15.1	16.7	3.7	3.3	1.8	6.0	29.5	30.3	31.2	32.0
Namibia	13.6	14.5	14.4	14.9	-0.9	-0.1	-0.2	1.6	2.4	2.4	2.5	2.5
Niger	8.1	9.3	9.4	10.3	4.9	6.5	6.3	6.1	21.6	22.4	23.3	24.2
Nigeria	376.4	398.2	446.5	494.8	0.8	1.9	2.3	2.5	190.9	195.9	201.0	206.1
Republic of Congo	8.9	11.7	11.6	11.5	-1.8	1.6	4.0	2.8	4.3	4.5	4.6	4.7
Rwanda	9.1	9.5	10.2	11.1	6.1	8.6	7.8	8.1	11.8	12.1	12.4	12.7
São Tomé and Príncipe	0.4	0.4	0.4	0.5	3.9	2.7	2.7	3.5	0.2	0.2	0.2	0.2
Senegal	20.9	23.5	23.9	25.8	7.1	6.7	6.0	6.8	15.9	16.3	16.8	17.2
Seychelles	1.5	1.6	1.6	1.7	4.3	4.1	3.5	3.3	0.1	0.1	0.1	0.1
Sierra Leone	3.7	4.1	4.2	4.4	3.8	3.5	5.0	4.7	7.4	7.6	7.7	7.9
Somalia	4.5	4.7	5.0	5.2	1.4	2.8	2.9	3.2	14.6	15.0	-	-
South Africa	349.4	368.1	358.8	369.9	1.4	0.8	0.4	0.8	57.1	57.9	58.8	59.7
South Sudan	3.4	4.6	3.7	3.4	-5.5	-1.1	7.9	8.2	12.6	13.0	13.4	13.8
Sudan	45.9	34.3	30.9	33.7	1.7	-2.2	-2.6	-1.5	40.8	42.0	43.2	44.3
Tanzania	53.2	56.9	62.2	67.2	6.8	7.0	5.2	5.7	53.1	54.7	56.3	58.0
The Gambia	1.5	1.6	1.8	1.9	4.8	6.5	6.5	6.4	2.2	2.3	2.3	2.4
Togo	4.8	5.4	5.5	6.0	4.4	4.9	5.1	5.3	7.8	8.0	8.2	8.4
Tunisia	39.8	39.9	38.7	39.6	1.8	2.5	1.5	2.4	11.5	11.7	11.8	11.9
Uganda	26.5	28.1	30.7	33.9	5.0	6.1	6.2	6.2	37.7	38.8	39.8	41.2
Zambia	25.9	26.7	23.9	23.3	3.5	3.7	2.0	1.7	17.2	17.8	18.3	18.9
Zimbabwe	21.9	21.0	12.8	12.9	4.7	3.5	-7.1	2.7	14.4	14.6	14.9	15.2

Note: ^e estimates; ^fforecast, - not available; * - population forecast includes 2018 data for Somalia

Source: IMF World Economic Outlook January 2020 Update. Data for Africa based on IMF Data Mapper October 2019 (as per latest data available); and Exim Bank Analysis

2. Programme Schedule of Exim India's Seminar on 'Stepping Up India's Engagements in Africa'

Seminar On

"Stepping Up India's Engagements in Africa"

January 31, 2020

Programme Schedule

Time	Details
0930 hrs – 1000 hrs	Registration of Participants
1000 hrs – 1005 hrs	Welcome Remarks Shri Sudatta Mandal Chief General Manager, Export-Import Bank of India
1005 hrs – 1015 hrs	Special Address Shri David Rasquinha Managing Director, Export-Import Bank of India
1015 hrs – 1030 hrs	Presentation on 'Highlights of India's Trade & Investment in Africa and Exim Bank's Research Findings on Potential for Enhancing India's Engagements in Africa' Shri Vanlalruata Fanai Deputy General Manager, Export-Import Bank of India
1030 hrs – 1035 hrs	Session Break
1035 hrs – 1105 hrs	Session on 'Strengthening India's Engagements in Africa' (Sustainable Partnership towards achieving Agenda 2063 and African Continental Free Trade Area (AfCFTA)) <i>Africa today is in the midst of a structural transformation and India is making its mark globally, including Africa. The Agenda 2063 and African Continental Free Trade Area (AfCFTA) have further created new opportunities in this regard. The AfCFTA is projected to increase intra-African trade by 52.3 percent by 2022, however this rise is subject to an improvement in trade-related infrastructure and transit costs. It is thus imperative for a multipronged strategy for India to further enhance its trade and investment ties with Africa.</i> <i>This session will focus on the avenues created with the implementation of these initiatives for India.</i>

	<p><u>Panellists</u></p> <ul style="list-style-type: none"> - H.E. Mr Michael Aaron N. N. Oquaye, High Commissioner of the Republic of Ghana - Shri H. H. S. Viswanathan Distinguished Fellow, Observer Research Foundation - Prof. Sachin Chaturvedi Director General, Research and Information System for Developing Countries (RIS) - Shri Mukul Sarkar(Session Coordinator) Chief General Manager, Export-Import Bank of India
1105 hrs – 1110 hrs	Q & A Session and Discussion
1110 hrs – 1120 hrs	Tea Break
1120 hrs – 1150 hrs	<p>Panel Discussion on ‘Bridging the Gap: Opportunities and Challenges to India’s Engagements in Africa’</p> <p><i>India has become third largest trading partner for Africa in 2018. As regards investments, it is however still the tenth largest investor in Africa. Estimates by the African Development Bank suggest that the continent’s infrastructure needs amount to US\$ 130–US\$ 170 billion a year, with a financing gap in the range US\$ 68–US\$ 108 billion. Thus indicating a need for increasing the momentum of India’s engagements in the region.</i></p> <p><i>This session aims at deliberating on the issues faced for enhancing India’s engagements in Africa.</i></p> <p><u>Panellists</u></p> <ul style="list-style-type: none"> - Mr. Joseph Kabakeza, Charge d’Affaires, High Commission of the Republic of Rwanda - Dr. S.K. Mohanty Professor, RIS - Shri S. Kuppuswamy Advisor-Group Finance & Special Projects, Shapoorji Pallonji & Co. Pvt. Ltd. - Shri Sudatta Mandal (Session Coordinator) Chief General Manager, Export-Import Bank of India
1150 hrs – 1155 hrs	Q & A Session and Discussion
1155 hrs – 1200 hrs	Session Break

1200 hrs – 1255 hrs	<p>Experience Sharing Session: Roundtable with Diplomats & Indian Companies</p> <p><i>Lines of Credit (LOCs), since its inception in 2003, have been instrumental in forging India's developmental partnership with Africa. In fact, the broad spectrum of sectors covered under LOCs to Africa, make it even more relevant with Africa's Development Agenda 2063 that aims at achieving modernized infrastructure, modern agriculture and access to affordable housing, basic necessities such as, water, sanitation, energy, public transport and ICT, among others, across the continent.</i></p> <p><i>The session focuses on how the Bank's support to the companies has contributed to the development of project capabilities, and what more can be achieved through LOCs for a mutually beneficial partnership among all stakeholders.</i></p> <p><u>Moderated By</u></p> <ul style="list-style-type: none"> - Shri Nadeem Panjetan, Chief General Manager, Export-Import Bank of India <p><u>Panellists</u></p> <ul style="list-style-type: none"> - H.E. Mr George Mkondiwa, High Commissioner of the Republic of Malawi - Shri Anupam Mishra, Director Technical, Wapcos Ltd. - Shri Manikantan Rajendran, Vice President, KEC International Ltd. - Shri Rahul Sikka, Vice President and Head Africa (PT&D), L&T Ltd.
1255 hrs – 1305 hrs	Q & A Session and Discussion
1305 hrs – 1315 hrs	<p>Closing Remarks <i>Shri David Sinate</i> <i>Chief General Manager, Export-Import Bank of India</i></p>
1315 hrs – 1430 hrs	Lunch

3. List of Participants at Exim India's Seminar

Sr. No.	Name	Title	Company
1	Dr. Sangita Ladha	VP - Marketing and Business Dev.	Jain Irrigation Systems Ltd.
2	Mr. S. Kuppuswamy	Advisor - Group Finance & Special Projects	Shapoorji Pallonji And Company Private Limited
3	Mr. V.G. Sankar	Vice President Department Head - Energy & Plant BU Machinery Energy & Plant Project SBU	Toyota Tsusho India Pvt. Ltd.
4	Mr. Rajan Malhotra	Advisor	Larsen & Toubro Limited
5	Mr. Joseph Kabakeza	First Counsellor Deputy Head of Mission	High Commission of the Republic of Rwanda
6	Ms. Jonitah Among	Consular Officer	The Republic of Uganda Uganda High Commission
7	Mr. Abdoulaye SOW	Conseiller	Ambassade de la Republique de Guinée en Inde
8	Mr. KPODAR Messanvi Patrice	Attaché Financier	Ambassade de LA Republique Togolaise
9	Mr. Rajiv Kumar Srivastava	Asst. General Manager - Exports	WAAREE Energies Limited
10	Mr. Deepak Saxena	Vice President Business Development	Gian P. Mathur and Associates
11	Mr. Siddharath Singh	International Business Institutional Sales	Escorts Limited
12	Mr. Sarvepalli Srinivas	Trade Advisor & Project Consultant, and Former CMD	National Textile Corporation Limited
13	Mr. Gourish Chakravorty	Chief Executive Officer	Ion Exchange Safic
14	Mr. R. Viswanathan	Executive VP (International Marketing)	Genus energizing lives
15	Mr. Ram Gopal Shukla	Country Manager	Kross Border Corporate Services Limited
16	Mr. Ajit Pal Singh	Senior Manager Energy	Toyota Tsusho India Pvt. Ltd.
17	Dr. Bidhan Das	Managing Director	Octavo Solutions PVT. Ltd.
18	Mr. K.K. Verma	DGM — Business Development (EPC)	KEI Industries Limited
19	Mr. Pradeep Bansal	General Manager	IRCLASS Systems and Solutions Pvt. Ltd.
20	Mr. Ajay Malik	Head International Business	Action Construction Equipment Ltd.

Sr. No.	Name	Title	Company
21	Dr. Sushil Kumar	Consultant	Research and Information System for Developing Countries
22	Mr. Prem S Sharma	Director-Technical	Crux Consultants Pvt. Ltd.
23	Mr. Manoj Kumar Koli	AGM (Business Development)	Vindhya Telelinks Limited
24	Mr. Dhruv Gangal	Assistant Manager Business Development	Spml Infra Limited
25	Mr. Sanjay Kumar Dwivedi	Sr.Dy. General Manager (Marketing)	Bharat Electronics Ltd.
26	Mr. Rohit Sharma	Vice President EPC Business	Jakson Limited
27	Ms. Priyanka Bhat	Manager - Tendering	Jwil Infra Limited
28	Mr. R.R. Rangarajan	Manager (Finance) International Marketing	Bharat Electronics Limited
29	Mr. Darshan Wan	AGM - Business Development	Tata Projects Limited
30	Mr. Akhouri Nitesh Kumar	Assistant Manager - Business Development	Sellhorn Technomech Marine & Infrastructure Consult Pvt Ltd
31	Mr. Gopal Prasad		Lokjat Audio Visual
32	Mr. Ujjwal Goyal	Sr. Executive (Business Development)	Tata Power Delhi Distribution Limited
33	Mr. Sachin Pant	President - Advisory Business	Srei Infrastructure Finance Limited
34	Mr. Satpreet Kaur	Export Co-Ordinator	Project Exports Promotion Council of India
35	Mr. Pankaj Sharma	Sr. Manager (Business Development - EPC Projects)	KEI Industries Limited
36	Mr. Natarajan Baskaran	General Manager Business Development - International Projects	Afcons Infrastructure Limited
37	Mr. Rahul Singh	AVP — International Business & Projects	SunSource Energy Pvt. Ltd.
38	Mr. Ankur Vijayan	Business Development	N_Arc Consulting
39	Ms. Sonika Seth	Assistant Manager — Business Development	Premier Energies Ltd.
40	Mr. Subir Khare	Head - Business Development	Voyants Solutions Pvt. Ltd.
41	Mr. Alok Gandhi	Vice President-Business Development	Consulting Engineers Group Ltd.
42	Mr. Vijay Saigal	Expert (Foreign Projects)	RITES Limited
43	Ms. Indrayani Mulay	Deputy Director International Division	Confederation of Indian Industry

Sr. No.	Name	Title	Company
44	Mr. Rajkumar Jadhavar	Sr. Proposal Engineer	Worley Parsons Resources & Energy
45	Mr. Anil Vij	Director (Technical)	RITES Limited
46	Mr. Ashok Thakur	Vice President - Group Public Affairs	Mahindra & Mahindra Ltd.
47	Mr. Raghav Kapoor	AGM (Projects)	Vindhya Telelinks Limited
48	Ms. Marie Coelho	AGM (Government Affairs)	Tata Hitachi Construction Machinery Company Private Limited
49	Mr. Satvinder Singh	Chief General Manager (Technology)	The National Small Industries Corporation Ltd
50	Ms. Smriti Malhotra	Assistant	Embassy of the Republic of Congo
51	Mr. Lovemore Neube	Counsellor Head of Chancery	Embassy of the Republic of Zimbabwe
52	Mr. S.K. Malik	Protocol Officer	Consulate (Hon.) of Republic of Chad
53	H.E.Mr. George Mkondiwa	High Commissioner	Malawi High Commission
54	Mr. Serge Thierry Mandoukou Ombegue	Cultural Counsellor	Embassy of Gabon
55	Mr. Vikas Rana	General Manager	Premier Energies Ltd.
56	Mr. Chandan Singh	Assistant Manager International Marketing & Sales (Institutional)	Kirloskar Brothers Limited
57	Mr. Ajay Pratap Singh	Assistant General Manager - Business Development	Tata Consulting Engineers Limited
58	Mr. Shashank Govindraj	Director	Promac Engineering Industries Ltd.
59	Mr. J. Shrikant	Vice President International Marketing Project Business	Isgec Heavy Engineering Ltd.
60	Mr. Jean Baptiste Gagre	Second Counselor	Embassy of Burkina Faso New
61	Mr. Tarun Sharma	Senior Manager External Relations	Mahindra & Mahindra Ltd.
62	Mr. Anshul Gupta	Senior Manager - Export	Shakti Pumps (India) Ltd.
63	Mr. Saurabh Pandey	Senior Exports Manager	Madnani Engineerings Works
64	Mr. Virendra Singh	Executive Director (Expotech)	RITES Limited
65	Ms. Shipra Tripathi	Senior Vice President Corporate Strategy	Bharat Forge Limited

Sr. No.	Name	Title	Company
66	Ms. Deepti Sood	Senior Manager - Business Development	PEMS Engineering Consultants Pvt. Ltd.
67	Mr. Munish Tyagi	International Textile Consultant	CEO
68	Mr. Bhaskera Charya Ojha	Manager Business Development	Hindustan Construction Co Ltd
69	Mr. Abhitabh Nath Rawal	Senior Deputy General Manager	Bharat Heavy Electricals Ltd.
70	Mr. K.M. Saxena	Group General Manager (Finance)	Engineering Projects (India) Ltd.
71	Mr. Shantanu Roy	Executive Director (Exports)	BEML Limited
72	Mr. R. Mani	Vice President - IBD	KEC International Ltd.
73	Mr. Sumant Khanna	Head - Africa International Business	Escorts Limited
74	Mr. Biplob Bose	Director	Bosengrs
75	Mr. Saurabh Sharma	General Manager (Business Development)	Intercontinental Consultants and Technocrats Pvt. Ltd.
76	Mr. Shiv Seth	Globa Product Manager - Solar	Signify Innovations India Limited.
77	Mr. A.K. Vashishtha	Group General Manager	Engineering Projects (India) Ltd.
78	Ms. Sulagna Roy	Global Business Global Business Development	VA Tech Wabag Ltd.
79	Prof. Sachin Chaturvedi	Director General	Research and Information System for Developing Countries
80	Mr. Gabriel P Sinimbo	High Commissioner	High Commission of Namibia
81	Mr. Janardan Verma	Dy. General Manager (Coordination)	Hindustan Aeronautics Limited
82	Mr. Chenesani Asa	Counsellor III	Botswana High Commission
83	Mr. Saurabh Gupta	Dy General Manager (Business Development)	Tata Projects Limited
84	Mr. Ahmed Shouaib	Political Section	Embassy of the Arab Republic of Egypt
85	Mr. Nsengiyumva Maxime	First Secretary	Embassy of the Republic of Burundi
86	Mr. Sankung Fofana	First Secretary	High Commission of the Republic of the Gambia
87	Mr. Ebtihal Mohamed Osman Bashir	Counsellor	Embassy of the Republic of the Sudan
88	Mr. Joaquim Filipe Ganga	Minister - Counsellor	Republic of Angola

Sr. No.	Name	Title	Company
89	Ms. Tahina Rasamoelina	Premier Conseiller	Embassy of Republic of Madagascar
90	Mr. Oscar Sikanda	Commercial Counsellor	Namibia High Commission
91	Mr. Mophethe Sekamane	Counsellor	High Commission of the Kingdom of Lesotho
92	Mr. Gaurav Hatwal	Executive (Membership Division)	The Associated Chambers of Commerce and Industry of India
93	Mr. Vijay Uplenchwar	Vice President & Head International Business	Megha Engineering & Infrastructures Ltd.
94	Mr. Abhilash Puljal	Principal	Strategy advisors and management consultants
95	Ms. Pranati Senapati	Consultant	Qctavo Solutions Pvt. Ltd.
96	Mr. Anupam Mishra	Director (Commercial & HRD)	Wapcos Limited
97	Mr. Alok Garg	Executive Director (HW&P)	RITES Limited
98	Mr. N. Balasubramanian	Advisor - Corporate Affairs	Shapoorji Pallonji Group C/o Forbes & Co. Ltd.
99	Mr. Bahubali Kothari	CEO-Infra	OM Metals Infrasprojects Ltd.
100	Mr. K.D. Tripathi	Senior Manager International Business Division	BEML Limited
101	Mr. Abhishek Singh	Manager - Business Development	IRCLASS Systems and Solutions Pvt. Ltd.
102	Mr. R. Venkatesh	Deputy Manager Infrastructure	Automotive & Mobility Group
103	Mr. Manoj Kumar Sodhani	Deputy General Manager International Operations	Bharat Heavy Electricals Ltd.
104	Mr. Jay Shukla	Sr. Engineer International Marketing Project Business	Isgec Heavy Engineering Ltd.
105	Mr. Gurmanpreet Singh	Officer (Business Development)	Energy Efficiency Services Limited
106	Mr. Ravinder Narang	Expert (Export Promotion)	BEML Limited
107	Mr. S. Somasundaram	Deputy Technical Adviser (Processing)	National Federation of Cooperative Sugar Factories Ltd.
108	Mr. Rishi Raj	Dy. Group Manager Business Development	Holtec Consulting Private Limited
109	Mr. Vineet Shankdher	Addl. General Manager - Emerging Markets Business Centre	Shapoorji Pallonji And Company Private Limited
110	Mr. Vimal Kumar	Co-founder & COO	Finovista

Sr. No.	Name	Title	Company
111	Mr. Tushar Bahl	Senior Manager (Business Development) Divisional Corporate	Larsen & Toubro Limited
112	Mr. Rahul Yadav	Manager - Business Development Special Initiatives - North	Larsen & Toubro Limited
113	Mr. Sunil Sharma	Vice President Consultancy Division	Darashaw & Co Pvt. Ltd.
114	Dr. Sushil Kumar	Consultant	Research and Information System for Developing Countries
115	Mr. E B Rajesh	Regional Director — Africa International Department	Confederation of Indian Industry
116	Mr. Vaibhav Kumar Joshi	General Manager	John Deere India Private Limited
117	Mr. Anurag Dharmawat	Manager (International Business)	Genus Power Infrastructures Limited
118	Mr. Pramod Kumar Baranwal	Chief Manager (Coordination)	Hindustan Aeronautics Limited
119	Mr. Gurjit Singh	Chair - CII Task Force on Asia Africa Growth Corridor	Confederation of Indian Industry
120	Mr. Rajib Adhikari	Asst Vice President — Sales & Business Development	Promac Engineering Industries Ltd.

4. Questionnaire to Indian Companies: Identification of Challenges and Way Forward to Enhance India's Engagements in Africa

Name of Company/Institution:

Name and Functional Title:

Profile of Company/ Institution:

Sector	
Main products	
Annual Turnover	
Address	
Tel.	
Contact e-mail	

Current Investments

1. Do you have any current engagement/investment, or any engagement/investment in the past, in Africa?

If yes, please specify:

Company	Sector	Country	Since when?	Participation value (US\$)

2. Explain the motivation to the present Investment/ engagement in Africa

Motivation:	Tick if applicable
1. To import back into Indian market	
2. To serve local markets	
3. To serve the regional African market	
4. To serve third markets	
5. Other (Please specify)	

3. Which type of investment did you have / would you prefer in Africa? Please prioritise (1= most preferred choice; 5= least preferred choice) (please specify the country, if more than two countries then you may have a consolidated response clubbing the countries; however, please specify the countries)

	Country:	Country:
Setting up a new subsidiary / associate company		
Buying, acquiring shares in an existing company		
Setting up a joint venture		
Other (please specify)		

Challenges to enhancing investments /engagements in Africa

4. What are the main challenges to enhancing investments /engagements in Africa? (please specify the country, if more than two countries then you may have a consolidated response clubbing the countries; however, please specify the countries)

	Country:				Country:.....			
	Large Constraint	Moderate Constraint	Low Constraint	No Constraint	Large Constraint	Moderate Constraint	Low Constraint	No Constraint
Market size and growth								
Distance from India								
Tax incentives								
Access to inputs								
Political stability / regulatory framework								
Level of investor protection								
Business environment								
Availability of technology								
Skilled labour								
Cost of labour								
Import - export procedures								
Tariff rates								
Transport efficiency								
Investment agreements with India								
Intellectual property protection								
Existing business relationships								
Access to finance								
Others (please specify)								
.....								
.....								
.....								

5. Exim India's LOCs in Africa (As on December 31, 2019)

• GOI-supported LOCs extended by Exim India

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
1	Angola	Government of Angola	40.0	Railway rehabilitation
2	Angola	Government of Angola	30.0	Industrial park
3	Angola	Government of Angola	15.0	Setting up a textile project (cotton Ginning and spinning)
4	Benin	Government of Benin	15.0	(A) Railway equipment (US\$ 10.25 mn), (B) agricultural equipment (US\$ 4.25 mn) and (C) feasibility study for setting up a cyber city (US\$ 0.50 mn)
5	Benin	Government of Benin	15.0	Tractor assembly plant and farm equipment manufacturing unit
6	Benin	Government of Benin	42.6	Upgradation of 47 Water Supply Schemes in 103 villages in Benin
7	Burkina Faso	Government of Burkina Faso	30.0	Agricultural projects including acquisition of tractors, harvesters, agricultural processing equipment
8	Burkina Faso	Government of Burkina Faso	25.0	Rural electrification
9	Burkina Faso	Government of Burkina Faso	22.5	Low cost housing and economical buildings project in Burkina Faso
10	Burundi	Government of Burundi	80.0	Kabu Hydro Electric Project
11	Burundi	Government of Burundi	4.2	Farm Mechanization
12	Burundi	Government of Burundi	0.2	Preparation of Detailed Project report for an Integrated Food Processing Complex in Burundi
13	Burundi	Government of Burundi	161.4	Construction of Parliament building in Gitega and ministerial Buildings in Burundi
14	Cameroon	Government of Cameroon	37.7	(i) Maize Farm Plantation Projects (US\$ 18.77 mn), (ii) Rice Farm Plantation Projects (US\$ 18.88 mn)
15	Cameroon	Government of Cameroon	42.0	Cassava Plantation Project
16	Central African Republic	Government of Central African Republic	29.5	Setting up a modern dry process cement plant of 400 TPD capacity and procurement of 100 buses for internal transport
17	Central African Republic	Government of Central African Republic	20.0	Development of Mining Project

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
18	Central African Republic	Government of Central African Republic	39.7	Two hydro-electric projects
19	Central African Republic	Government of Central African Republic	7.0	[i] Capitalisation of all interest, penal interest and commitment fees overdues under the LOC of US\$ 29.50 million and future interest and other dues falling due under the LOC of US\$ 29.50 million till September 15, 2024 [ii] Capitalisation of all future interest and other dues falling due under the new LOC of US\$ 20.00 million till January 16, 2023
20	Chad	Government of Chad	50.0	Cotton yarn plant , bicycle plant , Industrial transport equipment and rolling plant mill , Agro-processing plants for tomato and mango and Irrigation equipment
21	Chad	Government of Chad	15.9	For financing Extension of spinning mill [addition of weaving and processing capacities] [US\$ 15.90 million] in Chad
22	Chad	Government of Chad	6.1	[i] Capitalisation of all interest, penal interest and commitment fee overdues under the LOC of US\$ 50 million and future interest and other dues falling due under the LOC of US\$ 50 million till June 2020, into new LOC of US\$ 6.12 million. [ii] Capitalisation of all future interest and other dues falling due under the new LOC of US\$ 15.90 million till December 23, 2023, into new LOC of US\$ 6.12 million
23	Comoros	Government of Comoros	41.6	For installation of an 18 MW power project in Moroni, the capital city of Comoros
24	Cote d'Ivoire	Government of Cote d'Ivoire	26.8	Renewal of urban transport system in Abidjan and for agricultural projects in the field of vegetable oil extraction, fruits and vegetable chips production, production of cocoa, coffee
25	Cote d'Ivoire	Government of Cote d'Ivoire	25.5	(I) Mahatma Gandhi IT and Biotechnology Park, (ii) Fisheries Processing Plant and (lii) Coconut fiber processing plant
26	Cote d'Ivoire	Government of Cote d'Ivoire	30.0	Transmission line between Cote d'Ivoire and Mali
27	Cote d'Ivoire	Government of Cote d'Ivoire	30.0	Rice production programme
28	Cote d'Ivoire	Government of Cote d'Ivoire	24.0	Electricity Interconnection Project between Cote d'Ivoire and Mali
29	Cote d'Ivoire	Government of Cote d'Ivoire	71.4	Upgradation of Military Hospitals
30	D.R.Congo	Government of D. R. Congo	33.5	Setting up a cement plant, acquisition of buses and acquisition of equipment for MIBA

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
31	D.R.Congo	Government of D. R. Congo	25.0	Installation of hand pumps and submersible pumps
32	D.R.Congo	Government of D. R. Congo	42.0	Execution of Kakobola Hydroelectric Power Project
33	D.R.Congo	Government of D. R. Congo	168.0	Katende Hydro-electric Project
34	D.R.Congo	Government of D. R. Congo	82.0	Completion of Katende Hydro-electric Project
35	D.R.Congo	Government of D. R. Congo	34.5	Development of Power Distribution Project in Bandundu Province
36	D.R.Congo	Government of D. R. Congo	109.9	Financing transmission and distribution project in Kasai province of Democratic Republic of the Congo (DRC) for evacuation of electricity from Katende Hydroelectricity Power Project
37	D.R.Congo	Government of D. R. Congo	33.3	Financing installation of 15 MW solar photovoltaic power project at Karawa, province – North Ubangi, Democratic Republic of Congo
38	D.R.Congo	Government of D. R. Congo	25.3	Financing installation of 10 MW solar photovoltaic power project at Lusambo, province – Sankuru, Democratic Republic of Congo
39	D.R.Congo	Government of D. R. Congo	24.6	Financing installation of 10 MW solar photovoltaic power project at Mbandaka, Province – Equator
40	Djibouti	Central Bank of Djibouti	10.3	General purpose
41	Djibouti	Government of Djibouti	10.4	Cement Plant Project
42	Djibouti	Government of Djibouti	14.6	Completing Cement Plant Project in Djibouti
43	Djibouti	Government of Djibouti	15.1	Ali Sabieh Cement Project, Djibouti
44	Eritrea	Government of Eritrea	20.0	Multipurpose agricultural projects and educational projects
45	Ethiopia	Government of Ethiopia	65.0	Energy transmission and distribution project
46	Ethiopia	Government of Ethiopia	122.0	Development of sugar industry
47	Ethiopia	Government of Ethiopia	166.2	Development of sugar industry
48	Ethiopia	Government of Ethiopia	213.3	Development of sugar industry
49	Ethiopia	Government of Ethiopia	91.0	Development of sugar industry
50	Ethiopia	Government of Ethiopia	47.0	Development of sugar industry

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
51	Gambia	Government of Gambia	5.8	Supply of tractors
52	Gambia	Government of Gambia	10.0	Construction of National Assembly Building Complex
53	Gambia	Government of Gambia	16.6	Completion of the National Assembly Building Complex
54	Gambia	Government of Gambia	22.5	Electrification expansion project
55	Gambia	Government of Gambia	22.5	Replacement of Asbestos water pipes with UPVC pipes project
56	Ghana	Government of Ghana	27.0	Rural electrification, agricultural and transportation projects
57	Ghana	Government of Ghana	60.0	Rural electrification project and construction of Presidential Office
58	Ghana	Government of Ghana	25.0	Foreign Policy Training Institution, railway corridors and agro processing plant
59	Ghana	Government of Ghana	21.7	(i) Improved fish harvesting & fish processing project and (ii) Waste management equipment and management support project
60	Ghana	Government of Ghana	35.0	Sugar Plant
61	Ghana	Government of Ghana	24.5	Sugarcane development and irrigation project
62	Ghana	Government of Ghana	30.0	Rehabilitation and Up-gradation of Potable Water System in Yendi, Ghana
63	Ghana	Government of Ghana	150.0	Strengthening of Agriculture Mechanization Services Centres
64	Guinea	Government of the Republic of Guinea	35.0	Strengthening of Health System
65	Guinea	Government of the Republic of Guinea	20.2	Solar Projects
66	Guinea	Government of the Republic of Guinea	170.0	Project for strengthening the drinking water supply of Grand Conarky-Horizon 2040
67	Guinea Bissau	Government of Guinea Bissau	25.0	Food processing and agricultural sector (US\$ 5 mn) Rural Electrification Project (US\$ 20 mn)
68	Kenya	Government of Kenya	61.6	Power Transmission Lines (1st tranche of US\$ 102.08 mn)
69	Kenya	Government of Kenya	100.0	Agriculture Mechanization project

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
70	Kenya	Government of Kenya	15.0	Development of various small and medium enterprises
71	Kenya	Government of Kenya	30.0	Upgrade of Rift Valley Textiles Factory (RIVATEX East Africa Ltd)
72	Liberia	Government of Liberia	1.4	Power Transmission and Distribution Project
73	Lesotho	Government of Lesotho	5.0	General purpose: Contracts approved include export of pump sets, consultancy services and irrigation equipment
74	Lesotho	Government of Lesotho	4.7	Vocational training center for empowerment of youth and women
75	Madagascar	Government of Madagascar	25.0	Project for rice productivity and project for fertilizer production
76	Madagascar	Government of Madagascar	2.5	Completion of unfinished fertilizer plant project
77	Malawi	Government of Malawi	30.0	Supply of irrigation, storage, tobacco threshing plant and one village- one project
78	Malawi	Government of Malawi	50.0	Cotton Processing Facilities, Green Belt Initiative and One Village One Product Project
79	Malawi	Government of Malawi	76.5	Irrigation Network and Sugar processing equipment and fuel storage facility
80	Malawi	Government of Malawi	23.5	Construction of a new water supply system from Likhubula river in Mulanje to Blantyre
81	Mali	Government of Mali	27.0	Rural electrification and setting up of agro machinery and tractor assembly plant
82	Mali	Government of Mali	30.0	Electricity transmission and distribution project from Cote d'Ivoire to Mali
83	Mali	Government of Mali	45.0	Electricity transmission and distribution project from Cote d'Ivoire to Mali
84	Mali	Government of Mali	36.0	Completion of Mali-Ivory Coast Interconnection Link for integrating the national power grids of the two countries.
85	Mali	Government of Mali	15.0	Agriculture and food processing projects
86	Mali	Government of Mali	100.0	Power Transmission Project Connecting Bamako and Sikasso via Bougouni
87	Mali & Senegal	Governments of Mali and Senegal	27.7	Acquisition of railway coaches and locomotives from India
88	Mauritania	Government of Mauritania	21.8	Potable water project (US\$ 4.896 mn) and Milk Processing Plant (US\$ 11.30 mn)
89	Mauritius	Government of Mauritius	48.5	Supply of Offshore Patrol Vessel

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
90	Mauritius	Government of Mauritius	46.0	Purchase, upgradation, servicing and maintenance of defence related equipment and vehicles for the Mauritius Police Force (MPF)
91	Mauritius	Government of Mauritius	18.0	To finance the acquisition of Waterjet Fast Attack Craft
92	Mauritius	Government of Mauritius	52.3	Project Trident [Construction of berthing jetty and Head Quarter building for National Coast Guard of Mauritius]
93	Mauritius	SBM [Mauritius] Infrastructure Development Co. Ltd. [a nominated agency of Government of Mauritius]	500.0	Equity Participation for financing various Infrastructure Projects
94	Mozambique	Government of Mozambique	20.0	General purpose - Contracts approved include supply of water drilling machinery, equipment, accessories, components and spares, support vehicles, water and fuel tankers and electrical equipment
95	Mozambique	Government of Mozambique	20.0	Electrification of Gaza province
96	Mozambique	Government of Mozambique	20.0	Transfer of water drilling technology and equipment
97	Mozambique	Government of Mozambique	25.0	To finance IT Park Project which will comprise construction of building and (a) incubator facility, (b) research and learning centre and (c) technology park and administrative facility.
98	Mozambique	Government of Mozambique	30.0	Rural Electrification Project in the provinces of Inhambane, Zambezi and Nampula
99	Mozambique	Government of Mozambique	25.0	Rural Electrification of Cabo Delgado, Manica, Niassa Provinces
100	Mozambique	Government of Mozambique	20.0	Enhancing productivity of rice, wheat, maize cultivation
101	Mozambique	Government of Mozambique	13.0	Solar Photo Voltaic Module Manufacturing Plant
102	Mozambique	Government of Mozambique	19.7	Rural drinking water project extension
103	Mozambique	Government of Mozambique	149.7	Rehabilitation of Road between Tica, Buzi and Nova Sofala in Mozambique
104	Mozambique	Government of Mozambique	47.0	Construction of 1200 houses in Mozambique
105	Mozambique	Government of Mozambique	38.0	Construction of 1600 Borewells with Hand pumps and 8 Small Water Systems in Mozambique

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
106	Mozambique	Government of Mozambique	95.0	Procurement of railway rolling stock including locomotives, coaches and wagons
107	Niger	Government of Niger	17.0	Buses, automobiles, flour mills and motor pumps.
108	Niger	Government of Niger	20.0	(a) Rehabilitation of six-power stations (b) Purchase of three power transformers (c) Rehabilitation as well as erection of power lines between various places in Niger
109	Niger	Government of Niger	34.5	Solar electrification of 30 villages and solar photovoltaic system of 5 MW
110	Niger	Government of Niger	25.0	Potable Water for Semi-Urban and Rural Communities
111	Nigeria	Government of Nigeria	100.0	[i] construction of gas-based power plant in the cross river state [ii] 132/33 KV substation, solar mini grid electrification and solar street lighting in the state of Kaduna; & [iii] supply and commissioning of transmission lines;
112	R. Congo	Government of Republic of Congo	70.0	Rural Electrification
113	R. Congo	Government of Republic of Congo	89.9	Development of Transport System
114	R. Congo	Government of Republic of Congo	55.0	Setting up a Greenfield 600 tpd rotary kiln Cement Plant Project
115	Rwanda	Government of Rwanda	20.0	Power projects
116	Rwanda	Government of Rwanda	60.0	Power projects
117	Rwanda	Government of Rwanda	120.1	[i] Export Targeted Modern Irrigated Agricultural Project (US\$ 60.22 million); and [ii] Extension of Export Targeted Modern Irrigated Agricultural Project (US\$ 59.83 million)
118	Rwanda	Government of Rwanda	81.0	Establishment of 10 Vocational Training Centres and 4 business incubation centres in Rwanda
119	Rwanda	Government of Rwanda	66.6	Base-Butero-Kidaho road project
120	Rwanda	Government of Rwanda	100.0	Development of two SEZs & expansion of the Kigali SEZ
121	Rwanda	Government of Rwanda	100.0	Three Agriculture Project Schemes i.e. (i) Warufu Multipurpose Irrigation Project, (ii) Mugesera Irrigation Project, and (iii) Nyamukana Irrigation Project
122	Senegal	Government of Senegal	17.9	Export of 350 buses and accessories and 85 pick-up vans

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
123	Senegal	Government of Senegal	27.0	Irrigation Project
124	Senegal	Government of Senegal	11.0	Supply of 70 multipurpose oil presses, 70 mini bakeries and 70 cereal and fruit processing units for women poverty alleviation and supply of 320 pick-up vehicles and 80 station wagons for support of decentralized administration.
125	Senegal	Government of Senegal	10.0	IT training projects
126	Senegal	Government of Senegal	25.0	Rural electrification project and Fishing Industry Development Project
127	Senegal	Government of Senegal	5.0	Supply of medical equipments, furniture and other accessories to four hospitals
128	Senegal	Government of Senegal	27.5	Rural electrification
129	Senegal	Government of Senegal	19.0	Fisheries Development Project
130	Senegal	Government of Senegal	42.0	Setting up a Modern Abattoir, Meat Processing, Cold Storage, Rendering and Tannery Plant and Market Place in Senegal
131	Senegal	Government of Senegal	63.0	Rice Self Sufficiency programme in Senegal
132	Senegal	Government of Senegal	26.0	Acquisition of buses
133	Senegal	Government of Senegal	24.5	Up-gradation and rehabilitation of Health Care System.
134	Seychelles	Government of Seychelles	8.0	General Purpose and Implementation of Integrated Health Information System.
135	Seychelles	Government of Seychelles	10.0	Import of goods and services from India for specific projects funded by Development Bank of Seychelles (DBS)
136	Seychelles	Government of Seychelles	10.0	Procurement of goods and projects as per the specified needs of the Government of the Republic of Seychelles
137	Sierra Leone	Government of Sierra Leone	15.0	Procurement of tractors and connected implements, harvesters, rice threshers, rice mills, maize shellers and pesticide spray equipment
138	Sierra Leone	Government of Sierra Leone	30.0	Rehabilitation of existing facilities and addition of new infrastructure to supply potable water
139	Sierra Leone	Government of Sierra Leone	78.0	Transmission Line and Substation in Sierra Leone
140	Sierra Leone	Government of Sierra Leone	30.0	Land and infrastructure development including Hydraulics, water management system (irrigation) and provision of Tractors.

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
141	Sudan	Government of Sudan	50.0	General purpose: Contracts approved include export of electrification equipment, photovoltaic cells, diesel coaches, rehabilitation of locomotives, textile machinery, copper rods etc.
142	Sudan	Government of Sudan	350.0	Setting up of 4 x 125 MW Kosti Combined Cycle Power Plant
143	Sudan	Government of Sudan	41.9	SINGA-GEDARIF transmission and Sub-Station Project
144	Sudan	Government of Sudan	48.0	Supply of agricultural inputs for the Sudanese Agricultural Bank, technical and laboratory equipment to Higher Educational Institutions, scientific equipment for Ministry of Science and Technology, solar electrification & meeting requirements of Sudan Railways
145	Sudan	Government of Sudan	52.0	SINGA-GEDARIF Transmission line extension to Galabat, micro-industrial projects and development of livestock production and services
146	Sudan	Government of Sudan	25.0	Mashkour (earlier Elduem) Sugar Project at White Nile State (1st tranche of US\$ 150 mn)
147	Sudan	Government of Sudan	125.0	Mashkour Sugar Project (IInd tranche of US\$ 150 mn)
148	Sudan	Government of Sudan	45.2	Capitalization of Interest under operative LOCs for change in terms of the existing LOCs
149	Sudan	Government of Sudan	19.6	Capitalization of Interest under operative LOCs for change in terms of the existing LOCs
150	Eswatini (Swaziland)	Government of Eswatini (Swaziland)	20.0	Information technology park
151	Eswatini (Swaziland)	Government of Eswatini (Swaziland)	37.9	Agricultural Development and Mechanization of Agriculture in Swaziland
152	Tanzania	Government of Tanzania	40.0	Export of tractors, pumps and equipment from India to Tanzania.
153	Tanzania	Government of Tanzania	36.6	Financing the purchase of 679 (earlier 723) vehicles
154	Tanzania	Government of Tanzania	178.1	Water supply schemes to Dar-es-Salam
155	Tanzania	Government of Tanzania	268.4	Extension of Lake Victoria Pipeline to Tabora, Igunga and Nzega
156	Tanzania	Government of Tanzania	92.2	Rehabilitation and improvement of water supply system in Zanzibar
157	Tanzania	Government of Tanzania	500.0	Water Supply scheme in 17 towns in Tanzania
158	Togo	Government of Togo	15.0	Rural Electrification Project

Sr. No.	Country	Borrower	Amount of Credit (US\$ mn)	Products/Projects covered
159	Togo	Government of Togo	13.1	Farming and cultivation of Rice, Maize and Sorghum in Togo
160	Togo	Government of Togo	30.0	Rural Electrification Project to cover 150 localities
161	Togo	Government of Togo	52.0	Setting up of 161 KV Power Transmission Line
162	EBID, West Africa	ECOWAS Bank for Investment and Development (EBID), West Africa	250.0	Public Sector projects
163	EBID, West Africa	ECOWAS Bank for Investment and Development (EBID), West Africa	100.0	Financing exports of various equipment, goods and services
164	EBID, West Africa	ECOWAS Bank for Investment and Development (EBID), West Africa	150.0	Export of goods and services and project exports
165	EBID, West Africa	ECOWAS Bank for Investment and Development (EBID), West Africa	500.0	Development Projects
166	Zambia	Government of Zambia	29.0	Itezhi-Tezhi Hydro power project
167	Zambia	Government of Zambia	50.0	Pre-fabricated health posts
168	Zambia	Government of Zambia	18.0	Pre-fabricated health posts
169	Zimbabwe	Government of Zimbabwe	28.6	Up-gradation of Deka Pumping Station and River Water Intake System in Zimbabwe
170	Zimbabwe	Government of Zimbabwe	87.0	Renovation/Up- gradation of Bulawayo Thermal Power Plant
171	Zimbabwe	Government of Zimbabwe	19.5	Completion of Phase II : Up-gradation of Deka Pumping Station and River Water Intake System in Zimbabwe
172	Zimbabwe	Government of Zimbabwe	23.0	Up-gradation of Bulawayo Thermal Power Plant
	Total		9679.7	

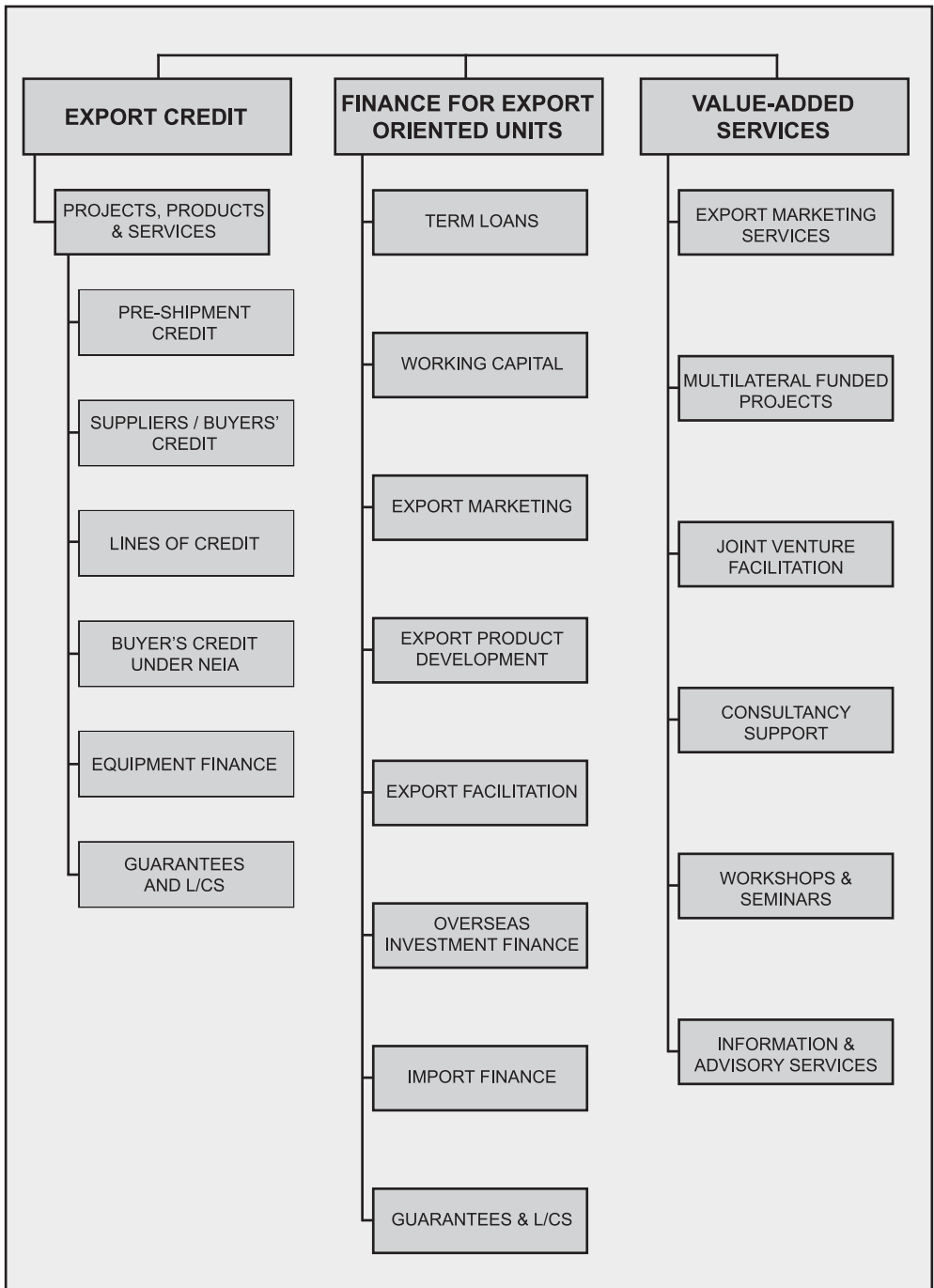
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