

**AFRICAN EXPORT-IMPORT BANK  
BANQUE AFRICAINE D'IMPORT-EXPORT  
(AFREXIMBANK)**



**ANNUAL REPORT  
AND  
STATEMENT OF ACCOUNTS  
1994 / 1995**





AFREXIMBANK

AFREXIMBANK'S MISSION

*To Stimulate a consistent expansion, diversification and development of African trade while operating as a first class profit-oriented financial institution and a center of excellence in African trade matters*





***Transmittal Letter***

5 March 1996

The Chairman  
General meeting of Shareholders  
African Export Import Bank  
Cairo

Dear Mr. Chairman,

In accordance with Article 35 of the Bank's Charter, I have the honour, on behalf of the Board of Directors, to submit herewith the Report of the Bank's activities for the period 27th October, 1993 to 31 December, 1995

The Report covers the first year's activities and audited financial statements of the Bank as defined in Article 34 of the Bank's Charter. The Report also contains a review of the international and African economic environments under which the Bank operated during the period.

Mr. Chairman, please accept the assurances of my highest consideration.

Christopher C. Edordu  
President & Chairman of the Board  
of Director

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**African Export Import Bank**

**ANNUAL REPORT  
1994/1995**

## **CORPORATE INFORMATION**

### **THE BOARD OF DIRECTORS**

#### **CHAIRMAN**

Mr. Christopher Edordu  
President

#### **MEMBERS OF THE BOARD**

##### **CLASS A**

Mr. Abdul Rahman Awl\*  
Director

Mr. Neewirwa N. Kitomari  
Director

Mr. C. Konan Koffi  
Director

Mr. Abdel Moumen Souayah  
Director

##### **CLASS B**

Mr. Tilahun Abbay  
Director

Mr. Victor A. Odozi  
Director

Mr. Lambert Ondo-Ndong  
Director

Dr. Faika El-Rafaie\*  
Director

##### **CLASS C**

Mr. Tu Jianji  
Director

Mr. Timothy Whalley  
Director

#### **SECRETARY TO THE BOARD**

Mr. John Washington T. Otieno

\*Mr. Mamoud Abdel Aziz and Mrs. Abiodun Olorun-nimbe Cissoko served on the Board from Dec. 1993 to May 1995 when they retired and were succeeded by Dr. Faika El-Rafaie and Mr. Abdul Rahman Awl respectively.

**EXTERNAL AUDITORS**

1. Akintola Williams & Co.  
Lagos, Nigeria
  
2. KPMG Hazem Hassan,  
Cairo, Egypt

**HEADQUARTERS**

**AFRICAN EXPORT-IMPORT BANK  
BANQUE AFRICAINE D'IMPORT-EXPORT**

World Trade Center, 1191 Corniche El-Nil, Cairo 11221, Egypt  
Postal address : P.O.Box 404 Gezira, Cairo 11568, Egypt  
Tel: 578 0282 Fax: 578 0276 / 77 / 78 / 79 Tlx: 20003 AFRXM UN

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## CHAPTER ONE

### 1.1 BACKGROUND TO THE BANK

The African Export-Import Bank is an international **EXIM** Bank established in October, 1993 based on the concept of global partnership. It has the broad objective of promoting intra- and extra-African trade, and was established on the initiative of the African Development Bank (ADB). At the 1987 Annual Meetings of the Board of Governors of the ADB, held in Cairo, Egypt, African Ministers of Finance adopted a resolution requesting the ADB Management to conduct a study on the desirability of establishing a regional institution to provide trade finance facilities to promote trade, particularly intra-African trade. The Ministers were concerned about the very low level of intra-African trade, the decline in financial flows to Africa, the worsening external debt situation of many African countries, and the sharp reduction of lending to Africa by international commercial banks. They recognized that a specialized continental financial institution was needed to spearhead the expansion of intra- and extra-African trade.

The feasibility study, initiated in 1987, was completed in 1992 and formed the basis for the design and establishment of the Bank in Abuja, Nigeria, in October 1993 when shareholders held the Bank's First General Meeting. On that occasion, shareholders selected Cairo, Egypt, as the headquarters of the Bank and elected its President and members of the Board of Directors. The Bank subsequently concluded a Headquarters Agreement with the Arab Republic of Egypt and commenced operations on 30th September 1994. Article 34 of the Charter of the Afreximbank provides that the first financial year of the Bank shall begin on the date on which the Bank commences operations and end on 31st December of the following-year. The Charter also provides that the Bank shall each year publish a Report on the operations and activities of the Bank.

In compliance with these provisions of the Charter, and in accordance with normal operations, this Report reviews the activities of the Bank during the pre-operating phase and the operational period up to 31st December, 1995.

The rest of the Report is organized into five chapters.

Chapters 2 and 3 describe the external and African economic environments in order to establish the context in which the Bank operated during the review period while Chapter 4 covers activities and operations of the Bank. Chapter 5 reviews the financial statement

of the Bank including Balance Sheet, the Cashflow and Profit and Loss Account.

The Report shows that the economic environment under which the Bank operated during the review period was relatively favourable, despite certain constraints that persisted with respect to the economic performance of some African economies, and the turmoil in the international financial markets. Overall, Africa's economic growth performance was improving, although based on a weak foundation, being largely derived from the continued strength of commodity prices.

In the specific area of trade and trade financing, the Continent witnessed a modest growth in total trade, which was however, below global levels, while obstacles to international trade financing persisted. While international banks returned to the African trade finance scene, their activities were short-term, selective and structured. The Bank's operations were therefore designed to collaborate with the returning international banks and to address the Africa trade and trade finance problems including the emergence of relatively weak new generation exporters in Africa's exporting scene.

To understand the factors that shaped the evolution of African trade and trade finance as well as the Bank's operations during the review period, the following chapter (Chapter Two) reviews the global economic developments that occurred during the period. Discussions focused on the performance of the global economy, the evolution of the financial markets and other factors that affected global trade.

In combination, these three broad variables affected the way African trade and trade financing evolved during the review period; determining Africa's export demand, availability of trade facilitating financial flows to the Continent and the direction of African trade.

## CHAPTER TWO

### INTERNATIONAL DEVELOPMENTS

#### 1.1 THE WORLD ECONOMY

The growth of the world economy was estimated to have improved to 3.9 per cent in 1995, up from a 3 per cent growth rate achieved in 1994. This performance, however, fell below expectation, as a result of major disturbances in the global financial system early in the year which reversed growth projections in many countries.

The turmoil in the financial markets, occasioned largely by the Mexican "**Peso**" crisis of late 1994, caused large and unanticipated capital movements which contributed to a weakening of the United States Dollar against the Yen and Deutsche Mark. This, in turn, made investments more risky and caused many developed country governments to behave in a generally uncoordinated manner. However, these disturbing developments which occurred in the first half of the year were gradually contained in the second half, enabling the global economy to resume its recovery. Notwithstanding this broad characterization of the global performance in 1995, there were quite uneven developments among the different regions and countries of the world with Asia and Africa achieving higher growth performances compared to other regions (Tables 2.1 and 2.2 and Figure 2.1).

In **INDUSTRIAL COUNTRIES**, growth slowed down to 2.3% compared to an average of 3.3% achieved in 1994. Again, growth performance was uneven reflecting the breakdown of policy coordination among industrialized countries in the first half of the year. Thus, while all the industrialized economies achieved weaker growth performance in 1995 than in 1994, (Table 2.1), performance was worse for Germany and Japan. Whereas, growth in Germany slowed significantly, Japanese economy actually contracted. The poor performance of Germany and Japan arose from the rather unexpected significant strengthening of their currencies against the U.S. dollar, which reduced their export competitiveness. Japan's poor growth performance also had much to do with its problematic banking system burdened by a high level of non-performing assets. Other problems included the disruption of economic activity as a result of the disastrous earthquake that shook Kobe, the failure of the government to pursue bold economic deregulation measures, and overcapacity in the manufacturing sector.

Germany's growth problem was caused largely by relatively high interest rates, which weakened business activities, and the strong Deutsche Mark.

The U.S. growth performance was quite robust relative to those of other industrial countries, although it shed about 1% from its 4% acceleration in 1994. The slowdown was, however, primed and reflected the Federal Fund's perception of a growth rate considered consistent with its inflation target. Other industrialized economies also slowed and in addition faced serious unemployment problems reflecting the slow pace of labour reforms required to solve that problem.

The inflation performance in industrial economies was mixed but, in general, prices were somewhat higher in 1995 than in 1994 (2.6% compared to 2.1%). The higher inflation rates reported in 1995 captured the response of prices to the economic recovery that had begun to take place since 1994, which, in some instances, had brought strains on capacity in some input markets. Thus, the interest rate increases reported in the first half of the year reflected the tightening of monetary policies required to contain rising prices.

Among **DEVELOPING ECONOMIES**, growth also weakened to 5.6 per cent, down from 6.3 per cent achieved in 1994 (Table 2.2). Although growth slowed in Asia, that region's growth performance, at an estimated 7.6 per cent, was the fastest in the world during the period. Developing Asia's high economic growth was as a result of vibrant economic activity and export advantages gained from the strength of the Japanese Yen. In this regard, Malaysia, Singapore and Thailand were estimated to have grown by between 8-9 per cent while China was estimated to have maintained growth at 10% during the period. Growth in Latin America weakened considerably following the Mexican "**Peso**" crisis which caused significant changes in financial market sentiment towards emerging market countries (the so-called "**Contagion**").

Economic performance was strong in Africa and the Middle East on continued strong performance of metals and commodities, as well as the return to growth by the countries adversely affected by the burden of rebuilding the damage caused by the Gulf War.

Developing country inflation figures improved markedly, on tighter fiscal management which saw a drop in relative fiscal deficits in all developing country groupings.

As evident in Table 2.2, budget deficits as a per cent of Gross Domestic Product (GDP) ranged from 0.1% (indicating a surplus) in Latin America to -6.5 per cent in Africa. In many developing countries where deficits are often financed by printing money, the attainment of fiscal consolidation was useful in bringing down inflation during the review period. In addition, a combination of the reduced government deficits and lower inflation

levels helped to minimize uncertainty and restored a favourable business climate in a number of developing countries.

The Mexican crisis also brought to the fore the risk of policy mistakes and induced developing economies to pursue economic reform programmes (privatization, liberalization of markets etcetera) more cautiously. In some, policies designed to control capital inflows of the volatile form were instituted during the year as a way of forestalling a crisis of the Mexican type.

Among the Eastern European and Commonwealth of Independent States (CIS) countries, growth remained uneven reflecting the varying degrees of seriousness and comprehensiveness of reforms. Although these countries, as a group, were estimated to have contracted by 3.8 per cent in 1995, a significant improvement over a decline of 9.4 per cent recorded in 1994, economies such as Albania, Estonia, Poland and Latvia achieved expansion of well over 5 per centage points. In Russia, the war in Chechnya, the social pains of economic reform and political uncertainty resulted in a further double digit contraction of the economy. Elsewhere in the region, the year saw an escalation of the war in Bosnia which climaxed in an eventual cease-fire brokered by the United States.

## **1.2 DEVELOPMENTS IN THE INTERNATIONAL FINANCIAL SYSTEM**

The first half of the year in review witnessed a considerable turmoil in the international financial system reflecting the economic crisis in Mexico, and a breakdown of policy coordination among major economies. As a result, the foreign exchange market became very volatile with the US Dollar reaching an all-time low against the Japanese Yen, during the period (Table 2.1). The Dollar also depreciated significantly against the Deutsche Mark and the Swiss Franc. The underlying weakness of the Dollar against the Yen was due to the large US current account deficit and Japan's large surpluses. Since the central banks of the major economies appeared not to have coordinated actively to intervene in the market, traders relied on market fundamentals which weighed heavily against the Dollar (The traders only saw cursory central banks' activities in the market without directed and concerted policy moves). The lack of a coordinated action by the US, Japan and Germany, was attributed to US Government's worries about Japan's lack of willingness to open up its market. In addition, the weakening of the US Dollar against the Yen and the Deutsche Mark was offset by its strength against the Canadian Dollar and some European currencies. As a result, on a broader effective exchange rate basis, which takes into account key developing country trading partners, the US Dollar actually

appreciated having benefitted from the devaluation of the Mexican Peso during the period.

The appreciation of the Deutsche Mark brought pressures on the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) resulting in the devaluation of the central parity of the Spanish Peseta by 7% and of the Portuguese Escudo by 3.5% in March.

By the second half of the year, policy coordination returned and some stability was restored to the international financial system. In addition, the uncompetitive exchange rate had by the second half of the year begun to reduce the trade and current accounts surpluses of Japan and Germany. Furthermore, the combination of the lowest interest rates and government incentives for the private sector to invest abroad began to induce a substantial outflow of Japanese capital in Dollar denominated assets. These developments resulted in the appreciation of the Dollar to more than Yen 100 to one USD Dollar towards the end of the year.

Short-term interest rates of major economies also reflected the lack of policy coordination and the disparity in policy objectives of different major economies during the period. While US interest rate objective was directed at solving inflation and economic growth problems, those of Japan and Germany targeted the exchange rate problem. As a result, cuts in German and Japanese rates were not matched by increases in US interest rates, as would be expected. In the process, Japan entered the "classical" liquidity trap, with the world's lowest interest rates which appeared to have achieved very little in re-igniting investment demand for money.

In Europe, with several countries beset by political uncertainties and fiscal difficulties, the Deutsche Mark and the Swiss Franc benefitted from increased demand from risk conscious investors. These circumstances, therefore, were reflected in substantial risk premia on long-term interest rates which prompted these countries to increase policy-related short-term interest rates. By the second half of the year, however, some stability was restored to the system and economic growth objectives prompted the economies to begin lowering interest rates.

## **2.3 WORLD TRADE AND TRADE ENVIRONMENT**

### **2.3.1 WORLD TRADE**

It is against the above global economic and financial conditions that world trade was conducted during the period. Annualized world trade volume growth is estimated to have reached 8%, with most of the growth supported by developing country export volumes. By contrast, annual growth of world trade in 1994 was 9.4%. The achieved growth rate exceeded world production growth by a factor of more than 2 -- a phenomenon that became manifest in the 1950s. This rising ratio of world trade to world output evidences growing interdependence among nations. It has also derived largely from changes in government policies especially the liberalization of trade and capital flows, improvements in technology and communications and increased efficiency in international private investments. By the end of the first half of the year, the value of merchandise trade had grown by about 23%. The World Trade Organization (WTO) reports that trade in Central Europe had recovered markedly with exports coming out of a 2 per cent contraction in 1993 to record a growth of about 25 per cent in 1995. Imports, in contrast, rose by 33 per cent. Asian exports were up by 28 per cent compared to an import growth of 30 per cent. Africa's total trade value, however, rose by only an estimated 1.5 per cent on stronger export performance of about 3 per cent.

Western Europe maintained its dominance of world trade with a share of about 43 per cent followed by Asia (25%) and North America (18%). Africa's share remained a paltry 2.3 per cent. Intra-regional trade as a proportion of total trade also improved in all the major regions between 1990 and 1995, with the exception of Africa and Eastern Europe/Commonwealth of Independent States (CIS) countries (Figure 3.3). The latter group of countries achieved the greatest decline in this important variable because of a shift in direction of trade towards Western Europe following the transformation of these economies.

### **2.3.2 THE TRADING ENVIRONMENT**

Greater predictability was restored to the global trading system during the period by the official inauguration of the World Trade Organization (WTO) in April, 1995 (see Box 2.1). The initial difficulty of choosing the Head of the Organization was eventually satisfactorily resolved when Mr. Renato Ruggiero, 64, a former Italian Trade Minister was elected on 21st March, 1995. By the end of the year, about 111 countries had joined the

WTO with applications already received from Russia and China. About 27 countries were also in the process of completing membership formalities.

Nevertheless, the major trading regions and economies seemed committed to resolving important trade disputes through bilateral means before the WTO could find its feet. In this regard, the US, during the period, raised certain trading problems it had with China and Japan. In the case of China, the US was concerned that it was not trying hard enough to stop the piracy of compact discs. The US on the other hand accused Japan of not opening its markets, especially the auto parts market, to foreign competition. There were also skirmishes with the European Union on the issue of farm subsidies and market access in the area of services. Furthermore, there were anxieties in the international trading system about USA's commitment to multilateralism. These were reinforced by the country's refusal to participate fully in a global financial services accord negotiated under the auspices of the WTO. The US also targeted what it felt, amounted to restrictive business practices, anti-competitive policies and information cartels in Europe and Asia. World Trade Organization's (WTO) rules do not as yet cover some of these areas although the expansion of its rules to cover competition policy is now strongly being advocated. The discussion of this matter may open up the issue of trade and labour standards. Supporters of instituting these standards say they are needed to prevent unfair competition by countries with poor working standards. Developing countries during the review period, overwhelmingly opposed the institution of this point in WTO rules.

Further, among developing countries, the successful conclusion of the Uruguay Round was viewed with mixed feelings. First, the more vulnerable felt that it would hurt their economies by driving infant industries out of business. The signatories of the African Caribbean, Pacific (ACP) - European Union (EU) Lome Treaty also expressed concerns about the implications of the proposed partial removal of the preferences and privileges their exports currently enjoy in the European Union. Despite these initial problems and criticisms, the WTO made significant progress in 1995. By October 1995, 18 disputes had been brought to it, half of them by the USA. Of these, 9 had become the subject of independent dispute panels, 4 were at consultation stages and 4 had been settled.

### **2.3.3 PLURILATERAL ARRANGEMENTS**

Despite the conclusion of the Uruguay Round and WTO's emergence, efforts at plurilateral initiatives continued. As a result, twenty-five countries in the Caribbean Basin came together to form the Association of Caribbean States (ACS). The ACS will have a market

of 204 million people and an estimated Gross Domestic Product of USD 500 billion. In addition, the Asia-Pacific Economic Community (APEC) continued to flourish and there were indications that it might metamorphose into a free trade area. The European Union also continued its discussions with some African countries bordering the Mediterranean with a view to establishing association arrangements with them.

In Africa, the Southern African Development Community continued to pursue its goal of transforming into a free trade area, while the Eastern African Community was again resuscitated.

As part of the effort by some developing countries to get around the problem of losing preferential access to developed country markets, as a result of the successful conclusion of the Uruguay Round, plurilateral arrangements involving developing and developed countries began to gain some importance during the period. In this regard, the **MERCOSUR** countries (Argentina, Brazil, Paraguay and Uruguay) reached a framework agreement with the EU in December which envisaged a free-trade area between the two blocs as well as broader cooperation on political, economic, social, scientific and technological issues. The four MERCOSUR countries account for about 50% of EU trade with Latin America. The EU and Mediterranean countries also met in Barcelona in November to pave the way for a European-Mediterranean free-trade area by 2010. EU association agreements had already been reached with Tunisia and Israel while Egypt and Morocco were likely to join later.

It is in the light of the above developments in the world scene that African economies operated during the period. In Chapter 3, we present the developments in Africa during the review period.

**BOX: 2.1**

**THE WORLD TRADE ORGANIZATION**

*The World Trade Organization (WTO) was founded in 1995, following the successful conclusion of the Uruguay Round of Multilateral Trade Negotiations and the signature of the Final Act in April, 1995. It followed from the concept of the International Trade Organization (ITO) and the Organization of Trade Cooperation (OTC), both of which never really got off the ground. Membership of the organization is open to countries which accept the General Agreement on Tariffs & Trade (GATT)/Uruguay Round Agreement. GATT members have two years in which to ratify the Uruguay Round in order to join as founding members of the WTO. By the end of October 1995, 110 countries had become full members of the WTO.*

*The role of the WTO is to facilitate the implementation of the Uruguay Round, carry forward the ideas and practices of the GATT, widen the rules-based system to services, intellectual property rights, investment and other areas of international trade, and operate and extend the GATT trade Policy review mechanism.*

*In April, 1995, Mr. Roberto Ruggiero, former Trade Minister for Italy, became head of the WTO. His appointment came after protracted disagreements by major trading powers; US, Japan, and the EU over the leadership of the new body.*

*The immediate challenge of the WTO is to ensure free and fair trading practices within the framework of the Uruguay Round Agreements.*

*As an essentially dispute settlement organization, the WTO has a Dispute Settlement Body which appoints an Appellate Body. The Appellate Body comprises of seven members. By the end of October 1995, 18 disputes had been brought to the WTO. This exceeded the number ever recorded by GATT in any one year. The flood of disputes being brought to the WTO is considered healthy as it is a reflection of confidence by member states.*

*The WTO also conducts surveillance of its member countries through its Trade Policy Review Body to ensure that their trade policies are in conformity with the Final Act. In the years ahead, the WTO's relevance will be tested by the extent to which increasing plurilateral arrangements are able to erode its powers as well as how other trade-related contentious issues like telecommunications, financial services and the environment are brought to the multilateral level.*

**Table 2.1: Some Macroeconomic Indicators of Major Economies**

Country	Exchange Rate (last day of the month)						GDP Growth, %* (annualized)						Inflation Rate, % (annualized)						Interest Rate (3-month), % (end of period)					
	1st Half 1994		2nd Half 1994		1st Half 1995		2nd Half 1995		1st Half 1994		2nd Half 1994		1st Half 1995		2nd Half 1995		1st Half 1994		2nd Half 1994		1st Half 1995		2nd Half 1995	
	Unit																							
US		1.00	1.00	1.00	1.00	1.00	1.00	1.00	4.1	4	3.2	3.3	2.5	2.7	3	2.6	4.51	6.29	5.96	5.96	5.66	5.66	5.66	
UK	\$/£	0.65	0.64	0.63	0.64	0.64	0.64	0.64	4.2	4	2.8	2.1	2.6	2.9	3.5	3.1	5.13	6.31	6.89	6.89	6.5	6.5	6.5	
France	FF/\$	5.47	5.36	4.92	4.90	4.90	4.90	4.90	3.9	3.6	4.1	2.1	1.8	1.7	1.6	1.9	5.5	6	7	7	5.35	5.35	5.35	
Japan	Yen/\$	99.05	99.74	85.14	102.60	102.60	102.60	102.60	1.2	0.9	0.1	-0.2	0.6	0.7	0.3	-0.6	2.11	2.34	1.19	1.19	0.52	0.52	0.52	
Italy	Lira/\$	1585.96	1627.00	1634.00	1584.00	1584.00	1584.00	1584.00	2.3	2.7	2.9	3.4	4	4.1	5.8	6	8.5	9.25	7	7	11.06	10.69	10.69	
Canada	C/\$	1.38	1.41	1.38	1.36	1.36	1.36	1.36	4.2	5.4	2.5	1.9	0	-0.1	2.9	1.7	7	6.72	6.71	6.71	5.87	5.87	5.87	
Germany	DM/\$	1.60	1.55	1.39	1.43	1.43	1.43	1.43	2.3	3.3	2.2	1.5	3	2.7	2.3	1.7	5	5.45	4.45	4.45	3.85	3.85	3.85	
Average									3.2	3.4	2.5	2.0	2.1	2.1	2.8	2.3	5.39	6.05	6.15	6.15	5.49	5.49	5.49	
Annual Average									3.3	3.3	2.3	2.3	2.1	2.1	2.6	2.6								

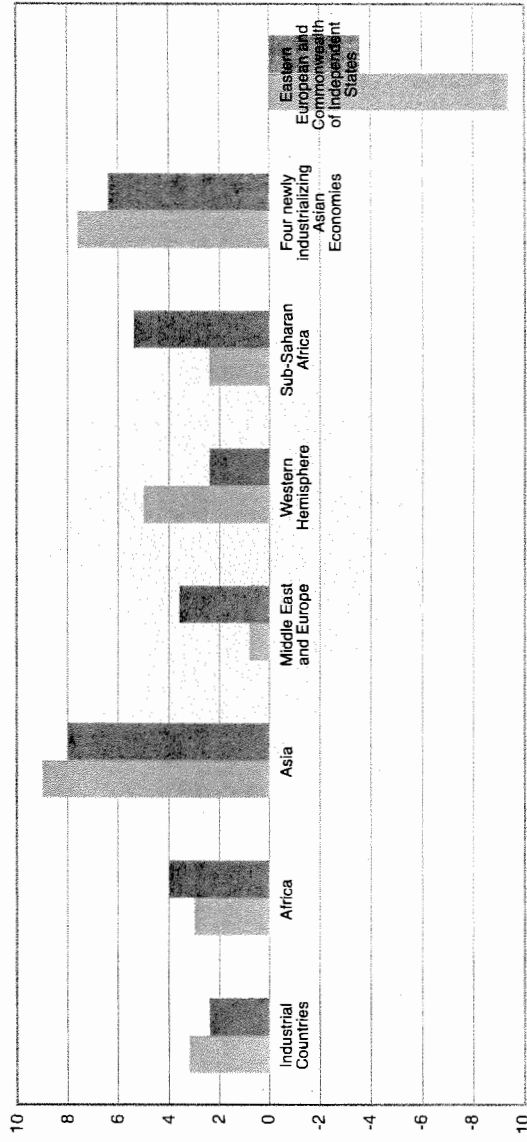
Source: 1) Financial Times of London (various issues)

2) The Economist, (various issues)

3) IMF, International Financial Statistics

**Figure 2.1: Real GDP Growth  
(annual percent change)**

*Note: All 1995 figures are estimates.*



■ 1994  
■ 1995

Note: All 1995 figures are estimates.

Source: 1) IMF, "World Economic Outlook", May 1995  
2) The Economist, (various issues).

**Table 2.2: Some Macroeconomic Indicators of Non-Industrial Country Groupings**

	Real GDP, (annual percent change)			Inflation, (annual percent change)			Fiscal Balances, (in percent of GDP)			Current Account Balances, (in billions of US\$)			Foreign Reserves, (in billions of US\$)*		
	1993	1994	1995	1993	1994	1995	1993	1994	1995	1993	1994	1995	1993	1994	1995
Developing Countries	6.1	6.3	5.6	43	48	17.5	-3	-2.7	-1.9	-98.3	-91	-85.4	476.6	519.8	547
Africa	0.7	2.7	3.7	26.8	33.6	21.4	-8.9	-6.7	-5	-9.1	-12.6	-14.2	16.7	18.8	21.4
Asia	8.7	8.6	7.6	9.4	13.5	9.9	-2.4	-2.4	-1.8	-14.4	-11.2	-20.4	276.5	331.9	369.5
Middle East and Europe	3.7	0.7	2.9	24.5	32.3	22.5	-6.9	-4.9	-3.5	-29.9	-19.2	-19.6	74.6	66.3	61.5
Western Hemisphere	3.2	4.6	2.3	212.3	225.8	36.1	0.1	-0.6	0.1	-44.9	-47.9	-31.2	108.8	102.8	94.6
Sub-Saharan Africa	1.6	2.3	5.2	35.1	50.8	20.2	-8.9	-7.6	-6.5	-9	-6.8	-7.1	7.8	9.7	9.9
Four Newly Industrializing Asian Economies	6.0	7.2	6.8	4.6	5.7	5.1	0.7	-0.5	-0.2	18	11.2	12.1	166.6	174.4	183
Eastern European and Commonwealth of Independent States	-9.2	-9.4	-3.8	675.1	285.2	126.9	-7	-7.6	-4.6	-7.5	-12.3	-13	n/a	n/a	n/a

Note: All 1995 figures are estimates.

\* end of period figures.

Source: IMF, "World Economic Outlook", May 1995.

## **CHAPTER THREE**

### **DEVELOPMENTS IN AFRICA**

#### **3.1 Review of Economic Conditions**

The year in review witnessed a continued growth in economic activities which began in the second half of 1994. Being a Continent heavily dependent on commodities, Africa's economic fortunes are tied to trends in the global commodity market.

As a result, the recovery in the prices of commodities also translated to improved economic performance of many African economies. In general, the countries of the Continent, during the period under review, continued addressing the identified causes of the Continent's economic malaise, which raised prospects for stronger future economic growth.

Progress was again uneven, reflecting the different approaches adopted by various countries. The economies much more dependent on commodities that were in boom, saw their external positions strengthened during the period. In CFA countries, it was observed that despite policy slippages in some cases, appropriate economic management efforts were stepped up to consolidate the gains in competitiveness achieved as a result of the 1994 devaluation of their common currency.

In general, African economies were estimated to have grown at an aggregate rate of about 3.7 per cent (Table 2.2), on strong export performance. The growth was, mainly powered by Cote d'Ivoire, Ghana, Tunisia, Tanzania and Uganda. (Table 3.1). Some states were still beset with high debt burden and poverty but many countries were pursuing strong economic reforms. Nigeria's gradual recovery was dependent on higher oil production and tighter monetary and fiscal measures, although, the growth achieved could be said to have occurred mainly within the oil sector. Higher tourism earnings boosted growth in Egypt and Kenya, but Zambia and Morocco contracted significantly on drought-related problems. The Franc Zone countries were also estimated to have achieved an average growth rate of 5 per cent during the period. The Republic of South Africa continued to build upon the benefits of its peaceful transition to multi-racial democracy.

Average consumer price inflation was also estimated to have fallen to about 21% per annum (Table 2.2), which reflected the success of fiscal consolidation efforts of a number of countries.

Kenya particularly presented an interesting picture in this regard. In that country, fiscal

and monetary policies were tightened during the review period which restored macro-economic stability, allowing it to post a very low inflation rate during the period. On the other extreme were economies, Guinea Bissau, Ghana and Gambia, which did not quite keep government expenditures under control and which translated into further increases in their domestic price levels (see Box 3.1).

Table 3.2 shows that during the review period, the reserve position of African economies also improved by about 14% compared to the level in 1994. This was attributed to the highly favourable commodity prices. On the average, Africa's non-gold foreign reserves, at USD 38.5 billion, appeared sufficient to cover about 5.30 months of its imports compared to 3.93 months in 1994. Among countries which saw increased reserves were those which benefitted the most from the firming of commodity prices. Cote d'Ivoire, Senegal, Ghana and Uganda are some examples. Nigeria's foreign reserves also rose on stabilized and higher than budgeted oil prices and containment of excessive import growth. In terms of months of import cover, Botswana and Egypt recorded most comfortable levels with coverage of more than one year. A number of countries like Togo, Cameroon, Congo, Guinea, South Africa and Namibia had reserves below the critical three months import coverage level.

Given the above reserve position and the weakening of the US Dollar, the nominal foreign exchange rate of many of the economies strengthened during the period, compared with the figures a year earlier (Table 3.3). The strengthening of the nominal exchange rates raised problems about whether the commodity boom was being well managed, especially if it also translated into a strengthening of the real exchange rate as it would appear from Table 3.4 (See Box 3.2 for an explanation of the concept of real exchange rates). Commodity boom and slump cycles often cause serious problems, such as financial difficulties for exporters and misallocation of investment resources. The "spending" and "resource movement" effects of the booms, if not managed, also lead to a relative decline of other equally important sectors.

Despite the above concerns, evidence during the period under review revealed that some economies appeared to have learnt past lessons on the sad after-effects of poorly managed booms. Thus, Uganda did impose a coffee export tax. Other governments such as those of Kenya, Tanzania and some CFA countries liberalized imports to avoid a further appreciation of the real exchange rate associated with such booms, especially if accompanied by trade restriction. Others advisedly, did not expand government expenditures and in some cases actually reduced it in order to contain domestic inflation

and maintain an equilibrium real exchange rate. Many, as can be seen on Table 3.2, built up foreign reserves perhaps as a stabilization fund.

Despite the overall good performance of the African economy, some important problems were identified during the period. For a number of the highly indebted countries in the region, debt burdens continued to dampen growth prospects despite their economic stabilization efforts. Uganda is an example in this regard. In North Africa, drought in Morocco, political violence in Algeria and the slow recovery of the Gulf Region, drastically constrained economic activity. Additional problems for Egypt were created by the continued fall in the number of ships sailing through the Suez Canal, which affected earnings from Suez Canal dues. During the period, the Egyptian government began mapping out a programme to make the use of the Canal more attractive, including a further deepening to allow the passage of Large Crude Carriers, which are now becoming the preferred vessels for conveying oil from the Gulf to Europe and the USA, and a significant reduction in Suez Canal dues. Growth in North Africa was therefore estimated at about 0.2% although, Egypt was estimated to have recorded a real GDP growth of up to 5.4%, on strong tourism earnings. In Morocco, drought and the difficult fishing negotiations with the EU negatively affected economic growth as duty preferences enjoyed by Moroccan fish in EU markets were suspended.

In Eastern and Southern Africa, strong pursuit of growth-oriented economic policies continued. Some of the countries, such as Uganda and Kenya, did achieve fiscal consolidation. By contrast, Zimbabwe, Botswana and Zambia were yet to privatize key sectors especially those where more competition would bring better results for the economy. The damaging drought that prevailed also affected economic performance in this sub-region. As far as the general price level is concerned, there was a reduction in inflation in Kenya and Uganda, but a reversal of price stability achieved by Zimbabwe, Botswana and Zambia a year earlier. In Tanzania, uncertainties persisted as a result of a variety of unsettled public policy issues. In the case of the Republic of South Africa, the return of inflationary pressures and the hiking of long-term interest rates magnified the dilemma the multiracial Government was facing between economic stabilization and social objectives.

In West Africa, the return to competitiveness of CFA countries, and the commodity boom, propelled growth in the region. In Nigeria, the policy of "guided deregulation" of the Government which liberalized the foreign exchange market significantly removed some bottlenecks in manufacturing production. Further, the Government's strong fiscal

measures which resulted in a fiscal deficit to GDP ratio of about 3% was instrumental in bringing inflation down to 50 per cent during the year. There were also other reform efforts introduced in an attempt to attract more foreign investment. Despite these macro-economic achievements, political uncertainties and the regulated interest rate regime combined to stunt the growth of the Nigerian economy to about 3% despite the fact that oil prices moved favourably during the period.

In Ghana, the Government showed signs of deviating from the strict pursuit of its economic programmes. During the period, certain internal disturbances forced the government to cancel the introduction of **Value Added Tax (VAT)**. Fiscal deficits also emerged in the government's accounts. All these resulted in uncertainties regarding the direction of economic policy especially in the run-up to the 1996 elections.

In the rest of the West African sub-region, wars in Liberia and Sierra-Leone devastated the economies, although the rebuilding of confidence between Nigeria and the major warring factions raised hopes of a possible resolution of the Liberian conflict. Another major downside risk observed during the period was the distress in the banking system of many African countries. Major distress situations were reported for example in Zambia, Nigeria and Kenya. This made it difficult for local financing to be made available to exporting entities. It also increased the risks in providing lines of credit to African banks.

### **3.2 DEVELOPMENTS IN INTERNATIONAL COMMODITIES MARKET**

The commodities market showed a mixed development with regard to items of export interest to Africa. Tables 3.5 and 3.6 present nominal and real Dollar prices of the commodities. It can be seen from the Tables that the commodity price rallies of the second half of 1994 appeared to have abated during the period under review, even though in nominal terms, there were price increases captured more by price developments in the first half of 1995.

**Afreximbank Price Index** of commodities of export interest to Africa showed a mixed trend (Figure 3.1). While the agriculture index weakened, the petroleum index was firm owing to strong US demand for reformulated gasoline, fears of the hurricanes that hit the US Gulf, the oil workers' strike in Brazil, low stock levels and intensive buying by hedge funds. The metals index was also firm on strong performance of Copper, Lead and Tin.

Despite the fact that traditionally, the first half of the year is usually poor for **Gold**, uncertain global economic conditions, declining stocks, low real interest rates and concerns about the prospects of the US Dollar as well as strong bullion demand in major markets (India, Dubai and Japan) were enough to support gold at prices slightly under USD 400 per ounce. Average gold prices would have breached the USD 400 per fine ounce mark in the second half of the year, but for large sales from central banks in Canada, Europe and several Latin American countries. The relatively close balance of demand and supply therefore ensured that gold prices were quite stable with a zero index of volatility. **COPPER** prices were, during the year, largely supported by low stock levels which ensured a nominal price increase of about 27 per cent. Real prices were also strong. Prices were, however, somewhat volatile with a coefficient of variation averaging 3.5 per cent in the year. The firm nominal prices were sufficient to stimulate production and by the last quarter of the year, stock levels reached 522,000 tonnes, up 100,000 tonnes from September 1994. **Tin** prices also rose astronomically in both real and nominal terms reflecting declining global production and stock shortfalls. Lead prices were sustained by low stock levels and intense buying from battery manufacturers.

As regards **Soft** commodities, the price evolution was generally firm, such that all but tea found higher nominal levels. Real price developments were, however, mixed (Tables 3.5 and 3.6).

The marginal rise in real and nominal **cocoa** prices during the period under review compared to the immediately preceding period was due to the anticipated bumper West African crop in the 1995/96 season, which assuaged fears traceable to projected shortfalls from Brazil and Malaysia. This led to a 4 per cent fall in price between the third and fourth quarters of the year. The 1994/95 cocoa crop was estimated unchanged from the previous year's crop of 2.37 million tonnes. Nevertheless, world cocoa grindings rose by an estimated 1.6 per cent with increases in US, France and the Netherlands compensating for declines in Germany and the United Kingdom. The expected large crops from West Africa although encouraging, call to question the effectiveness of the International Cocoa Organization's (ICCO) **Voluntary Production Management Programme** (PMP) aimed at cutting global supply by 375,000 tonnes over five years. For instance, while Cote d'Ivoire crop target under the PMP is 778,000 tonnes, it was expected to produce over 900,000 tonnes in the 1995/96, season. Nevertheless, during its meetings in the course of 1995, the ICCO continued to discuss the matter especially the way indicative tonnages would be calculated as well as other administrative issues. In their meeting in December, there was also an intense debate on the pros and cons of freeing the cocoa sector in

producing economies from government control. In that regard, producers and consumers were both of the opinion that there was the need for caution. Cocoa importers argued that liberalization could lead to a decline in cocoa quality and high counterparty risk which could limit its forward sales while producers complained that privatization would attract too many new growers and undermine the sector. Some ICCO delegates suggested the formation of an ICCO Working Group to work with the Brettonwoods Institutions on the issue of reforms (See Box 3.3 for a commentary on the Reform of Africa's commodity sector). The ICCO groups 36 producing and consuming countries under a new **International Cocoa Agreement (ICA)**, operating without economic clauses. The buffer stock liquidation operations of the ICCO, however, continued during the review period in conformity with the terms of the new ICA.

As regards **Cotton**, its prices were helped by tight supplies which actually stalled near-by delivery during most of the year. Although prices weakened in the second half of the year, these were not enough to off-set high prices recorded in the first half. Prices were, however, stable on near balance of supply and demand.

**Sugar** prices were also supported early in the year by a tight stock position, although, the second quarter of the year onwards saw a changed situation due to a revised (upward) estimate of projected Thai, Indian, Argentine and Australian crops. This decline that began during the second quarter, was, however, not sufficient to reduce the average full year price. Nevertheless, prices became quite volatile. **Coffee** prices lost their momentum during the period due to the fact that Brazilian frost worries were discounted by traders. In addition, the market was not convinced that the coffee producers would implement effectively the coffee retention programme. The sharp cut down in coffee consumption in major consuming nations as a result of the significant increases in retail prices in 1994, also brought downward pressures on coffee prices. On the average therefore, coffee prices rose only marginally. On July 1, the **Association of Coffee Producing Countries (ACPC)**, published the export quotas for major producing countries and regions based on the retention plan. Nevertheless, the system had no effective mechanism of monitoring exports and Brazil exceeded its July - September quota by 300,000 (60kg) bags or 18,000 tonnes. Under the retention scheme, a world-wide export quota of 60.4 million (60kg) bags was in place in the 12 months to June 1996. Africa's export quota was 1.05 million bags of Arabica and 1.9 million bags of robusta. The African members of the ACPC, did not breach this quota during the year.

Average **Tea** prices in the London auction reached their lowest level in history during the

year. Analysts blamed stagnant world demand and a sharp increase in Kenya and Sri Lanka's output for the price collapse. In addition, social unrest in Pakistan, the world's third largest tea importer after the U.K. and Russia, depressed exports to that country.

The growth in **Rubber** prices was slowed by low Chinese and US purchases and a rise in inventories, to a record 1.88 million tonnes, from higher Malaysian and Thai supplies. Of the three rubber grades that compose the daily market indicator price of the International Natural Rubber Organization (INRO), RSS3 slowed the most while TSR20 which accounts for 50% of the weighted indicator price average, slowed more moderately, providing support for argument for diversification into more processed rubber. Nevertheless, during the period, INRO stocks were still exhausted which predisposed the rubber market to considerable uncertainty; although, actual volatility was low (Table 3.5). Nonetheless, the uncertainty regarding the signing of the third International Natural Rubber Agreement (INRA-3), negotiated by members of the International Natural Rubber Organization (INRO) continued to drag the market. At contention is the post of Executive Director of INRO being hotly contested by Malaysia and Indonesia, the major rubber producing countries. INRO is the last of several UNCTAD-brokered commodity groups which still operates with economic clauses. The INRA forms the basis of INRO's operations. INRA-2 expired in December, 1995. INRA-3, if signed, will be valid for four years and will still operate with economic clauses which provides for using a system of buffer stocking to stabilize prices.

**Maize** prices, like those of other **grains**, were buoyed by low world stock levels, rising import demand, and poor growing conditions in major producing countries. Thus, nominal maize prices rose at an astronomical 104 per cent between 1994 and 1995 and sustained an extremely high volatility level. Demand was up in many regions, especially in Southern Africa where a major drought dried up the domestic supply of maize. China too became a net importer of maize due to a surge in demand of livestock feed.

As regards **oil seeds and oils**, **Soyabean** price benefitted from a shift in demand owing to high maize prices. **Palm Oil** prices experienced an unusually high premium over soyabean oil in the first half of the year because growth in supplies was quite low compared to recent year figures which considerably reduced stocks (combined palm and coconut oil stocks were 500,000 tonnes by December 1994, down from usually comfortable stock levels of over 650,000 tonnes). Nevertheless, stronger production growth in the second half boosted stock levels and reduced palm oil prices. These developments conferred some volatility to palm oil prices during the year.

### **3.3 AFRICAN TRADE**

#### **3.3.1 TRADE WITH THE WORLD**

The relatively favourable external and African economic environments supported African trade somewhat. African trade was nevertheless, estimated to have grown by a mere 1.5 per cent during the period. Table 3.7 presents Africa's trade statistics. From this Table, it can be seen that exports to the world rose by about 3.12 per cent to USD 100.2 billion in 1995, compared to USD 97.2 billion in 1994. The country experiences, however, differed. Almost all petroleum exporting countries saw their export growth improve on higher outputs and prices. Some agricultural commodity exporting countries achieved lower export performance because most of the origin stocks were sold late in 1994 in response to the surge in commodity prices and output expansion was in the first quarter of the review year was not sufficient to maintain the sales momentum. Drifting prices in the second half of the year further added to the relatively weaker export performance. Under pressure from the World Bank (WB) and the International Monetary Fund (IMF), some of the commodity exporting countries have begun to reform their commodity trading systems amid fears that if not done carefully, this move might adversely affect those economies (Box 3.3). In Cote d'Ivoire, the Government in November launched its new computer-based system for auctioning coffee and cocoa. This system, expected to lead to increased competition and transparency, would involve three daily trading sessions during which sales would go to the highest registered bids. Kenya's approach to coffee sector liberalization remained cautious with cooperatives retaining the sole buying rights despite freer milling arrangements.

A further effort to boost Africa's commodity export performance was a 10 year coffee rehabilitation plan adopted in Lome in June, 1995, by delegates at Inter African Coffee Organization meeting. The purpose of the plan is to assist Africa in regaining its market share in the international coffee market. African coffee production had slumped by half since 1975 when it reached 21 million (60kg) bags. Market share also dropped from 23.5 per cent to 16 per cent. Coffee is a major export commodity of about half of Africa's economies.

As can be seen in Table 3.7, Africa's major trading nations were South Africa with a share of 25 per cent, of Africa's total trade in 1995 up from a share of 23 per cent a year earlier, Algeria (9.63% in 1995 vs 8.57% in 1994), Nigeria (9.12% in 1995 vs. 8.21% in 1994), and Egypt(9.04% in1995 vs.10.26% in 1994).These countries also controlled over 50% of

Africa's exports.

Africa's major export commodity during the period was petroleum oil, contributing about 55 per cent of total export, followed by non-fuel primary commodities (25%) and light manufactures (20%). The major exporters of manufactures during the period, included South Africa, Tunisia, Egypt and Cote d'Ivoire.

As can be seen in Annexes 1 and 2, close to 70 per cent of Africa's exports were destined to industrial countries compared to just about 25 per cent to other developing countries. This trade orientation derived from the composition of African trade. Being mainly commodities, it was only natural that they be shipped to the region constituting the biggest markets for them. Africa's low and declining share of global manufacturing value-added (Figure 3.2) was a major constraint to improving the Continent's manufacturing export performance.

### **3.3.2 INTRA-AFRICAN TRADE:**

The value of intra-African trade rose by some 1.52 percent to USD 18 billion or about 8.7 per cent of the Continent's total trade (Table 3.8). Intra-African exports rose by about 4%, largely on about 25% growth in South Africa's exports to other African countries. In the wake of the re-admission of the Republic of South Africa to the comity of nations, its trade with the rest of Africa soared. A number of other countries also increased their exports to other African countries although the increases came from a low base. In terms of intra-African export share, South Africa, Cote d'Ivoire and Nigeria dominated, accounting for over 50% of all intra-African exports. All the above countries also increased their share of intra-African exports. Intra-African imports declined by 0.6% to USD 9 billion in 1995, compared to its 1994 level. Those who most increased their imports of African goods, during the year, were Cameroon, Cote d'Ivoire, Tunisia, Togo and Morocco. The major importers of African goods were Cote d'Ivoire, Zimbabwe and South Africa.

Table 3.9 shows that in terms of proportion of each country's total trade that was intra-African, the smaller economies achieved higher figures than the larger economies. The figures for Zimbabwe, Chad, Cote d'Ivoire, Mali and Mozambique appear most impressive. Another fact that emerged from Table 3.9 is that countries in Southern, Eastern and Western Africa where sub-regional integration efforts were strong, had larger share of intra-African trade in their total trade. There is evidence that intra-African trad

is conducted more within sub-regional groupings and involve mostly trade in petroleum, grains and livestock as well as manufactures. Given the points revealed in Table 3.9, it is obvious that intra-African trade will enlarge if the major economies begin to trade amongst themselves, something that doesn't appear to happen at the moment.

Intra-African trade balances recorded during the period (Table 3.8) show that while most of the countries had deficits, a few had surpluses. This fact is explained by the dominance of South Africa in supplying most of the economies in Eastern and Southern Africa and Nigeria's role as the dominant exporter in the West African region.

Owing to the commodity composition of African trade, the old colonial influences and other characteristics of the trade observed above, the ratio of intra-African to total African trade remained low (Figure 3.3), although this ratio improved somewhat when compared to the level in 1990. The review showed that there were considerable prospects for enlarging intra-African trade. For example, during the year in review, Ugandan, Kenyan and Tanzanian maize exports were boosted by increased demand arising from the drought and civil strife in some countries in Eastern, Central and Southern Africa. Egypt also began intense buying of Uganda coffee and, in turn, aggressively sought to expand their manufactured exports to Eastern and Southern Africa. Most other efforts at enlarging the level of intra-African trade were stalled, however, by inadequate information on markets, lack of financing at competitive terms and inadequate institutional arrangements to distribute the risks in the trade. The financing structures frequently used were those that could not support intra-African trade in that payment risks were taken on non-African buyers or banks. Further, even African banks could not take counterparty risks of other African banks, further worsening the situation. Moreover, the slow pace of implementing the Lagos and more recently the Cairo Plans of Action is also a hindrance to the growth of intra-African trade, especially across sub-regional groupings.

The African Export-Import Bank made finding a solution to this problem a priority during the period, and in the process, was able to generate through its direct intervention, a modest flow of intra-African trade. This it did by providing financial support in such a way that the counterparty risks were found acceptable. It also provided Lines of Credit to banks directed at financing the trade.

The conclusion of the Uruguay Round and the possible erosion of the preference margins currently enjoyed by Africa in Organization for Economic Cooperation and Development (OECD) markets (Table 3.10) re-inforces the need for a speedier move towards African

integration. An examination of the extent of integration efforts of African economies during 1995 is presented in Annex 3. The Annex shows that there was a proliferation of such arrangements with no solid move towards coalescing them. In this regard, the period in review witnessed a potentially disturbing development: talks about possible changes in Common Market for Eastern and Southern Africa (COMESA), as some members in Southern Africa were said to favour creating a geographically smaller free trade area with South Africa as an anchor.

#### **3.3.4 REVIEW OF ASPECTS OF AFRICAN EXTERNAL FINANCING**

During the period under review, as in previous periods, Africa accessed very limited external financing. For example, some estimates indicate that developing countries raised about USD 40 billion on the international loan and bond markets in the first half of 1995, up 8% on the previous period.

While all developing country regions were able to raise more funds during the period compared to the same period in 1994, Sub-Saharan Africa recorded a lower access of USD 594 million (1.5% of total), down from USD 906 million a year earlier. There were no private bond issues by African entities while a sovereign bond issue amounting to USD 496 million was made during the period (Table 3.11). Of all African economies, South Africa and Tunisia were the only countries whose sovereign foreign currency long term debt had investment grade rating, as at the end of June 1995.

Although world gross new syndicated loans rose to USD 113.2 billion or by 65% in the second quarter, the biggest beneficiaries in developing countries were Asian and Latin American economies, with Argentina and Republic of Korea accounting for most of the loans. In Africa, where there were only few syndicated facilities, the major syndication arranged during the year was a USD 225 million facility to Ghana Cocoa Board. This syndication was over-subscribed. Table 3.12 shows some other syndications and Club deals arranged or running during the review period. Owing to strict provisioning requirements that make it mandatory for most international banks to significantly provision for lending to Africa where maturities exceed one year, all the syndicated facilities were for a maximum tenor of about one year (or as in the Facility for SONANGOL, structured on a one-year revolving basis), whereas the average for other developing economies were 5 years and 10 months, during the period. Although generally, the international banks increased their activities in Africa, they were very selective

concentrating on providing pre-financing to Commodity-Board-type organizations for trade-related transactions. It is therefore, not surprising that as shown in Table 3.13 and Figure 3.4 only limited project financing was available to Africa during the review period. In addition, net claims of international commercial banks were negative, reflecting net resource transfers to these banks (Table 3.14).

Average terms of financing African trade remained high during the period. Average spread on international financing of African transactions was about 152 basis points above LIBOR, as against 127 basis points estimated for developing countries in general. Even then, only very few countries could access such financing. In general, however, spread on syndicated transactions declined as competition among lenders brought prices down.

Most of the syndicated lending to Africa during the period was in the area of pre-export financing. The common financing structure was such that the lender assumed only the performance risk of the entities and countries concerned. The payment risks were usually taken on prime buyers and/or banks resident in OECD countries. Thus, the financing provided re-inforced the concentration of Africa's exports in OECD countries.

Unsecured import financing was rarely provided. Figure 3.5 provides data on trade settlement mode for different groups of countries during the period. It can be seen from that Figure that Africa still suffered the most unfavourable terms with most of its trade done on Confirmed Letter of Credit basis. Letters of Credit (L/Cs) for most African clients were still opened or confirmed by OECD banks on full cash cover basis and at sizeable fees thereby constraining Africa's import capacity and worsening its current account position. Most other regions were as shown on Figure 3.5 dropping the use of L/Cs as they involve an expense that could be done without. This problem also compounded the difficulty of improving intra-African trade since the Letter of Credit practice worked against it. The high perceived payments risk of many African economies did not help matters as the relatively long transfer delays and the high risk attached to such delays meant that import financiers imposed the most stringent terms (Table 3.15)

### **3.3.5 CONCLUDING REMARKS**

Overall the African trade and trade finance scene during the review period was marked by relatively favourable developments which were however off-set by important challenges and difficulties. Among the favourable developments were the recovery of the global economy (the Continent's market) which was accompanied by a commodity price boom,

continued liberalization and openness, relative expansion in intra-African trade especially within sub-regions and the progressive return of international banks to African trade finance. These positive features were however, significantly off-set by a number of difficulties beyond the well-known and structural problems of African trade such as export product and market concentration, which remained. The main problems of the year included relatively lower level of trade expansion partly due to slow export production response to the price boom, financial system and corporate sector distress in a number of countries and the presence of numerous new generation exporters following policy reforms. The latter factors reinforced the inclination of returning international banks to remain cautious in their trade finance activities quite apart from regulatory restraints. They therefore, remained in structured short-term business being in general highly selective of performance risk and usually not accepting African payment risks. The availability of short-term resources remarkably differed from the medium-term project-related dominance that manifested itself in trade finance demand.

**The above facts clearly defined the parameters around which the Bank operated. They magnified the need for the Bank to increase the financing of exports in such a manner as to ensure both product and market diversification; provide project-related financing to reduce the commodity dependence of African economies and raise export production capacities; encourage the financing of intra-African trade using local advantages; work with African and international banks to reduce African payment risks and foster the application of more reasonable L/C confirmation terms; develop an export credit insurance scheme to reduce the risk of tackling new markets; and create an avenue for a reliable and more rapid flow of information on African trade.**

**In this regard, the Bank developed during the review period, special schemes directed at gradually reducing some of the identified constraints to African trade and trade financing through cooperation with entities that share common goals and ideals in Africa. Some of these schemes and how they operated are discussed in Chapter 4 of this Report.**

**BOX 3.1:**  
**FISCAL POLICY, AND EXPORT**  
**COMPETITIVENESS**

*As African Governments expand the scope of the liberalization of their economies, the role of fiscal policies in economic management will become more pervasive. A large number of African countries have liberalized their current accounts and exchange rate regimes, with liberalization of capital accounts proceeding equally fast. These efforts have resulted in a greater integration of African economies into the global economy. At the moment, the globalization of economic activities has resulted in high international capital mobility as investors seek cross-border investments with highest returns. The emerging markets have offered these opportunities and through various instruments, investors have attempted to reap the high returns usually associated with the initial periods of market liberalization in these markets. Africa has not been left out of these developments and as events unfold in this direction, the need for appropriate fiscal management becomes more crucial if Africa's export-led development strategy is to achieve the expected results. This is because, under conditions of international capital mobility, appropriate fiscal management which usually implies fiscal contraction, depreciates the exchange rate and improves the current account position as well as export competitiveness.*

*The Model frequently used for studying the effect of fiscal policy on exchange*

*rates postulates that a fiscal contraction, achieved through either reduced government spending or increased taxes, decreases domestic absorption (aggregate demand) and (given an unchanged money stock) leads to a decrease in domestic interest rates. These developments impact on the external sector by reducing demand for imports (as a result of lower domestic absorption), which lead to an improvement in the external current account. The net effect on exchange rate will depend on interest elasticity of capital flows and the degree of capital mobility. Where capital is mobile and interest elastic, a combination of the above factors will depreciate both the nominal and the real exchange rates in the short-run and ensure improved export competitiveness and a comfortable current account position.*

*Although empirical tests of the above theoretical propositions have achieved ambiguous results they, however, generally re-inforce the argument that African economies, pursuing export-led growth strategies, must factor in fiscal consolidation as part of the policy instruments for the attainment of that goal. In this regard, the observed improvements in fiscal management in a number of African countries appear to be consistent with the policy needed to achieve a sustainable current account position which is crucial to the continent's re-entry into the international financial markets.*

**BOX 3.2:**  
**TRADABLES, NON-TRADABLES**  
**AND THE REAL EXCHANGE RATE**

*An appreciation of how a government's economy-wide or macroeconomic policies affect its exports requires a clear understanding of the concept of tradables, non-tradables and the real exchange rate. Non-tradables or home goods are those goods and services whose prices are determined solely by domestic demand and supply conditions. A good can be non-tradable either by transport costs which prohibit its export or import thereby insulating it from world markets; or by its nature (e.g. housing, construction, transportation etc); or even due to government policy. Tradable goods, consisting of importables and exportables, are those which cross borders and therefore are not insulated from world market conditions. Their prices are thus affected by world market conditions. For a small open economy, such prices are considered exogenous since they are largely independent of domestic supply and demand conditions. Most commodities are of course not purely tradable or non-tradable. Still, they can be so categorized, depending on whether their prices are primarily determined by domestic or international demand and supply conditions.*

*It is clear from the above that goods can switch easily from one category to the other in response to policy changes and transport costs. Commodity classification may also change geographically. For example, a certain commodity may be exportable near the port of departure, but non-tradable farther away in the hinterland, in response to higher cost of transportation*

*which increases the good's insulation from world markets.*

*Good examples of tradable goods in Africa are commodities like cocoa, coffee, rubber, petroleum, etceteras. Non-tradable goods include government services and goods attracting import/export bans, high import duties and quotas.*

*The relative flow of resources to these sectors will to a large extent indicate each sector's relative performance. In an economy where resources respond to incentives, the level of profitability of one sector relative to the other will be a major determinant of the differential resource flows. The REAL EXCHANGE RATE (RER) is one of the crucial ways in which macroeconomic policies influence the structure of relative prices/profitability in an economy. It measures the real terms of trade between tradable and non-tradable goods. The rate can be measured in a number of ways but usually by multiplying the nominal exchange rate by a foreign price index (proxy for tradable prices) and divided by a domestic price index (proxy for non-tradable prices). From this measure, it is obvious that the nominal exchange rate is the predominant internal variable in determining the domestic price of tradables. Implicit in the above definition is that a fall in the real exchange rate (real appreciation) means that the prices of tradable goods are falling relative to those of non-tradables and vice-versa. If inter-sectoral resource flows are sensitive to relative price changes, a change in RER can be expected to affect inter-sectoral profitability, inducing inter-sectoral resource movements. A real depreciation (a rise in RER), for example, would tend to divert resources*

### **BOX 3.2 Cont'd**

*from non-tradable to tradable sector while an appreciation (fall in RER) will achieve the opposite.*

*It is pertinent to point out that the real exchange rate (RER) can only be affected indirectly by government either through changing the nominal exchange rate or those policies that affect domestic inflation, since tradables prices are outside the control of a small-open economy like most African economies. Overall, however, the RER is affected by a number of variables some of which are nominal exchange rate, productivity changes, monetary and fiscal activities of the government, changes in the world real interest rate, changes in foreign real income, trade policies, and terms of trade.*

*Because nominal exchange rate is within the policy control of the government, that is the exchange rate the public normally sees the government using. The presumption on which its use is founded is that by altering the prices of importables relative to exportables, devaluation reduces domestic absorption (Aggregate demand) and expands the traded goods sector. It is, however, uncertain that nominal devaluation will impact on the real exchange rate. In the medium to long term, the effects of nominal devaluation may be eroded as domestic wages and prices may rise by the full amount of devaluation or even more, prompting further devaluations to maintain the same incentive regime.*

*To effectively devalue the RER, nominal devaluation has to be accompanied by a reduction in domestic inflation through a reduction in government deficit, monetary contraction and productivity*

*improvements. Nominal devaluation not accompanied with appropriate fiscal and monetary policies directed at curtailing inflation will only lead to further nominal devaluations.*

*Macro economic policies consistent with export improvement, especially frugality in government's fiscal activity are important especially when it is recognized that in a number of African countries, government's fiscal operations usually have profound monetary consequences.*

**BOX 3.3:**  
**EXPORT SECTOR REFORMS AND**  
**IMPLICATIONS FOR COMMODITY**  
**FINANCE FLOWS TO AFRICA**

*Africa is highly dependent on commodities; over 85% of the countries in the Continent depend on one or two commodities for up to 90% of their export earnings and even higher level of government revenues. As a result of this high commodity dependence, the different governments had sought to control the domestic and international sale of these commodities. Thus, several commodity boards (the "Boards") were established as sole institutions authorized to handle the domestic purchases and international sale of the commodities.*

*Under this arrangement, the Boards stood between growers and the international market. Through a system of guaranteed prices and fiscal arrangements, the governments during the initial period of commodity booms, achieved through the Boards, their fiscal objectives and insulated the growers from the vagaries of the international market place-unstable prices and other risks in export trading. The rationale from a theoretical standpoint was impeccable since a bilateral monopoly situation emerges in which the Boards stood a better chance of controlling domestic prices and withstanding the vagaries of the volatile international market place than small and atomistic growers. The Boards therefore presented better financing risks and indeed were used by African governments as vehicles for raising external financing.*

*Following the prescription of the Bretton Woods institutions (the World Bank (WB) and the International Monetary*

*Fund (IMF) ) African economies are liberalizing their export sectors. This development presents varying implications for commodity financing flows to the continent. Depending on the manner in which these reforms are conducted, they threaten to further erode Africa's commodity export performance. In a scenario where the reform process calls for a complete dismantling of Boards and their replacement by private corporates, problems are likely to arise in the ability of these corporates to raise sufficient financing to conduct the trade. At the moment, international banks provide commodity/trade financing to African countries by structuring the transactions in such a way that they assume the performance risk of the Boards and transfer the payment risk to an acceptable non-African buyer or bank. The performance risk of the Boards are considered acceptable due to their track record of shipping the relevant commodities on terms agreed with the buyers. With the Boards dismantled, the performance perception of new generation exporters is weakened making financiers to ask for more security before they could support them. Even then, the pricing becomes less attractive. These combine to hurt the international competitiveness of exports. Obtaining local financing is also difficult for the same reasons and even when this is obtained, the high domestic interest rates worsen the plight of the exporters,*

*Further, the risks of financing non-Board entities are likely to rise for other reasons: with the Boards, domestic prices are easily controlled and known before the season. Also, given their track record, they represent good counter party risks, and can therefore execute firm forward sales.*

**BOX 3.3 Cont'd**

*All these combine to assure financiers that price risk is under control. When corporates emerge in the scene, these risk mitigating factors disappear and create difficulties in structuring commodity finance deals in their favour.*

*The African Export-Import Bank (the "Bank") has taken cognizance of these implications of the export sector reforms in determining its medium-term strategy. It has thus included in its strategy, the introduction of Special Risk Programmes aimed at ameliorating some of the envisaged problems. More importantly, there is the need for caution in implementing the reforms. One way to go is to privatize the export sector to allow new entrants who must be adjudged sufficiently equipped to conduct commodity trading. As these new entrants erode the market share of the Boards and gain experience and track record, a time may then come when it is obvious that the Boards can be dispensed with. Interestingly, Uganda has followed this approach with regard to its coffee sector. A modified form of the approach is also being adopted in Ghana.*

**Table 3.1: AFRICA: Real GDP Growth**  
(annual percent change)

AFRICA	1993	1994	1995
Algeria	-2.2	-0.2	3
Angola	-25	8.6	n/a
Benin	3.2	4.8	n/a
Botswana	-0.3	4.1	4.5
Burkina Faso	0.4	1	n/a
Burundi	-5.5	-18	n/a
Cameroon	-2.2	-3.8	3.3
Cape Verde	4	4.6	n/a
Central African Republic	-2.5	5.8	n/a
Chad	-2.9	4	n/a
Comoros	1.9	0.9	n/a
Congo	-3.7	3.1	n/a
Cote d'Ivoire	-0.8	1.7	6.4
Djibouti	-1	0.3	n/a
Egypt	3.9	4.5	5.4
Equatorial Guinea	6.2	8.9	n/a
Eritrea	n/a	n/a	n/a
Ethiopia	1.4	5.5	n/a
Gabon	2.5	1.3	2.2
Gambia	1.4	6.2	n/a
Ghana	5	3.8	5
Guinea	4.5	4	n/a
Guinea-Bissau	2.7	6.9	n/a
Kenya	-0.6	3.2	4.9
Lesotho	4.5	6	n/a
Liberia	2.2	2.2	n/a
Libya	n/a	-4.5	2
Madagascar	2.7	0.2	3.8
Malawi	10.8	-12	n/a
Mali	-0.8	2.4	4
Mauritania	5.5	4.6	n/a
Mauritius	5	5	5
Mayotte Islands	n/a	n/a	n/a
Morocco	-1.1	11.5	-5.1
Mozambique	19.2	5	n/a
Namibia	-1.9	5.4	3
Niger	0.2	2.6	n/a
Nigeria	2.3	1.3	3.3
Reunion	n/a	n/a	n/a
Rwanda	-10	-50	n/a
Sao Tome and Principe	1.5	1.3	n/a
Senegal	-2	2	n/a
Seychelles	-5.5	-3	n/a
Sierra Leone	-2.4	-4	n/a
Somalia			n/a
South Africa	1.1	2.3	3
Sudan	0	2	n/a
Swaziland	2.5	3	n/a
Tanzania	3.7	3.1	4.5
Togo	-13.7	16.3	6.6
Tunisia	2.3	3.4	4.2
Uganda	5.5	10	6
Zaire	-10.4	-7.4	n/a
Zambia	5.1	-5.4	n/a
Zimbabwe	0.9	7.4	1.5

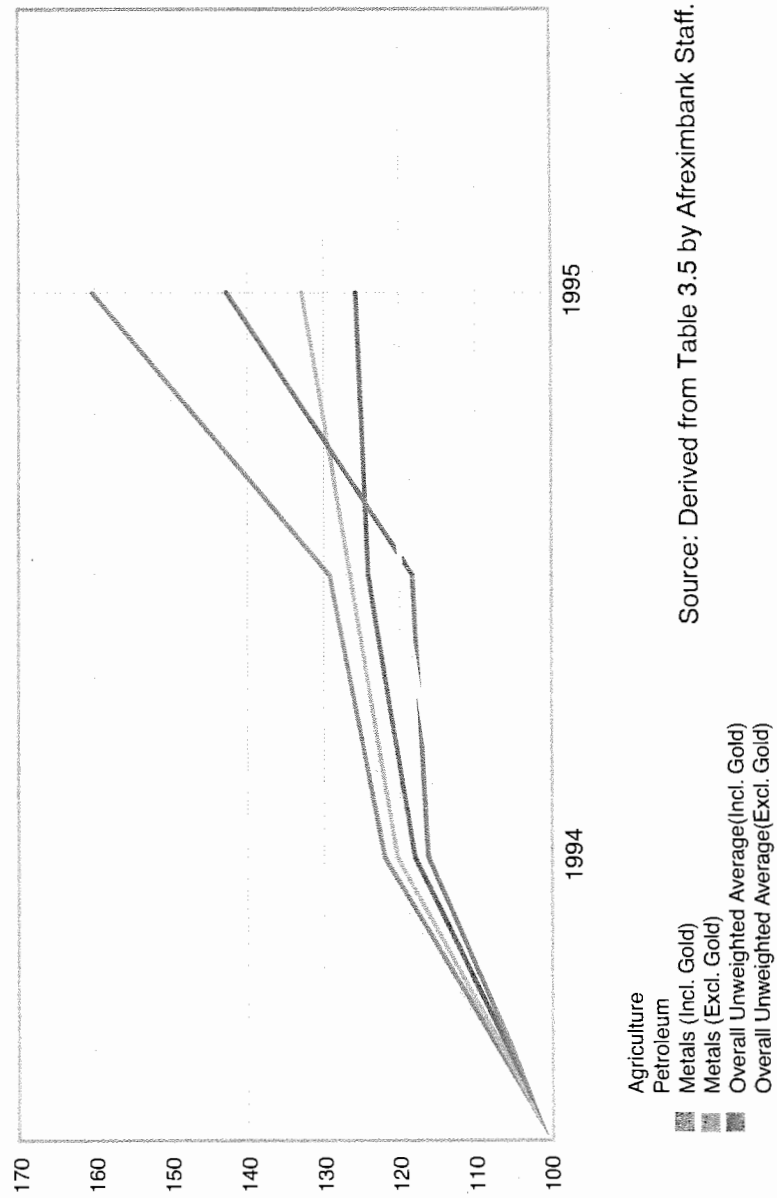
Note: All 1995 figures are estimates.

n/a not available.

Source: 1) EIU, "Country Report", various issues.

2) IMF, "World Economic Outlook", May 1995 and October 1995.

**Figure 3.1: Afreximbank Price Index  
(1st Half Year 1994=100)**



Source: Derived from Table 3.5 by Afreximbank Staff.

**Table 3.2: Reserve Position of African Countries1)**

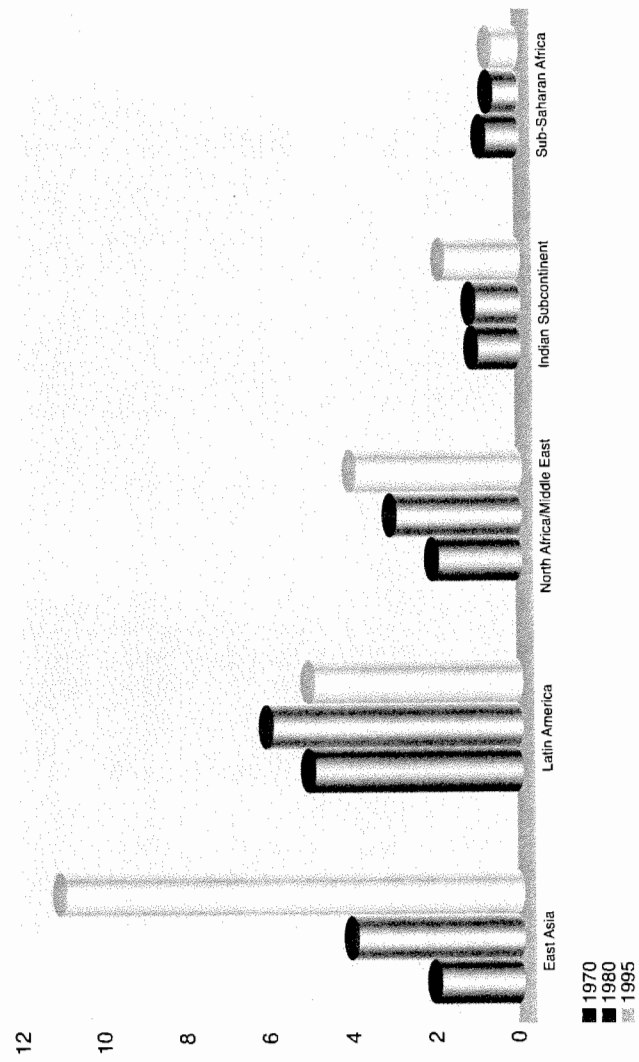
AFRICA	Foreign Reserves (\$ Millions)			Gold Reserve (Million Fine Troy Ounces)			Months of Imports Covered by Reserves	
	1994	1995	Percentage Change between 1994 & 1995	(\$ Millions)			1994	1995
				1994	1995	Percentage Change between 1994 & 1995		
Algeria	2188.00	2181.50	-0.30	5.60	5.58	-0.31	2.84	2.79
Angola	n/a	n/a		n/a	n/a			
Benin	171.65	238.50	38.95	0.01	0.01	0.00	3.97	4.38
Botswana	4399.99	4807.64	9.26	n/a	n/a		35.44	34.34
Burkina Faso	258.70	274.65	6.17	0.01	0.01	4.76	5.17	6.11
Burundi	182.42	217.09	19.01	0.02	0.02	0.00	8.65	9.76
Cameroon	2.07	1.58	-23.49	0.30	0.30	0.00	0.03	0.02
Cape Verde	49.59	n/a		n/a	n/a			
Central African Republic	190.78	250.35	31.23	0.01	0.01	-4.55	12.51	30.66
Chad	99.68	41.39	-58.48	0.01	0.01	0.00	12.08	5.52
Comoros	n/a	n/a		n/a	n/a			
Congo	29.82	49.23	65.06	0.01	0.01	-4.55	0.75	1.32
Cote d'Ivoire	53.85	523.35	871.87	0.05	0.05	0.00	0.31	2.49
Djibouti	80.78	70.44	-12.80	n/a	n/a		2.85	
Egypt	13358.25	14919.50	11.69	2.43	2.43	0.00	10.43	13.26
Equatorial Guinea	0.33	0.23	-31.82	n/a	n/a		0.10	
Eritrea	n/a	n/a		n/a	n/a			
Ethiopia	532.00	676.70	27.20	0.11	0.11	0.44	5.67	8.97
Gabon	136.99	173.93	26.97	0.01	n/a		1.80	2.61
Gambia	103.48	100.21	-3.16	n/a	n/a		5.94	7.12
Ghana	487.95	552.25	13.18	0.28	0.28	0.00	2.82	3.83
Guinea	88.61	85.63	-3.35	n/a	n/a		1.37	1.60
Guinea-Bissau	18.81	23.30	23.85	n/a	n/a		1.49	1.97
Kenya	600.55	412.10	-31.38	0.08	0.08	0.00	2.72	2.05
Lesotho	317.42	404.81	27.53	n/a	n/a			
Liberia	4.18	n/a		n/a	n/a		0.01	
Libya	n/a	n/a		n/a	n/a			
Madagascar	68.13	69.23	1.61	n/a	n/a		1.36	1.52
Malawi	50.82	58.57	15.25	0.01	0.01	0.00	1.31	1.83
Mali	262.08	297.00	13.33	0.02	0.02	0.00	2.49	2.63
Mauritania	42.28	70.73	67.30	0.01	0.01	0.00	0.86	1.52
Mauritius	752.05	706.55	-6.05	0.06	0.06	0.00	4.77	3.65
Mayotte Islands	n/a	n/a		n/a	n/a			
Morocco	4063.50	3768.75	-7.25	0.70	0.70	0.00	5.70	6.28
Mozambique	n/a	n/a		n/a	n/a			
Namibia	181.46	180.84	-0.34	n/a	n/a		1.86	1.82
Niger	117.13	125.85	7.45	0.01	0.01	0.00	3.06	4.03
Nigeria	1041.50	1850.00	77.63	0.69	0.69	0.00	2.30	3.08
Reunion	n/a	n/a		n/a	n/a			
Rwanda	45.79	n/a		n/a	n/a		2.04	
Sao Tome and Principe	n/a	n/a		n/a	n/a			
Senegal	63.75	267.30	319.29	0.03	0.03	0.00	0.89	2.79
Seychelles	27.23	28.28	3.86	n/a	n/a		1.60	
Sierra Leone	51.10	29.45	-42.37	n/a	n/a		2.28	1.82
Somalia	n/a	n/a		n/a	n/a			
South Africa	928.00	1738.00	87.28	4.22	4.53	7.35	0.51	0.83
Sudan	55.40	89.00	60.65	n/a	n/a		0.52	1.04
Swaziland	266.15	243.99	-8.32	n/a	n/a		3.86	
Tanzania	316.73	249.75	-21.15	n/a	n/a		2.86	2.63
Togo	78.40	107.55	37.18	0.01	0.01	0.00	1.27	1.55
Tunisia	1189.58	1466.15	23.25	0.22	0.22	0.35	2.12	2.33
Uganda	175.00	371.10	112.06	n/a	n/a		4.03	8.84
Zaire	142.19	145.89	2.60	0.03	0.03	0.00	1.84	1.60
Zambia	n/a	n/a		n/a	n/a			
Zimbabwe	517.40	635.53	22.83	0.51	0.52	1.46	3.42	4.89
<b>Total</b>	<b>33791.53</b>	<b>38503.85</b>	<b>13.95</b>	<b>15.45</b>	<b>15.74</b>	<b>4.96</b>		
<b>Average</b>	<b>718.26</b>	<b>885.91</b>	<b>43.26</b>	<b>0.38</b>	<b>0.41</b>	<b>0.21</b>	<b>3.93</b>	<b>5.30</b>
<b>Median</b>	<b>142.19</b>	<b>241.25</b>		<b>0.03</b>	<b>0.04</b>			
<b>Standard Deviation</b>	<b>2129.32</b>	<b>2424.76</b>		<b>1.35</b>	<b>1.41</b>			
<b>Skew</b>	<b>5.13</b>	<b>5.06</b>		<b>2.99</b>	<b>2.89</b>			
<b>Kurtosis</b>	<b>29.19</b>	<b>28.43</b>		<b>8.56</b>	<b>7.79</b>			

1) The yearly figures are end of quarter averages.

\* Growth rates and months of import covered by reserves are Afreximbank Staff estimates.

Source: International Financial Statistics, IMF, various issues

**Figure 3.2: Developing World Share of Global Manufacturing Value-Added, %**



Source: United Nations Industrial Development Organization (UNIDO), 1995

**Table 3.3: Africa: Exchange Rate Developments**

COUNTRY	Exchange Rate (per US\$)				
	1994* (1)	1995* (2)	Percentage Change between (2) & (1)**	1995	
	Official	Official		Parallel (3)	Parallel Premium (((3)/(2))*100)-100
Algeria - <i>dinar</i>	37.00	48.53	31.14	65.62	35.23
Angola - <i>new kwanza</i>	282647.00	1087229.00	284.66	4704458.33	332.70
Benin - <i>franc</i>	545.23	488.28	-10.45		
Botswana - <i>pula</i>	2.70	2.77	2.71		
Burkina Faso - <i>franc</i>	545.23	488.28	-10.45		
Burundi - <i>franc</i>	249.58	246.14	-1.38	325.25	32.14
Cameroon - <i>franc</i>	545.23	488.28	-10.45		
Cape Verde - <i>escudos</i>	81.05	75.32	-7.07		
Central African Republic - <i>franc</i>	545.23	488.28	-10.45		
Chad - <i>franc</i>	545.23	488.28	-10.45		
Comoros - <i>franc</i>	408.92	366.21	-10.44		
Congo - <i>franc</i>	545.23	488.28	-10.45		
Cote d'Ivoire - <i>CFA franc</i>	545.23	487.22	-10.64		
Djibouti - <i>franc</i>	177.72	173.29	-2.49		
Egypt - <i>pound</i>	3.39	3.39	0.22		
Equatorial Guinea - <i>franc</i>	545.23	488.28	-10.45		
Eritrea					
Ethiopia - <i>birr</i>	5.55	5.95	7.11	6.94	16.63
Gabon - <i>franc</i>	545.23	488.28	-10.45		
Gambia - <i>dalasi</i>	9.57	9.60	0.35		
Ghana - <i>cedi</i>	977.75	1215.78	24.34		
Guinea - <i>franc</i>	972.83	993.20	2.09		
Guinea-Bissau - <i>peso</i>	13441.75	17392.00	29.39		
Kenya - <i>shilling</i>	53.42	52.33	-2.03		
Lesotho - <i>loti</i>	3.56	3.63	2.10		
Liberia - <i>dollar</i>	1.00	1.00	0.00	48.00	4700.00
Libya - <i>dinar</i>	0.32	0.34	6.57	1.00	191.86
Madagascar - <i>franc</i>	3225.20	4135.05	28.21		
Malawi - <i>kwacha</i>	9.69	15.32	58.03	15.83	3.36
Mali - <i>franc</i>	545.23	488.28	-10.45		
Mauritania - <i>ouguiyas</i>	124.64	130.89	5.01		
Mauritius - <i>rupee</i>	17.80	17.44	-2.03		
Mayotte Islands					
Morocco - <i>dirham</i>	9.08	8.39	-7.59		
Mozambique - <i>metical</i>	6192.76	8517.60	37.54	9715.40	14.06
Namibia - <i>namibia dollar</i>	3.56	3.63	2.05		
Niger - <i>franc</i>	545.23	488.28	-10.45		
Nigeria - <i>naira</i>	22.00	21.95	-0.21	84.47	284.83
Reunion					
Rwanda - <i>franc</i>					
Sao Tome and Principe					
Senegal - <i>franc</i>	545.23	488.28	-10.45		
Seychelles - <i>rupee</i>	5.01	4.73	-5.59		
Sierra Leone - <i>leone</i>	592.70	787.32	32.84	827.33	5.08
Somalia - <i>shilling</i>	2621.24	2620.00		5500.00	109.92
South Africa - <i>rand</i>	3.56	3.63	2.10	3.96	9.11
Sudan - <i>pound</i>	304.44	518.26	70.23	970.00	87.16
Swaziland - <i>ilangeni</i>	3.56	3.63	2.10		
Tanzania - <i>shilling</i>	515.63	573.54	11.23	604.89	5.46
Togo - <i>franc</i>	545.23	488.28	-10.45		
Tunisia - <i>dinar</i>	1.00	0.93	-6.95	1.29	38.35
Uganda - <i>shilling</i>	961.88	962.71	0.09		
Zaire - <i>zaire</i>	1523.75	4973.83	226.42	7830.00	57.42
Zambia - <i>kwacha</i>	1000.00	922.52	-7.75	1011.92	9.69
Zimbabwe - <i>dollar</i>	8.19	8.77	7.03	8.64	-1.44

\* Year averages

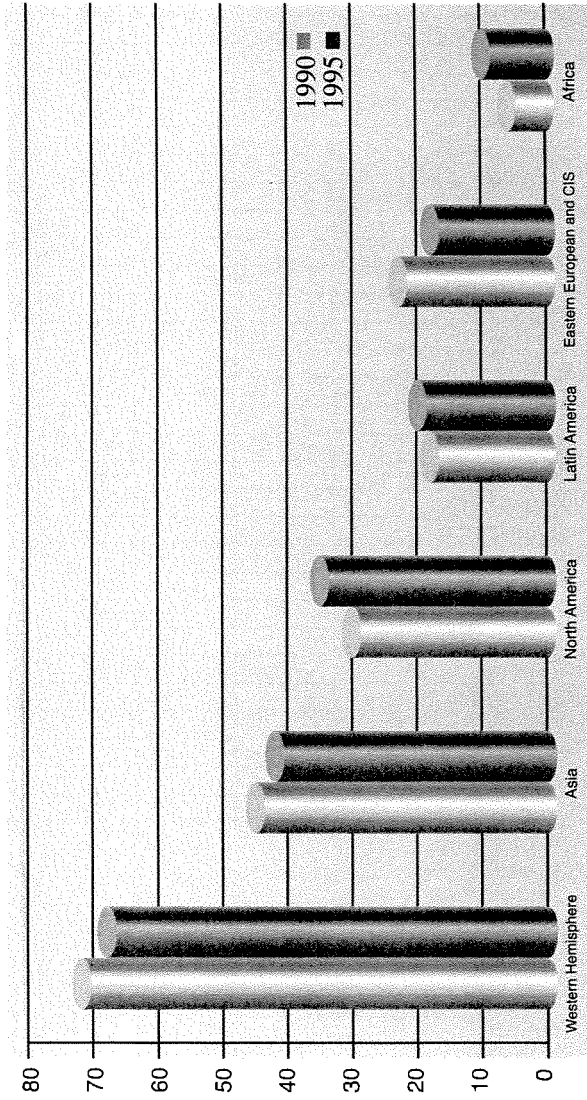
\*\* Figures should be seen as simple percentage changes and therefore do not represent percentage depreciation or appreciation since theoretically, a currency cannot depreciate by more than 100% or it ceases to exist.

Note: Nigerian parallel market is legalized.

Source: 1) International Financial Statistics, IMF, various issues

2) Africa Analysis, (various issues)

Figure 3.3: Share of Intra-Regional Trade in Selected Regions to Total Merchandise Trade, 1990 and 1995  
(Percentage Shares based on value)



\* Canada and the United States.

Note: Shares are an arithmetic average of the intra-regional in total merchandise.

Source:IMF, "World Economic Outlook", October 1995

**Table 3.4: AFRICA: Real Exchange Rate Index 1)**  
1990=100

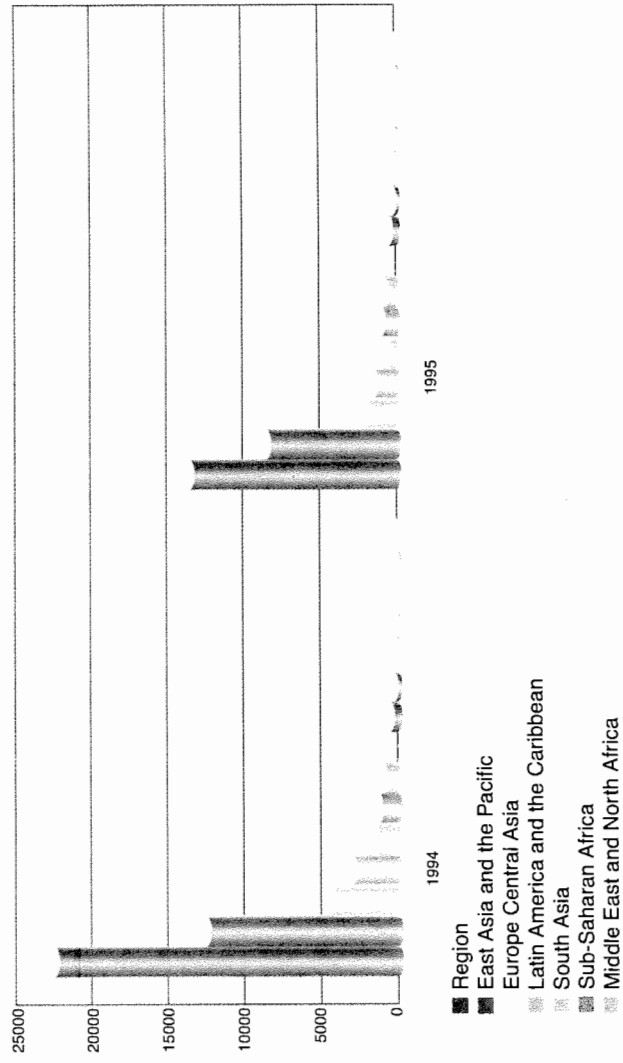
AFRICA	1993	1994	1995
Algeria - <i>dinar</i>	70	58	55
Angola - <i>new kwanza</i>			
Benin - <i>franc</i>	85	65	80
Botswana - <i>pula</i>	104	100	95
Burkina Faso - <i>franc</i>	85	65	80
Burundi - <i>franc</i>	85	65	80
Cameroon - <i>franc</i>	85	65	80
Cape Verde - <i>escudos</i>			
Central African Republic - <i>franc</i>	85	65	80
Chad - <i>franc</i>	85	65	80
Comoros - <i>franc</i>	85	65	80
Congo - <i>franc</i>	85	65	80
Cote d'Ivoire - <i>CFA franc</i>	85	65	80
Djibouti - <i>franc</i>	85	65	80
Egypt - <i>pound</i>	82	85	89
Equatorial Guinea - <i>franc</i>	85	65	80
Eritrea			
Ethiopia - <i>birr</i>			
Gabon - <i>franc</i>	70	55	65
Gambia - <i>dalasi</i>	45	40	
Ghana - <i>cedi</i>			
Guinea - <i>franc</i>	93	96	
Guinea-Bissau - <i>peso</i>			
Kenya - <i>shilling</i>	81	100	112
Lesotho - <i>loti</i>	75	72	
Liberia - <i>dollar</i>	580	820	
Libya - <i>dinar</i>			
Madagascar - <i>franc</i>	85	65	80
Malawi - <i>kwacha</i>	95	70	50
Mali - <i>franc</i>	95	60	70
Mauritania - <i>ouguiyas</i>			
Mauritius - <i>rupee</i>	68	70	
Mayotte Islands			
Morocco - <i>dirham</i>	97	100	105
Mozambique - <i>metical</i>			
Namibia - <i>namibia dollar</i>	102	100	105
Niger - <i>franc</i>	85	65	80
Nigeria - <i>naira</i>	80	120	190
Reunion			
Rwanda - <i>franc</i>	85	65	80
Sao Tome and Principe			
Senegal - <i>franc</i>	85	55	65
Seychelles - <i>rupee</i>			
Sierra Leone - <i>leone</i>	98	115	
Somalia - <i>shilling</i>			
South Africa - <i>rand</i>	105	102	105
Sudan - <i>pound</i>	25	27	30
Swaziland - <i>lilangeni</i>	103	100	105
Tanzania - <i>shilling</i>	85	90	95
Togo - <i>franc</i>	90	70	80
Tunisia - <i>dinar</i>	95	96	100
Uganda - <i>shilling</i>	68	88	90
Zaire - <i>zaire</i>			
Zambia - <i>kwacha</i>	100	85	90
Zimbabwe - <i>dollar</i>	76	72	78

1) Nominal exchange rates (to US\$) adjusted for changes in relative consumer prices.

Source: 1) EIU, "Country Report", (various issues).

2) IMF, "International Financial Statistics".

Figure 3.4: Project Finance Approval



Note: 1995 figures are the sum of the first three quarters of the year.

Source: World Bank, "Financial Flows and the Developing Countries", A World Bank Quarterly, November 1995.

**Table 3.5: Nominal Price Developments for Commodities of Export Interest to Africa  
(\$/Mt.)**

COMMODITY	1st Half 1994 (1)	2nd Half 1994 (2)	1st Half 1995 (3)	2nd Half 1995 (4)	Annual Growth Rate 1995 & 1994	Price Volatility*** 1st Half 1995	Price Volatility*** 2nd Half 1995
<i>Agriculture:</i>							
Cocoa Bean	1313.5	1478.5	1510.4	1392.9	4.0	0.028	0.017
Coffee	1705.0	3534.0	2930.0	2465.9	3.0	0.046	0.096
Copra	394.5	440.2	410.5	455.9	3.8	0.024	0.041
Cotton*	1793.0	1741.0	2348.4	1974.4	22.3	0.003	0.002
Maize	117.5	97.6	223.3	214.7	103.6	0.020	0.157
Palm Oil*	436.0	620.9	656.6	611.4	20.0	0.028	0.044
Rubber*	1094.5	1536.5	1791.6	1515.4	25.7	0.004	0.006
Soyabean	268.5	235.3	259.5	309.5	12.9	0.010	0.069
Sugar (raw)*	248.0	286.0	352.9	308.7	23.9	0.019	0.094
Tea**	1816.5	1846.5	1635.5	1530.0	-13.6		
Tobacco**	2639.0	2639.0	2530.0	2574.0	-3.3		
<b>AVERAGE</b>	<b>1075.1</b>	<b>1314.1</b>	<b>1331.7</b>	<b>1213.9</b>	<b>18.4</b>	<b>0.020</b>	<b>0.058</b>
<i>Petroleum:</i>							
Crude Oil*	101.8	116.8	126.8	128.5	16.8	0.006	0.019
<b>AVERAGE</b>	<b>101.8</b>	<b>116.8</b>	<b>126.8</b>	<b>128.5</b>	<b>16.8</b>	<b>0.006</b>	<b>0.019</b>
<i>Metals:</i>							
Copper	1997.2	2617.5	2906.1	2982.0	27.6	0.028	0.039
Gold*	1350440.9	1358553.8	1353439.2	1354322.9	0.0	0.000	0.000
Lead	478.0	618.0	605.9	652.4	14.8	0.057	0.085
Tin*	5283.5	5508.5	6205.2	10581.9	55.6	0.004	0.030
<b>AVERAGE</b>	a) <b>339549.9</b>	<b>341824.4</b>	<b>340789.1</b>	<b>342134.8</b>	<b>24.5</b>	<b>0.022</b>	<b>0.039</b>
	b) <b>2586.2</b>	<b>2914.7</b>	<b>3239.1</b>	<b>4738.8</b>	<b>32.7</b>	<b>0.030</b>	<b>0.051</b>
<b>OVERALL UNWEIGHTED AVERAGE</b>	a) <b>113575.6</b>	<b>114418.5</b>	<b>114082.5</b>	<b>114492.4</b>	<b>19.9</b>	<b>0.016</b>	<b>0.039</b>
	b) <b>1254.4</b>	<b>1448.5</b>	<b>1565.9</b>	<b>2027.1</b>	<b>22.6</b>	<b>0.019</b>	<b>0.043</b>

\* Spot Prices. Others are future prices at the London Commodity and London Metal Exchanges (nearest trading month).

\*\* World Bank figures

\*\*\* Measured by the coefficient of variation (CV) of price of relevant commodity.

CV is the ratio of each standard deviation to its associated mean.

a) Gold is included.

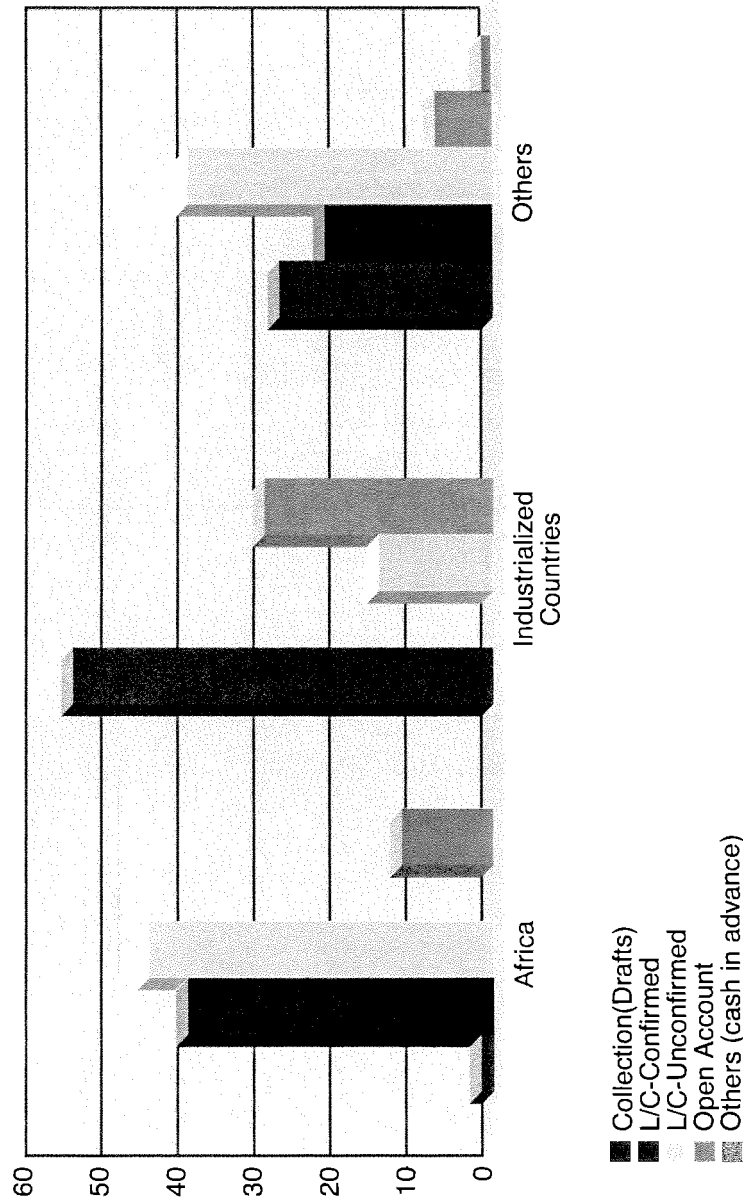
b) Gold is not included.

Source: 1) Financial Times, various issues.

2) World Bank, "Commodity Markets and the Developing Countries: A World Bank Quarterly", various issues.

3) Afreximbank Staff estimates.

Figure 3.5: World Trade Settlement Modes by Country Groupings  
*(proportion of total trade settled by payment mode, %), 1995*



\*US, Canada, France, Germany, Italy, UK, Japan.  
 Source: Estimated by Afreximbank Staff from data obtained from FT International Trade Finance.

**Table 3.6: Afreximbank Price Index <sup>(c)</sup>**  
(1st Half Year 1994=100)

COMMODITY	Real Prices 1st Half 1994	Real Prices 2nd Half 1994	Real Prices 1st Half 1995	Real Prices 2nd Half 1995
<i>Agriculture:</i>				
Cocoa Bean	100	112.56	114.99	106.04
Coffee	100	207.27	171.85	144.63
Copra	100	111.57	104.06	115.56
Cotton*	100	97.10	130.98	110.12
Maize	100	83.06	190.04	182.72
Palm Oil*	100	142.40	150.60	140.23
Rubber*	100	140.38	163.69	138.46
Soyabean	100	87.64	96.65	115.27
Sugar (raw)*	100	115.32	142.30	124.48
Tea**	100	101.65	90.04	84.23
Tobacco**	100	100.00	95.87	97.54
<b>AVERAGE</b>	<b>100</b>	<b>122.23</b>	<b>123.87</b>	<b>112.91</b>
<i>Petroleum:</i>				
Crude Oil*	100	114.70	124.52	126.18
<b>AVERAGE</b>	<b>100</b>	<b>114.70</b>	<b>124.52</b>	<b>126.18</b>
<i>Metals:</i>				
Copper	100	131.06	145.51	149.31
Gold*	100	100.60	100.22	100.29
Lead	100	129.29	126.76	136.49
Tin*	100	104.26	117.44	200.28
<b>AVERAGE</b>	a) 100.00	116.30	122.48	146.59
	b) 100.00	121.54	129.90	162.03
<b>OVERALL UNWEIGHTED AVERAGE</b>				
	a) 100.00	117.74	123.62	128.56
	b) 100.00	119.49	126.10	133.71

\* Spot Prices

\*\* World Bank data

a) Gold is included.

b) Gold is not included.

(c) This index covers all commodities which together contribute over 85% of Africa's total exports and is based on US\$ per metric tonne prices.

Source: Derived from Table 3.5 by Afreximbank Staff

Table 3.7: Africa: World Trade

AFRICA	Exports Value (US\$ Billions)		Growth Rate 1995/1994 (%)	Country Share of Total Exports (%)		Imports Value (US\$ Billions)		Growth Rate 1995/1994 (%)	Country Share of Total Imports (%)		Total Trade Value (US\$ billion)		Growth Rate 1995/1994 (%)	Country Share of Total Trade (%)	
	1994	1995		1994	1995	1994	1995		1994	1995	1994	1995		1994	1995
Algeria	8.230	10.540	28.07	8.47	10.52	9.230	9.380	1.62	8.65	8.80	17.460	19.920	14.09	8.57	9.63
Angola	2.864	3.781	32.04	2.95	3.77	1.298	1.700	31.00	1.22	1.60	4.161	5.481	31.72	2.04	2.65
Benin	0.194	0.171	-11.95	0.20	0.17	0.519	0.653	25.81	0.49	0.61	0.713	0.824	15.54	0.35	0.40
Burundi	0.175	0.192	10.03	0.18	0.19	0.253	0.267	5.38	0.24	0.25	0.428	0.459	7.28	0.21	0.22
Burkina Faso	0.166	0.148	-10.72	0.17	0.15	0.600	0.539	-10.25	0.56	0.51	0.766	0.687	-10.35	0.38	0.33
Cameroon	1.578	1.295	-17.94	1.62	1.29	0.770	0.935	21.39	0.72	0.88	2.348	2.230	-5.04	1.15	1.08
Central African Rep.	0.126	0.114	-8.91	0.13	0.11	0.183	0.098	-46.35	0.17	0.09	0.309	0.213	-31.13	0.15	0.10
Chad	0.057	0.058	1.31	0.06	0.06	0.099	0.090	-8.83	0.09	0.08	0.156	0.148	-5.14	0.08	0.07
Congo	1.156	0.830	-28.21	1.19	0.83	0.479	0.447	-6.67	0.45	0.42	1.635	1.277	-21.90	0.80	0.62
Cote D'Ivoire	3.650	3.150	-13.70	3.76	3.14	2.092	2.518	20.39	1.96	2.36	5.742	5.668	-1.28	2.82	2.74
Egypt	5.556	5.201	-6.39	5.72	5.19	15.365	13.503	-12.12	14.41	12.67	20.920	18.703	-10.60	10.26	9.04
Ethiopia	1.894	2.247	18.63	1.95	2.24	1.125	0.905	-19.55	1.05	0.85	3.018	3.151	4.41	1.48	1.52
Gabon	2.252	2.580	14.56	2.32	2.57	0.912	0.801	-12.21	0.86	0.75	3.164	3.381	6.85	1.55	1.63
Gambia, The	0.035	0.026	-26.16	0.04	0.03	0.209	0.189	-19.28	0.20	0.16	0.245	0.195	-20.27	0.12	0.09
Ghana	1.573	1.506	-4.24	1.62	1.50	2.073	1.729	-16.57	1.94	1.62	3.646	3.235	-11.25	1.79	1.56
Guinea	0.717	0.595	-16.91	0.74	0.59	0.774	0.642	-17.07	0.73	0.60	1.491	1.238	-16.99	0.73	0.60
Guinea-Bissau	0.077	0.052	-32.04	0.08	0.05	0.152	0.142	-6.13	0.14	0.13	0.229	0.195	-14.87	0.11	0.09
Kenya	1.680	1.610	-2.99	1.71	1.61	2.645	2.409	-8.95	2.48	2.26	4.305	4.019	-6.66	2.11	1.94
Liberia	0.531	0.481	-9.50	0.55	0.48	5.959	4.170	-30.03	5.59	3.91	6.490	4.651	-28.35	3.18	2.25
Libya	7.832	6.346	-18.97	8.06	6.33	4.389	3.853	-12.21	4.12	3.61	12.221	10.199	-16.54	6.00	4.93
Madagascar	0.521	0.535	2.62	0.54	0.53	0.599	0.545	-9.03	0.56	0.51	1.121	1.080	-3.61	0.55	0.52
Malawi	0.387	0.380	-1.74	0.40	0.38	0.466	0.385	-17.51	0.44	0.36	0.853	0.765	-10.36	0.42	0.37
Mali	0.359	0.470	31.09	0.37	0.47	1.261	1.354	7.40	1.18	1.27	1.620	1.824	12.64	0.79	0.88
Mauritania	0.464	0.461	-0.68	0.48	0.46	0.589	0.558	-5.21	0.55	0.52	1.053	1.019	-3.21	0.52	0.49
Mauritius	1.255	1.125	-10.35	1.29	1.12	1.893	2.325	22.84	1.77	2.18	3.148	3.450	9.61	1.54	1.67
Morocco	5.779	5.040	-12.77	5.95	5.03	8.556	7.205	-15.79	8.02	6.76	14.334	12.245	-14.57	7.03	5.92
Mozambique	0.225	0.162	-28.24	0.23	0.16	1.131	0.849	-24.95	1.06	0.80	1.356	1.010	-25.50	0.67	0.49
Niger	0.117	0.251	113.68	0.12	0.25	0.460	0.375	-18.48	0.43	0.35	0.578	0.626	8.39	0.28	0.30
Nigeria	11.291	11.660	3.27	11.62	11.64	5.436	7.200	32.45	5.10	6.76	16.727	18.860	12.75	8.21	9.12
Rwanda	0.073	0.041	-43.72	0.08	0.04	0.270	0.174	-35.63	0.25	0.16	0.344	0.215	-37.36	0.17	0.10
Senegal	0.635	0.850	33.90	0.65	0.85	0.861	1.150	33.49	0.81	1.08	1.496	2.000	33.67	0.73	0.97
Sierra Leone	0.178	0.131	-26.31	0.18	0.13	0.269	0.194	-27.99	0.25	0.18	0.447	0.325	-27.32	0.22	0.16
Somalia	0.136	0.145	6.86	0.14	0.14	0.269	0.193	-28.36	0.25	0.18	0.405	0.338	-16.55	0.20	0.16
South Africa	25.410	26.680	5.00	26.15	26.62	21.838	25.230	15.53	20.48	23.67	47.248	51.910	9.87	23.18	25.10
Sudan	0.486	0.447	-7.94	0.50	0.45	1.290	1.025	-20.52	1.21	0.96	1.776	1.472	-17.08	0.87	0.71
Tanzania	0.494	0.441	-10.65	0.51	0.44	1.331	1.141	-14.27	1.25	1.07	1.824	1.582	-13.29	0.90	0.76
Togo	0.271	0.290	6.88	0.28	0.29	0.739	0.835	12.97	0.69	0.78	1.010	1.125	11.33	0.50	0.54
Tunisia	4.821	5.336	10.69	4.96	5.32	6.744	7.550	11.94	6.32	7.08	11.565	12.886	11.42	5.67	6.23
Uganda	0.370	0.550	48.84	0.38	0.55	0.521	0.504	-3.33	0.49	0.47	0.891	1.054	18.31	0.44	0.51
Zaire	1.107	1.139	2.89	1.14	1.14	0.928	1.093	17.71	0.87	1.03	2.035	2.231	9.65	1.00	1.08
Zambia	0.758	1.150	51.80	0.78	1.15	0.255	0.187	-26.75	0.24	0.18	1.012	1.337	32.03	0.50	0.65
Zimbabwe	1.723	2.000	16.08	1.77	2.00	1.816	1.560	-14.07	1.70	1.46	3.539	3.560	0.61	1.74	1.72
Total	97.18	100.21	3.12	100.00	100.00	106.65	106.58	-0.06	100.00	100.00	203.83	206.79	1.45	100.00	100.00
Average	2.31	2.39	3.12			2.54	2.54	-0.06			4.85	4.92	1.45		
Median	0.58	0.57				0.89	0.88				1.63	1.53			
Standard Deviation	4.45	4.67				4.33	4.60				8.49	9.09			
Skew	3.86	3.91				3.07	3.53				3.51	3.81			
Kurtosis	17.86	18.15				10.42	14.63				15.03	17.47			

Note: 1995 figures are Afreximbank Staff estimates.

Source: 1) IMF, "Direction of Trade Statistics" Quarterly, September 1995.  
2) EIU Country Report, (various issues).

Table 3.8: Intra-African Trade

AFRICA	Exports to Africa by African Countries					Imports from Africa by African Countries					Total Intra-African Trade, US\$ Billions					Trade Balance, US\$ Billions						
	Value (US\$ Billions)		Growth Rate 1995/1994 (%)		Country Share of Total Exports (%)		Value (US\$ Billions)		Growth Rate 1995/1994 (%)		Country Share of Total Imports (%)		Value (US\$ Billions)		Growth Rate 1995/1994 (%)		Country Share of Total Intra-African Trade (%)		1994		1995	
	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995	1994	1995
Algeria	0.210	0.228	9.00	2.44	2.57	0.243	0.256	5.51	2.67	2.83	0.453	0.485	7.13	2.56	2.70	-0.034	-0.028					
Angola	0.010	0.012	25.95	0.11	0.13	0.127	0.132	4.10	1.39	1.46	0.137	0.144	5.62	0.77	0.80	-0.118	-0.120					
Benin	0.083	0.072	-13.13	0.97	0.81	0.028	0.024	-12.40	0.30	0.27	0.111	0.097	-12.95	0.63	0.54	0.056	0.048					
Burundi	0.014	0.012	-15.90	0.16	0.13	0.065	0.062	-4.99	0.71	0.68	0.078	0.073	-6.90	0.44	0.41	-0.051	-0.050					
Burkina Faso	0.036	0.031	-12.52	0.42	0.19	0.189	0.189	-13.56	2.40	2.09	0.256	0.220	-13.43	1.44	1.23	-0.163	-0.156					
Burkina Faso	0.493	0.512	3.93	5.75	5.76	0.161	0.186	15.43	1.76	2.05	0.654	0.698	6.76	3.70	3.89	0.332	0.327					
Cameroon	0.004	0.005	6.38	0.05	0.05	0.032	0.026	-20.44	0.36	0.28	0.037	0.030	-17.28	0.21	0.17	-0.028	-0.021					
Central African Rep.	0.022	0.020	-9.67	0.28	0.23	0.053	0.047	-11.89	0.58	0.51	0.075	0.067	-11.23	0.42	0.37	-0.051	-0.026					
Chad	0.019	0.016	-16.28	0.22	0.18	0.056	0.048	-15.42	0.62	0.53	0.076	0.064	-15.64	0.43	0.36	-0.037	-0.032					
Cote D'Ivoire	1.086	1.180	8.62	12.67	13.26	0.779	0.855	9.68	8.55	9.44	1.866	2.036	9.06	10.55	11.33	0.307	0.325					
Egypt	0.172	0.181	4.82	2.01	2.03	0.199	0.206	3.60	2.18	2.27	0.371	0.397	4.17	2.10	2.15	-0.027	-0.025					
Ethiopia	0.013	0.010	-19.51	0.15	0.11	0.080	0.060	-24.08	0.87	0.67	0.092	0.071	-23.45	0.52	0.39	-0.097	-0.050					
Gabon	0.052	0.057	9.83	0.61	0.64	0.254	0.265	4.36	2.79	2.93	0.306	0.322	5.29	1.73	1.79	-0.202	-0.206					
Gambia, The	0.0094	0.0075	-10.71	0.10	0.08	0.046	0.041	-10.65	0.50	0.45	0.054	0.049	-10.66	0.31	0.27	-0.038	-0.034					
Ghana	0.277	0.239	-13.52	3.22	2.69	0.445	0.371	-16.76	4.89	4.09	0.723	0.610	-15.52	4.08	3.40	-0.169	-0.131					
Guinea	0.044	0.035	-20.18	0.51	0.40	0.182	0.158	-12.56	2.00	1.76	0.226	0.194	-14.05	1.28	1.08	-0.138	-0.124					
Guinea-Bissau	0.0032	0.0028	-13.17	0.04	0.03	0.013	0.011	-14.79	0.15	0.13	0.017	0.014	-14.48	0.09	0.08	-0.010	-0.009					
Kenya	0.447	0.470	5.37	5.21	5.29	0.249	0.273	9.60	2.73	3.01	0.686	0.743	6.88	3.93	4.14	0.198	0.198					
Liberia	0.0013	0.0011	-13.46	0.02	0.01	0.099	0.099	0.51	1.08	1.09	0.100	0.100	0.33	0.56	0.56	-0.097	-0.098					
Libya	0.319	0.274	-14.25	3.72	3.07	0.375	0.359	-4.20	4.12	3.97	0.684	0.633	-8.82	3.92	3.52	-0.056	-0.066					
Madagascar	0.094	0.098	4.11	1.09	1.10	0.264	0.233	-11.64	2.89	2.57	0.065	0.074	-12.92	0.48	0.41	-0.009	-0.008					
Malawi	0.020	0.025	26.77	0.23	0.28	0.552	0.593	7.38	6.06	6.55	0.572	0.616	8.11	3.23	3.44	-0.533	-0.568					
Mali	0.067	0.069	-11.84	0.78	0.66	0.047	0.042	-11.07	0.51	0.46	0.114	0.101	-11.53	0.64	0.56	0.020	0.018					
Mauritania	0.056	0.049	-12.63	0.66	0.55	0.210	0.185	-12.07	2.31	2.04	0.267	0.234	-12.19	1.51	1.30	-0.154	-0.136					
Mauritius	0.264	0.277	5.00	3.07	3.11	0.316	0.348	10.23	3.46	3.84	0.579	0.625	7.85	3.28	3.48	-0.052	-0.071					
Morocco	0.037	0.034	-8.89	0.43	0.38	0.561	0.497	-11.42	6.16	5.49	0.598	0.531	-11.26	3.38	2.96	-0.524	-0.463					
Mozambique	0.017	0.014	-14.35	0.19	0.16	0.067	0.058	-13.33	0.73	0.64	0.093	0.072	-13.53	0.47	0.40	-0.050	-0.044					
Niger	0.984	1.077	9.48	11.47	12.11	0.168	0.183	9.09	1.84	2.02	1.152	1.261	9.43	6.51	7.02	0.816	0.864					
Nigeria	0.011	0.008	-21.04	0.01	0.01	0.075	0.063	-16.46	0.83	0.69	0.076	0.064	-16.52	0.43	0.35	-0.074	-0.062					
Rwanda	0.176	0.154	-12.34	2.05	1.73	0.214	0.177	-17.15	2.35	1.96	0.389	0.331	-14.98	2.20	1.84	-0.038	-0.023					
Senegal	2.405	2.556	6.29	28.04	28.73	0.605	0.652	7.82	6.64	7.20	3.010	3.209	6.60	17.02	17.87	-0.047	-0.039					
Sierra Leone	0.004	0.005	25.31	0.04	0.01	0.091	0.079	-13.06	1.00	0.88	0.092	0.080	-13.14	0.52	0.45	-0.060	-0.079					
Somalia	0.0009	0.0007	-21.31	0.01	0.01	0.007	0.006	-13.06	1.00	0.88	0.092	0.080	-13.14	0.52	0.45	-0.060	-0.079					
South Africa	0.006	0.008	24.51	0.07	0.09	0.056	0.054	-4.76	0.62	0.59	0.082	0.061	-1.90	0.35	0.34	-0.050	-0.048					
Sudan	0.070	0.078	11.54	0.81	0.87	0.250	0.283	12.99	2.75	3.12	0.260	0.220	-15.49	1.47	1.23	-0.136	-0.115					
Togo	0.062	0.052	-15.65	0.73	0.59	0.198	0.168	-15.44	2.17	1.85	0.320	0.307	12.97	1.81	2.01	-0.180	-0.205					
Tunisia	0.161	0.185	14.98	1.86	2.08	0.184	0.212	14.95	2.02	2.34	0.346	0.367	14.96	1.95	2.21	-0.023	-0.027					
Tunisia	0.0080	0.0081	1.85	0.09	0.09	0.157	0.160	1.94	1.73	1.73	0.165	0.168	0.93	0.94	0.94	-0.149	-0.152					
Uganda	0.108	0.097	-9.39	1.25	1.09	0.260	0.225	-13.35	2.85	2.48	0.367	0.332	-12.19	2.07	1.79	-0.152	-0.127					
Zaire	0.092	0.098	6.98	1.07	1.11	0.227	0.242	6.51	2.49	2.87	0.319	0.340	6.64	1.80	1.89	-0.135	-0.143					
Zambia	0.595	0.623	4.77	6.84	7.00	0.807	0.851	5.42	8.85	9.39	1.402	1.474	5.14	7.92	8.21	-0.212	-0.227					
Zimbabwe	8.577	8.699	3.76	100	100	9.111	9.057	-0.60	100	100	17.688	17.956	1.52	100	100	-0.212	-0.227					
Total	0.2042	0.2119	3.76			0.2169	0.2156	-0.60			0.4211	0.4275	1.52									
Average	0.05	0.05				0.18	0.18				0.28	0.23										
Median	0.43	0.45				0.20	0.21				0.56	0.60										
Standard Deviation	3.81	3.91				1.56	1.74				3.06	3.11										
Skew	17.90	17.69				2.20	2.96				11.26	11.39										
Kurtosis																						

\* 1995 figures are Afreximbank staff estimates.  
Source: 1) IMF, "Direction of Trade Statistics" Quarterly, September 1995.  
2) EIU, "Country Report", (various issues).

**Table 3.9 : Africa: Intra-Regional Trade Statistics by Country**  
(US\$ Billions)

Country	Total Exports			Intra-African Exports			Share of Intra-African Exports to Total Exports, %			Total Imports			Intra-African Imports			Share of Intra-African Imports to Total Imports, %			Total Trade			Total Intra-African Trade			Share of Intra-African Trade to Total Trade, %			
	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	1994	1995	1999	
	Algeria	8,230	10,540	0,210	0,228	2.5	2.2	9,230	9,380	0,243	0,236	2.6	2.7	17,460	19,920	0,453	0,485	2.6	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Angola	2,864	3,781	0,010	0,012	0.3	0.3	1,298	1,700	0,127	0,132	9.8	7.8	4,161	5,481	0,137	0,144	3.3	2.5	3.3	2.5	3.3	2.5	3.3	2.5	3.3	2.5	3.3	2.5
Benin	1,194	1,171	0,063	0,072	4.3	4.2	4,519	6,653	0,028	0,024	5.3	3.7	7,713	9,824	0,111	0,097	15.6	11.7	15.6	11.7	15.6	11.7	15.6	11.7	15.6	11.7	15.6	11.7
Burundi	0,175	0,192	0,014	0,012	7.8	6.0	0,253	0,267	0,065	0,062	28.6	23.1	0,428	0,459	0,078	0,073	18.3	15.9	18.3	15.9	18.3	15.9	18.3	15.9	18.3	15.9	18.3	15.9
Burkina Faso	0,166	0,148	0,036	0,031	21.7	21.3	0,600	0,539	0,219	0,189	36.4	35.1	0,766	0,687	0,255	0,220	33.2	32.1	33.2	32.1	33.2	32.1	33.2	32.1	33.2	32.1	33.2	32.1
Cameroon	1,578	1,295	0,493	0,512	31.2	38.6	0,770	0,935	0,161	0,186	20.9	19.8	2,348	2,230	0,654	0,698	27.9	31.3	27.9	31.3	27.9	31.3	27.9	31.3	27.9	31.3	27.9	31.3
Central African Rep.	0,126	0,114	0,004	0,005	3.4	4.0	0,183	0,098	0,032	0,026	17.7	26.2	0,308	0,213	0,037	0,030	11.9	14.3	11.9	14.3	11.9	14.3	11.9	14.3	11.9	14.3	11.9	14.3
Chad	0,057	0,058	0,022	0,020	39.2	34.9	0,099	0,090	0,053	0,047	53.2	51.4	0,156	0,148	0,075	0,067	48.1	45.0	48.1	45.0	48.1	45.0	48.1	45.0	48.1	45.0	48.1	45.0
Congo	1,156	0,830	0,019	0,016	1.7	1.9	0,479	0,447	0,056	0,048	11.8	10.6	1,635	1,277	0,076	0,064	4.6	5.0	4.6	5.0	4.6	5.0	4.6	5.0	4.6	5.0	4.6	5.0
Cote D'Ivoire	3,650	3,150	1,086	1,180	29.8	37.5	2,092	2,518	0,779	0,855	37.3	33.9	5,742	5,668	1,666	1,666	32.5	35.9	32.5	35.9	32.5	35.9	32.5	35.9	32.5	35.9	32.5	35.9
Egypt	5,556	5,201	0,172	0,181	3.1	3.5	15,365	13,503	0,199	0,206	1.3	1.5	20,820	18,703	0,371	0,387	1.8	2.1	1.8	2.1	1.8	2.1	1.8	2.1	1.8	2.1	1.8	2.1
Ethiopia	1,894	2,247	0,013	0,010	0.7	0.5	1,125	9,905	0,080	0,080	7.1	6.7	3,018	3,151	0,092	0,071	3.1	2.2	3.1	2.2	3.1	2.2	3.1	2.2	3.1	2.2	3.1	2.2
Gabon	2,252	2,580	0,052	0,057	2.3	2.2	9,912	8,801	0,254	0,265	27.9	33.1	3,164	3,381	0,306	0,322	9.7	9.5	9.7	9.5	9.7	9.5	9.7	9.5	9.7	9.5	9.7	9.5
Gambia, The	0,035	0,026	0,008	0,008	23.8	28.8	0,209	0,169	0,046	0,041	22.0	24.3	0,245	0,195	0,054	0,049	22.2	24.9	22.2	24.9	22.2	24.9	22.2	24.9	22.2	24.9	22.2	24.9
Ghana	1,573	1,506	0,277	0,239	17.6	15.9	2,073	1,729	0,445	0,371	21.5	21.4	3,646	3,235	0,722	0,610	19.8	18.8	19.8	18.8	19.8	18.8	19.8	18.8	19.8	18.8	19.8	18.8
Guinea	0,717	0,595	0,044	0,035	6.2	5.9	0,774	0,642	0,182	0,159	23.5	24.8	1,491	1,238	0,226	0,194	15.2	15.7	15.2	15.7	15.2	15.7	15.2	15.7	15.2	15.7	15.2	15.7
Guinea-Bissau	0,077	0,052	0,003	0,003	4.2	5.3	0,152	0,142	0,013	0,011	8.8	8.0	0,229	0,195	0,017	0,014	7.2	7.3	7.2	7.3	7.2	7.3	7.2	7.3	7.2	7.3	7.2	7.3
Kenya	1,660	1,610	0,447	0,470	26.9	28.2	2,645	2,409	0,249	0,273	9.4	11.3	4,305	4,019	0,696	0,743	16.2	18.5	16.2	18.5	16.2	18.5	16.2	18.5	16.2	18.5	16.2	18.5
Liberia	0,531	0,481	0,001	0,001	0.2	0.2	9,599	4,170	0,099	0,059	1.7	2.4	6,490	4,851	0,100	0,100	1.5	2.2	1.5	2.2	1.5	2.2	1.5	2.2	1.5	2.2	1.5	2.2
Libya	7,832	6,346	0,319	0,274	4.1	4.3	4,369	3,853	0,375	0,375	8.5	9.3	12,221	10,199	0,694	0,633	5.7	6.2	5.7	6.2	5.7	6.2	5.7	6.2	5.7	6.2	5.7	6.2
Madagascar	0,521	0,535	0,038	0,033	7.2	6.1	0,598	0,545	0,047	0,041	7.8	7.5	1,121	1,080	0,085	0,074	7.6	6.6	7.6	6.6	7.6	6.6	7.6	6.6	7.6	6.6	7.6	6.6
Malawi	0,387	0,380	0,094	0,098	24.3	25.7	0,466	0,385	0,264	0,233	58.5	60.6	0,853	0,765	0,358	0,331	41.9	43.3	41.9	43.3	41.9	43.3	41.9	43.3	41.9	43.3	41.9	43.3
Mali	0,359	0,470	0,020	0,025	5.5	5.4	1,261	1,354	0,552	0,593	43.8	43.8	1,620	1,824	0,572	0,618	35.3	33.9	35.3	33.9	35.3	33.9	35.3	33.9	35.3	33.9	35.3	33.9
Mauritania	0,464	0,461	0,087	0,049	14.5	12.8	0,569	0,556	0,047	0,042	7.9	7.5	1,053	1,019	0,114	0,101	10.8	9.9	10.8	9.9	10.8	9.9	10.8	9.9	10.8	9.9	10.8	9.9
Mauritius	1,255	1,125	0,056	0,049	4.5	4.4	1,893	2,325	0,210	0,185	11.1	8.0	3,148	3,450	0,267	0,234	8.5	6.8	8.5	6.8	8.5	6.8	8.5	6.8	8.5	6.8	8.5	6.8
Morocco	5,779	5,040	0,284	0,277	4.8	5.8	8,556	7,205	0,316	0,348	3.7	4.8	14,334	12,245	0,579	0,625	4.0	5.1	4.0	5.1	4.0	5.1	4.0	5.1	4.0	5.1	4.0	5.1
Mozambique	0,225	0,162	0,037	0,034	16.5	20.9	1,131	0,848	0,561	0,497	49.6	58.6	1,398	1,010	0,598	0,531	44.1	52.3	44.1	52.3	44.1	52.3	44.1	52.3	44.1	52.3	44.1	52.3
Niger	0,117	0,251	0,017	0,014	14.1	14.1	0,460	0,375	0,067	0,056	14.5	15.4	0,578	0,626	0,063	0,072	14.4	11.5	14.4	11.5	14.4	11.5	14.4	11.5	14.4	11.5	14.4	11.5
Nigeria	11,291	11,660	0,984	1,077	8.7	9.2	5,436	7,200	0,168	0,183	3.1	2.5	16,727	18,860	1,152	1,261	6.9	6.7	6.9	6.7	6.9	6.7	6.9	6.7	6.9	6.7	6.9	6.7
Rwanda	0,073	0,041	0,001	0,001	1.4	2.0	0,270	0,174	0,075	0,063	27.8	36.1	0,344	0,215	0,076	0,064	22.2	29.6	22.2	29.6	22.2	29.6	22.2	29.6	22.2	29.6	22.2	29.6
Senegal	0,635	0,650	0,176	0,154	27.7	18.1	0,861	1,150	0,214	0,177	24.8	15.4	1,496	2,000	0,389	0,331	26.0	16.8	26.0	16.8	26.0	16.8	26.0	16.8	26.0	16.8	26.0	16.8
Sierra Leone	0,178	0,131	0,004	0,005	2.0	3.4	0,269	0,194	0,051	0,044	18.8	22.6	0,447	0,325	0,054	0,048	12.1	14.9	12.1	14.9	12.1	14.9	12.1	14.9	12.1	14.9	12.1	14.9
Somalia	0,136	0,145	0,001	0,001	0.7	0.5	0,269	0,193	0,091	0,079	33.9	41.2	0,405	0,338	0,092	0,080	22.8	23.7	22.8	23.7	22.8	23.7	22.8	23.7	22.8	23.7	22.8	23.7
South Africa	25,410	26,680	2,405	2,556	9.5	9.6	21,838	25,230	0,605	0,652	2.8	2.6	47,248	51,910	3,010	3,209	6.4	6.2	6.4	6.2	6.4	6.2	6.4	6.2	6.4	6.2	6.4	6.2
Sudan	0,486	0,447	0,068	0,068	1.3	1.7	1,250	1,025	0,056	0,054	4.4	5.2	1,776	1,472	0,062	0,061	3.5	4.2	3.5	4.2	3.5	4.2	3.5	4.2	3.5	4.2	3.5	4.2
Tanzania	0,494	0,441	0,062	0,052	12.6	11.9	1,331	1,141	0,198	0,168	14.9	14.7	1,824	1,592	0,260	0,220	14.3	13.9	14.3	13.9	14.3	13.9	14.3	13.9	14.3	13.9	14.3	13.9
Togo	0,271	0,290	0,070	0,078	25.7	26.8	0,739	0,835	0,250	0,283	33.9	33.9	1,010	1,125	0,320	0,361	31.7	32.1	31.7	32.1	31.7	32.1	31.7	32.1	31.7	32.1	31.7	32.1
Tunisia	4,821	5,336	0,161	0,185	3.3	3.5	6,744	7,550	0,184	0,212	2.7	2.8	11,565	12,886	0,346	0,397	3.0	3.1	3.0	3.1	3.0	3.1	3.0	3.1	3.0	3.1	3.0	3.1
Uganda	0,370	0,550	0,008	0,008	2.2	1.5	0,521	0,504	0,157	0,160	30.2	31.8	0,891	1,054	0,165	0,168	18.5	16.0	18.5	16.0	18.5	16.0	18.5	16.0	18.5	16.0	18.5	16.0
Zaire	1,107	1,139	0,108	0,097	9.7	8.6	0,928	1,093	0,260	0,228																		

**Table 3.10: Sub-Saharan Africa: Preferences for Non-Oil Exports in Industrial Countries<sup>1)</sup>**  
(In percent)

Exporting Country	OECD Average		European Union		United States		Japan	
	African Tariff	Preference Margin 2)	African Tariff	Preference Margin 2)	African Tariff	Preference Margin 2)	African Tariff	Preference Margin 2)
Angola	0.2	-1.5	0.3	-3.2	0.1	-0.4	1.8	0.0
Botswana	0.3	-2.8	0.1	-2.9	3.5	-1.1	0.0	-2.1
Cameroon	0.4	-2.5	0.1	-2.8	2.1	-1.1	0.0	0.0
Central African Republic	0.2	-2.2	0.2	-2.3	0.0	-1.1	0.0	0.0
Chad	0.4	-2.7	0.2	-2.9	1.6	0.0	2.5	0.0
Congo	0.1	-1.4	0.0	-2.2	0.3	-0.6	0.0	0.0
Cote d'Ivoire	0.7	-3.1	0.3	-3.3	3.3	-2.0	1.2	-0.5
Ethiopia	0.7	-1.3	0.1	-1.9	2.0	0.4	1.5	-1.3
Gabon	0.6	-2.0	0.0	-2.7	2.9	0.7	0.0	0.0
Ghana	1.0	-2.2	0.1	-3.1	2.6	-0.9	2.3	0.0
Guinea	0.6	-2.3	0.0	-2.9	1.9	-1.0	1.8	-1.9
Kenya	0.5	-3.3	0.2	-3.5	3.1	-2.3	2.4	-1.1
Liberia	0.6	-1.7	0.3	-1.9	2.5	-1.1	0.0	-0.3
Madagascar	0.5	-2.0	0.4	-2.7	0.8	-1.0	0.8	-0.2
Malawi	1.1	-2.4	0.1	-3.5	5.4	-0.6	0.0	-0.1
Mali	0.4	-3.4	0.2	-3.5	3.1	-2.2	0.0	-1.6
Mauritania	1.7	-2.3	0.2	-3.9	1.2	-1.6	3.6	-0.4
Mauritius	1.3	-3.1	0.2	-3.4	6.4	-1.8	4.8	-1.1
Niger	0.1	-3.0	0.0	-3.0	3.3	-1.6	0.0	0.0
Nigeria	2.7	-0.9	0.1	-2.6	5.2	0.7	3.7	-0.8
Senegal	0.5	-3.3	0.3	-3.5	4.9	-1.2	3.6	0.1
Sierra Leone	0.5	-3.1	0.0	-4.0	2.3	-0.2	2.6	-0.7
Sudan	0.1	-1.5	0.1	-1.9	0.7	-1.0	0.0	0.0
Swaziland	0.8	-4.4	0.5	-4.9	3.5	-1.9	6.7	-3.0
Tanzania	0.1	-2.3	0.0	-2.5	0.0	-2.4	1.4	-1.0
Togo	0.3	-2.8	0.2	-2.8	0.2	-2.8	9.8	-0.8
Uganda	0.9	-2.4	0.6	-3.0	2.1	-0.3	0.0	0.0
Zaire	0.3	-2.1	0.1	-2.4	1.3	-1.1	0.0	-0.5
Zambia	0.3	-1.7	0.5	-2.9	1.4	-1.4	0.0	-0.6
Zimbabwe	0.9	-2.5	0.2	-3.3	4.0	-1.0	1.2	-1.0

1) Tariffs are simple (unweighted) averages of nominal duties levied on the country's exports.

2) The preference margin is the difference between the simple average tariff on the African country's exports and the simple average tariff on other exporters of the same products.

Source: International Trade Policies, IMF, 1994.

**Table 3.11: Bond Issues by Type of Borrower**  
(US \$millions)

	1993	1994	1995*
<b>All Developing Countries</b>	<b>55201</b>	<b>50129</b>	<b>39289</b>
<b>Private</b>	<b>18304</b>	<b>21010</b>	<b>14289</b>
Sub-Saharan Africa	0	75	0
East Asia and Pacific	4547	8604	8868
South Asia	556	636	250
Europe and Central Asia	354	1598	508
Latin America and Caribbean	13845	10097	4663
Middle East and North Africa	0	0	0
<b>Sovereign</b>	<b>19904</b>	<b>17156</b>	<b>15849</b>
Sub-Saharan Africa	0	1520	496
East Asia and Pacific	907	2399	175
South Asia	0	150	0
Europe and Central Asia	15115	9115	7277
Latin America and Caribbean	3882	3572	7024
Middle East and North Africa	0	400	879
<b>Other Public</b>	<b>15994</b>	<b>11963</b>	<b>9150</b>
Sub-Saharan Africa	0	0	0
East Asia and Pacific	8156	6599	5858
South Asia	0	300	262
Europe and Central Asia	928	1062	929
Latin America and Caribbean	6910	4003	2051
Middle East and North Africa	0	0	50

\* 1995 Figures are the sum of the first three quarters.

Source: World Bank, "Financial Flows and the Developing Countries,"  
A World Bank Quarterly, November 1995

**Table 3.12: Some Major Syndicated Transactions/Club Deals Arranged or Operating in Africa During 1995**

<b>Beneficiary</b>	<b>Country</b>	<b>Item Involved</b>	<b>Amount (\$M)</b>	<b>Arranging Banks</b>	<b>Locus of Payment Risk</b>
Societe Nationale de Commercialisation des Oleagineux du Senegal	Senegal	Groundnuts	40	Citibank, Afreximbank & S.Generale	OECD Buyers
Ghana Cocoa Board	Ghana	Cocoa	225	Standard Chartered Bank	OECD Buyers
COMILOG	Gabon	Manganese	30	ING Bank	OECD Buyers
Compagnie Ivoirienne pour le Developement des Textiles (CIDT)*	Cote d'Ivoire	Cocoa	20	Equator Bank	OECD Buyers
National Bank of Commerce	Tanzania	cotton	32	Union Bank of Switzerland (UBS)	OECD Buyers/OECD Banks
Government of Ghana	Ghana	Oil	80	Citibank	Ghana
Merchant Bank of Ghana	Ghana	non-traditional	10	Citibank	OECD Buyers/Related banks
Sociedade Nacional de Combustiveis de Angola (SONANGOL)	Angola	Oil	310	UBS	OECD Banks
Zambia Consolidated Copper Mines	Zambia	Spare parts	50	UBS	OECD
Govt. of Tunisia	Tunisia		200	Sanwa Bank	Tunisia
Compagnie des Bauxites de Guinee (CBG)	Guinea	Bauxite	50	Chemical Bank	OECD
<b>TOTAL</b>			<b>1047</b>		

\* More than one deal usually involved.

Source: Afreximbank's compilations.

**Table 3.13: International Project Finance to Developing Countries,  
by Region and Sector  
(US \$ million)**

	<b>1994</b>	<b>%</b>	<b>1995</b>	<b>%</b>
<b>Region</b>	22654	100	13747	100.00
East Asia and the Pacific	13123	57.9	8385	61.9
Europe and Central Asia	4211	18.6	2036	13.9
Latin America and the Caribbean	2259	10.0	1356	11.7
South Asia	1274	5.6	434	0.5
Sub-Saharan Africa	938	4.1	854	9.7
Middle East and North Africa	840	3.7	682	2.4
<b>Sector</b>	22654	100.0	13747	100.0
Power	5820	25.7	6109	38.2
Telecommunication	1468	6.5	405	0.0
Transportation	577	2.5	633	6.9
Other infrastructure	328	1.4	150	1.7
Non-infrastructure	14462	63.8	6450	53.2

Note: 1995 figures are the sum of the first three quarters of the year.

Source: 1) World Bank, "Financial Flows and the Developing Countries",  
A World Bank Quarterly, November 1995.

**Table 3.14: International Commercial Bank Claims & Liabilities in Selected Developing Country Groupings**

Country Group	Claims, \$m			Liabilities, \$m			Net Claims, \$m		
	1993	1994	1995Q1	1993	1994	1995Q1	1993	1994	1995Q1
East Asia and Pacific	189,838	216,009	257,308	108,791	110,218	116,764	81,047	105,791	140,544
Europe and Central Asia	156,234	157,601	172,825	97,155	109,144	138,033	59,079	48,457	34,792
Latin America and the Caribbean	227,879	227,811	231,529	137,289	147,583	164,105	90,590	80,228	67,424
Middle East and North Africa	72,023	75,176	75,007	136,128	135,438	152,271	-64,105	-60,261	-77,264
South Asia	20,856	22,801	24,555	40,546	47,868	59,153	-19,690	-25,068	-34,598
<b>Sub-saharan Africa</b>	<b>31,598</b>	<b>32,013</b>	<b>33,062</b>	<b>30,477</b>	<b>32,206</b>	<b>36,163</b>	<b>1,121</b>	<b>-193</b>	<b>-3,101</b>

- Net Claims were derived by Afreximbank.
- All figures are end of period.

Source: World Bank, "Financial Flows and the Developing Countries," A World Bank Quarterly, November 1995

**Table 3.15: Africa: Indicators of Payment Risks for Short-Term Transactions**

Countries	Delays (months) <sup>a</sup>		Collection Experience		Preferred Terms <sup>**</sup>		Min. Terms <sup>***</sup>	
	Jun-95	Dec-95	Jun-95	Dec-95	Jun-95	Dec-95	Jun-95	Dec-95
Algeria	5	5	Poor	Poor	CLC	CLC	CLC	CLC
Angola	5	3	Poor	Poor-Fair	CLC	CLC	CLC	CLC
Benin	5	4	Poor	Poor	CLC	CLC	CLC	CLC
Burundi	9	9	Poor	Poor	CLC	CLC	CLC	CLC
Cameroon	3	2	Fair	Fair-Good	ULC	ULC	CLC	CLC
Chad	4	2	Poor	Poor-Fair	CLC	CLC	CLC	CLC
Congo	6	4	Fair	Fair	CLC	CLC	CLC	ULC
Djibouti	4	3	Fair	Fair	ULC	ULC	ULC	ULC
Egypt	3	3	Fair-Good	Fair	ULC	ULC	ULC	ULC
Ethiopia - Old	84	60	Poor	Poor	CIA	CIA	CIA	CIA
- New	9	7	Poor	Poor	CIA	CIA	CIA	CIA
Gabon	4	4	Poor	Poor	CLC	CLC	CLC	CLC
Gambia	4	3	Fair-Good	Fair-Good	ULC	ULC	ULC	ULC
Ghana	4	4	Fair	Fair-Good	ULC	CLC	SD	ULC
Kenya	3	3	Fair-Poor	Fair-Poor	CLC	CLC	ULC	SD
Liberia	9	3	Poor	Poor	CIA	CIA	CIA	CLC
Libya****	5	3	Poor	Poor-Fair	CIA	CIA	CLC	CLC
Malawi	4	3	Fair	Fair	CLC	CLC	ULC	ULC
Mauritania	3	2	Poor	Fair	CLC	ULC	ULC	SD
Mauritius	2	2	Fair-Good	Fair-Good	ULC	SD	SD	SD
Morocco	3	4	Fair	Fair	ULC	ULC	ULC	ULC
Mozambique	5	2	Fair-Poor	Fair	CLC	CLC	ULC	ULC
Niger		2		Fair-Good		ULC		SD
Nigeria	4	3	Fair	Fair	CLC	CIA	CLC	CLC
Rwanda		7		Poor		CLC		CIA
Senegal	3	2	Fair	Fair-Good	ULC	ULC	ULC	SD
Seychelles	3	3	Good-Fair	Fair	SD	ULC	SD	SD
South Africa	3	3	Good-Fair	Fair	ULC	ULC	SD	SD
Tanzania	3	3	Fair	Fair	ULC	ULC	ULC	SD
Togo	4	4	Fair-Poor	Fair-Poor	ULC	ULC	ULC	ULC
Tunisia	3	3	Fair	Fair	ULC	ULC	SD	SD
Uganda	4	4	Fair	Fair	ULC	ULC	ULC	CLC
Zaire - Old	6	5	Poor	Poor	CLC	CLC	CLC	CLC
- New	4	3	Poor	Poor	CLC	CLC	CLC	CLC
Zambia	4	3	Mostly LC	Mostly LC	CLC	ULC	ULC	ULC
Zimbabwe	2	2	Good	Good	ULC	ULC	SD	SD
Averages*****	4.25	3.38						
Average of Industrialized Countries	2.14	2.00						
Average of Others	2.90	2.22						

a) Average delays refer to the time taken from the due date for the importer to deposit local currency with the central bank or other authorising body and for hard currency to be transferred to the exporter.

Collection Experience refers to the risk attached to delays.

\*\* Recommended

\*\*\* Most Liberal acceptable terms.

\*\*\*\* Limited shipments due to sanctions.

\*\*\*\*\* Pre rescheduling are excluded

OA - Open Account

ULC - Unconfirmed Letter of Credit

CLC - Confirmed Letter of Credit

CIA - Cash In Advance

CAD - Cash Against Documents

SD - Sight Draft, 30/SD to 180/SD - day sight draft

Old/New: delays pre- and post-rescheduling

Source: 1) International Trade Finance, Financial Times, London, 16 June 1995.

2) International Trade Finance, Financial Times, London, 15 December 1995.

## **CHAPTER FOUR**

### **4. ACTIVITIES AND OPERATIONS**

As already indicated, the Bank was legally established in Abuja, Nigeria in October, 1993.

On the occasion of the establishment of the Bank, major decisions relating to its headquarters and key officials were made. This chapter outlines the activities of the Bank during the pre-operating phase and reviews its operations from September 1994, when operations commenced to December 1995.

#### **4.1 PRE-OPERATING ACTIVITIES**

The first activities undertaken by the Bank in Cairo were the investiture of the President and the inauguration of the Board. During the inaugural meeting of the Board of Directors, the Executive Committee of the Board, comprising three members, as provided in the Charter, was appointed by the Board. The Executive Committee was at that meeting requested to assist the President in the task of physically and legally establishing the Bank in Egypt in addition to performing the Committee's normal functions as provided in the Charter.

On March 1, 1994, the President formally assumed duties in Cairo and initiated, and the Board approved, a near-term programme designed to bring the Bank rapidly into operation. The main elements of that programme included:

- i) Transfer of basic constitutive documents from the ADB to the Bank.
- ii) Negotiation of the Headquarters Agreement and Memorandum of Understanding on facilities with the Authorities of the host Government.
- iii) Establishment of physical presence in Egypt once the legal basis of the Bank in Egypt was secured and facilities provided.
- iv) Constituting a team of nucleus staff.
- v) Establishing basic systems to support operations and activities of the Bank in various areas.

4.2 The transfer of basic documents and other materials on the Bank was effected with the full co-operation of the African Development Bank (ADB) which had the relevant materials. In particular, those materials that were required at any stage were readily provided.

The ADB also provided the services of their lawyers and other officers to support the President in negotiating fairly difficult points in the draft Headquarters Agreement annexed to the Agreement for the Establishment of the Bank. The understanding and co-operation of the host authorities ensured that the negotiations were concluded without undue delay. Also, the ADB and the National Bank of Egypt, a local shareholder, assisted the Bank in securing from various agencies of the host Government, necessary approvals relating to the facilities which the Government had promised to provide the Bank.

After these negotiations, the Headquarters Agreement was finally signed between the Bank and the Arab Republic of Egypt on 31st August, 1994, thereby providing the legal basis for the Bank's existence and commencement of operations in Egypt. Following the signing of the Agreement, copies were sent to the shareholders for their ratification. The National Bank of Egypt subsequently assisted the Bank in selecting local contractors to prepare the Bank's temporary premises at the World Trade Centre Building Complex in Cairo.

4.3 The President also formed a six-member nucleus staff team comprising largely officers from the ADB who worked in the Afreximbank Secretariat in the ADB to assist him in the initial phase of establishing the Bank. The purpose was to use their experience and contacts, gained earlier, in the process of getting the Bank to take-off. With the assistance of this team and a number of shareholder banks, the Bank then prepared its key operational systems. Some of these systems relate to **Accounting & Control; Credit Policies & Procedures; Treasury Policies & Procedures; a Marketing Programme & Business Plan; Staff Conditions of Service & Welfare Programme; and a Staff Instruction Manual.**

## **4.4 REVIEW OF OPERATIONS**

### **4.4.1 CREDIT OPERATIONS**

Following the signing of the Headquarters Agreement on 31st August, 1994, the Bank made its first loan commitment on September 30, 1994. It subsequently organized a formal launching of commencement of its operations on 16th November, 1994. **Between 30th September, 1994 and 31st December, 1995, the Bank approved loans amounting to about USD 141 million or about 105 per cent of its paid-up equity capital.**

The financing activities of the Bank during the review period revolved around the provision of short-term export and import credits. Early in the review period, emphasis was placed on strengthening the system and policies and guidelines on credit operations of the Bank, as well as seeking competent hands to handle important back-office operations. As a result, and in line with the strategy of collaborating with banks active in trade finance in Africa, the Bank went first into trade financing from participation in syndicated facilities and gradually into arranging its own transactions, as systems became better established. This ensured that all the Bank's credits were of excellent quality.

The Bank's financing operations revolved around programmes. During the review period, five such programmes were initiated and implemented to varying degrees. Activities under these Programmes are discussed below:

#### **a) Syndications Programme**

This is a programme through which the Bank leverages trade finance inflows into Africa. The programme therefore offers the Bank an opportunity to work with international and/or African banks in providing trade and project-related financing to African entities.

In view of the relatively lower risk that syndicated transactions in general provide, the Bank chose to lay more emphasis on that kind of financing during the review period. The Bank's objective under the programme is to enhance trade finance inflows to Africa.

Thus, during the review period, the Bank arranged, co-arranged or joined club deals or syndicated facilities with reputable international banks. Here, transactions amounting to USD 104 million or 74% of total approvals were approved of which USD 44 million or 42 per cent was disbursed (Table 4.1 and Figures 4.1 and 4.2). Table 4.1b shows that all due

repayments were received and that the spread was relatively low (144 basis points) reflecting the low risk of the transactions involved. The transactions supported under this programme largely involved soft commodities, metals and oil.

**b) Line of Credit Programme (LOCP) :**

This is a programme through which the Bank supports small exporters in Africa who would not otherwise be eligible for direct financing from the Bank. Through this programme, the Bank provides lines of credit to banks for on-lending to their eligible clients for eligible transactions. The beneficiary banks, who may be designated the Bank's Trade Finance Intermediaries (TFIs) use the resources so provided to augment their own trade finance resources. The lines so provided may be used for funded transactions or for unfunded (e.g. Letter of Credit Confirmation) transactions.

Approvals under this Programme amounted to about USD 11.3 million or 8% of total approvals (Table 4.1 and figures 4.1 and 4.2).

The Bank, was careful to ensure that participants under the Programme were good and credit-worthy banks capable of advancing the objectives of the Bank in their areas of operation. This was very important given the distress observed in the banking system of many African economies during the review period.

Disbursements under this programme amounted to USD 2.2 million or 19.5 per cent of approvals. No repayment was due during the review period but average spread on the transactions was 173 basis points over LIBOR (Table 4.1b). All beneficiaries of the Bank's LOCP were strictly assessed using the criteria for appointing the Bank's TFIs approved by the Board, as well as a rigorous assessment of the risks of the underlying transactions.

During the review period, the Bank began advancing plans to initiate the appointment of **Project Finance Intermediaries (PFIs)**, as vehicles for delivering project-related financing to small export manufacturers. The major criteria to be used in the selection of banks under this scheme will be their credit worthiness and track record in implementing export projects.

**c) Direct Financing Programme (DFP)**

The Bank's credit policy allows it to lend direct to entities with balance sheet size of at least USD 2 million and annual export turn-over of at least USD 10 million. This programme was instituted to provide a framework for the Bank to lend to these entities,

on a short-term and non-syndicated basis.

Applications approved by the Bank under this programme amounted to USD 13.3 million and covered requests to finance items like canned sardines and coffee. Approvals under this programme accounted for about 9% of total approvals during the review period (Table 4.1 and figure 4.1).

There were no disbursements under this programme during the period, owing to documentation difficulty which arose because the entities concerned were corporates with limited experience in international borrowing.

They were slow in obtaining the necessary local approvals and consents required before disbursements could commence. Towards the end of the review period, however, these problems were overcome.

Average spread on this programme was 155 basis points reflecting the fact that the Bank was only prepared to take high quality risks under the Programme.

#### **d) Project-Related Financing Programme**

This programme was designed to address the important problem of the Continent's limited export diversity. The major strategy is to provide foreign currency financing to export projects designed to process Africa's raw materials into semi-manufactured and manufactured products. The Facility is provided on a full-recourse basis.

The total amount of the applications received here was USD 341 million or about 40% of the value of all applications received by the Bank. The applications covered various sectors but were largely oil-related.

No approvals were granted under the programme since the Bank chose to cautiously move into this relatively more risky area of financing. Further, a large number (about 52%) of the requests had maturities exceeding the seven year maximum maturity allowed under the Bank's credit policies and therefore did not qualify for the Bank's financing.

#### **e) Special Risk Programme (SRP)**

This is a risk bearing programme through which the Bank hoped to achieve the following strategic objectives among others;

- i) to enlarge the opportunities for arranging structured trade finance deals in the continent, thereby encouraging trade finance inflows to Africa;
- ii) encouraging African banks to accept the payment risk of their African counterparties. Also, to enable international banks to take the sovereign risk of African economies;
- iii) to assist African exporters to tackle new markets; and
- iv) to permit international banks to lend over periods longer than 360 days to Africa; etcetera.

The specific facilities envisaged under the programme include **Country Risk Guarantee, Export Credit Insurance, Price and Exchange Rate Guarantee, Joint Bill Discounting/Financing** as well as **Counter-Trade Linked Guarantee Facilities**.

Of the above, only the country risk and joint bill discounting facilities were activated during the review period. Approvals under the Programme amounted to USD 12.5 million of which disbursements (contingent obligations) amounted to USD 2.5 million.

Items financed included oil, and other sundry products. During the period, due obligations to the Bank were also discharged as agreed with obligors.

#### **ANALYSIS OF TRANSACTIONS**

The major instrument used in delivering the Bank's resources during the review period was pre-export financing which accounted for, in value terms, about 70% of total approvals. Table 4.2 provides data on the Bank's loan approvals and disbursements by items financed.

In the period from September, 1994 to the end of 1995, the item that benefited most from the Bank's facilities in terms of approvals were non-traditional products, petroleum oil, coffee and cotton (Table 4.2). In terms of disbursements, facilities for cocoa and cotton ranked highest. This is understandable, since these commodities are seasonal in nature and the need to make maximum utilization of the facilities during the season apparently made the beneficiaries to draw down more quickly.

Approved loans were all short-term with an average maturity of less than 360 days. As at the end of December, 1995, loans outstanding amounted to USD 28.5 million with maturities distributed as shown in Figure 4.3. It can be seen from that figure that the bulk of the loans outstanding had a maturity of less than 90 days, reflecting the initial short-term focus of the Bank. The Bank's credit policies provide for the allocation of a maximum of 15% of the Bank's loan portfolio to medium term lending. During the period in review, the Bank did not make any such lending, preferring instead to consolidate its short-term operations.

In line with the Bank's credit policies, all lending done during the period were directed at its shareholder countries or through its shareholder institutions and principally to corporates and parastatals rather than governments. This reflected the emphasis of the Bank at encouraging African corporates whose performance risk levels were generally considered unattractive by international commercial banks. As a result, the distribution of the Bank's lending showed that over 77% of the loans approved went to corporates and parastatals (Table 4.3). About 4% were directed at governments while 8% benefited banks which were expected to on-lend proceeds of the facilities to smaller private sector exporters. Some exposures to banks, as discussed earlier were on a contingent basis. Disbursements also reflected the pattern of distribution regarding approvals, with corporates and parastatals taking up to 75 per cent of the disbursements made during the review period. All loans were linked to specific transactions. Loan pricing was related to the Bank's assessment of country risk of the country where the direct obligor resided. The pricing was linked to the London Interbank Offered Rate (LIBOR). The average spread over LIBOR for the facilities provided during 1995 was 1.57%, up from 1.31% in the last quarter of 1994.

In terms of trade direction, about 16% of the transactions approved, during the review period, were in support of intra-African trade while the rest supported trade between Africa and the rest of the world or a combination of both types of trade (Table 4.4). Intra-African trade transactions approved included those involving cross-border sale of electricity, oil, steel, grains, cement among others. Distribution of disbursements by trade direction was also in favour of extra-African trade (Table 4.4 and Figure 4.4).

The Bank's trade finance activities were operated in line with the credit policies of the Bank and with the objective of achieving a good asset quality. Limits per country and per borrower set by the Board were strictly complied with. Total lending commitment was limited to 5 times the Shareholders' funds. Borrower and transaction exposure limits

were limited to 15% and 10% respectively of the Bank's capital. Furthermore, borrower limit was related to each borrower's networth. All due interest payments and loan repayments amounting to about USD 20 million during the review period, were received by the Bank on terms previously agreed with the borrowers.

#### **4.5 TREASURY OPERATIONS**

The Bank's treasury operations were, during the period, controlled by a Management Assets and Liabilities Committee (ALCO). Surplus funds were invested in international and African banks that met approved credit criteria. In this regard, preference was given to shareholder banks while maximum exposure to any one Bank was fixed at 15% of shareholders' funds. During the period, the Bank's investment portfolio also included US treasury bills. By the end of December 1995, the estimated market value of treasury bills held for investment purposes amounted to USD 23 million or about 26% of Bank's investment funds. Other treasury operations conducted revolved around monitoring the currency hedging operation of the Bank resulting from the Bank's trade finance operations.

#### **4.6 SHAREHOLDER MATTERS**

During the period under review, overdue payments on second installment of capital subscriptions called-up by the Board in July, 1994, were significantly reduced such that the achievement in subscription payments was 100% for the first tranche and 90.2% for the second tranche of capital payments. Unfortunately, however, one of the Bank's Class "C" shareholders was liquidated during the period. As at the end of the review period, the total number of African countries that had signed the Bank Agreement was 29. In addition, 16 countries and multilateral institutions had completed ratification processes and ratified the Agreement.

The Second General Meeting of Shareholders of the Bank was held in May, 1995 at the Headquarters. During the Meeting, Shareholders renewed the mandate for another two years, of all but two members of the former Board. Those two members left the Board to undertake other tasks assigned to them by their employers.

During the Meeting, the Egyptian Minister of Economy and Foreign Trade, Dr. Mahmoud M. Mahmoud was elected the Chairman of the General Meeting for one year, while Mr. Getachew Gebre, Vice Minister for Finance of Ethiopia was elected the Vice-Chairman

for the same duration. The Meeting considered and approved the Bank's audited interim financial statements for the period ended February, 1995. It also considered and approved the terms and conditions of service for the Board, and President, among others.

#### **4.7 MEETINGS AND COOPERATION**

During the official launching of the Bank's trade finance operations in November, 1994, an Advisory Group on Trade Finance and Export Development in Africa was established. This Group comprises persons of proven knowledge of African trade problems and are drawn from bankers, academia, policy makers, business people and exporters. The Group is expected to provide useful policy inputs to the Bank's Management. During the inauguration of the Group on November 17, 1994, Dr. S. Kiggundu, the Managing Director of Greenland Bank of Uganda and former Governor of Bank of Uganda led discussions. He presented a paper titled "**Leading Issues in African Trade - An Agenda for Afreximbank**".

In the course of the Bank's General Meeting in May, 1995, the Advisory Group met again. The Lead Paper was presented by Mr. J.H. Mensah, a former Finance Minister of the Republic of Ghana. Discussion revolved around the prospects for introducing an African Letter of Credit Confirmation Scheme. The Meeting was well attended and generated intense debate and far reaching conclusions. The publication of the proceedings of these meetings was being finalized by the end of the review year.

During the review period, the Bank initiated the mobilization of major trade finance banks with the objective of using them in forming an African Trade Finance Roundtable comprising leading trade finance institutions in the Continent. The purpose of this Roundtable is to build bridges among the banks and create more awareness for cooperation amongst them. In this regard, the initial meetings of the Roundtable involving Egyptian trade finance banks were held and a programme was developed for extending the initiative across the Continent.

Management during the period, initiated and concluded cooperation accords with important international organizations and banks. In particular, it signed cooperation agreements with the Inter African Coffee Organization (IACO) with the objective of working with them to support Africa's coffee economy as well as with Equator Bank, Ecobank and PTA bank. Discussions also reached advanced stages regarding the signing of similar agreements with EXIM India, the International Trade Centre (ITC), International Fund for Agricultural Development (IFAD), Common Fund for Commodities

(CFC), and the Arab Trade Financing Programme (ATFP). A number of Master Participation Agreements were also concluded with African and international banks to provide a framework for cooperation in transactions.

#### **4.8 THE BOARD OF DIRECTORS**

The Board met six times during the pre-operating period and seven times between the commencement of operations and the end of 1995 and took important policy decisions on issues concerning the Bank. In particular, the Board approved the Bank's Credit Policies and Procedures, the Budgets and Country Exposure Limits for 1995 and 1996, Treasury Guidelines as well as the Bank's Strategic Plan (1996-2000). The Board also prepared the meetings of the Second General Meeting of the Bank and ratified various trade finance proposals approved by the Executive Committee.

#### **4.9 MEMBERSHIP MOBILIZATION**

The Bank continued to carry out membership mobilization efforts with emphasis directed at attracting other African countries yet to join the Bank. Efforts were also directed at mobilizing more categories B and C shareholders. Although the demands of establishing the Bank precluded a more vigorous activity in this area, the effort yielded some results in that three new category B and one new category C shareholders joined the Bank during the review period. Some serious enquiries regarding joining the Bank were also received from two international banks.

#### **4.10 HARARE BRANCH OFFICE**

In compliance with the resolution of the General Meeting when it first met in Abuja, concerning the opening of the Harare Branch Office, the Bank had consultations with the Zimbabwean authorities and at the end of the review period agreement had been reached on the main issues involved in establishing the Branch. An Officer of the Bank visited Harare to inspect facilities the Government was offering the Bank and negotiated a Branch Office Agreement with the Zimbabwean authorities. The Mission was successful and only minor issues still remained to be resolved. In recognition of the progress made, the Board fixed the commencement date of the Harare Branch Office of the Bank for 1st July, 1996.

#### **4.11 TRADE INFORMATION**

The Bank began a gradual but definitive approach to the introduction of a comprehensive trade information system. Discussions were held with the International Trade Centre (ITC) and the Arab Trade Financing Programme on possible cooperation in this regard. Plans were also concluded towards the introduction of a journal on African trade to be circulated widely.

#### **4.12 ADMINISTRATION AND PERSONNEL MATTERS**

During the review period, the Bank began consolidating its administrative and personnel systems from the levels they were at the pre-operational stage. In this regard, the Bank's temporary office premises at the World Trade Center (WTC) Buildings in Cairo were equipped for business enabling the Bank to commence activities there in December, 1994.

As part of the Bank's objective of strengthening its Management Information System, the Bank's offices were computerized on a "Stand Alone" basis but eventually the "Stand Alones" were inter-connected through a **Local Area Network (LAN)**. Furthermore, **Reuters Commodity 2000 and Money 2000** services were acquired to strengthen the Bank's information system.

As regards personnel, the Bank's staff strength rose from a core team of six officers on commencement of operations to twenty-one staff members at the end of 1995. The Bank's manning strategy was to expand staff strength in line with the evolution of the Bank's operations. Personnel Management in the Bank, during the period, was also geared towards reinforcing technical capacities. As a result, a number of officers undertook short-term training courses both inside and outside Egypt in treasury management, structured trade finance and credit operations. Management also finalized a Group Health Insurance Scheme for staff, during the period.

As regards the Bank's permanent Headquarters Building, progress was modest owing to a series of procedural problems. However, some of the hurdles had begun to ease towards the end of the review period following assistance from the Bank's local shareholder institutions.

**BOX 4.1**  
**AFREXIMBANK'S STRATEGY TO**  
**THE YEAR 2000**

*The Board of Directors of the Afrexim Bank approved in 1995 the Bank's Strategic plan for the five year period beginning January 1996 till the end of the year 2000 (the "Plan").*

*The purpose of the Plan is to provide a framework for the direction and control of the Bank's operations during the Plan period. It thus charts a course for the Bank and details actions needed in maintaining that course. In charting this course, the Plan took into consideration the operational history of the Bank and its primary goal of promoting intra- and extra-African trade using commercial approaches.*

*The strategy was derived from the Bank's mandate, its operational experience as well as economic environmental considerations. The Plan document identified the Bank's niche in the African trade finance sphere. It also, identified the vital areas where the Bank's resources could be more gainfully deployed in the light of the above.*

*As a resource allocation guide to the Bank, the Plan identified resource requirements, availability and efficient deployment modalities in line with the chosen Strategy. In this way, the Plan can be seen as an important instrument of control that is expected to prevent the Bank from straying into activities that do not contribute to the Bank's objectives or those that the Bank can not properly perform.*

*The Plan was conceived on a two-year rolling basis to ensure that it is*

*sufficiently flexible to respond to a dynamic economic and socio-political environment.*

*The strategy focused on the expansion of African trade as a priority and particularly recognized the promotion of intra-African trade as an area requiring significant attention by the Bank.*

*Another priority under the Plan is to increase trade finance inflows to Africa on terms comparable to those obtainable internationally. Further, the Bank seeks under the plan, to improve the risk perception of African borrowers in the international financial market.*

*Within the set priorities, quantifiable targets were set over the planning horizon. To achieve the various targets, the plan implementation strategy emphasized the use of schemes and programmes specifically tailored to meet different financing needs of the continent. Two broad schemes are contained in the plan namely:*

- a) African Trade expansion and Diversification scheme; and*
- b) Export Development scheme.*  
*Under these schemes are specific programmes through which particular priorities identified in the strategy document are to be tackled. It is expected that the effective implementation of the plan will involve the cooperation of African Governments, multilateral institutions, African and international banks and a strong support of the Shareholders.*

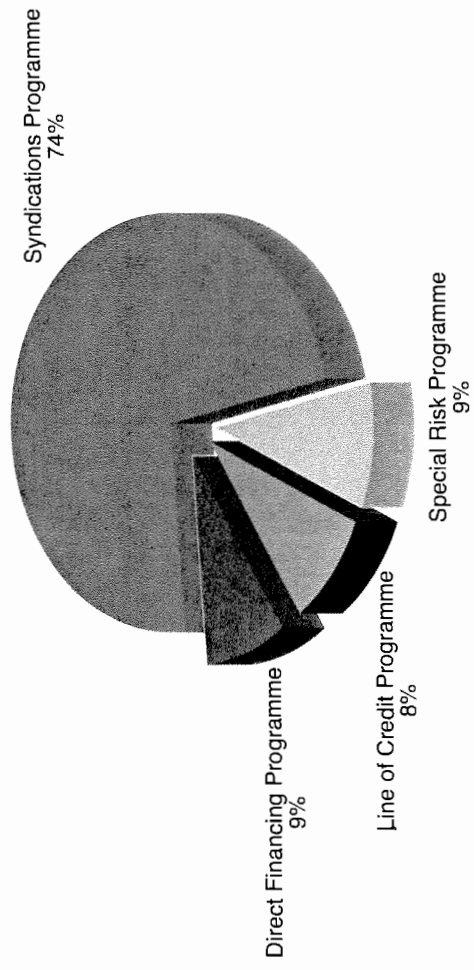
**Table 4.1a: Afreximbank: Distribution of Approvals and Disbursements by Type of Programme**  
(September 1994 - December 1995)

Type of Programme	Approvals (US \$m)	Disbursements (US \$m)	Ratio of Disbursements to Approvals (%)
1. Line of Credit Programme	11.250	2.190	19.5
2. Direct Financing Programme	13.200	0.000	0.0
3. Project-Related Financing Programme	0.000	0.000	
4. Syndications Programme	104.200	43.600	41.8
5. Special Risk Programme	12.500	2.500 *	20.0
<b>Total</b>	<b>141.150</b>	<b>48.290</b>	<b>34.2</b>

\* This represents contingent liabilities.

Source: Afreximbank compilations.

**Figure 4.1: Afreximbank: Distribution of Facility Approvals by Type of Programme**



Source: Afreximbank compilations.

**Table 4.1b: Analysis of Afreximbank's Financing Programmes by Repayment and Related Terms**

Type of Programme	Disbursements (US \$m)	Repayment (US \$m)	Amount in Default (US \$m)	Average Interest Spread above Libor (%)	Average Tenor (Days)
1. Line of Credit Programme	2.190	0.000	0	1.73	280
2. Direct Financing Programme	0.000	0.000	0	1.55	300
3. Project-Related Financing Programme	0.000	0.000	0	0.00	0
4. Syndications Programme	43.600	18.320	0	1.44	319
5. Special Risk Programme	2.500	1.500	0	1.88	187
<b>Total</b>	<b>48.290</b>	<b>19.820</b>	<b>0</b>		
<b>Average</b>			<b>0</b>		<b>217</b>

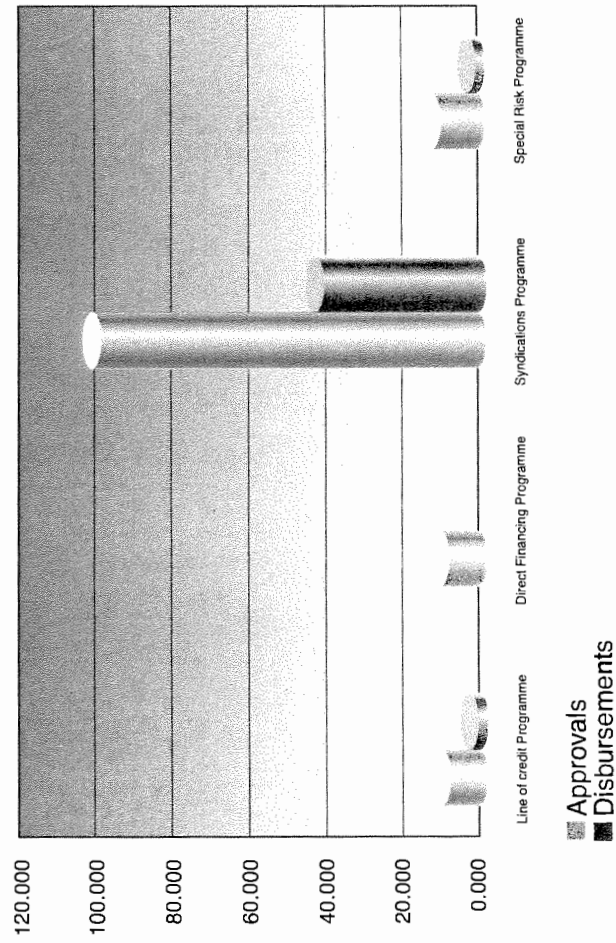
Source: Afreximbank compilations.

**Table 4.2: Afreximbank: Distribution of Loan Approvals and Disbursements  
by Item Financed  
( September 1994 - December 1995)**

Item Financed	Total Approvals, \$m	Share of Total Approvals* (%)	Total Disbursements, \$m	Share of Total Disbursements (%)	Percent of Total Approvals Disbursed
Cocoa	18.500	13.1	15.400	31.9	83.2
Petroleum Oil	26.000	18.4	5.000	10.4	19.2
Groundnut Oil	5.000	3.5	2.600	5.4	52.0
Coffee	22.200	15.7	5.330	11.0	24.0
Cotton	21.204	15.0	7.580	15.7	35.7
Canned Sardines	7.000	5.0	0.000	0.0	0.0
Spare Parts & Equipment	10.000	7.1	1.500	3.1	15.0
Sundry Items (non-traditional exports: manganese, pineapples, etc.)	26.750	19.0	6.811	14.1	25.5
Electricity	4.500	3.2	4.070	8.4	90.4
<b>Total</b>	<b>141.154</b>	<b>100.0</b>	<b>48.291</b>	<b>100.0</b>	<b>34.2</b>
<b>Share of Total Approvals (%)</b>	<b>100</b>				

Source: Afreximbank compilations.

**Figure 4.2: Afreximbank: Distribution of Facility Approvals and Disbursements by Type of Programme, (US\$m) (September 1994 - December 1995)**



Note: The "disbursements" under special risk programme represent contingent obligations.  
 Source: Afreximbank compilations.

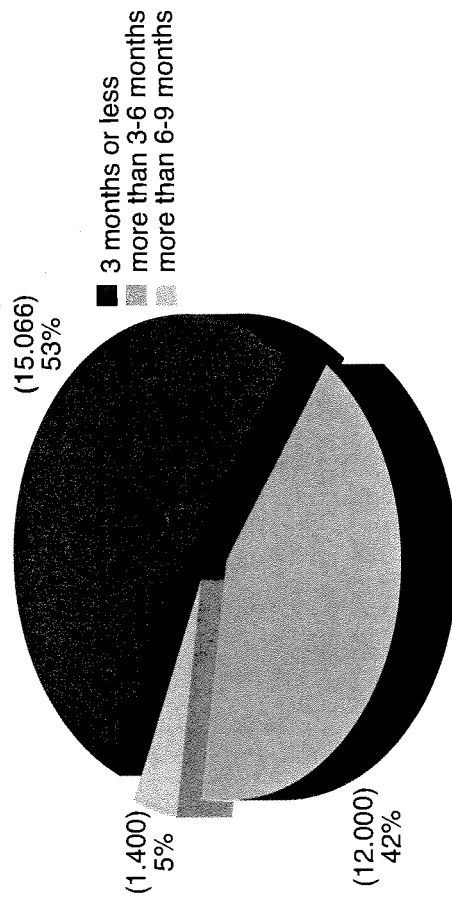
**Table 4.3: Afreximbank: Distribution of Approvals & Disbursements by Type of Institution**

(September 1994 - December 1995)

Type of Institution	Approvals, \$m		Disbursements, \$m		Percent of Approvals Disbursed
	Total, \$m	Share of each Institution to Totals, %	Total, \$m	Share of each Institution to Totals, %	
Corporate/Government Agency/Parastatal	110.904	78.6	36.410	75.4	32.8
Bank	25.250	17.9	6.880	14.2	27.2
Government	5.000	3.5	5.000	10.4	100.0
Total	141.154	100.0	48.290	100.0	34.2

Source: Afreximbank compilations

Figure 4.3: Afreximbank: Distribution of  
Outstanding Loans by Maturity (end Dec. 1995)  
(US \$000)



Source: AFREXIMBANK

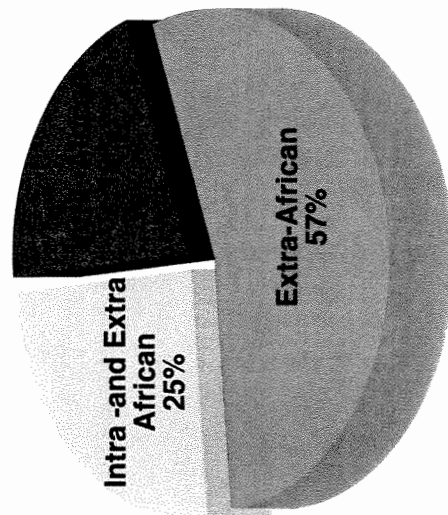
**Table 4.4: Afreximbank: Distribution of Approvals & Disbursements by Trade Direction**

(September 1994 - December 1995)

Direction	Approvals, \$m		Disbursements, \$m		Percent of Approvals Disbursed
	Total, \$m	Share of each Trade Direction to Totals, %	Total, \$m	Share of each Trade Direction to Totals, %	
Intra-African	23	16.3	6.500	4.6	28.3
Extra-African	85	60.4	31.580	65.4	37.1
Intra- and Extra- African	33	23.3	10.211	21.1	31.0
Total	141.154	100.0	48.291	100.0	34.2

Source: Afreximbank compilations

**Figure 4.4: Afreximbank: Distribution of Approvals by Trade Direction (1994 - 1995)**



Source: AFREXIMBANK

## **CHAPTER FIVE**

### **OPERATING RESULTS**

#### **FINANCIAL STATEMENTS & OPERATING RESULTS**

The **Financial Statements** of the Bank include the **Balance Sheet, Profit and Loss**, as well as **Cash Flow** as at the end of the review period.

An examination of the Financial Statements shows that the Bank's total income amounted to USD 12.1 million with income from trade finance accounting for about 11 per cent of total income (USD 1.3 million). The trade finance income included interest and fees arising from trade finance operations. Investment income accounts for the balance. The level of income from trade finance operations reflected the gradual and careful approach to lending being adopted by the Bank. As a prudential measure, the Bank has placed emphasis on high quality risks at the initial stages of its operations.

The Bank's loan portfolio was all performing satisfactorily with no record of late payments during the review period. As a result, a prudential provisioning of only USD 0.14 million or about 0.1% of the Bank's total assets was made.

The Bank's administrative expenses totalled about USD 5 million or 41 per cent of total income. When pre-operational expenses of about USD 1 million were added to other expenses, the net income achieved by the Bank came to about USD 6 million. Total assets amounted to USD 144 million of which banking assets accounted for 20% while net cash provided by financing activities amounted to USD 137 million.

**KPMG Hazem Hassan & Co.**

Member Firm Of Klynveld Peat Marwick Goerdeler  
Public Accountants & Consultants  
72, Mohi Eldin Abul Ezz street  
Mohandiseen, Cairo, Egypt.  
Tel : 3499588 - 3499677  
Fax: 3497224 - 3487819

**Akintola Williams & Co.**

Member Firm Of Deloitte Touche Tohmatsu Int'l  
Chartered Accountants  
7, Town planning way, Ilupeju  
P. O. Box 965, Lagos, Nigeria.  
Tel : 497 0020 - 497 0021  
Fax: 497 0023



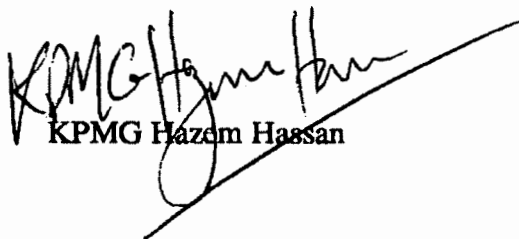
## **AUDITORS' REPORT**

### **To the Shareholders of African Export-Import Bank**

We have audited the accompanying Balance Sheet of The African Export-Import Bank, as of 31 December 1995 and the related statements of Income, and Cash Flows for the fifteen months then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We have obtained the information and explanations which we deemed necessary for our audit. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the bank as of 31 December 1995, and the results of its operations and its cash flows for the fifteen months then ended in accordance with International Accounting Standards and the charter establishing the bank.

  
KPMG Hazem Hassan

  
Akintola Williams & Co.

Cairo, 5 March, 1996

# **AFRICAN EXPORT-IMPORT BANK**

## **BALANCE SHEET**

**AS AT 31 DECEMBER 1995**

<b><u>ASSETS</u></b>	<b><u>Notes</u></b>	<b><u>US\$000</u></b>
Cash and due from banks		26,097
Investments	4	87,600
Loans and advances to customers	5	28,324
Prepayments and accrued income		564
Other assets	7	366
Fixed assets	6	911
<b>Total assets</b>		<b><u>143,862</u></b>

## **LIABILITIES AND CAPITAL FUNDS**

### **LIABILITIES**

Deposits		51
Other liabilities	8	793
<b>Total liabilities</b>		<b><u>844</u></b>

### **CAPITAL FUNDS**

Authorized capital	9	<u>750,000</u>
Common stock	9	137,024
General reserve	10	3,000
Retained earnings		2,994
<b>Total capital funds</b>		<b><u>143,018</u></b>
<b>Total liabilities and capital funds</b>		<b><u>143,862</u></b>

## **MEMORANDUM ITEMS**

### **Commitments**

Credit lines and other commitments to lend : less than 1 year	<b><u>35,284</u></b>
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**Christopher C. Edordu**  
**Chairman of the Board of Directors**

*The accompanying notes to the financial statements form part of this statement.*

**AFRICAN EXPORT-IMPORT BANK**  
**STATEMENTS OF INCOME AND RETAINED EARNINGS**  
**FOR THE FIFTEEN MONTHS ENDED 31 DECEMBER 1995**

**STATEMENT OF INCOME**

<b><u>INCOME</u></b>	<b><u>Notes</u></b>	<b><u>US\$000</u></b>
Interest on investments		10,806
Interest and fees from loans and advances		1,289
Other income		23
<b>Total income</b>		<b>12,118</b>
<b><u>EXPENSES</u></b>		
Administrative expenses	3	4,990
<b><u>Other expenses</u></b>		
Provision for possible loan losses	2.7	142
Pre-opening expenses	2.4	992
<b>Total other expenses</b>		<b>1,134</b>
<b>Total expenses</b>		<b>6,124</b>
<b>NET INCOME</b>		<b>5,994</b>

**STATEMENT OF RETAINED EARNINGS**

Balance at beginning of financial year	0
Net income for the financial year	5,994
Transfer to general reserve	(3,000)
<b>Retained earnings carried forward</b>	<b>2,994</b>

*The accompanying notes to the financial statements form part of this statement.*

# **AFRICAN EXPORT-IMPORT BANK**

## **CASH FLOW STATEMENT**

**FOR THE FIFTEEN MONTHS ENDED 31 DECEMBER 1995**

<b><u>Cash flow from operating activities</u></b>	<b><u>US\$000</u></b>
Net income	5,994
<b><u>Adjustments to reconcile net income to net cash provided by operating activities</u></b>	
Net increase in prepayments and accrued income	(564)
Net increase in other assets	(366)
Net increase in deposits	51
Net increase in other liabilities	793
Depreciation of fixed assets	260
Provision for possible loan losses	142
<b>Net cash provided by operating activities</b>	<b><u>6,310</u></b>
<b><u>Cash flow from investing activities</u></b>	
Purchases and additions to fixed assets	(1,171)
Net increase in loans	(28,466)
<b>Net cash outflow from investing activities</b>	<b><u>(29,637)</u></b>
<b><u>Cash flow from financing activities</u></b>	
Net cash from capital subscriptions	<u>137,024</u>
<b>Net cash provided by financing activities</b>	<b><u>137,024</u></b>
<b>Net increase in cash and investments</b>	<b>113,697</b>
Cash and investments at beginning of financial year	0
<b>Cash and investments at end of financial year</b>	<b><u><u>113,697</u></u></b>
<b><u>Composed of :</u></b>	
Investments	87,600
Cash and due from banks	26,097
	<b><u><u>113,697</u></u></b>

*The accompanying notes to the financial statements form part of this statement.*

# **AFRICAN EXPORT-IMPORT BANK**

## **NOTES TO THE FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 1995**

### **1 STATUS AND ACTIVITIES**

The African Export-Import Bank (the Bank), headquartered in Cairo, Egypt, is a supranational institution, established on 27 October, 1993. The Bank started its operations on 30 September 1994. The principal activity of the Bank is the finance of trade among African countries and between Africa and the rest of the world.

### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the bank are consistent with internationally accepted accounting principles promulgated by the International Accounting Standards Committee. The major accounting policies adopted and applied by the Bank are summarised below.

#### **2.1 Accounting convention**

The financial statements are prepared under the historical cost convention and are expressed in US dollars in accordance with the Bank's Charter.

#### **2.2 Income recognition**

Interest receivable is recognized on a time proportion basis, taking account of the principal outstanding and the rate applicable. Fee income is accounted for in the period when receivable.

#### **2.3 Foreign currencies**

Transactions in foreign currencies are translated into US dollars at the prevailing exchange rate at the date of the transaction.

At the balance sheet date, balances of monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at that date. Any gains or losses resulting from the translation at the balance sheet date are taken to the income statement.

#### **2.4 Pre-opening expenses**

All expenses incurred during the establishment phase have been fully written off.

## **2.5 Investments**

Consists of USA Government treasury bills and money market deposits of fixed term and interest with banks. Money market deposits are reported at principal amounts invested and USA Government treasury bills are reported at lower of cost and market value.

## **2.6 Loans and advances to customers**

Loans and advances to customers are reported at their principal amounts outstanding. Interest on the loans is credited to income based on loan principal amounts outstanding at contracted interest rates.

## **2.7 Provision for possible loan losses**

Provision for possible loan losses are based on a general appraisal of the loan portfolio. Specific provisions are made where the repayment of identified loans is in doubt and reflect an estimate of the amount of loss expected. A general provision is made to take into account the inherent risk of loss which, although not separately identified, is known from experience to be present in any loan portfolio.

## **2.8 Fixed assets**

Fixed assets are carried in the balance sheet at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated useful lives of the related assets. The estimated useful lives are 5 years for motor vehicles and 4 years for furniture and equipment.

## **2.9 Government grants**

Grants that relate to annual rent and maintenance of the temporary headquarters of the Bank at World Trade Centre, Cairo, Egypt are credited to the income statement in the period in which it becomes receivable.

## **3 Administrative Expenses US\$000**

Administrative expenses are made up as follows :

Personnel expenses	1,721
Operational missions and statutory meetings	1,506
Depreciation of property and equipment	260
General administrative expenses	1,503
	<u>4,990</u>

General administrative expenses are reported net of USD 257,000 (EGP 871,000) receivable from the Government of Arab Republic of Egypt in respect of their contribution to the annual rent and maintenance costs of the temporary headquarters of the Bank at World Trade Centre, Cairo, Egypt.

**4      Investments      US\$000**

Deposits with banks	64,693
Treasury bills	22,907
	<u>87,600</u>

The estimated market value of treasury bills held for investment purposes amounted to USD 22,963,000.

**5      Outstanding loans      US\$000**

With a residual maturity of :

3 months or less	15,066
Between 3 months and 6 months	12,000
Between 6 months and 9 months	1,400
	<u>28,466</u>
Less : Provision for possible loan losses	(142)
	<u>28,324</u>

**6      Fixed assets      US\$000**

The detail of fixed assets is as follows

Motor vehicles, furniture and equipment	1,171
Less : Accumulated depreciation	(260)
	<u>911</u>

**7      Other assets      US\$000**

Sundry debtors	170
Other	196
	<u>366</u>

Sundry debtors include USD 149,000 receivable from the Government of Arab Republic of Egypt, (A.R.E) in respect of their contribution to the costs of a fully serviced office space of the temporary headquarters of the Bank at World Trade Centre, Cairo, Egypt.

**8      Other liabilities      US\$000**

Trade creditors	100
Accruals	541
Prepaid income	83
Other creditors	69
	<u>793</u>

## 9 Common stock

The common stock of the Bank is divided into three classes, payable in five equal installments, of which the first two installments have been called up.

**Class A** shares which may only be issued to (a) African states, either directly or indirectly through their central banks or other designated institutions, (b) the African Development Bank, and (c) African regional and sub-regional institutions;

**Class B** shares which may only be issued to African public and private commercial banks, financial institutions and African public and private investors and,

**Class C** shares which may only be issued to (a) international financial institutions and economic organizations; (b) non-African or foreign owned banks and financial institutions; and non-African public and private investors.

**US\$000**

### **Authorized capital**

75,000 ordinary shares of USD 10,000 each.

**750,000**

#### **Paid - in common stock**

Paid in capital - Class A 87,040

Paid in capital - Class B 40,344

Paid in capital - Class C 7,500

**134,884**

Advance capital payment - Class A 2,000

Advance capital payment - Class B 140

**137,024**

**US\$000**

## 10 General reserve

Balance at beginning of the financial year 0

Transfer for the financial year 3,000

Balance at the end of the financial year **3,000**

The general reserve is set up in accordance with Article 31 of the Bank's Charter in order to cover general banking risks, including future losses and other unforeseeable risks or contingencies.

## 11 Income taxes

The African Export-Import Bank is exempt from the payment of income taxes.

**Annex 1: African Countries Exports by Destination**  
**"Billions of US Dollars"**

COUNTRY	World			Industrial Countries			Developing Countries			African Countries		
	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95
Algeria	2.210	2.275	2.277	2.017	1.981	2.070	0.189	0.290	0.204	0.025	0.064	0.027
Angola	0.564	0.777	0.531	0.540	0.713	0.489	0.024	0.064	0.041	0.002	0.003	0.003
Benin	0.040	0.058	0.045	0.014	0.027	0.013	0.027	0.031	0.032	0.021	0.021	0.024
Burundi	0.035	0.060	0.048	0.019	0.042	0.030	0.014	0.017	0.016	0.004	0.005	0.004
Burkina Faso	0.036	0.041	0.041	0.013	0.011	0.014	0.012	0.019	0.014	0.008	0.009	0.010
Cameroon	0.429	0.539	0.446	0.293	0.378	0.270	0.136	0.160	0.176	0.133	0.127	0.139
Central African Rep.	0.028	0.036	0.033	0.025	0.031	0.030	0.004	0.005	0.004	0.0003	0.0014	0.0004
Chad	0.011	0.024	0.014	0.006	0.017	0.008	0.005	0.007	0.006	0.005	0.006	0.006
Congo	0.343	0.340	0.350	0.289	0.302	0.317	0.054	0.037	0.033	0.004	0.006	0.004
Cote D'Ivoire	0.885	0.914	1.035	0.558	0.581	0.662	0.327	0.333	0.372	0.269	0.275	0.309
Egypt	1.114	1.479	1.304	0.703	0.947	0.849	0.372	0.516	0.411	0.045	0.037	0.052
Ethiopia	0.050	0.090	0.603	0.420	0.085	0.516	0.007	0.005	0.008	0.004	0.002	0.005
Gabon	0.447	0.670	0.423	0.397	0.582	0.356	0.049	0.086	0.065	0.007	0.016	0.008
Gambia, The	0.110	0.007	0.118	0.007	0.004	0.007	0.004	0.003	0.005	0.002	0.002	0.003
Ghana	0.346	0.426	0.425	0.225	0.293	0.279	0.098	0.109	0.188	0.069	0.069	0.079
Guinea	0.161	0.171	0.173	0.130	0.135	0.134	0.032	0.036	0.039	0.011	0.011	0.011
Guinea-Bissau	0.014	0.020	0.011	0.006	0.010	0.002	0.008	0.010	0.009	0.001	0.001	0.001
Kenya	0.041	0.444	0.477	0.197	0.236	0.223	0.194	0.188	0.228	0.128	0.115	0.148
Liberia	0.123	0.174	0.145	0.104	0.128	0.117	0.019	0.047	0.028	0.000	0.000	0.001
Libya	1.741	2.114	1.814	1.573	1.928	1.599	0.168	0.186	0.215	0.065	0.090	0.070
Madagascar	0.102	0.160	0.129	0.086	0.139	0.110	0.016	0.020	0.019	0.009	0.010	0.011
Malawi	0.101	0.114	0.106	0.079	0.084	0.079	0.022	0.030	0.027	0.019	0.026	0.022
Mali	0.049	0.193	0.557	0.024	0.128	0.028	0.024	0.064	0.027	0.004	0.004	0.005
Mauritania	0.092	0.117	0.114	0.073	0.098	0.092	0.018	0.019	0.021	0.017	0.017	0.020
Mauritius	0.301	0.349	0.354	0.278	0.323	0.327	0.019	0.022	0.023	0.014	0.014	0.016
Morocco	1.369	1.552	1.565	1.113	1.194	1.270	0.118	0.346	0.136	0.011	0.097	0.013
Mozambique	0.060	0.061	0.059	0.025	0.040	0.021	0.035	0.016	0.038	0.008	0.011	0.009
Niger	0.021	0.050	0.055	0.017	0.045	0.050	0.005	0.005	0.005	0.004	0.004	0.005
Nigeria	2.497	3.034	2.547	2.015	2.462	2.014	0.482	0.572	0.532	0.241	0.248	0.259
Rwanda	0.030	0.013	0.028	0.022	0.007	0.022	0.004	0.002	0.001	0.000	0.000	0.000
Senegal	0.145	0.160	0.163	0.066	0.080	0.075	0.622	0.064	0.072	0.044	0.044	0.051
Sierra Leone	0.046	0.033	0.045	0.041	0.027	0.036	0.001	0.002	0.006	0.001	0.001	0.001
Somalia	0.023	0.044	0.030	0.003	0.013	0.006	0.021	0.031	0.024	0.000	0.000	0.000
South Africa	5.738	6.728	6.905	2.202	2.608	2.769	1.381	1.712	1.636	0.573	0.640	0.664
Sudan	0.102	0.113	0.119	0.052	0.047	0.062	0.050	0.066	0.057	0.001	0.002	0.001
Tanzania	0.123	0.122	0.146	0.064	0.066	0.073	0.058	0.056	0.073	0.017	0.013	0.020
Togo	0.056	0.071	0.072	0.017	0.031	0.030	0.036	0.037	0.039	0.016	0.018	0.018
Tunisia	1.043	1.242	1.170	0.843	1.031	0.944	0.166	0.176	0.187	0.026	0.071	0.030
Uganda	0.069	0.129	0.090	0.040	0.114	0.057	0.029	0.014	0.033	0.002	0.002	0.003
Zaire	0.249	0.330	0.330	0.215	0.281	0.289	0.034	0.049	0.041	0.024	0.029	0.027
Zambia	0.172	0.164	0.211	0.058	0.071	0.079	0.133	0.094	0.131	0.025	0.022	0.029
Zimbabwe	0.439	0.461	0.476	0.257	0.258	0.272	0.182	0.203	0.205	0.138	0.153	0.159
Total	21.55	25.90	25.59	15.12	17.58	16.69	5.20	5.75	5.43	2.00	2.29	2.27
Average	0.51	0.62	0.61	0.36	0.42	0.40	0.12	0.14	0.13	0.05	0.05	0.05
Median	0.12	0.16	0.17	0.08	0.12	0.10	0.03	0.04	0.04	0.01	0.01	0.01
Standard Deviation	1.02	1.19	1.17	0.58	0.67	0.64	0.24	0.28	0.27	0.10	0.11	0.12
Skew	3.79	3.81	4.17	2.19	2.20	2.31	3.96	4.55	4.71	3.82	3.97	3.93
Kurtosis	17.11	17.39	20.77	3.98	4.08	5.00	18.58	24.17	25.72	16.93	18.61	17.89

Source: 1) IMF, "Direction of Trade Statistics" Quarterly, September 1995

**Annex 2: African Countries Imports by Origin**  
**"Billions of US Dollars"**

COUNTRY	World			Industrial Countries			Developing Countries			African Countries		
	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95	1st Q. 94	4th Q. 94	1st Q. 95
Algeria	2.166	2.672	2.308	1.954	2.329	2.080	0.196	0.327	0.021	0.021	0.106	0.024
Angola	0.295	0.369	0.338	0.238	0.267	0.271	0.058	0.102	0.067	0.030	0.034	0.035
Benin	0.104	0.137	0.164	0.061	0.088	0.103	0.426	0.049	0.080	0.007	0.007	0.008
Burundi	0.048	0.074	0.063	0.028	0.031	0.040	0.021	0.043	0.023	0.013	0.027	0.015
Burkina Faso	0.148	0.162	0.176	0.047	0.060	0.058	0.057	0.059	0.068	0.054	0.055	0.063
Cameroon	0.195	0.304	0.276	0.140	0.239	0.206	0.055	0.065	0.069	0.040	0.040	0.047
Central African Rep.	0.112	0.122	0.156	0.017	0.027	0.046	0.045	0.045	0.051	0.008	0.008	0.008
Chad	0.028	0.037	0.036	0.014	0.023	0.019	0.014	0.015	0.017	0.013	0.013	0.016
Congo	0.118	0.189	0.147	0.094	0.152	0.122	0.024	0.037	0.024	0.012	0.016	0.012
Cote D'Ivoire	0.432	0.652	0.655	0.203	0.409	0.396	0.229	0.244	0.259	0.192	0.196	0.212
Egypt	3.580	4.369	4.102	2.479	3.019	2.769	1.016	1.236	1.234	0.050	0.053	0.058
Ethiopia	0.266	0.293	0.280	0.191	0.214	0.192	0.070	0.078	0.083	0.275	0.023	0.032
Gabon	0.211	0.243	0.241	0.139	0.162	0.164	0.072	0.081	0.077	0.061	0.065	0.065
Gambia, The	0.058	0.046	0.065	0.032	0.025	0.026	0.026	0.021	0.039	0.012	0.012	0.014
Ghana	0.480	0.652	0.522	0.292	0.423	0.297	0.182	0.223	0.217	0.110	0.112	0.122
Guinea	0.180	0.205	0.195	0.109	0.132	0.115	0.715	0.073	0.079	0.044	0.047	0.050
Guinea-Bissau	0.031	0.044	0.036	0.006	0.030	0.009	0.023	0.013	0.026	0.004	0.003	0.004
Kenya	0.639	0.690	0.767	0.313	0.348	0.393	0.325	0.342	0.373	0.061	0.065	0.071
Liberia	0.123	2.368	0.145	0.104	1.383	0.117	0.019	0.985	0.028	0.000	0.033	0.001
Libya	0.972	1.258	1.096	0.741	0.906	0.844	0.222	0.343	0.242	0.049	0.125	0.054
Madagascar	0.126	0.157	0.145	0.076	0.100	0.089	0.049	0.057	0.056	0.012	0.012	0.013
Malawi	0.106	0.126	0.133	0.033	0.044	0.033	0.073	0.081	0.081	0.063	0.070	0.073
Mali	0.209	0.605	0.269	0.046	0.437	0.074	0.149	0.155	0.179	0.136	0.139	0.158
Mauritania	0.129	0.160	0.156	0.082	0.092	0.105	0.038	0.048	0.037	0.010	0.013	0.011
Mauritius	0.352	0.578	0.531	0.352	0.352	0.531	0.170	0.223	0.192	0.051	0.055	0.058
Morocco	2.161	2.277	2.277	1.605	1.700	1.696	0.287	0.577	0.330	0.016	0.108	0.019
Mozambique	0.272	0.320	0.269	0.080	0.117	0.049	0.192	0.203	0.220	0.133	0.149	0.154
Niger	0.123	0.111	0.136	0.050	0.046	0.057	0.039	0.032	0.044	0.017	0.017	0.019
Nigeria	1.446	1.400	1.411	1.028	0.956	0.959	0.415	0.441	0.450	0.039	0.044	0.043
Rwanda	0.074	0.069	0.066	0.387	0.041	0.026	0.025	0.021	0.027	0.021	0.018	0.024
Senegal	0.236	0.333	0.347	0.144	0.220	0.232	0.091	0.113	0.114	0.052	0.055	0.057
Sierra Leone	0.066	0.074	0.062	0.415	0.051	0.039	0.023	0.021	0.229	0.012	0.013	0.014
Somalia	0.059	0.062	0.054	0.018	0.022	0.010	0.036	0.036	0.039	0.023	0.022	0.027
South Africa	4.690	5.984	6.449	4.697	4.719	5.461	0.763	0.909	1.078	0.131	0.164	0.152
Sudan	0.030	0.361	0.316	0.112	0.132	0.095	0.192	0.228	0.220	0.015	0.016	0.017
Tanzania	0.298	0.378	0.329	0.145	0.165	0.149	0.153	0.213	0.180	0.054	0.051	0.062
Togo	0.151	0.231	0.214	0.037	0.086	0.067	0.113	0.145	0.146	0.062	0.063	0.073
Tunisia	1.495	1.740	1.833	0.257	1.475	0.289	0.043	0.227	0.048	0.043	0.047	0.048
Uganda	0.117	0.151	0.146	0.048	0.076	0.061	0.069	0.076	0.086	0.045	0.040	0.053
Zaire	0.175	0.300	0.254	0.083	0.179	0.136	0.093	0.121	0.119	0.063	0.067	0.073
Zambia	0.111	0.117	0.143	0.049	0.051	0.637	0.061	0.066	0.079	0.057	0.057	0.066
Zimbabwe	0.427	0.480	0.480	0.155	0.178	0.166	0.224	0.256	0.263	0.194	0.212	0.228
Total	23.04	30.90	27.78	17.10	21.50	19.23	7.09	8.63	7.27	2.30	2.47	2.35
Average	0.55	0.74	0.66	0.41	0.51	0.46	0.17	0.21	0.17	0.05	0.06	0.06
Median	0.18	0.30	0.25	0.11	0.16	0.12	0.07	0.09	0.08	0.04	0.05	0.05
Standard Deviation	0.97	1.21	1.21	0.86	0.93	0.98	0.22	0.27	0.25	0.06	0.05	0.05
Skew	2.98	2.94	3.48	3.73	3.06	3.91	2.45	2.49	3.28	2.06	1.39	1.73
Kurtosis	9.27	9.39	13.58	15.70	10.43	17.41	6.36	6.31	11.69	4.56	1.40	2.75

Source: 1) IMF, "Direction of Trade Statistics" Quarterly, September 1995.

**ANNEX 3**  
**AFRICA: REGIONAL TRADING ARRANGEMENTS**

This annex presents the membership, objectives, and recent progress toward integration of regional trading arrangements. It includes only regional trading arrangements

of a reciprocal nature. Unilateral preferential agreements, for example, arrangements under the Generalized System of Preferences, are not included.

<b>Name</b>	<b>Membership</b>	<b>Objectives</b>	<b>Progress to Date</b>
<b>Africa</b>			
<b>AEC</b> (African Economic Community) (1991)	Fifty-one African member states.	<i>Economic Union.</i> Six stages progressing through a strengthening of existing regional arrangements, the formation of a pan-African FTA, customs union, and eventually a common market and monetary union. The community is to be established over a transitional period not to exceed 34 years.	Ratification and entry into force on May 12, 1994.
<b>CBI</b> (Cross-Border Initiative) (1993)	Burundi, Comoros, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe. Member of COMESA, SADC, or IOC can participate	<i>Economic Union.</i> Supporting integration objectives of COMESA, SADC, and IOC. Promoting cross-border trade, investment and payments. Facilitating factor mobility. Removing intraregional trade barriers, as well as lowering external tariffs. Liberalizing administration and other controls relating to investment.	A framework on core policies was agreed upon. It calls for immediate abolition of NTBs and removal of tariffs on trade in goods and services among reciprocating countries by the end of 1996 and for moving toward a common external tariffs at least to the level of the member with the lowest tariffs.
<b>CEAO</b> (Communaute Economique de l'Afrique de l'Ouest) (1974) Abolished in 1994	Benin, Burkina Faso, Cote d'Ivoire, Mali, Mauritania, Niger, Senegal.	<i>Customs Union.</i> Ultimate objective is to establish an economic union (now within the framework of WAEMU: see below).	Only 428 products receive regional preferences. Some success in achieving labor mobility and regional cooperation.
<b>CEPGL</b> (Communaute Economique des Pays des Grands Lacs)(1976)	Burundi, Rwanda, Zaire.	<i>Free Trade Area.</i> Free factor mobility and sectoral regional cooperation	Application of preferential tariffs has not been fully implemented.
<b>COMESA</b> (Common Market for Eastern and Southern Africa) (1993), formerly PTA (Preferential Trade Area for Eastern and Southern African States) (1982)	Angola, Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, Somalia, Sudan, Swaziland,	<i>Common Market.</i> A common market is to be established by 2000. Ultimately, an economic union. Sectoral cooperation in industrial, agricultural, and interstate transport	PTA tariff reform calls for an initial Set of tariff cuts ranging from 10 percent to 70 percent, followed by a 10 percent tariff reduction every two years between 1988 and 1996. The

Name	Membership	Objectives	Progress to Date
	Tanzania, Uganda, Zambia, Zimbabwe.	and communications development, environment, natural resources, energy and the development of economically depressed areas. Cooperation in monetary and financial matters.	remaining 50 percent would be eliminated in two steps: 20 percent in 1998 and 30 percent in 2000. NTBs are to be eliminated during that period as well. This schedule is being implemented by most PTA members. To facilitate intraregional transactions, checks dominated in UAPTA (PTA Units of Account) were introduced in 1988. To ease intercountry flow of merchandise trade, the Road Customs Transit Declaration (RCTD) was introduced: it has replaced diverse documents previously required by member states. In 1987, the PTA motor Vehicle Insurance Scheme was introduced to obviate the need to take out separate insurance in every country.
ECCAS (Economic Community of Central African States) (1992)	Burundi, Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe, Zaire	<i>Common Market.</i> Coordinating and expanding efforts at regional cooperation in Central Africa.	A framework agreement is being discussed.
ECOWAS (Economic Community of West African States) (1975)	Benin, Burkina Faso, Cape Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.	<i>Common Market.</i> Fiscal and monetary harmonization. Joint development projects. New target to eliminate NTBs by 1995.	Limited trade liberalization: common external tariff remains to be designed: the Fund for Compensation and Development is not yet functional. A protocol on labor mobility was signed in 1979, but it has not been implemented.
IOC (Indian Ocean Commission) (1984)	Comoros, Madagascar, Mauritius, Seychelles.	<i>Economic Cooperation.</i> Promote cooperation in economic, commercial, and industrial development.	Some success in sectoral cooperation in fishing, transport, communication, and information.
Lagos Plan of Action (1980)	All countries in Sub-Saharan Africa.	<i>Economic Union.</i> Providing a unifying	The ECCAS was created under the auspices of the

Name	Membership	Objectives	Progress to Date
86		framework for existing arrangements.	Lagos Plan of Action in order to coordinate economic integration in Central Africa.
<b>MRU</b> (Manu River Union) (1973)	Guinea, Liberia, Sierra Leone.	<i>Economic union.</i>	Intra-MRU trade is tariff free and a common external tariff is in place. However, progress toward integration and intraregional trade has been slowed by pervasive NTBs.
<b>SACU</b> (Southern African Customs Union) (1910)	Botswana, Lesotho, Namibia, South Africa, Swaziland.	<i>Common Market.</i> Free movement of goods and right of transit among members.	Goods and labor markets are relatively well integrated. A common external tariff is in effect. With the exception of Botswana, all SACU countries are also members of the Common Monetary Area or Rand Monetary Area.
<b>SADC</b> (Southern African Development Community) (1992), former SADCC (Southern African Development Coordination Conference) (1980)	Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe.	<i>Economic Cooperation.</i> Foster economic cooperation among members, initially with a view to reducing economic dependence on South Africa; promote balanced regional development; and secure and coordinate support from foreign donors. SADC members have now expressed their willingness to welcome South Africa into the organization. Since 1988, the SADCC included trade as an additional area for cooperation.	Some success in undertaking joint development projects in transport and communication, food, agriculture and industrial rehabilitation.
<b>UDEAC</b> (Union Douanière des États de l'Afrique Centrale) (1966)	Cameroon, Central African Republic, Chad, the Congo, Equatorial Guinea, Gabon.	<i>Common Market; policy harmonization.</i> Members of the UDEAC are also members of the Franc Zone, with a common central bank, BEAC.	QRs among member countries are being eliminated. A common external tariff with four rates (5 percent, 10 percent, 20 percent, and 30 percent) is being implemented. A preferential tariff equal to 20 percent of the common external tariff

Name	Membership	Objectives	Progress to Date
<b>WAEMU</b> (West African Economic and Monetary Union) (1994)	Benin, Burkina Faso, Cote d'Ivoire, Mali, Niger, Senegal, Togo.	<i>Economic union.</i> Adding a common market to the existing monetary union through the BCEAO. Harmonizing tax systems and coordinating sectoral policies.	is to be applied to member states. UDEAC countries signed a treaty establishing the Economic and Monetary Community of Central Africa (CEMAC) (1994). Agreement signed in January 1994. Main goals in the agreement: coordination of macroeconomic policy, fiscal convergence, harmonization of budget procedures, public finance statistics, indirect taxation, and business law.
<b>ACM</b> (Arab Common Market) (1964)	Egypt, Iraq, Jordan, Libya, Mauritania, Syria, Yemen.	<i>Customs Union.</i>	Tariffs on manufactured goods had, with a few exceptions, been removed by 1992. Considerable QRs remain. No progress on common external tariff.
<b>AMU</b> (Arab Maghreb Union) (1989) (former Maghreb Customs Union)	Algeria, Libya, Mauritania, Morocco, Tunisia.	<i>Economic Union.</i> In its 1991 meeting, the AMU agreed to a four-stage economic integration process. The announced deadlines were the end of 1992 for an FTA, the end of 1995 for a customs union and the end of 2000 for a common market. There was no set deadline for the stage of monetary union, which should be established "some time thereafter".	Some multilateral trade liberalization agreements have been signed but remain largely unimplemented. An agreement was signed but remain largely unimplemented. An agreement was signed by the five central banks of AMU in 1991 to help facilitate interbank payments, and it has been implemented since April 1992. Some joint projects in the energy and industrial sectors have been reached and are being carried out under the aegis of the Union.

**Source:** Compiled from information obtained from publications of the International Monetary Fund (IMF).

