

# Harnessing Emerging Partnerships in an Era of Rising Protectionism

Proceedings of the  
Afreximbank's Advisory Group  
Meetings and Seminar on  
Trade and Export  
Development in Africa

Moscow, Russia  
June 2019



Transforming Africa's Trade

**AAM2019**

Moscow, Russian Federation

African Export-Import Bank  
Banque Africaine d'Import-Export

Hosted by the Russian Federation  
as part of 2019 Russia – Africa Events



RUSSIAN  
EXPORT CENTER













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African Export-Import Bank

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## List of Abbreviations

<b>ACP Countries</b>	Organisation of African Caribbean and Pacific Countries
<b>ADB</b>	Asia Development Bank
<b>AFC</b>	Africa Finance Corporation
<b>AfCFTA</b>	African Continental Free Trade Area
<b>AfDB</b>	African Development Bank
<b>Afreximbank</b>	African Export-Import Bank
<b>ASEAN+3</b>	Association of Southeast Asian Nations
<b>AUC</b>	African Union Commission
<b>BAT</b>	Best Available Technology
<b>CFA Franc Zone</b>	Central African Franc Zone
<b>COFACE</b>	Compagnie Française d'Assurance pour le Commerce Extérieur
<b>COMESA</b>	Common Market for Eastern and Southern Africa
<b>DFIs</b>	Department of Financial Institutions
<b>DGV</b>	Database of Genomic Variants
<b>ECA</b>	Economic Commission for Africa
<b>ECOWAS</b>	Economic Community of West African States
<b>EEC</b>	The Eurasian Economic Commission
<b>EIB</b>	European Investment Bank
<b>EPA</b>	Economic Partnership Agreement
<b>EPC model</b>	Event-driven Process Chain
<b>ETC</b>	Export Trading Companies
<b>EU</b>	The European Union
<b>EXIAR</b>	Russian Export Center Group
<b>FDI</b>	Foreign Direct Investment
<b>FTA</b>	Free Trade Area
<b>GCC</b>	Gulf Cooperation Council
<b>GDP</b>	Gross Domestic Product
<b>IADB</b>	Inter-American Development Bank
<b>ICD</b>	International Classification of Diseases
<b>ICT</b>	Information and Communications Technology
<b>IDB</b>	Islamic Development Bank
<b>IDFC</b>	Infrastructure Development Finance Company
<b>IFTC</b>	International Islamic Trade Finance
<b>ITFC</b>	Islamic Trade Finance Corporation
<b>MANSA</b>	Africa's Due Diligence Data Platform
<b>MDBs</b>	Multilateral Development Banks
<b>NAFTA</b>	North American Free Trade Agreement
<b>NPPs</b>	Nuclear Power Plant
<b>PAFTRAC</b>	Pan-African Private Sector Trade and Investment Committee
<b>PPA</b>	Participating Provider Agreement (health care)
<b>PPP</b>	Public Private Partnership
<b>PV panel</b>	Photovoltaic (solar)
<b>SACE</b>	South African Council for Educators
<b>SADC</b>	Southern African Development Community
<b>SME</b>	Small and Medium-sized Enterprises
<b>STD</b>	Special and Differential Treatment
<b>TPP</b>	Trans-Pacific Partnership
<b>TRIPS Agreement</b>	The Agreement on Trade-Related Aspects of Intellectual Property Rights
<b>UNECA</b>	United Nations Economic Commission for Africa
<b>WTO</b>	World Trade Organization

## Preface

This report provides a summary of the proceedings of the 26th Annual General Meeting (AGM) of Afreximbank. Russia–Africa Economic Conference which were held from 18 to 22 June in Moscow, Russia. These proceedings focus on the latter part of the event. The Bank in collaboration with Roscongress Foundation and the Russian Export Center organised the events. More than 1,500 experts, government officials, corporate leaders and academicians from 81 countries as well as over 290 journalists from 25 countries attended at these events.

On the Russian side, the Russian Foreign Minister Sergey Lavrov and Russian Minister of Industry and Trade, Mr. Denis Manturov, attended the events. African representatives included the Chief Minister of Sierra Leone, David Francis, Nigeria's Permanent Secretary of the Political and Economic Affairs Gabriel Tanimu Aduda, and Mrs. Soraya Hakuziyaremye, Minister of Trade and Industry of the Republic of Rwanda.

The knowledge sharing sessions attracted the participation of representatives of international organizations, including Dr. Vera Songwe, Executive Secretary of the United Nations Economic Commission for Africa (UNECA); H.E. Ambassador Albert Muchanga, the African Union Commissioner for Trade and Industry; Veronika Nikishina, Member of the Board and Minister in Charge of Trade at the Eurasian Economic Commission; Hani Salem Sonbol, Chief Executive Officer of the Islamic Trade Finance Corporation (ITFC); Gamal Mohamed Abdel-Aziz Negm, Deputy Governor of the Central Bank of Egypt; and H.E. Amani Abou-Zeid, African Union Commissioner for Infrastructure and Energy and H.E. Dr. Olusegun Obasango, former President Federal Republic of Nigeria.

The Prime Minister of the Russian Federation, Dmitry Medvedev, delivered a keynote address during the Opening Ceremony of the General Meeting of Shareholders, followed by welcoming speeches by H.E. Professor Benedict Oramah, the President of Afreximbank and H.E. Ambassador Albert Muchanga, the African Union Commissioner for Trade and Industry.

A total of over 20 business events were held as part of the Afreximbank Annual Meetings and the Russia–Africa Economic Conference. Participants discussed the building of partnerships between African and Russian businesses; trade between emerging markets and Africa's integration into the global economy; the financing of trade under difficult global financial conditions; digital solutions and cybersecurity for state and municipal operations, food security; health care; and education.

The key events on the side-lines of the Afreximbank Annual Meetings included: the Meeting of the Board of Directors of Afreximbank; the launch of the Afreximbank Strategy for Export Trading Companies; the launch of the 2019 African Trade Report; and the Annual General Meeting of Shareholders of Afreximbank.

## Executive Summary

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The Annual Meeting and side events of the African Export-Import Bank (Afreximbank) were held in Moscow, Russia from 18 to 22 June 2019. The key events of the 2019 Annual Meetings included the meeting of the Bank's Board Directors; the launch of the Afreximbank Strategy for Export Trading Companies (ETC); the launch of the 2019 African Trade Repor; and the Annual General Meeting of Shareholders. Several knowledge-sharing sessions were also organised as side events of the Annual Meeting.

At the Opening Ceremony, the Prime Minister of the Russian Federation, Dmitry Medvedev delivered a welcome address in which he highlighted the historical relationship between Africa and Russia. According to the Prime Minister, the legacy of cooperation between the two regions laid a solid foundation for more strategic partnerships in several areas of economic cooperation including trade, finance and technology transfer. He also considered Russian-African cooperation as a means to harmonise actions to address the challenges facing Africa and Russia because of the changing global economic system and the current signs of a retreat from trade liberalisation and open markets towards protectionism.

The Prime Minister also urged governments and corporate leaders to take advantage of the abundant human and natural resources in Russia and Africa to expand Africa-Russia economic growth. In affirming the Prime Minister's stance, the Chief Executive Officer of the Russian Export Center, Andrey Slepnev expressed optimism about Russia's readiness to strengthen its position in the region through investment in existing and developing economic chains, which would allow the country to secure a longer-term presence in Africa.

In his opening remarks, Professor Benedict Oramah, President and Chairman of the Board of Directors of Afreximbank commended the eagerness of Russia's public and private sectors' to foster a new African-Russian partnership that will be driven by increased trade and investment relations. Professor Oramah also cited the Bank's decision to hold its 26th Annual Meeting in Moscow as a landmark demonstrating the growing cooperation between Africa and Russia.

In assuring the continent-wide support for the Africa-Russia cooperation, Ambassador Albert Muchanga stated that the Bank's mandate and achievements are fully aligned with the action plan of the African

Union for boosting intra-African trade as a measure for opening Africa's market to global markets with a special emphasis on South-South cooperation. A key achievement of the AU action plan is the establishment of the AfCFTA. Ambassador Muchanga further emphasised that the creation of the single African market would promote value addition anchored on the development of regional value chains and increased intra-African trade.

These opening remarks were followed by several knowledge-sharing events covering a wide range of topics. These learning events were attended by delegates from the public and private sectors from Russia and Africa, representatives of African regional financial and political institutions, in addition to representatives and experts from other regions and countries.

Among the issues that received special emphasis during the panel discussions were those related to financing South-South trade under difficult global financing conditions; mining industry challenges; South-South trade path for Africa's integration into the global economy; creating synergies between African and Russian SMEs; diversification of African sources of growth and trade; cyber platforms and cyber security for governments and financial institutions; health care and food security; health care and education as foundations for human development and sustainable inclusive growth.

The first panel discussion which was organised around the theme of financing South-South trade under difficult global financing conditions discussed how Africa could attract adequate finance to support its trade with other regions with similar development challenges. The panellists perspectives focused on ways to enhance trade finance on the continent to bridge the financing gap estimated to be in the region of USD1.5 trillion.

A vibrant interactive session between the panelists and the audience led to a general consensus on the seminal role of South-South trade as a catalyst for Africa's integration into the world economy, and that Africa must exert more effort to boost sustainable economic development as a framework for jobs creation, equity and inclusiveness.



The second panel focused on the development of the African mining industry through Russia-Africa cooperation. The panel which included senior corporate leaders from the Russian mining industry and financial institutions appreciated the leading role of the African mining sector in developing local economies and its significant contribution to Africa's economic development. As such, several leading Russian investors expressed their eagerness to undertake mining projects in Africa.

The third knowledge sharing session was organised around South-South trade as a potential path for Africa's integration into the global economy. As a keynote speaker, Professor Eswar Prasad of Cornell University in the United States set the stage for the discussion by reflecting on how the continent will integrate itself in terms of the trade, macroeconomic and structural policies that are necessary to support trade integration.

During the fourth panel, the conversation focused on how trade could be harnessed to propel the continent's economic transformation as well as its global competitiveness using Rwanda as an example of a country that took this developmental approach. The session concluded with a conversation with Chief Olusegun Obasanjo, former President of the Federal Republic of Nigeria, who shared his vast experience on Africa's developmental agenda. Chief Obasanjo emphasised the need to deepen the envisaged benefits of the AfCFTA by establishing sustained partnerships within Africa and globally through South-South cooperation. He also emphasised the need for African countries to take full advantage of the existing regional economic communities (RECs) to boost trade and industrialisation, and the need to remodel these RECs to the mandate they were created for.

The fifth session focused on creating synergies between African and Russian SMEs and unlocking synergies between African and Russian SMEs, to ultimately expand African-Russia trade. The session featured presentations from some of Africa's high-growth businesses and showcased the value that African-Russian collaboration could deliver in stimulating SMEs growth in various sectors, including mining, retail, energy and alcoholic beverages. It also featured a panel discussion which further explored the practicalities of collaboration between African and Russian SMEs.

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The eagerness of Russia's public and private sectors' to foster a new African-Russian partnership that will be driven by increased trade and investment relations.

Professor Benedict Oramah,  
President and Chairman  
of the Board of Directors,  
African Export-Import Bank

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The sixth session of the knowledge-sharing programme focused on the diversification of sources of growth and trade in Africa. The conversation concentrated on how to diversify in various productive sectors of the African economies including goods and services. To set the stage for this session, Dr. Vera Songwe, the Executive Director of the United Nations Economic Commission for Africa (UNECA) delivered a keynote speech about UN strategies on diversification as a means to foster sustainable and inclusive development in Africa.

Another important event organised during the knowledge sharing session was the seventh panel discussion that brought together African and Russian corporate leaders. The objective of this session was to share ideas and insights on key challenges that the continent faces, including job creation, economic diversification and financing. The critical question the panellists were challenged to address revolved around why diversification would be important for trade and job creation. The discussions underscored Africa's wealth of raw materials, fertile soils, and a young workforce that must be supplemented by investments in human capital to accelerate the process of value addition and economic transformation.

# Executive Summary



The eighth panel session was dedicated to cyber security. This session discussed the role of information technology in harnessing development in advanced economies and how South-South collaboration could foster technology transfer to accelerate the continent's transformation and integration to a global digital economy. With Russia witnessing a revolution in the application of IT solutions in industry, trade and e-governance, it stands out as an example of a technological revolution that could be transferred to Africa within a mutually beneficial cooperation framework. As such, the speakers in this session exchanged insights and ideas on several issues related to economic digitalisation and the required human competencies to ensure cyber security.

The panel discussion on Russia-Africa cooperation, the ninth session, focused on the provision of health care and education services through cooperation. Russia has a long history of cooperation with Africa in higher education and skills training, and in recent years thousands of Africans chose Russia as a destination for high-quality medical treatment. Based on this experience, the Russian education and health institutions were urged to take advantage of huge potential opportunities in these important human development sectors. The potential growth in demand for health care and education in Africa was deemed as significant, and the two regions should structure an appropriate framework to foster this cooperation.

The tenth session focused on food security. The annual African food market is currently estimated to be over USD300 billion, and by 2030 it is projected to exceed USD1 trillion. In 2018 a third of Africa's food consumption was covered by imports with Russia among the largest suppliers of food products to Africa. Russian consumers, on the other hand, have an appetite for African products including coffee, cotton, cocoa and tropical fruit.

Therefore, the panellists' consensus was in favour of an Africa-Russia cooperation strategy as a potential area of trade. Going forward, African and Russian agribusiness and food processing businesses should work together to structure that cooperation in a mutually beneficial economic alliance.

The key points that emerged from the knowledge sessions can be summarised as follows:

With more than a 60% of youth population, a growing middle class and abundant natural resources, the size of the African market is huge and offers immense potential both for intra-African trade and for the global economy.

The African Continental Free Trade Area is a key development in Africa's trade and economic development, with significant implications for both African and global financial institutions and corporates.

There is a tremendous opportunity for Africa to take its share of the economy through global integration and expansion of South-South trade.

Several African countries are making steady progress in strengthening the role of the continent in the global value chains. Countries like Rwanda, Morocco and Egypt are striving to enhance their trade and business policies to facilitate entry to their markets and create conducive business environments to make their products globally competitive.

Africa needs to industrialise and shift away from the traditional export of primary commodities and natural resources to a manufacturing sector to capture more value and enhance its integration into the global economy.

Africa should continue to attract foreign direct investments (FDI) that will create jobs, transfer technology and develop local skills.

Africa also needs to build resilience against shocks and risks that could be managed through stronger

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With more than a 60% of youth population, a growing middle class, abundant natural resources, the size of the African market is huge and offers immense potential both for intra-African trade and for the global economy.

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South-South cooperation.

Africa should not miss the fourth industrial revolution that is already spreading across the world. The continent must do more to have technology embedded, in its business and manufacturing sectors.

Among the major constraints in developing African economies is the small scale of the markets. For a big country like China, it is easy to accomplish scale domestically, but for many African countries, scale cannot be achieved without integrating the markets. The AfCFTA is therefore welcomed and should be a catalyst for long-term investment and economic diversification.

The continent is also challenged by heavy reliance on imports from outside Africa. There are important questions to be addressed about why Africa, despite its enormous resources, is still so dependent on the rest of the world for imports of manufactured goods and agricultural products.

The participants deemed South-South trade as a key factor in preparing African firms for global competition, and regional institutions such as Afreximbank have a significant role to play in removing the barriers to global trade and FDI.



# 01

Thursday  
20 June 2019

South-South Trade  
As Engine For Multilateralism

Congress Park – Plenary Hall



## 1.1 Welcoming Address

# H.E. Mr. Dmitry Medvedev

## Prime Minister and Chairman of the Government of the Russian Federation

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At the beginning of the ceremony Mark Eddo, Master of Ceremonies, welcomed the audience and stated that Russia and the African nations have a long history of cooperation and friendship. Over the last few years that partnership has grown even stronger. Russia is an essential partner in Africa's transformation with Afreximbank playing a key role in strengthening this cooperation. He then introduced H.E. Dmitry Medvedev, the Prime Minister of the Russian Federation and the Chairman of the Government of the Russian Federation.

Mr. Dmitry Medvedev welcomed the participants to the Russia-African Conference, as well as the participants of the Annual General Meeting of Shareholders of African Export-Import Bank, which is only the second time in its history to gather its shareholders outside the African continent. That is why the Russian Government was delighted to host such a high-level meeting in Moscow.

The Prime Minister highlighted the historical friendship and partnership between Russia and Africa and reminded the audience of the future potential of this relationship and the importance of strengthening it, keeping in mind the transformation of the current system of international relations and global trade, as globalisation and new technologies have shifted the centres of economic growth towards developing countries. He also pointed out that the number of active international stakeholders had grown and the competition between them had become fiercer.

In order to retain leadership, yesterday's proponents of free trade now often use non-market methods of competition, ranging from protectionism to trade wars. Hence Russia sees instability in the commodity markets and in global finance, growing debt burdens and economic and social disparities as serious challenges to the world. Looking for responses to these challenges, he suggested that Russia and Africa need to work together.

He also stated that Russia shares the view that international affairs should have a common rulebook for everyone and recognises the leading role of the United Nations and its Security Council. Russia values the position of African partners who have distanced themselves from anti-Russian attacks. Russia supports the idea of wider representation of developing countries in global governance institutions, including the reform of the IMF and the World Bank Group, in spite of the existing obstacles.

One more objective reason for Russia's rapprochement is the similarity of the tasks that our economies are facing. Russia and Africa are immensely rich in natural resources. Therefore, there is a need to use these resources efficiently and develop cooperation in this sphere, as well as in other spheres. Africa has made significant progress in this regard over the past years, and the yearly economic growth rate on the continent has consistently surpassed the world average. According to forecasts, by 2020, total GDP of African countries will exceed USD2.6 trillion. The business climate on the continent is changing for the better, and that's very important.

# 1. Official Opening Events



It's improving things to enhance legislation, change the structure of economy, and increase domestic market capacity.

All that has already made Africa attractive for investment not only in primary industries, but also in ICT. Russian businesses are participating in this project. For example, companies such as the energy exporting company, Rosoboron and Vnesheconombank are creating a national system of satellite communications and broadcasting. Rosatom is carrying out a number of projects in nuclear energy with a whole range of countries. Russian companies are quite successfully working in the African primary sector.

In the 1990's, Russia's presence in Africa decreased, but since last year trade grew by 17 percent, and Russia has good joint projects in several sectors including mining, energy, industrial production and agriculture. Russia is striving to boost these projects and to expand into new spheres and new countries. The Russian Export Center, which is a shareholder in Afreximbank, has a key role to play in achieving this objective, and is currently engaged in several promising Russia-African projects.

Russia is also expanding humanitarian connections as part of international efforts to provide comprehensive assistance to Africa, as well as bilateral cooperation. Currently about 17,000 African students are studying in Russia, and this number is estimated to increase steadily during the coming years. Therefore, Russia considers this conference as an important event in the run-up to the upcoming Russia-Africa summit, which is going to take place in October in Sochi. This is a historical high-level event that is expected to launch a new era of Russia-African collaboration.

On behalf of the Russian Government, The Prime Minister wished the audience a successful and engaging event.









## 1.2 Opening Remarks

# H.E. Professor Benedict Oramah

## President and Chairman of the Board of Directors, African Export-Import Bank

Distinguished Ladies and Gentlemen, today we applaud the people and the Government of the Russian Federation, under the leadership of His Excellency President Vladimir Putin for fostering a new African and Russian partnership that will be driven by increased investment relations.

We thank the President for using the occasion of the 26th Annual General Meeting of Shareholders of Afreximbank to set the stage for the new partnership with Africa. We welcome the decision by the government of Russia to host the first-ever Russia-African Summit in Sochi, in October this year. Together, these two events will help form a solid foundation for a strong Russia-African economic cooperation.

We thank Chairman Dmitry Medvedev, the Head of the Government of the Russian Federation whose presence is a clear evidence of the seriousness the Russian Federation attaches to its relationship with Africa and Afreximbank.

This is the second time in 26 years that Afreximbank is holding its Annual Meetings outside Africa. The prime consideration for this decision was a shared appreciation across Africa and Russia that the revival of bilateral trade and investment relations would be of great mutual benefit to both regions.

During several decades of struggle for independence, the Soviet Union was a solid supporter to Africa, providing both material and political support, especially at the United Nations. As we gather here today, as representatives of independent African states, we must not forget the pivotal role of the Russian Federation in enabling the freedom we enjoy.

However, we must admit that the struggle for independence cannot be stopped if Africa still lags behind in all measures of economic progress and human development. It's not a good sign that while in the past Africans were taken away by force, that today young Africans are abandoning the continent as illegal immigrants to Europe and other continents.

Africa emerged at independence, as a fragmented continent of many states of varying sizes. Infrastructure and systems were structured to maintain colonial trade and economic relations with the old colonial powers and to perpetrate commodity dependence and discourage inter-regional trade. Sixty years post-independence, the continent still accounts for about 2.5 percent of global trade despite accounting for over 16% of global population. Africa remains a continent that trades the least with itself

with intra-African trade at just about 16 percent of Africa's total trade.

It is obvious that these conditions cannot be allowed to persist in a continent with an abundance of resources, including 90 percent of global cobalt deposits, 60 percent of the world's usable arable land and the fastest-growing youth population in the world, with 60 percent of the population under the age of 24.

This is in addition to a rapidly-growing middle class, estimated at over 300 million by 2030, making it a future global powerhouse in terms of consumption. African leaders have now begun to rise to the challenge to reinvent the future committed to the epic battle to take back control of the continent's economy. They have begun the process of reverse-engineering, the construct that has for over five decades deterred the continent to the roots of poverty.

A bold integration initiative, the African Continental Free Trade Area agreement signed in March 2018, is coming into force. The AfCFTA represents the most significant move to set the African continent on the path to economic prosperity, as it creates an integrated market of 1.2 billion people and USD 2.5 trillion in GDP.

As with the political struggle, Africa now needs partnerships that are founded on mutual respect, trust and the pursuit of shared prosperity. It is with this realisation in mind that we seek partners from across the world who share the vision of the continent, and of Afreximbank, to join with us to push forward the new agenda for Africa.

Without a doubt, the Russian Federation represents one of such partners that Africa looks up to. Russian technical schools and universities can increase their intake of Africans beyond the current 15,000 at various Russian Universities today. Russia can be a source of the 'investment goods' that Africa needs to develop its infrastructure. Russia can transfer critical technology in digitization, as well as in mining and processing of raw materials. Russia can be a source of the non-debt creating investments that Africa needs in key areas such as rail, manufacturing, cyber security, aviation, health care, petrochemicals and so on. There is tourism, tour trade, which at 2018 levels of about USD22 billion is far below the potential and can be increased rapidly. Afreximbank believes that Russia-Africa bilateral trade flows can easily exceed USD40 billion in the next three years.

Moreover, since Russia began to re-engage actively with Africa during the past three years, trade values have risen rapidly to reach 70 percent between 2017 and 2018. Russia is also making concerted efforts to promote trade and investment relations with Africa. In

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We seek partners from all the world who share the vision of the continent, and of Afreximbank, to join with us to push forward the new agenda for Africa. Without a doubt, the Russian Federation represents one of such partners that Africa looks up to.

Professor Benedict Oramah,  
President of the Board of Directors,  
African Export-Import Bank

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2017, Russian Export Center became a shareholder of Afreximbank, providing a non-institutional platform for promoting Africa-Russia trade. The two institutions are collaborating in implementing mining projects in Sierra Leone and Zimbabwe, as well as in facilitating discussions for the establishment of a petrochemical plant in Angola and Nigeria, on the joint ventures between Russian and Angolan entities, and in less than two years of collaboration with the Russian Export Center, projects and trade amounted to over USD5 billion.

Furthermore, on a memorandum of understanding between Afreximbank and Russia's Railways, Russia is participating in rebuilding Africa's railway infrastructure. In addition, special Russian aviation companies are currently exploring new markets across the continent. I believe firmly that the future of Russia-African trade and investment relations is very bright.

In this regard, I am pleased to report that Afreximbank remains strong, profitable and relevant to the developmental aspirations of Africa. Intra-Africa trade and regional integration remained the arrowhead of our effort in line with the Bank's current five-year strategy dubbed Impact 2021 Africa Transformed.

## 1.2 Opening Remarks



As a result, the Bank worked closely with the African Union to deliver on the goals of the African Continental Free Trade Area Agreement. This initiative was created with full awareness that an integrated Africa could unleash the full potential of the continent. Through various technology-driven initiatives, the Bank is striving to reduce key constraints within African trade and investments.

We are promoting several game-changing initiatives with an emphasis on tackling the lack of regional payment infrastructure that raises transaction costs in intra-African trade.

We are also laying emphasis to improve access to trade information to create the infrastructure that will enable a seamless conduct of customer due diligence on African counterparties and improve the efficiency of transporting goods across Africa's borders. Afreximbank has completed the development

of the Pan-African Payment and Settlement System (PAPSS) that will enable intra-African trade to be paid for in African currencies. The system will localise intra-African trade in terms of currency in such way that trading within Africa will be like trading locally.

The system will also reduce the transaction costs in regional payments and hopefully formalise the significant proportion of the USD40 to USD50 billion in informal intra-African trade that exists today. We believe that the system will, in three to four years, add more than USD40 billion to annual intra-African trade flows. We expect this platform to be transformative in the way Africa trades with itself. We've also completed the development of a national Customer Due Diligence repository platform, to make it possible to Know Your Customer, and action and quickly carry out money-laundering checks on counterparties, thereby reducing risk perceptions that hinder trade and financial flows into Africa.

We expect that by the end of next year, the platform will hold over 500,000 data sets, making it the largest repository of Customer Due Diligence information on African entities globally. Very soon, a Russian business person interested in doing business in Africa can conduct due diligence on all African counterparts.

We believe that these will go a long way in breaking down the barriers to trade caused by the fragmentation of our continent, and because we know the access to trade information is crucial, Afreximbank launched an Intra-African Trade Fair series to be held every two years. The first in the series was held in Cairo in December 2018. It was a tremendous success that attracted about 1,100 exhibitors from 45 countries, including Russia, and USD32 billion in transactions. The second in the series of Fairs will be held in Kigali in September 2020. We hope Russian businesses will take advantage of that opportunity as they begin to work towards boosting trade and investment relations with Africa. To ensure that countries are supported to manage the fiscal revenue shock, the AfCFTA may engender, we are in discussions with African Union to establish an adjustment facility in an amount of USD1 billion to be available to enable countries to comply with their commitments on tariff concessions and make the AfCFTA more impactful.

When we launched our intra-African trade strategy, we committed and disbursed about USD25 billion on a revolving basis over five years up to 2021. As of today, up to about USD8 billion has been disbursed in support of intra-regional trade and are projected to rise as more business is done.

Credit facilities have also been granted for the construction of border markets in Southern Africa, as well as for roads linking multiple countries in West Africa. Improving access to finance and trade services is a key element of our work. We cannot meaningfully hope to realise the development potential of the AfCFTA if there are no banks providing LC confirmations or other trade services in support of intra-Africa trade. Afreximbank has therefore set itself the goal of granting trade finance and trade services reaching USD8 billion to 500 African banks by the end of 2021. About 320 banks have so far been onboarded into the programme and work is continuing. I would like to invite African central bank governors and central bankers to encourage their banks to join this programme.

The financial performance of the Bank is excellent, and it was voted the African bank of the year by the African Banker a few days ago. The Bank had a total assets of about USD15 billion at the end of 2018, up by 15

percent from USD13 billion in 2017, and USD276 million net income. Shareholders funds and contingent equity, that is callable capital, is in the range of USD3.5 billion. We owe this impressive performance to the strong support of the shareholders and that our Board of Directors has given to management, as well as the hard work and commitment of our staff members.

At this juncture I would like to extend my appreciation to His Excellency President Vladimir Putin under whose hospices these meetings are being held here in Moscow. Much gratitude is also due to His Excellency the Chairman of the Government of the Russian Federation Mr. Dmitry Medvedev and his honourable members of cabinet. Indeed, this event would not have been possible without their strong support and leadership.

We thank the Director General of the Russian Export Center Mr. Andrey Slepnev and his very hardworking colleagues for the partnership that enabled us to overcome challenges and implement this event smoothly.

Deep appreciation also goes to Mr. Vitaliy Machitski, Chairman of VI Holdings and Mr. Dmitry Mazepin Vice Chairman of Uralkali, Uralchem, who have already started giving meaning and such terms to the Russia-Africa Trade and Investment Cooperation that these meetings are hoping to foster.

Our appreciation also goes to our invited guests for coming despite their very busy schedules. We look forward to a brighter relationship between Africa and Russia that will build on trust and mutual respect, and that will bring economic prosperity for the African people and Russians alike.





On behalf of his Excellency Moussa Faki Mahamat, I would like to thank the Government of the Russian Federation and the Board and Management of the African Export-Import Bank for their excellent organisation and hospitality.

This is a Bank that we are all very proud of on the African continent. It is growing with increasing dynamism. It is promoting the sustainable development of the African continent. This is very visible in the areas of trade, trade information, trade finance, trade facilitation, development of adaptive capacities and the development of trade-related infrastructure.

All these areas are fully aligned to the action plan on Boosting Intra-African Trade, BIAT, adopted by the Assembly of the African Union heads of state and government in January 2012. A key achievement of the BIAT action plan is the establishment of the African Continental Free Trade Area, whose agreement entered into force on 30th May this year, after having received the 22nd instrument of ratification 30 days earlier. The 12th Extraordinary General Assembly of the AU will launch the operational phase of the AfCFTA on the 7th of July 2019 in Niamey, Niger.

## 1.3 Welcome Address: Prospects for Multilateralism in an Era of Protectionism

### H.E. Ambassador Albert Muchanga

#### Commissioner for Trade & Industry, African Union Commission (AU)

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The AfCFTA comes at a time when some parts of the world are retreating from the multilateral trading system. For us in Africa, there are no retreats. Our future lies in promoting multilateral trade, especially among ourselves. Our economic history as a continent has been characterised by the fragmentation of our economies. In coming together with a vision of creating one African market and in the process, moving away from fragmentation.

By creating one African market, we are bringing in frame large economies of scale and scope. These will promote large-scale and long-term investments. These will also promote value addition, anchored on the development of regional value chains and increased intra-African trade.

This will further promote the development of capacities to produce the scale of the AfCFTA market of 1.27 billion people and a growing middle class. This will in addition, promote the enhanced competitiveness of African business in the global trading system that will ultimately promote our leverage. With leverage those who want to enter our open, growing and increasingly lucrative markets will be required to open their markets for our products as well. This will, in turn, promote an increase in Africa's global trade, which as earlier stated is below 3 percent. The African Export-Import Bank has been strategically assisting us in establishing the African Continental Free Trade Area. With the risk of repetition, I give a few examples. Firstly, as collaborators, we've started a very promising Intra-African Trade Fair Series.

The Fair was launched in Cairo last December with above target achievements in the key metrics of exhibitors and business-to-business transactions. The next edition is planned to be bigger and will be held in Kigali, Rwanda, in September next year.

Secondly, the African Export-Import Bank is ready to provide stateparties to the African Continental Free Trade Area with USD1 billion in credits to enable them to smoothly adjust as they undertake liberalisation to create one African markets. Thirdly, the Bank has created a digital payment and settlement platform, which will facilitate transactions on time and in full for intra-African trade.

Fourthly, we collaborated with the African Export-Import Bank last year to re-launch the Pan-African Private Sector Trade and Investment Committee (PAFTRAC), which will promote enhanced dialogue between the African private sector and African policymakers. The Committee is scheduled to hold its first meeting with African Ministers of Trade in Niamey, Niger on the 2nd of July this year. Going forward, this committee will transform into an African Business Council.

Fifthly, the African Export-Import Bank has laid at the disposal of the African Continent Free Trade Area stateparties, the MANSA platform to provide the due diligence that will enhance investments at reduced risk, among several other benefits of this platform.

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By creating one African market, we are bringing in frame large economies of scale and scope.

H.E. Ambassador Albert Muchanga,  
Commissioner for Trade & Industry,  
African Union Commission (AU)

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Above all, the Bank meets the capital needs of African member states and African corporate entities, thereby contributing to the growth of trade and investment across Africa. Against this background, when the African Export-Import Bank celebrates its increasing achievements, we in Africa happily celebrate with them.

By holding its Annual Meetings in the Russian Federation, Afreximbank has laid a strong foundation for the Russia-Africa Summit and Business Forum to be held in Sochi in October this year. Through these events the Russian Federation has once again demonstrated its commitment to the progress of Africa.

Beginning last year, they were also participating in the St. Petersburg International Economic Forum. As I conclude, let me state that our reports to the Chairperson of the African Union Commission, Moussa Faki Mahamat, that this meeting has been a distinct success.

We cannot expect less from the African Export-Import Bank, our partner in progress. Congratulations, Board and Management and Shareholders of Afreximbank. Thank you for your kind attention.

## 2. Knowledge Sharing Events



### 2.1 Keynote Address: Prospects for Multilateralism in an Era of Protectionism

## Professor Ha-Joon Chang

Professor of Economics,  
Faculty of Economics,  
University of Cambridge

Good morning, your Excellencies, ladies and gentlemen, it is my great pleasure and honour to address this distinguished audience. My talk today is called Building Pro-developmental Multilateralism in an Era of Protectionism.

As you all know, with the aggressive trade policy of the Trump administration in the United States, there is a growing concern with the future of the world trading system.

In the name of punishing unfair competition from China, the US has imposed extra tariffs. In the same spirit, it has also renegotiated in its favour, the NAFTA, the North American Free Trade Agreement, and the free trade agreement with South Korea using the threat of protective measures as a crowbar to reopen the renegotiations of treaties that were signed more than a decade ago. It has even tried to use tariffs as a tool to reduce migration flows from Mexico.

All of these, especially in the context of increasing racism and xenophobia in the rich world, have increased the concern that our current world trading system based on multilateralism, that is the so-called WTO system, is under serious threat. Now, this is particularly bad news for developing countries because it doesn't take a genius to know that developing countries fare better under multilateralism, rather than under bilateralism or regionalism because individually, they have weak bargaining power vis-a-vis the rich countries. The fact that multilateralism is different for the weak is actually shown by the fact that the rich countries have constantly attempted to undermine the multilateral system whenever it doesn't work for them.

When the WTO was launched in 1995, they protest their eternal devotion through multilateralism, and said, "Now we live in a different world. All countries have got the same voice. The system serves every country." Of course, they said that because they knew that they could push developing countries with the threat of trade sanctions, offers of extra foreign aid, and so on, and make them agree to whatever they put on the table at the WTO meetings.

Indeed, in the first few years, it looked like that is how the WTO is going to work because everything was supposed to be achieved by consensus or there never was a vote, which meant that the numerical advantage of the developing countries counted for nothing. The miniature meetings that were run through the so-called Green Room meetings, where only the rich countries and a handful of big developing countries that couldn't be ignored were invited. In Seattle 1999, Cancun 2003, you had these disgraceful scenes in which developing country delegates, who were not invited to the Green Room meetings, who tried to get into the meeting room were physically thrown out.

The developed countries that had started pushing for new demands even before the initial agreement was all settled, the proposal for the so-called MIA, Multilateral Investment Agreement, added to our agenda. These contained elements which were very difficult to accept for the developing countries. These countries which then started putting up resistance in the Taba Negotiations in the mid-2000s, were between intensive care and the morgue, according to the then Indian Trade Minister, Mr. Kamal Nath.

It has been going nowhere because the developing countries found the demands unreasonable. Now the developing countries have far less to fear from the rich countries because these countries matter increasingly less and less in the world economy.

The Nigerian Minister who just spoke pointed out that the growing importance of South-South trade, between the mid-1990s and today, the share of trade between developing countries or South-South trade rose from around 42% of world trade, to around 57% of world trade. It is the majority.

Some of you may say, "But that's all because of China." Yes, China's rise has increased this ratio quite substantially. South-South Trade, even excluding China, rose from around 35% of world trade, to 42% in the last couple of decades. It is not just China, although China is, of course, the most important part of this story.

Now that developing countries are putting up resistance, the rich countries basically abandoned their commitment to multilateralism and started taking different strategies. Even before the explicit anti-multilateralism of the Trump administration, the US had effectively pulled itself out of the WTO. It has been concentrating on bilateral negotiations and regional negotiations. The so-called TPP, Trans-Pacific Partnership involving the US, Japan, not China, not Korea, but Vietnam and many other Asian countries. Basically, it hasn't really taken an active part in the WTO in the recent period. The EU hasn't rejected multilateralism to the same extent as the US, but it has also actively engaged in divide and rule when it came to negotiations with the developing countries.

The EU used to have the Lomé Convention, which gave trade preference to these local ACP countries, African Caribbean and Pacific countries. Basically, their former colonies. When it was told that this is not compatible with the WTO agreement, the EU said, "Okay, we will create a new agreement, which is compatible with the WTO," and they called it EPA, Economic Partnership Agreement. The interesting thing is that in negotiating for the EPA, instead of negotiating with all 90 plus ACP countries, it divided them into seven groups, four of them in Africa.

These are East Africa, Central Africa, West Africa and the Caribbean. The reason is clear, if you try to negotiate with 90 plus countries, they are much stronger than when you negotiate with 7 countries, 11 countries.

In short, the Multilateral Trading System has been falling apart and it is in the interests of the developing countries to revive it. However, in doing so, I would argue that it is not enough to bring back the WTO system because, in my view, the system has inherent biases against developing countries, which I'll explain in the rest of my speech, and there will need to be radical reforms if it is to be truly pro-development.

The WTO System is based on the principle that free trade is the best for all countries under all circumstances. I agree that free trade in the short run, brings benefits to all countries because you can specialise and buy and sell things as you need, but in the long run, free trade among countries at different levels of development is bad for the economically backward countries because it prevents the emergence of the high productivity, high technology industries that they don't have, and the rich countries have.

Let me give you a quick example. I come from South Korea, one of the most famous South Korean companies is called Hyundai, the automobile manufacturer, which is now the fifth-largest automobile manufacturer in the world. The company was founded in 1967. It went into production in 1968. In 1969, it produced just over 2000 cars a year. In the same year, General Motors alone produced over 4.4 million cars – more than 2,200 times more than Hyundai. If the Korean government liberalised trade in automobiles at that point, Hyundai would have been wiped out overnight. It was a glorified guarantee.

## 2.1 Keynote Address

The Korean government didn't do that. They said, "We need to raise this company, but it needs a space." Initially, imports of foreign cars were totally banned and then some were allowed, but they had very high tariffs. The government appropriated a lot of subsidies, provided new technology through the research in the Government Research Institute. It is only because of these policies that Hyundai is now the fifth-largest automobile manufacturer in the world. It wasn't just the auto industry. About every other industry in the country was initially raised in this way; petrochemical, electronics, shipbuilding, steel, semiconductors, you name it.

These policies are based on an economic theory known as the Infant Industry Argument. They made the argument that the government of a developing nation needs to protect and nurture its young industries against competition from producers from more economically-advanced countries, until they grow up and can compete in the international market. It is the same principle that makes us send children to school, rather than to work.

In order to explain this principle, in the book called *Bad Samaritans*, which was published in 2007, I talk about my son and the chapter where I talk about my son is called 'My six-year-old son should get a job'. He really was six at the time, although now he is at university. The way I explained it is that my son is six years old and I realise how expensive this guy is for me. Yes, because he is totally subsidised in terms of his accommodation, food, heating, water, TV, Nintendo games. Then I was thinking, "If you go to Pakistan, if you go to Peru, if you go to Guinea Bissau, there are children who worked from the age of four or five. Why can't this guy do that? Then I'll save all of the money." Then I realised it is a win-win solution because not only will I save money, but this guy is going to become a very productive person, because he will now have to practice at shoe-shining or his skills to sell chewing gum or whatever, instead of wasting his time in front of TV and playing Nintendo games. I asked myself why did I think of this? Why don't other people do this? It is a win-win solution.

I don't know about other people, but I don't do it because at that point, I thought, this guy is quite competent. If I supported him for another 12 years, 15 years, he could become lots of things, an architect, a chartered accountant, a nuclear physicist, a structural engineer. Of course, there is a chance he will turn out to be a waste of time. He could be 33, and still have no job, and still supported by me. Even if there is a 20% chance that he will turn out like that, at that point, I was willing to support him through his education because what would he become if I kicked him into the labour market

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With the aggressive trade policy of the Trump administration in the United States, there is a growing concern with the future of the world trading system.

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at the age of six? He will start by selling chewing gums, shining shoes, maybe, he will become a parking attendant. If he works really hard, he might own a small shop. There is no chance that he can become an architect or nuclear physicist – forget about it. It is that principle.

If you open your economy when you are at a very low level of development completely, then you will keep doing the low productivity things that you have been doing for the last couple of hundred years. Of course, a lot of these things you are doing only because the colonial powers made you do it. When did Côte d'Ivoire start growing cocoa? And when did Kenya start growing tea? Basically, this is a very simple, but very powerful logic and this is what we use in order to promote our economy. It wasn't just Korea. Before Korea, there was Japan who did the same thing. So, following Japan, there were Korea and Taiwan and now China.

When I say these things some people say, "Yes, maybe it is true for the East Asian countries, but what can other countries learn from these weird people eating rice with chopsticks?" They will tell you all other rich countries, again exclude the Japanese, exclude the Koreans. All other rich countries have become rich on the basis of free trade and free-market policies.

As I show in the books, 'Kicking away the Ladder' and 'Bad Samaritans' and my other writings, infant industry protection was used by virtually all of today's rich countries when they were trying to catch up with more advanced economies. All of today's rich countries, with the exception of the Netherlands and Switzerland, but only up to World War I, used protectionism. Some of them



use it very heavily. I know you have been told all your life that the British invented free trade and the Americans perfected it. These were actually the most protectionist countries in the world. Look at this table, you will see that. Actually, we don't have the data for the 18th century, but Britain became very protectionist from the mid-18th century and then continued with that until the mid-19th century, when it became the top dog. The US started with protectionism in the 1820s. It was the most protected country in the world for most of the time for the next 130 years.

Other countries didn't use tariffs as much as the US or Britain did, but they all used protectionism to a certain degree. Even when the averages were relatively low, they could give very high protection to selected industries. This is what the Japanese and the Koreans did in the late 19th, and early 20th century. Germany and Sweden, which had relatively high, but not extraordinarily high like the US, at the rate of tariffs, provided heavy protection to the so-called emerging heavy and chemical industries. Belgium in the 19th century had tariff rates of about 10%. Some industries got very high protection, 30% to 60% for textiles, 85% for iron.

In order to put these rates into perspective, I want to remind you that the average industrial tariff rate of developing countries today is around 10%. The British, the Americans had tariff rate of four to five times higher. The Germans, the Swiss, the Japanese had tariff rates which were twice to three times as high. In addition to tariffs, these countries used numerous quantitative restrictions, like import bans, quotas, export bans on key materials. For example, when Britain was trying to develop the olden manufacturing industry, the British Government banned the export of raw wool, which it was the main producer of. At the time, Britain was the raw material producer for the manufacturing centres in Europe, which then included the Netherlands, and Belgium, which were the centres of woollen textiles, and Britain wanted to join that industry. They realised that they needed to control the export of the raw material.

In addition to these historical facts, you will be very interested to know that the theory of infant industry protection that I have just expounded, was invented by an American, and not just any American. It is an American who was so famous that you all know what he looks like, even though he has been dead for more than 200 years, except that you don't know who he is. It is Alexander Hamilton, the first-ever finance minister or what they call the Treasury Secretary of the United States of America. Hamilton became the Treasury

Secretary at the outrageously young age of 33. Two years later, he submitted his report to the US Congress saying that the US needed to protect its infant industries. He is the one who invented the term.

If you are interested in that sort of thing, this document is freely available. It is called the Treasury Secretary's Report on the subject of manufacturer. You can download it easily from the internet. I call it the very first development planning in the world. He wasn't just talking about tariff protection he was talking about infrastructure investment. He was talking about developing the banking system. He was talking about developing the government bond market. He was a visionary. Initially, when Hamilton proposed this, other people, especially his political arch-enemy, Thomas Jefferson, who was the State Secretary at the time, laughed at it, "You must be joking. We can export our tobacco, our cotton." Of course, omitting the contribution of slaves from Africa. "We can export these things to Europe and import manufactured products, which are not only better, but also cheaper, even including the transportation costs (which at the time was very high). "Why should we subsidise these that are inefficient Yankee manufacturers? We want free trade."

Unfortunately, Hamilton didn't see the day when other Americans embraced his idea. He was killed in a pistol duel at the relatively young age of 49. From the 1820s, the Americans realised that in order to become an economically powerful country, they needed to develop the manufacturing sector. Therefore, they had basically 40%, 50%, sometimes even 60% average industrial tariff rates.

It is not just in the area of trade policy that the rich countries did all the things that they tell the developing countries not to do in the WTO system. I don't have time to go into this. For example, the Trims agreement in the WTO tells developing countries not to regulate foreign direct investment. But when they were at the receiving end, today's rich countries very actively regulated foreign direct investment, notably the United States, Japan, Korea, Taiwan and Finland.

In the United States, until the mid-20th century, you couldn't even vote in the annual general meeting of shareholders, even if you were a shareholder, if you're not a US National. If some African country tried to do that today, the US would probably invade the country. Japan today routinely submits a document to the WTO saying, "Restricting foreign investment is very bad for economic development." Hello, the country had the most restrictive foreign investment regime in the world until the 1980s.

## 2.1 Keynote Address

Another area in which the past practice of the rich countries doesn't fit with the WTO rules is that of Intellectual Property Rights. Another so-called TRIPS Agreement in the WTO says that you have to basically accord protection of Intellectual Property Rights to the same extent that the rich countries do. Actually, when they were trying to absorb other people's technologies and develop their economies, today's rich countries didn't go by those rules. Many countries explicitly allowed patenting of foreigners' invention.

In 1852, a British guy called Peter Duran took out the patent on canning technology. In the application, he explicitly said that "I got this technology from a foreigner," which happened to be this Frenchman called Nicola Peat. It was totally legal, because the guy who invented the technology was another Englishman. Switzerland and Netherlands didn't even have patent laws until the early 20th century.

Trademark laws were violated on a massive scale. In the mid-19th century, there was the international dispute between Britain and Germany because the Germans mass-produced fake 'made in England' products. The British in 1862 revised the trademark law and demanded that the place of manufacturing had to be specified.

The Germans were far too determined and far too clever to disappear from the scene, so they started producing watches that look exactly like British watches and said "Made in England," but only in the box, not on the watch itself. They produced the industrial sewing machines with letters like the 'Northern English Machine,' and 'Made in Germany' printed, but at the bottom, the only minor problem was that this machine was so heavy, you needed six people to lift it. No one got to check it.

In the 1950s, when Japan was desperate to increase its exports, some genius came up with this fact that there is a little town outside Tokyo called USA. They kept up producing 'Made in USA' products in huge quantities. It was impossible, it was a small town, it couldn't possibly produce all these. This is what everyone does when they are trying to develop. South Korea did the same. At one point, we were the world's pirate capital. You walk into these markets, you could buy anything, Louis Vuitton bags or Nike shoes. Actually many of those things were produced in Korea at the time. In the 80s, South Korea produced 90% of all Nike output. They were very often rejects from those factories, but there were lots of fakes. We studied with pirate copied textbooks.

I tell people that if your country's pocket income is less than \$10,000, you are most welcome to pirate-copy my books, because I don't want to deny the benefit that I had when I was a young man in a poor country, to other young men in poor countries today. Don't tell my publishers. The list can go on, but I have no time to go into them.

By giving you these historical examples, I'm not saying that the Global Trading System necessarily needs to allow all the policy measures that are used by the rich countries in the past. I'm not necessarily endorsing every single thing they did in the past, but what matters is the principle. The principle that developing countries need the extra policy tools, extra trade protection, extra regulations on foreign direct investment, more lax protection of Intellectual Property Rights and so on, that help them create a space in which their infant industries can absorb new knowledge and accumulate productive capabilities more easily. That principle has to be built into the Global Trading System.

When I say this, of course, the usual reaction is, "How about the principle of the level playing field?" You build this multilateral system some people have these extra advantages and others don't. Is it unfair? Well, the level playing field is like, as the Americans say, motherhood and apple pie; it is definitionally good and very difficult to oppose it. I say that we have to oppose this if you are going to build a World Trading System that is truly pro-developmental. Level playing field, of course, is the right principle when the players are equal. If there is a football game between the national team of Nigeria and the national team of Egypt, if the ground is like this, and the Egyptians have to attack from there and Nigerians have to attack from there, of course, it is unfair.

Would you say the same if one team is a Nigerian National Team and another team is made of 12-year-old girls from Mozambique? No. Then, you actually want the girls to attack from up the hill and the Nigerians to climb the hill. You will say, "That's an absurd example. There is no football game like that." Yes, there is no football game like that because in the real world, in the world of sports, unequal players are structurally banned from playing against each other. There are age groups, there are gender divisions. You may say, "Maybe, it is just football." No, it is not just football. In a lot of sports, this is the case, not just gender and age, but in boxing, you have weight classes, boxing, wrestling, weightlifting, weight counts. Different people with different weights are put in different classes and they cannot fight each other. In the lower weight classes or boxing, the band for each class is between two and three pounds, 1 to 1.5 kilos.

In boxing, you think it is so unfair that one guy who is two kilograms heavier, beats the light guy, that is so unfair, you cannot allow that. In international trade, you say the US, Guinea-Bissau, Namibia, should all compete on equal terms. We have to reject this idea about level playing field. Level playing field is only when players are equal or have similar capabilities. This is why free trade among countries at different or similar levels of development is actually beneficial, like the Continental Free Trade Agreement that Africans are trying to launch, the German Customs Union of 1834, and the European Union before the enlargement. When you have similar countries that are engaged in free trade, actually it does stimulate each other and benefit each other. When one team is the Nigerian National Team and the other team is that of 12-year-old girls from Mozambique, it doesn't work.

Finally, in response to this criticism, the advocates of the WTO System argue, "But there is SDT, Special and Differential Treatment."

The developing countries actually have already some extra advantage. Well, unfortunately, it is there, but unfortunately, it makes only minimal allowance. It allows some extra things for the least developed countries. For example, they can use export subsidies that other countries cannot use, but there are very few, of these provisions even for LDCs.

When it comes to other developing countries, basically, the only SDT they get is that they have longer to implement the same rule. It is the same rule, but instead of doing it today, you can do it in 10 years. Instead of doing it in the next five years, you can do it in 15 years. That is the only difference. This is not enough.

I think it is very wrong to call this special treatment. These are just differential treatment for countries with different needs and different capabilities. Calling this a special treatment is like calling ramps for wheelchair users special treatment, calling Braille, writing for the blind special treatment. No, we don't do that. We recognise that different people have different needs and capabilities, and therefore they need to be treated differently.

To conclude, I argue that we need to build truly pro-development and multilateralism based on what I call the principle of asymmetric protectionism, in which the economically weaker countries are allowed to protect and regulate more, than the stronger countries can and allow to gradually reduce the use of these extra measures as their economies develop over time and they catch up with those of the richer countries.

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It is not just in the area of trade policy that the rich countries did all the things that they tell the developing countries not to do in the WTO system.

Professor Ha-Joon Chang, Professor of Economics, Institute for Public Policy Research, Cambridge University

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Of course, what I'm advocating here is a long-term goal. I'm not naive enough to believe that this kind of reform of the World Trading System is going to happen any time soon.

However, we have to keep arguing for this because we, at least, need to go in the right direction. I would argue that before this change happens, the developing countries still need to cope with a biased system in pragmatic ways. It is one thing to criticise and complain about the unfairness of the system, but you have to live in the system until you change the system. So, what do you do? Unfortunately, I don't have time to go into this, but I have some pragmatic suggestions in the report that I co-authored for the United Nations Economic Commission for Africa a few years ago, called Transformative Industrial Policy for Africa.

I have basically half a chapter devoted to what you can do within this biosystem because I sometimes joke that the WTO has become the best friend of lazy government officials in developing countries, because when the minister says, "Why don't you look into this? We should do this." All you have to say is, "Sorry sir, banned by the WTO." The minister is not going to run to the library, go through 1,560 pages of WTO agreement, and come back to say, "No, you can do it." No.

In this report, we devote a substantial amount of the space to discuss what you actually can do, despite these biases in the system. If you are interested, you can take a look at this. With that, I would conclude my talk. Thank you for listening.

## 2.2 Knowledge Sharing

### Panel Discussion:

# Prospects for Multilateralism in an Era of Protectionism

#### Moderator

H.E. Ms Ana Palacio,  
Former Minister of Foreign Affairs  
of Spain, and now founder of  
Palacio & Asociados law firm,  
Argentina



#### Panellists

Mrs. Irina Abramova,  
Director, Institute for Africa  
Studies of the Russian  
Academy of Sciences



H.E. Ambassador  
Albert Muchanga,  
African Union Commissioner  
for Trade and Industry, Ethiopia



H.E. Ms. Veronika Nikishina,  
Member of the Board,  
Minister for Trade of the  
Eurasian Economic Commission,  
Russia



Professor Ha-Joon Chang,  
Professor of Economics,  
Faculty of Economics,  
University of Cambridge



**Moderator:**

Well, thank you. Time is the scarciest commodity and the worst thing about being a moderator is that you have to administer time. Nevertheless, allow me to say, my honest gratitude to the fantastic hospitality of the Russian Federation and congratulations to Afreximbank for this Annual Meeting.

We are in this, we have heard both Minister Lavrov and Professor Chang's intervention on the situation of the multilateral system at the moment where not just protectionism prevails, but there is a certain trend.

I hope it is not contagious, but the United States, and this present administration that is not just an attack of the global and mega-regional trade regimes such as TPP, we have seen. It's the use and the threat of the use of sanctions as an instrument of policy. Within this context, and there are many other initiatives, other news, one is the African Continental Free Trade Area that we will discuss later.

I will start with Ms. Nikishina. Ms. Nikishina, you are the Trade Commissioner for the Eurasian Union. The Eurasian Union hasn't been mentioned until now.

What is your perspective, from the perspective of the Russian Federation and the perspective of the Eurasian Union, of where we are in the world today in terms of multilateralism and protectionism?

**Ms. Veronica Nikishina:**

Good morning, dear colleagues. First of all, thank you for inviting me to participate in this very important and very authoritative forum, this is a great honour.

I would briefly answer the question in the following way. The Eurasian Economic Union is celebrating five years since its foundation. Indeed, this is a young association.

On the other hand, over the first five years, we have come a long way from a free trade zone to an economic union. During these years seeing that the international trade system has been undergoing great changes of approach, we had to ask ourselves what would be an adequate response to these challenges?

Despite the fact that the foundation of the Multilateral Trade System that seemed very solid has started to crack. Despite the fact that the trend towards preferential agreement that existed over the past decades is undergoing sharp revisions and that we see more and more selfish protectionist tendencies. In our trade policies, we have chosen the following response.

We believe that protectionism is the worst development, is the worst way of developing an international trade system that could be conceived, and there are plenty of facts confirming this. We are still committed, we remain committed to the principles of liberalisation of trade, both within our union by deepening our integration and also in our trade relations with third countries that we are expanding. We have established that our Eurasian Economic Union must rapidly become part of the system of preferential trade agreements.

Over the past three years, we have concluded the free trade agreements with Vietnam that has entered into force. We have concluded an agreement with Iran on a free trade zone that will soon enter into force following ratification procedures. In October, we will sign a new free trade agreement on behalf of our union with Serbia. We are concluding negotiations with Singapore. Speaking of the African region, we are very actively working on a free trade agreement with Egypt. To sum up, we believe that protectionist tendencies will probably continue for some time, but the future is for free trade.

**Moderator:**

Good positive note. Commissioner Muchanga, you have been one of the makers and one of the heavy lifters of the Continental Free Trade Area Agreement. This is central to what we are discussing. All this morning, we will be discussing South-South Cooperation.

**How will this agreement that entered into force three weeks ago, how will this play in this context of multilateralism and protectionism?**

**Ambassador Albert Muchanga:**

Thank you very much, Moderator. The African economy is made up of 55 economies and they are very small and fragmented. When they remain that way, they cannot be competitive, and they cannot attract major investments. By coming together aggregating, we are creating a large market space. This aggregation is on the basis of their fundamental liberalisation. 90% of the trade is going to be initially liberalized and will shoot up to 97% and eventually is going to be 100%.



## 2.2 Panel Discussion

In addition to that, we are removing non-tariff barriers which is going to make it easier for goods and services to move across the continent. In this way, we are signalling to the rest of the world that we believe in the multilateral processes instead of countries working alone. Africa is committed to the multilateral system and it is the basis of development. By creating these markets, we will also be able to promote value addition and that process will promote manufacturing and will promote agro-processing and will also increase our leverage with the rest of the world.

We will tell the world we have an open market, huge and growing. If you want to enter into this huge and growing market, you should also open your markets.

**Moderator:**

**Mrs. Abramova, what is your vision from the perspective of the Russian Federation, what is the policy of the Russian Federation? What is the perspective of one of the, I would say preeminent Africanist and of Europe?**

**Mrs. Irina Abramova:**

Our Institute and researchers from our institutes have always been emphasising the new role that Africa is playing in today's world and this role has been constantly growing. Africa is becoming a significant international player even though it still has a relatively small contribution to global GDP and global trade. I believe that Africa today is in about the same situation as China in the 1990s. Tigers before a big leap.

There are significant possibilities for international investors on the African continent. Above all, because Africa has unique natural resources that are important for the development of new high technology sectors, and currently, these resources are the object of big competition among strategic players. Africa also has other important dividends, growing population, growing middle-class, industrialisation and that means its market is growing and will be quite attractive for international players and that is why Africa regards integration as one of the most important aspirations in its agenda. It is a big inspiration.

On the one hand, as Mr. Muchanga has said, separately, each country in Africa is relatively weak but if we unite them into a joint economy, a common economy, you can use the resources to develop modern industries and industrialisation. On the other hand, this joining makes it easier for international investors because they will not have to reach agreement with each country separately, but they can work with the continent as a whole. It is not protectionism; it is integration that can play a big role for successful African development.

**Moderator:**

**Prof. Chang, we have all listened to your excellent intervention but now, I hope that you can specifically just focus on what the continental trade agreement, African trade agreement, can bring to the new developmental multilateralism that you have?**

**Professor Ha-Joon Chang:**

Yes, as I pointed out earlier, free trade if not completely free trade among similar countries and will likely produce benefits for everyone because you stimulate each other, you learn from each other, you have a bigger market.

Now, in the case of the continental free trade agreement in Africa, I think that the key constraint is the infrastructure because it is one thing to say that you can freely import and export, but if there are no roads, if the rail link is incomplete, the ports are oversubscribed and ships have to wait three weeks to get in, then there is no point in having this free trade agreement. I think that African countries, while building this free trade regime on the continental of scale, they need to also find a way to support it with the infrastructure reality. Very often, it is easier to go from one African country to Europe than go from one African country to another. We need to work on that.

Secondly, I think that, even though, African countries are relatively similar to each other, there has to be sensitivity about differences across countries. South Africa has to be treated differently from the rest because it is in many ways much more developed than the others. Some countries are very small and vulnerable, and need to be specially treated.

I mean, I'm not an Africa specialist. I cannot tell you exactly how to do it, but I think that sensitivity is very important because it is after all a political project as well as an economic project. If you don't have the political buy-in from everyone, it is not going to work.

**Moderator:**

**Absolutely, we have heard about one of the key infrastructures, which is power. It has been mentioned and there, the Russian Federation is launching interesting projects. We have managed to have one round.**

**In my second round, I will start by you Mrs. Abramova. You study populations. You have said that the African continent is just we are within trade. How do you see the societies? How do you see these middle classes that will be the ones that will underpin the prosperity and the effectiveness of the free trade area?**



**Mrs. Irina Abramova:**

Thank you, madam, for your question. Indeed, the middle-class in Africa is different from the middle-class in developed countries. Nevertheless, there are general rules of its evolution that are the same as in the rest of the world. The wealth of the middle class, the educational level of the middle class is growing. That means opening up new possibilities. I fully agree with Professor Chang. I wanted to comment briefly on what he said about infrastructure.

However, as the middle class is developing rapidly, if there is no interaction between countries by means of high-speed movement and transfer of goods and services, then there will be no success. We have counted that if there is a high-speed road in a country, the rate of growth in that country goes up by 6 to 7%. This is in the 2063 Agenda. There are six framework programmes to this effect. There are programmes for agriculture, infrastructure, development of human capital and science. Then a fourth programme in mining. The fifth programme is for the development of industry. The sixth programme is for the development of new technologies and opportunities.

For the Russian Federation, I believe participation in the infrastructure project since we too have large territory and our railway system has a good record. This could be Russia's contribution to the development of African infrastructure and to the development of Africa as a whole.

**Moderator:**

Among my previous lives, I have been a senior Vice President general counsel of the World Bank. As a general counsel, I was in charge of many programmes of the World Bank. I would always say, the World Bank should be on infrastructure. If there is a correlation that is almost perfect it is prosperity versus power, baseload power. All powers needed, but baseload power is what makes it, and of course, communications. In Africa, you have landlocked countries that in order to just make real this free trade area, you need infrastructure of train and rail and road.

**Now Commissioner Muchanga, let's speak about the G20. The G20 hasn't been mentioned until now, but the G20 has issued a very blunt - The ministers of finance have issued a very blunt - declaration of multilateralism and there is going to be a summit. What do you expect of the G20?**

**Ambassador Albert Mushanga:**

Before I answer that question, I think let me clarify so that all of us have a common understanding. The African Continental Free Trade Area is a developmental integration programme. As a result of that, it is made up of a number of not just trade liberalisation measures, but also a number of supporting developmental activities with the program on trade-related infrastructure transport and communication interconnectivity as well as energy development. We have got very huge programmes there that are going to be rolled out with the establishment of the market.

Well, with the programme on trade information, just two examples, one is the Intra African Trade Fair, we had one in Cairo last year and it was very, very successful. We are going to have another one in Kigali next year. There is a programme on trade finance, the African Export-Import Bank has committed to provide trade financing to all African countries under the African Continental Free Trade Area.

They have also agreed to come up with the the Pan-African Payment and Settlement System (PAPSS). We have got a programme on factor market integration promoting free movement of people as well as the free movement of capital. In that context, with the establishment of the market, all these developmental issues are going to come to the fore and they will be more attractive to finance because of the alleged market space. The G20 is a very good forum but, of course, the multilateral process really, the life of the multilateral trade process lies in the WTO.

In Argentina last year, they failed to come up with the ministerial meeting and that is where the tragedy is. Statements can be made there but if you have to have a working multilateral trading system, it must start at the WTO.

## 2.2 Panel Discussion

### **Moderator:**

That is a very good statement. Minister Nikishina, on this issue of where are we going from our situation and what do you think the role of the G20 could play?

**You have experience of implementation and enforcement in the Eurasian Economic Union. Your experience is extremely valuable for this new continental agreement.**

### **Ms. Veronika Nikishina:**

Thank you very much indeed for your question. I would like to join the concerns of Ambassador Muchanga on the fact that the WTO has been the foundation of a stable international trade. This is now clicking and, in all ways possible, we need to make sure that we can renovate the rules and the legal documents that create the international trade rules.

Trade without rules is hard to imagine. To answer your question, we think that the G20 can and should become the venue which can help common sense to prevail and to help the foundations of international trade to become rules which would also be integrated into the updated fabric of the WTO. We think that the G20 is again, a platform, a venue where authoritative and sober-minded countries get together and agree on a proactive and mutually beneficial framework for the international system looking ahead.

### **Moderator:**

The G20 has a role to play. Dr. Chang, from your conference, there was a question that I was asking myself: How could this Continental Trade Agreement shield wherever necessary, how could it be played?

**Maybe it is through these rules of origin that are still to be agreed upon. How do you see this helping contributing to the integration as Professor Abramova said, and to the contribution to the system of trade?**

### **Professor Ha-Joon Chang:**

Thank you. Yes, working out things like rules of origin is a very complicated process which I don't have expertise to comment on. I think that all the principles behind these negotiations should be focused on how we develop the underlying productive capabilities of different African economies together. How do we share knowledge? How do we stimulate each other? How do we provide bigger markets to companies so that they can produce and export more?

Once you focus on that principle, how do we maximise short term gain? How do we each specialise in what we are already good at, at the moment and how do we maximise our current consumption and income? I think that is not a principle to go by. You have to think about the long-term implications. If we provide a bigger market, the more competent producers emerge in the sector. If we have these barriers lowered, will it lead to the accumulation of more knowledge, sharing of more knowledge, and so on.

Those are the principles that we have to bear in mind because there is always a trade-off between the long-term and short-term. In the short-term, it is very easy to see that free trade is the best option. Take yourself back to Korea 1969, a time when there was protectionism and when we had to drive around in really bad cars that broke down all the time. But if you then said, "We want Cadillac and let all the American cars in." Then we would have no automotive industry today. Long term, short term trade-off, building productive capabilities.

### **Moderator:**

Okay, long term and short term, but in your intervention, you have made a big argument about exceptions. The continental agreement just establishes 10% of exceptions that will be determined by each member state. My question to you Commissioner Muchanga is, how do you see these playing out? How do you see this contributing to the integration of these economies?

**This idea that you need flexibility is correct, but you also need uniformity. Here, of course, I cannot help but bring in my voice as a former dealing actor of the European Union and we contemplate flexibility wherever needed, and a good example is our ultra-peripheral regions. How do you see this combination of exceptions, flexibility, and then the need of uniformity for integration of the economies?**

### **Ambassador Albert Muchanga:**

The 10% is divided into two categories. The first one is what we call the sensitive products and the second is the exclusion list. But the 10% has criteria. You cannot just wake up today and say, "This is an excluded product, this is a sensitive product, it has to submit to define the criteria agreed by the Member States." One of which has to do with the National Security, National Food Security, the impact on fiscal revenues, the promotion of decentralised roads, and the promotion of industrialisation.

Then there is also what we call the double qualification and concentration clause. It means that when you include those products, in terms of the tariff levels, less than 3%, or equal to 3%, of tariff lines must be affected. In terms of imports from Africa, it should not be more than 10% of the value of imports from Africa. Then there is also a phasing agreed formula, a transition period of five years, and in addition to that, for developing countries, the sensitive products are going to be demolished over a period of 10 years, and for the least developed countries, it is going to be 13 years.

With that, we feel that countries have a lot of room to manoeuvre, and the agreed minimum level of ambition is 90%. You add the 7% on the sensitivity list, which is also going to be liberalised over time. It is 97%. It is going to be a free traded area where 97% liberalisation will be in effect. Thank you.

**Moderator:**

**Ms. Nikishina, we have spoken about knowledge transfer about intellectual property. From your experience and from your forecast and I will ask the same question to you, Dr. Abramova. But from your experience of the Eurasian Economic Union, how do you see this happening in real terms and what would be your assessment of how this can happen in Africa?**

**Ms. Veronica Nikishina:**

Thank you very much. Indeed, today the world is coming to some free trade agreements and zones. Well, these are not the areas which were there 20 years ago. This is just simple trade in goods. Today, FTAs are something different. They are creating incentives and have incentives for the development of some other sectors which are not related to the movement of goods. These are investments, the transfer of knowledge, skills, and anything else.

For quite some time, we have lived in a wrong paradigm that if we come to a free trade regime and reduce tariffs, this would mobilise incentives. The smaller the tariffs, the more investment would come but it is erroneous to think this way. This is the same error about technologies, technology transfer and creating multilateral free trade regimes, such as the ambitious project in Africa. Unilaterally, would bring about more investment including into infrastructure projects which would connect countries between themselves.

These are very related things and would also motivate the transfer of knowledge and technology so that you can draw the maximum effect from the movement of goods and services.

**Moderator:**

**Dr. Chang, what about building knowledge? What about transfer of knowledge? From your perspective?**

**Professor Ha-Joon Chang:**

Yes, well, in the end, knowledge is the key in that countries are richer than others because they control the key knowledge. They have the technologies to basically wipe out someone else's industry. When the Germans and the English invented organic chemistry, a lot of Latin American countries went into decline because they were exporting bat guano. They were exporting natural dyes like cochineal. These were all made synthetic. Brazil and Malaysia went into trouble when the Russians invented artificial rubber.

At the end, that control over that knowledge and more narrowly technology is the key to prosperity. Yes, all the trade agreements whether continental or multilateral have to have some provision to make our knowledge transfer easier. You should be more lenient about technology transfer requirement or local content requirements when it comes to regulating FDI by developing countries. You should provide funds to, for example, put a little tax on patterns and create a knowledge fund to help developing countries acquire more knowledge.

Especially in areas like green technology, it is vital that the rich countries transfer green technologies on a massive scale to developing countries not simply in terms of selling them but in terms of helping them acquire this technology so that they can produce their own.

**Moderator:**

**This is, by the way, one of the goals of the six programmes of 2063. Is this just going down the value chain? Professor Abramova, from our perspective, knowledge transfer knowledge acquisition.**

**Mrs. Irina Abramova:**

I think we should really remember the colossal experience of the Soviet Union. If you remember how many professionals were trained by the Soviet universities, more than 400,000 professionals for the African nations. I think the Soviet Union actually was establishing the African elite, not a political one. I'm talking about the intellectual elite and this was very important, and even today many of the graduates of the Soviet universities and institutes have high positions of power in their countries and they more or less sometimes represent the interests of Russia.



## 2.2 Panel Discussion

This is education, which really has an impact on the development of the countries. By the way, Russia wants to have a larger imprint in educational services in Africa. On the one hand, such knowledge makes it possible to boost the economic development of the countries. On the other hand, I would say that Africa is in a situation where a lot of knowledge leaves Africa. African people with good education emigrate to the US, to Europe and now to China and this is a big loss to the African continent. I think we need to somehow upgrade the transfers of knowledge and develop training centres and educational centres and not only educational but also certification and qualifications centres. If you want to transfer some technology, you also to train your local personnel.

Legally speaking, we need to think how to protect your knowledge to prevent these knowledges going to other countries where better conditions are provided. Of course, the best way is to ensure that you have better economic development to improve your living standards and to keep and preserve the intellectual capacity that is growing right now in Africa.

### **Moderator:**

I'm going to open the floor. Professor Abramova, I think that you have touched upon one key issue from my experience of Africa – the issue of certification especially in the context of vocational training. This is something that should be in my opinion, a low hanging fruit that should be addressed. I now open the floor for the audience for questions and comments.

### **Questions & Comments from the Audience:**

#### **Question:**

**Where do you think is the best position to address this question because the G20 cannot do it right now and at the same time, we understand that African countries themselves cannot force the advanced countries to do this. What do you think Africa should do in order to bring forward the preferential treatment?**

Thank you.

#### **Moderator:**

I will give the floor to Professor Chang, but I hope that Commissioner Muchanga jumps in after. Prof. Chang.

### **Answer:**

#### **Professor Ha-Joon Chang:**

Thank you. Well, the kind of reform that I was talking about regarding the multilateral trading system is that it is going to be something that we have to do at many different levels. We need to discuss this at the WTO, at the UN, through the World Bank, the IMF, because there is no single forum in the world where these fundamental changes about the outlook can be made. What developing countries need to emphasise is that the developed countries also have what some people call enlightened self-interest in letting developing countries use policy tools that are more appropriate for their stages of development.

Just imagine back in 1970, that Mr. Deng Xiaoping accidentally picked up a copy of Milton Friedman's 'Free to Choose' and went for total trade liberalisation and immediate privatisation of state-owned enterprises. The Chinese economy would not have been 50 times bigger than what it was then today. Actually, even if the developed countries can take only 30% of the Chinese market, if it is 15 times bigger, actually it is much better than taking 80% of a smaller market.

I think we have to make that argument, but in the meantime, yes, we will have to find practical ways to navigate this tricky system, and I think that the efforts have to be made at both levels.

### **Moderator:**

#### **Ambassador Muchanga**

#### **Ambassador Albert Muchanga:**

Thank you very much. My take is that the developmental ground is not going to be level, it is actually going to be increasingly unlevel. Why do I say so? Robots are taking over labour and the developing world is a huge supplier of labour. That is one impediment. The second impediment is that there is increasing trade in services, and that includes the intellectual property. Therefore, the issue of technology transfer in my view is not going to come about.

Then over and above those things, export-led development is no longer a model that we can follow. Some countries are going to continue, but it is closing. The developmental opportunities that historically have been there are slowly closing, and the only way now is for countries that are developing to say, what can we do to rely on our resources? The only way of bringing that in terms of Africa is to develop a larger market space through the African Continental Free Trade Area.



In terms of innovation, we have got a young horde of Africans who are very, very keen to be given the opportunity to innovate and they really exhibit their innovations. For the 2020 Intra-African Trade Fair, we are going to have a pavilion for youth start-ups. Immediately we announced that to the youth of Africa, there was overwhelming excitement. We are going to have a very competitive selection process and for those who are going to exhibit at the pavilion, we are going to link them up with venture capitalists.

Through that process, we are going to generate knowledge from our internal resources, which are the very inquisitive and the very eager young Africans who want to contribute to their development. The ground is not going to be level, the ground is going to be increasingly unlevel. Thank you.

**Moderator:**

**Increasingly unlevel but one thing that hasn't come up in our debate is the role of non-state actors. In this area, we have seen that the Paris Agreement is a very good example of the role of non-state actors. I'm going to take another question from the floor here.**

**Questions:**

**Mr. Muchanga, I wish to know whether the free trade area that is to be implemented in Africa, the continental free trade area, could it not be actually turned into a Trojan horse for other member States that would use it actually to go further on those agreements passed with the countries that are outside of this free trade area?**

For example, Niger is part of this FTA framework. However, it is bound by other agreements, say, for example with China, that are not the same as those agreements that were passed with other member states of this free trade area. Have you provided for any measures?

The last question would be, when you talked about South Korea, you did not explain how youth in South Korea was mobilised and what were those state-sponsored mechanisms that were implemented in order to support those youth that wished to do something for their country. This is the issue we are facing in Africa for now. You do have youth that have so much potential, so much knowledge and projects but they do not have the right support in order to implement these projects. In other words, I would say, state or non-state support.

**Moderator:**

**Again, the question is for you, Commissioner Muchanga, and this question is extremely right. What happens with bilateral agreements within this trade area?**

**Ambassador Albert Muchanga:**

Thank you, very much. There are a number of provisions to ensure that we do not create a situation where the African Continental Free Trade Area Agreements is undermined. One of them is on rules of origin. There is going to be a very strict rules of origin regime. 95% of the negotiations are complete, we are almost there. By the time we go to, from the 1st to the 2nd of July, I think the other 5% will be resolved.

Then for third party arrangements, there is a summit decision of the African Union that for those countries that are entering or have entered bilateral free trade agreements with third parties, it is their obligation to notify the other memberships and also to inform them how it is going to impact on the African Continental Free Trade Area. That is going to be tested when we start the process of implementation. The Summit is going to advise the actual date of trading, but as a Secretariat, we are going to closely monitor developments to ensure that the market is not undermined.

**Moderator:**

**Minister Nikishina, do you want to comment on this one?**

**Ms. Veronika Nikishina:**

Well, this is a very interesting, very complicated and very important question because indeed, the correlation between bilateral agreements and multilateral agreements are at one level. But then particular correlation between bilateral preferential agreements on the free trade zone with the deeper multilateral integration agreements is a very difficult task that must be addressed on the basis of fine-tuning the economic interests.

We must not allow the presence of certain norms to slow down the proactive development in accordance with certain trends. On the other hand, it is not right if we have bilateral situations that undermine a multilateral system. Maybe my answer is too general but what I'm saying is that in each particular case, it is very important to make sure that participants in the association watch the balance of the emerging legal obligations and make sure that there is no conflict between them. It must be a system of ongoing monitoring.

## 2.2 Panel Discussion

### **Moderator:**

Minister Nikishina, rules of origin is one of the conundrums intellectually and practically in any implementation that we have. I would like to take the last question, but I would love to have a woman just asking the question. Then I will give the floor to all the panellists to conclude.

### **Question:**

**My question that I was speaking about economic development, free trade and integration but how to implement all of these process with lack of peace and with such a level of insecurity with so many populations displaced. Moreover, if the integration will succeed then we need to think about security, about borders, about control, how will all these things will be put in place, and how to attract investors who may be afraid?**

### **Moderator:**

This is a key question. By the way, I can tell you that before we came on stage, we were discussing exactly this. This continuum of security that goes from physical security to legal security because I mean, big companies can afford to deal with the government but -- You need medium size and small sized companies, and these need legal security. It was said by Professor Chang, that it is the protection of the weak and it is absolutely clear. Who wants to start responding? Maybe you Commissioner Muchanga.

### **Ambassador Albert Muchanga:**

Thank you very much. This is one of the very popular questions when we look at African economic integration. The others even say, is it going to increase more going across countries. My usual answer is that when we look at the criminal syndicates in Africa and the rest of the world, they are already integrated, they have moved far ahead. Really do not try to control the borders because the criminals know how to undermine the processes.

The issue is how do we facilitate easier movement of people across borders so that they can conduct their normal and legal businesses without any hindrance. For this, we have come up with a protocol on free movement of peoples' right of residence and right of establishment. Overtime, we are going to create the African continental passport so that any African will be able to move across.

The issue of the larger dimension of security and peace, that one, I think it is closely related to poverty. Where there is endemic poverty, you are going to have political

tensions, you are going to have social tensions. There will always be some conflicts around. But if you create durable conditions for peace and stability, you will find that everybody will realise that it is very, very much more expensive to dismantle foundations of prosperity than it is to dismantle foundations of poverty. People will be able to negotiate.

What we are trying to do is really remove poverty from Africa through the African Continental Free Trade Area as a direct contribution to another programme of the African Union, which is silencing the guns. Development will bring peace. Thank you.

### **Moderator:**

**Mrs. Abramova**

### **Mrs. Irina Abramova:**

Well, I would like to add that undermining the system of African security above all is the legacy of colonialism that divided many African nations. The borders were drawn in such a way that many nations are in different countries, in different states. Security is also closely related to what the economy and many conflicts that happen in African countries are there because of economic reasons and very often not without some help from outside players.

Let's recall the Arab Spring and the Democratic Republic of the Congo, which is the richest country in terms of unique natural resources, including those that are necessary for modern arms. I mean cobalt, and for modern technologies, such as iPhones, etcetera. I'm referring to coltan.

It is a lot easier to reach agreement with a fighting group and buy such raw materials for dumping prices instead of interacting at the state level and buying these same raw materials for higher prices. It is a very complicated issue. It is not just poverty that is the source of conflicts. The reasons are multifaceted. We must address those reasons and we must study those reasons and address them in accordance with the interests of the global community and Africa.

**Moderator:**

I think you are right Professor, there is no silver lining or silver bullet or on the contrary, bad bullet. One, there is a plethora of expressions but Prof. Chang, do you want to jump in on this one?

**Professor Ha-Joon Chang:**

Yes, I think that the Commissioner and the Professor have already said a lot more than what I can say about this issue of security. I'm going to address this point raised by the gentleman from Nigeria about mobilising the youth. Well, I think that essentially, people get mobilised only if they believe that they are working for a common project and in order to bind the nation, bind the continent together, you need to come up with this sense of community which requires addressing issues of inequality. Many African countries are very unequal.

If you look at the experiences of countries like Japan, Korea, Taiwan, a lot of things were done to restrain the wealth accumulation and luxury consumption of the upper-class people. A lot of things were done to protect weaker people like small farms and small shops although they didn't have the welfare state as such.

I think that only when you create this sense of common destiny, you can mobilise people. If the young see these people just behaving as if they live in Switzerland, why should they devote themselves to working hard and learning new things? I think that it is the sense of community that you need to create through these measures.

**Moderator:**

Thank you. Well, unfortunately, we are coming to the end of the time that we were allocated but I would love to listen to your last comments. What is your take from this conversation? Maybe I will start with Prof. Chang, your take, one minute.

**Professor Ha-Joon Chang:**

Yes. Sure. I think that 20 years ago there was a huge literature in the academia about African exceptionalism. It said that Africa is destined to under develop, its got the wrong history, wrong mix of people, wrong climate, and wrong geography. Now, that sense of pessimism is gone and now the continent is looking forward. But I think it is very important that we focus on building industry, building productive capabilities, accumulating knowledge, skills and research rather than just focusing on immediate poverty reduction or simply increasing GDP whether by pumping oil or selling land to other people. I think that focus on production/productivity is one thing I would really like to emphasise.

**Moderator:**

Minister Nikishina.

**Ms. Veronika Nikishina:**

Since indeed there is always in the world the kind of juxtaposition between the positive agenda and the destructive agenda, and we are currently living at a time when this juxtaposition is so clear. I think that there is a proverb in Russia, which says that in order to make light, it is important for everyone to light a candle. I think that every one of us in our area of responsibility, in our own position has to invest one's possibilities in creating a positive agenda so that this positive agenda becomes for us a common agenda.

If indeed we create a platform in which people invest in fighting poverty, others would invest in security, others would invest in economic stability, then we will be able to forge a positive agenda that will become a platform for economic development, and interaction between our countries and continents. Let us light a candle each one of us, and then we will make light.

**Moderator:**

Mrs. Abramova

**Mrs. Irina Abramova:**

We are living in a transformative time, but we very often think in old categories. Unfortunately, the institutional mechanism that exists in the world and that to a large extent defines the decisions that are being made is obsolete. Professor Chang spoke about the Secretary of the Treasury Hamilton, who is part of history. Another economist, Karl Marx spoke about the conflict between basis and superstructure. The economic basis is now moving to the developing countries. 57% of international trade is in developing countries, whereas all the institutional mechanism was created by the Western countries, and it is no longer functional.

Therefore, we need to think about taking into account the development of the African continent, about reforming this mechanism and creating perhaps some new forms of interaction including in trade.

## 2.2 Panel Discussion

### Moderator:

Commissioner Muchanga.

### Ambassador Albert Muchanga:

Thank you very much. Trade has historically been the engine of development and international trade is under stress. That being the case, the future of African development through trade is through continental integration. When we integrate, we are going to stimulate industrialisation. As indicated, there is a growing middle class in Africa so it is going to increase trade flows among African countries. It is also going to be a magnet for demand for products from other countries of the world because the middle class is always associated with high consumption.

In this respect, I think Africans throughout, whether in the diaspora or on their continent should realise that if they want to develop, it can be through continental integration. That is the basic foundation. Thank you.

### Moderator:

Well, thank you all. Allow me to say as a moderator, that it was a great honour and a great pleasure. I learned a lot and I hope that the audience did as well. For me, what are the keywords? The first is the reality of enclavement in Africa. Enclavement that is not just economical, but that it is physical, that is in all works. What this continental agreement just aims at is integration. That is the keyword, integration. For this integration, one has to be smart, with enough flexibility and enough uniformity.

Just going to a second level, infrastructure, I would say, it is a must, it is a priority, an immediate priority. Knowledge, knowledge transfer, knowledge fostering is a responsibility that we all share but it is also the future, the seeds of prosperity. I would end up by speaking about youth. You cannot speak about Africa without speaking about youth. Youth is there, we have to take full advantage of this potential. Thank you. Thank you all very much.

“

The future of African development through trade is through continental integration. When we integrate, we are going to stimulate industrialisation.

H.E. Ambassador Albert Muchanga,  
Commissioner for Trade & Industry,  
African Union Commission

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### Professor Ha-Joon Chang:

Thank you very much to Ana Palacio and a wonderful panel. Please, if I could ask you to rise and acknowledge the gratitude from the audience. Please stand up.







## 2.3 South-South Trade: Path for Africa Integration into the Global Economy



### 2.3.1 Keynote Speech

## Professor Eswar Prasad

Tolani Senior Professor  
of Trade Policy and  
Professor of Economics  
at Cornell University,  
and Senior Fellow &  
New Country Chair in  
International Economics  
at the Brookings  
Institution

Good afternoon. It is truly an honour to talk about South-South trade, which has important resonance for the future of Africa. The topic could be considered as a way of thinking about how Africa should integrate itself into the world economy. That leads to another dimension, which is thinking about how the continent will integrate itself, not just in terms of trade but also in terms of the underlying framework of macroeconomic and structural policies that are necessary to support trade integration.

South-South trade is a catalyst for Africa's integration into the world economy, and Africa needs to boost sustainable economic development as the framework for jobs and equity as well as inclusiveness. Indeed, among the major constraints in developing African economies is the small scale of the markets. For a big country like China, it is easy to accomplish the scale domestically, but for many African countries, scale cannot be achieved without integrating the markets.

The continent is also challenged by heavy reliance on imports from outside Africa. There are important questions to be addressed about why Africa, despite its enormous resources, is still so dependent on the rest of the world for imports of manufactured goods.

South-South trade is also key for preparing African firms for global competition. Learning by doing is

essential and can be an effective way of preparing for this global competition. We also need to think about the potential within the region for the creation of supply chains. Africa is endowed with enormous natural resources, and there is a great deal of value that can be created by boosting investments in the manufacturing sector. Benefiting from the growing population in the continent and the size of the middle class, there would be enormous opportunities of development for the manufacturing of consumer goods, investment goods, as well as integration into the supply chains. There is an urgent need to provide incentives for the African manufacturing sector to enable it to satisfy these needs. There are also enormous gaps in investment in capital goods, including equipment and skills. These gaps must be filled as a priority for Africa's industrialisation.

In recent decades, the world economic order has changed dramatically. In addition, technological advances have reduced the need for physical labour and increased reliance on high skills and technology. The African manufacturing sector must adapt to these developments in order for African products to be globally competitive.

When we consider the services sector, we must consider low-end and low-tech services, including retail and wholesale services that are related to the distribution of consumer goods. Africa has advanced significantly in services delivery in recent years but there are areas in which more improvements are needed. In the distribution of consumer goods and even agricultural products, for example, there is a lot of waste in the production systems that are currently used in the continent.

One of the critical issues in Africa is making sure that the potential labour force that Africa is richly endowed with can meet the needs of new industry and global competition. Certainly, education and capacity building are important elements that need increased attention. In addition, it will be difficult to think about manufacturing and trade without planning to develop infrastructure. Africa also needs reliable power supplies, transport networks and other forms of infrastructure to support trade.

To do all that there is a need for more finance both in terms of domestic and foreign investments. Foreign capital is, of course, critical. However, it appears that Africa is endowed with significant domestic financial resources that remain untapped in the form of foreign reserves. Furthermore, it is clear that there is an urgent need to channel more FDI away from extractive industries to other sectors like infrastructure and agricultural production. This is not a challenge that just Africa faces. Emerging markets around the world face the problem of how to get the right capital that goes into productive sectors rather than just resource extraction.

Of course, FDI plays a catalytic role in bringing in other indirect benefits including technology transfer, innovation and capacity development.

In India, for example, foreign investors have played a very important role in the development of the equity markets. However, foreign investors do bring with them certain risks, especially if regions or countries do not have good macroeconomic policies, or good governance, then that capital can turn out to be very flighty. It can leave as quickly as it comes in, so one must think, not just about attracting foreign capital, but what is necessary to keep it there.

Certainly, regional institutions such as the African Export-Import Bank have a very important role to play in terms of bringing in foreign capital, and in terms of providing seed money that allows foreign capital to be brought into the continent in a much more productive way. In addition to this catalytic role, a lot more needs to be done. It is worth thinking about the barriers to foreign capital and why it is that Africa, even

though it has this potentially robust growth future, is not getting much foreign capital.

Indeed, the region has very underdeveloped financial markets. Fixed income markets in the region are quite underdeveloped and even the markets that exist are quite shallow and do not have enough liquidity. This is in addition to macroeconomic vulnerabilities in the region. It is not just exposure to global commodity price cycles, but many countries in the region have high levels of foreign currency debt, which make foreign investors a little nervous about putting money here. In addition, many countries in the region, although there's been improvement in these areas, do have policies that are potentially not very stable. One thing that foreign investors, of course, don't want to deal with is political instability.

Another longstanding issue for Africa is how to improve the quality of public institutions. The issue of governance in Africa affects, not just the amount of capital, but also the types of capital coming into Africa. FDI flows into countries that not only have good financial markets that are able to absorb those funds, but also countries that are well-governed. These are very fundamental issues that Africa needs to address.

There are additional issues as well. It is not just about boosting trade, but about how to make the benefits from growth and trade much more sustainable and inclusive. Unless people feel more connected through the financial system or through other means into this process of development, they are not going to support reforms. What are the paths to do this? One important issue is regional financial market development. I think this can play a very important role, again, in terms of gaining size and traction.

In terms of size, by which I mean depth in liquidity is important African countries, many of which are small, cannot develop major financial markets on their own and it's unrealistic to expect some of them to do so. Maybe regional integration of financial markets is a way of creating these benefits. I would also suggest broadening financial inclusion, as is already being done in many countries in the region so that both the traditional and new technologies, including mobile phones and other forms of digital inclusivity give people a sense that they are also vested in, and going to benefit from, these reforms.

Ultimately, the reality is that any reforms that one undertakes like opening up trade or opening up financial markets will create some dislocation. The question is whether there are going to be good social safety nets that are robust enough to support those who are going to face the difficulties of this dislocation.

## 2.3.1 Keynote Speech

There are some very specific elements that I think need to be dealt with in the region. There is much talk of harmonization of trade regimes, but certainly, as those of you on the trade front know, there is still much to be done in terms of the actual elimination of trade barriers.

I was coming here to Moscow just from the ECOWAS region, and ECOWAS in principle has open trade. Even the senior policymakers tell me about how when one crosses national borders, there are duties to be paid, there are other sorts of restrictions. On the ground, the reality is still that there are trade barriers. Like I said, both financial development and regional financial integration, both of which I think need to go together are important priorities, but also needs mobility of factors, both labour and capital across the region.

Then it's very difficult to think about the harmonisation of trade regimes and think about inviting in capital from the rest of the world if there are big disparities in terms of current account and capital account regulations – those need to be fixed as well. There are even more mundane things, even things about trade between Nigeria and Ghana, this still goes through vehicle currencies, such as the dollar.

There are certainly ways through which integration of payment systems within the region, on which again there is some work being done in different regions, could actually promote trade. There is this vision of Africa having a common currency, which might promote trade. I think that is a vision much further off into the future, because there is a lot of important groundwork to be done in terms of making sure that the elements are in place. A lot can be done, as I will show you from the Asian case, in terms of trade integration and financial integration without a common currency. Linking up regional payment systems is crucial. Then of course, stable policies are important as well.

I have touched upon the role of currency, but it is worth thinking a little bit about this. Again, this is an issue that came up in the morning presentation. Now, in Africa, capital inflows have largely gone into the extractive sector, and unfortunately, the way Africa has managed currency has, I think, hurt its ability to develop its manufacturing sector in particular. Capital inflows into the extractive industries have often led to real exchange rate appreciations as they normally do. This tends to have a very destructive effect on the external competitiveness of the manufacturing sector.

In addition, some countries in the region have been pegged to the Euro, the CFA franc zone in particular. While this is certainly to provide an anchor of stability, provide low inflation, it has come at the cost that many of these countries have misaligned exchange rates. Exchange rate stability might seem a wonderful thing, but it sometimes comes at a cost when that it's not quite the right exchange rate for your economy.

What is the right solution to these problems? My sense is not that a fixed exchange rate or a tightly managed exchange rate is the answer. Again, the answer is linked to what I discussed before, that you need financial markets that are able to allocate both domestic and foreign savings in accord with a country's trade and development objectives. This is not necessarily industrial policy, but just thinking about how best to use a country's comparative advantages.

My sense, based on some work that I have been doing recently, is that flexible exchange rates, with some degree of management to address short-term volatility, can actually help buffer the region from external shocks. Ultimately, it is good policies, and I keep going back to this theme, good domestic policies in terms of macroeconomic and structural policies that are necessary to reduce exchange rate volatility, and capital flow volatility.

The path that some countries like China took to undertake systematic evaluation of exchange rates can be difficult to sustain. While it is a tempting strategy for Africa, I do not think it is an advisable strategy, because it creates the need for several domestic distortions, including the repression of the financial system, which is what China did, and which was very costly in some ways that are obvious and some ways that are hidden. I do not think this is necessarily the right path for Africa.

Another challenge that Africa must address is how to mitigate the risks pertinent to external shocks. The question relates to whether there are adjustment mechanisms in place to deal with the current, as well as the expected, shocks when Africa integrates into the world economy. These include shocks related to global commodity prices, foreign interest rates and foreign exchange rates.

The best way to deal with this is to think about product and labour markets that are more flexible and can absorb these shocks. It is also important to think about mechanisms for managing not just country-specific, but also region-specific, shocks.



There are a variety of trade arrangements that Asia has implemented including bilateral, multilateral and regional agreements that Africa can copy. Some of these examples are the regional risk sharing arrangements, such as the Chiang Mai Initiative. These involve pooling the foreign exchange reserves across the region so that at least if individual countries in the region get hit with balance of payments difficulties other countries in the region can bail them out.

In addition, these initiatives have also been linked up with regional financial development and integration. Asia had been accumulating a lot of foreign exchange reserves. Rather than investing those in low-yield advanced economy bonds, Asia decided that they would start investing in each other's bond markets. This accomplishes two things. It keeps savings within the region, but it also allows for the development of domestic fixed income markets, which again are important for properly allocating both domestic and foreign savings.

Africa also needs good governance mechanisms like, for instance, the regional surveillance mechanism that the ASEAN+3 has set up. It is not clear that this mechanism has bite, but this is the framework that Africa may wish to consider in integrating trade and financial integration with governance mechanisms, both at the domestic and regional levels.

Therefore, for Africa to expand international trade within the current complicated global environment, the whole continent must be unified in its approach to new global economic realities. African policymakers and leaders must take a more positive role here in addressing these new global challenges.

Let me conclude with just two sets of observations. The first one is about the progress that is underway in Africa. The African Continental Free Trade Area is, in my view, a very significant step forward for regional integration. It shows that there is a political will in the region to bring it together. Even here, the realities on the ground do not quite match up to the rhetoric. Making sure that the AfCFTA becomes a reality, not just in terms of the slogans, in terms of the framework, but in the reality on the ground is crucial. There is work in terms of the payment and settlement platform, which the African Export-Import Bank is going to launch later this year. This, again, is going to provide a much more efficient payment and clearing settlement.

I think there are ways to improve this system further using new financial technologies that many countries, such as Singapore are using to save liquidity, which is a very important consideration for the region. When one thinks about financial market integration, certainly there is a lot to be done. However, when it comes to banking regulation and supervision for trade and financial integration, Africa seems to be making progress.

There is some room for optimism, but I think there is a long way to go still. If I think about the path forward, I would argue that there is going to be a renewed commitment to trade integration. I emphasise here again, it is not just about signing trade deals, about coming up with trade agreements, which are a very important framework, but the reality on the ground needs to match what is in those frameworks.

Macroeconomic stability is something that countries cannot do without both for fostering trade and bringing in foreign capital and encouraging financial development. But ultimately, one needs a whole host of other policies dealing with infrastructure, power, energy more broadly, and the development of logistics infrastructures as well, to support trade.

In all of these, I think one challenge that African leaders face is that while it is clear to the world that they understand the problems, many of these promises that they have made, they need to deliver on. So, meeting these commitments, providing transparency sometimes when those commitments cannot be met for a variety of reasons that come up, can really help in building credibility.

Of course, while moving towards a better future, Africa also needs to be prepared for bad things happening along the way. There are going to be shocks, there are going to be risks that must be managed, so building resilience is important. I think the emphasis really needs to be on what is necessary in terms of the foundation. If the foundation is right, Africa can achieve great things and I hope it will.

## 2.3.2 Knowledge Sharing

### Panel Discussion:

# Trade: Path for Africa Integration into the Global Economy

#### Moderator

**Mrs. Shannon Manders,**  
Editorial Director,  
Global Trade Review (GTR)



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#### Panellists

**Dr. Carlos María Correa,**  
Executive Director  
South Centre  
Geneva, Switzerland



**Engineer Hani Salem Sonbol,**  
Chief Executive Officer,  
International Islamic  
Trade Finance Corporation,  
Saudi Arabia



**H.E. Mrs. Soraya Hakuziyaremye,**  
Minister of Trade and Industry,  
Rwanda



**Mr. Moataz Yeken,**  
Senior Advisor Investment  
and International Cooperation,  
Republic of Egypt



**Moderator:**

Good afternoon and welcome to this session where we will continue the discussion on the topic of South-South trade and investigating Africa's integration into the global economy. We will be sharing insights on the opportunities and challenges for Africa as a partner in South-South trade. We will focus on how trade can be harnessed to propel the continent's economic transformation as well as its global competitiveness. My first question is to Minister Soraya Hakuziyaremye to give us a brief overview of what Rwanda is doing in terms of the South-South trade today.

**Mrs. Soraya Hakuziyaremye:**

In Rwanda our first task was to set up a conducive business environment with the objective of enabling trade with the rest of the region, and even with economies across the world. Consequently, today Rwanda is ranked among the top 30 countries of the world for ease of doing business. This was achieved through consistent reforms in government institutions and business laws and making sure that we build an environment that is investment friendly. It takes, for now, six hours to register a company in Rwanda. We have also opened up our economy as well as joined the East African Community in 2009, to integrate our trade at the regional level.

Our traditional exports have always been coffee and tea, but we knew with the size of our land, we could not compete with countries such as Ethiopia or Kenya. We started specialising in re-roasting coffee to add value to our exports. And although our traditional markets had been Europe and the US, we also started opening other markets. For example, now Alibaba has an electronic world trade platform in Rwanda, which allows our coffee growers to start selling their coffee to the Chinese market.

In general, we have seen significant progress in trade with African countries in recent years. Developing our own airline and making sure that they open routes to other parts of Africa has also encouraged this. We are now connected to countries like Senegal and Cote d'Ivoire, which are part of ECOWAS. We did not have trade relations with these countries in the past.

Outside of Africa, of course, China is one of the major trading partners as in many countries in Africa, but we also look at other Asian countries like Singapore. We also make sure that, in addition to trade in goods, we also trade in services and share knowledge with those countries.

Furthermore, we are starting to work on value-addition activities in some of the sectors that have traditionally been exporting raw materials in agricultural commodities and minerals. As such, we have opened a gold refinery and a tin smelter which will allow us to export processed products. Now our main trading partners include countries in the Middle East, and this shows that through the development of industries for greater value-addition African countries can get access to all the markets which were not traditionally reachable.

**Moderator:**

**Mr. Yeken, could you share with us a similar overview of Egypt's South-South trade success stories?**

**Mr. Moataz Yeken:**

Egypt is also working on the facilitation of the business environment to make it more conducive for South-South trading as well as for cooperation in economic and technical expertise exchange between different countries. As such, Egypt has long experience in technical cooperation with African countries through the Technical Cooperation Fund for Africa that covers several areas of expertise including resources management, construction, logistics and ICT.

During the last two years, there have been more than 250 Egyptian experts working in different countries in Africa. Also, Egypt is one of the founders of the COMESA to promote intra-regional trade between several African countries.

Initially, we have also announced the establishment of the Africa Investment Guarantee Fund, which will be the first African investment guarantee institution in the continent. The objective of the Fund is to encourage investment flows into African nations, and we believe this will play a very important role in increasing FDI inflows into Africa and will support inter-regional economic cooperation.

Finally, Egypt has a highly skewed direction of trade and investment partners, mainly European. However, our endeavors to increase and deepen the cooperation with Africa are already bearing fruits. We will soon be witnessing the establishment of the first Egyptian factory in Tanzania for pharmaceuticals. This would be the first factory to be established outside Egypt in Tanzania working for pharmaceuticals. The factory will produce a wide range of pharmaceutical products for the Tanzanian market and for exporting. This is a success story I would like to share with the audience.

## 2.3.2 Panel Discussion

One of the policies that we have started implementing since 2015 is to promote locally manufactured goods and to make sure that our products match the quality of other competitive products. This policy has focused on financing and equipping our manufacturers with the technology, and because of the implementation of this policy our local products have increased by 69 percent in four years.

**Moderator:**

Now, Eng. Sonbol, the ITFC has very recently signed a raft of deals worth US\$1.1 billion focusing specifically on South-South trade in some African and central Asia countries as well as some Latin American countries. Please share with the audience the key objectives and scope of ITFC that are related to supporting South-South trade.

**Eng. Hani Salem Sonbol:**

ITFC is the International Islamic Trade Finance Corporation which is a member of the IDB group, and it is a purely South-South multilateral development institution, and its mandate is to enhance and boost intra-trade in the south. As such, most of our programs are in financing, which reached more than US\$75 billion of financing in purely South-South trade.

We have also been diversifying our products so that we can serve the continents' needs. In the beginning most of those needs were for financing. However, recently we focused more attention on capacity development. Consequently, in 2017 we revisited the business model of ITFC to better serve our partners in Africa. Our new business model is to provide financing as well as other programmes to build the capacities of the recipients and to help them improve their governance to be able to submit bankable projects.

Among our recent successful initiatives is the launching of the Arab-Africa Trade Bridge Programme, which aims to enhance trade and investment between the Arab states and the African states, and we are progressing well in this programme in collaboration with several partners including Afreximbank. In addition to finance, this programme also covers insurance and infrastructure projects. We recently signed a \$500 million trade facilitation programme for Africa in Marrakech.

Furthermore, we also support SMEs boost South-South trade and there are specialised programmes customised for member countries in Africa. The last one of these was the ITFC SME programme that was launched in Burkina Faso.

**Moderator:**

**Dr. Correa, please give us a brief overview of the work of the South Centre, and share with us your activities related to South-South trade?**

**Dr. Carlos Maria Correa:**

The South Centre was established in 1995, and its key objective is to support developing countries through policy research and technical assistance. One of the major drivers for its establishment was President Nyerere from Tanzania. Today, the Chairman of the board of the South Centre is a former president from South Africa, Thabo Mbeki.

Our work is oriented towards providing support in international negotiations, including, of course, in international trade, to help these countries better negotiate with other partners, particularly developed countries, and also to provide technical assistance.

For instance, the South Centre has been involved in providing technical assistance in the negotiation of the African Continental Free Trade Area agreement. The purpose of the Centre is to improve the capacity of developing countries to have their voice heard in international forums. In trade, for instance, we are looking at ensuring that the WTO is serving the interests of developing countries. Many African countries have challenges with emerging issues such as e-commerce and others on which developing countries need to have a position that lead to promoting and strengthening their development efforts.

We are very happy that we have a strong interaction with African countries, 24 of our members are from Africa. We hope we will increase our membership in the future.

Without a doubt, some of the African countries are facing debt challenges, and the vulnerability of some countries has increased substantially, but all over Africa significant economic progress has been made. This is rather promising in terms of strengthening institutional capacity and in terms of paying attention to new trends such as improving South-South cooperation, which has become an important issue for many African countries.



**Moderator:**

**Mrs. Soraya, Africa's share of global trade remains very low, and the continent has not benefited as much as it should have and indeed, as much as its Asian counterparts have. Please share with us your thoughts on why this has not happened.**

**Mrs. Soryaya Hakuziyaremye:**

I believe this is a complex question, but some bits of answers lie in the kind of trade that Africa has been doing over the past 50 to 60 years. Where our economies still were dependent on international aid and there was no clear incentive, or the mindset change where we would say, African needs to be self-reliant.

Furthermore, most of our trade was based on raw materials rather than manufactured goods. With that, it is extremely difficult to compete and to have our own share of global trade. However, in recent years most African countries have become aware of the need to manufacture their own goods instead of relying on exports of commodities and raw materials.

The African Continental Free Trade Area is something that will change the game for all African countries, and soon we will be able to negotiate trade partnerships on an equal footing with other partners. It is easier to go and negotiate when you have a market of 1.3 billion people than if you have a market of a few million people.

**Dr. Carlos Maria Correa:**

The most important issue for Africa is to focus on the transformation of its economies and the transformation of trade from commodity to finished goods. Indeed, for many agricultural products the added value can be tremendous if they are processed. For example, Morocco produces Argan oil, which is exported to Europe as a raw material for a cheap price and reimported by Africa as a manufactured good at a much higher price. Other commodities like cotton, coffee and cocoa are traded in the same way. We must diversify our products so that we can take our share of the global value chain.

Of course, trade is not an end but a catalyst for growth. Therefore, African countries will need complementary industrial policies. It is a myth that developed countries have not used or are not using active industrial policies if they want to change their current pattern of production. African countries should also adopt some sort of smart protectionist policies such as the so-called infant industry policy.

Furthermore, African countries will not be able to develop manufacturing capacity unless they have enough resources in terms of human capital, skills development policies and investments. These are the necessary tools for developing a manufacturing capacity.

Finally, I would like to emphasise that from the experience of many countries, especially in Latin America, FDI does not seem to have the spin-offs that the host developing countries usually expect. This particularly applies to the issue of technology transfer and skills developments. Therefore, while it is important to try to attract foreign investors, it is equally important to ensure that the investments will generate the required results in terms of capacity building and knowledge transfer as a means for job creation and values addition to local products.

**Moderator:**

**Mr. Yeken, what are the most critical barriers that need to be removed to enable Africa to become competitive enough to participate in South-South trade?**

**Mr. Moataz Yeken:**

Well, two points: a unified institutional framework is very important. African countries must come into a streamlined institutional framework for trade flows between different countries. The other important issue that will help in increasing integration in the global economy is knowledge sharing through entrepreneurship. During the Africa Summit in Sharm El-Sheikh in 2018, we invited entrepreneurs from all over Africa to learn from their experience and to share knowledge, and the results were extremely positive and encouraging.

We are currently mobilising resources with different international development partners, including the Islamic Development Bank and the World Bank in order to support more entrepreneurship initiatives and to help grow the entrepreneurial spirit across Africa. This will really add value to the initiatives for integrating in the global economy.

**Comments and Questions from the Audience****Question:**

**Is the South-South trade and investment services you provide in support of Africa structural transformation?**

## 2.3.2 Panel Discussion

### Response by Dr. Carlos Maria Correa:

Structural transformation will need not only just the market to lead the transformation. You will need the African states to apply the right policies. As you know, there has been a lot of evolution in terms of the economic theory about the role of states. It is widely accepted that in developing countries there is a need to have a good combination of market dynamics in addition to the right public policies.

With more than 62 percent of the population in Africa below 25 years old, the continent is in a unique position in terms of positive economic prospects. However, there are many challenges. For instance, the so-called Fourth Industrial Revolution will not help create jobs. The challenge that Africa must address is how to develop an industry that creates the jobs that young people need. The other challenges include how Africa will incorporate the rapidly advancing new technologies and how to remain globally competitive in a world that is increasingly enhancing its productivity through using technology.

In short, we have so many challenges that we need a more articulated policy to address those challenges.

South-South cooperation is not only about trade but also about sharing experiences. Let me mention experience from a Latin American country. Bolivia has been one of the poorest countries in Latin America, but it is doing very well in the economy today. They are also very reliant on natural resources including lithium, which is used to produce batteries for electric cars. Instead of inviting a foreign enterprise to extract the lithium, Bolivia called foreign enterprises to extract the lithium and produce the batteries locally. This is the way in which Africa needs to transform by having smart policies to add value to the immense resources that the continent has.



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While it is important to try to attract foreign investors, it is equally important to ensure that the investments will generate the required results in terms of capacity building and knowledge transfer as a means for job creation and values addition to local products.

Dr. Carlos Maria Correa,  
Director of the Centre for Interdisciplinary  
Studies on Industrial Property and Economics  
Law, at the University of Buenos Aires

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### Professor Benedict Oramah:

The reason why we are here is that Africa is in a quest for partnerships based on the mutual quest for shared prosperity. The Russians are looking to work with Africa to create wealth for Russians and also wealth for Africans. We in Africa are looking to expand our partnerships to diversify the sources of growth for our economy. Russia supported Africa when it was undergoing a political struggle, and we need to bring Russia back now that Africa is in an epoch of economic struggle. When we bring Russia, we bring others including China, the Europeans and the Americans and then we will have a complete set of countries that will help us in our development endeavours.

We have been actively engaging with Russia in recent years and a lot of progress is being made as witnessed by a 70 percent growth in trade between 2017 and 2018. That tells you that something is beginning to happen. Before we started our engagement, the share of Africa-Russia's trade was just 1 percent of the total trade. By last year it had reached 4 percent. Furthermore, our deals with Russia have recently amounted to US\$5 billion, and Russian businesses are currently in Africa looking for opportunities, not just in trade, but in investment as well. I think that in three to four years the Russia-Africa trade will be in the region of US\$40 billion. I think that's what we are looking for.





## 2.4 Knowledge Sharing Panel Discussion:

# Reflections on the Transformative Power of South-South Trade - Conversation with Chief Olusegun Obasanjo

### Moderator

Mrs. Lukwesa Burak,  
News Presenter BBC



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### Speaker

H.E. Chief Olusegun Obasanjo,  
Former President of the Federal  
Republic of Nigeria









## 2.4 Panel Discussion

### Moderator:

Chief Obasanjo, based on your extensive experience and knowledge of Africa's development, in this conversation I would like to pick your wisdom on how to make South-South Trade work.

### Chief Obasanjo:

First, I would like to say that it is delightful that Russia is now prepared to work with Africa in development. For us to make progress in Africa, we must economically integrate. Indeed, the African Continental Free Trade Area Agreement was an important step in the right direction towards that integration. However, with integration we also need cooperation and partnerships within Africa and globally. As such, it is not the first time that the issue of South-South trade has been on the agenda. However, it must now be taken seriously as a matter of policy, strategy and implementation.

When we talked about South-South cooperation in the past we meant cooperation between Africa and South America, but very little achievements were made. Then we had our own regional economic communities in Africa but the results that we have achieved have not matched our words in terms of South-South cooperation and trade. However, last year we took a more positive action by establishing the AfCFTA, and I believe that we must do the same with South-South trade.

Africa for the first time made a significant achievement in free movement. We are already in the process of getting an African passport and an open African sky. These are important steps that must be implemented and sustained. Even those countries that have not yet ratified the AfCFTA are preparing to sign. Nigeria for instance, has been slow to sign, has no choice but to sign very soon.

Obviously, there has been a lot of debate about the internal political reasons that caused Nigeria to be delay its ratification of the agreement. However, the fact is the consultation that should have taken place did not take place. I think that is what really happened.

### Questions from the Audience:

#### Question:

**Why have African countries failed to take advantage of existing regional economic blocks to boost trade and industrialisation, and what is needed to remodel or abolish in these regional blocks?**

#### Chief Obasanjo:

I do not think the answer is to abolish, I think the answer is to make these regional economic communities do what they are meant to do. ECOWAS, for instance, is progressing in almost all directions including in free movement of goods, services and people. We also have an investment and finance organisation for ECOWAS based in Lomé. ECOWAS has also decided to have a common currency. However, we still have some challenges when it comes to the speed to full implementation of what has been agreed on.

Therefore, the answer is not to scrap these regional economic blocks. A better approach would be to use them as building blocks for the economic integration of Africa. If they fell short of achieving what they were mandated to achieve, let us urge them to put more effort to deliver, rather than kill them.

#### Question:

**What are we doing or what should we be doing in terms of infrastructure development, including transport and internet connectivity?**

#### Chief Obasanjo:

I think it is not enough to come up with the signing of an agreement. We must also look at the various components that must go along with it, so that the agreement can be effectively implemented. The truth is that we lack the infrastructure to make the African Continental Free Trade Area work as it is envisaged. We have huge shortages, including in transportation and ICTs. Generally, transportation infrastructure is very poor. For instance, on sea, I believe that if we have thriving coastal shipping in Africa we will be able to increase our intra-African trade by 10 percent. That is one area where we really need to move faster. With the current favourable peace and security conditions in the continent, the spread of democracy and with the support of Africa's institutions, financial resources for infrastructure can be mobilised both from domestic and foreign investors. Africa is now extremely attractive to foreign direct investment, and we should benefit from this positive environment to boost infrastructure as an urgent developmental priority.



**Question:**

**As the largest African economy, has Nigeria taken advantage of the opportunities that South-South trade offers?**

**Chief Obasanjo:**

Indeed, you are thinking about specialisation, efficiency gains, exporting or diversifying the export markets and investment flows. I think what needed to be done on those issues was done but unfortunately, not in a sustainable manner.

For example, in 1977 while our economy was going down, we were spending US\$5 million to import toothpicks. When we banned the importation of toothpicks people started producing them locally, not for domestic consumption but for exportation.

Another example from Ghana was it wanted to be self-sufficient in poultry products. It was advised by the World Bank not to do so, otherwise it would not have financial support.

We must have economic independence and the freedom to plan our economies. However, that independence cannot be achieved unless we have an agreement like the African Continental Free Trade Area integrating us and enabling us to trade together and to be able to choose our own economic destiny.

Look at what is happening with the Cotonou Agreement. We had five regions in Africa and one in Pacific and one in the Caribbean. Even with all the seven of us together we could not benefit much from them. Now they are broken off into pockets. They will now negotiate with us region by region or even country by country. They talk of something they call reciprocity. These countries will be talking one by one to the European Union while we are told that this is reciprocity. Let us come together and have our own reciprocity among ourselves.

## 2.5 Knowledge Sharing

### Panel Discussion:

# Launch of Afreximbank Strategy for Export Trading Companies (ETC)

#### Moderator

**Ms Bronwyn Nielson**  
Chief Executive Officer,  
the Nielson Network, South Africa



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#### Panellists

**Mrs. Kanayo Awani,**  
Managing Director,  
Intra-African Trade Initiative,  
Afreximbank



**Mr. Gamal Mohamed  
Abdel Aziz Negm,**  
Deputy Governor,  
Central Bank of Egypt





**Moderator:**

As we are aware, Afreximbank is implementing a lot of initiatives and programmes that seek to integrate African businesses into regional and global value chains. The aim of these initiatives is to ensure value addition, market access and to develop exports to support the structural transformation in the countries in which they operate. You are going to proceed with the launch of the Export Trading Companies (ETC) strategy. The event will be led by Mr. Gamal Negm who is the Deputy Governor of the Central Bank of Egypt, and Mrs Kanayo Awani, the Managing Director of the Intra-African Trade Initiative at Afreximbank.

**Mrs. Kanayo Awani:**

I would like to start with a story about the African pig farmer who, like all other farmers in Africa, exists on subsistence farming. On an individual basis, the farmer struggles to find their markets to sell his products and to get a good price allowing him or her to expand their business.

To undertake cross-border trade, the farmer has to deal with small quantities of pig products and he also receives cash in transactions. This is the trend that is similar to all the farmers doing cross-border trade across Africa. This is indeed the plight of informal and small-scale businesses in Africa. It presents an institutional market failure. The farmers have limited access to trade and market information. They lack the capacity to export and comply with the plethora of export requirements. Furthermore, there are no entities that can help these small farmers with small production to aggregate their produce so as to reduce transaction costs and achieve economies of scale.

Presently, Africa has a stock of over 40 million pigs. 25 percent of those pigs exist in Nigeria and Cameroon.

The moral of the story is that there are no entities that exist to aggregate and export the products of pigs in large quantities, even domestically across the borders or even to lucrative markets such as China. China buys every element of a pig. The story is across the board. I have restrained myself from even talking about poultry farming again. Indeed, research confirms that Africa continues to lag behind other regions. In fact, direct exports of SMEs only amount to about 3 percent compared to other regions such as developing Asia which is approximately 3 times more than Africa.

This reflects the scale of the problem of lack of adequate structures to access export markets. Afreximbank has been carefully crafted to alleviate these constraints. It proposes concrete measures to create an enabling environment that would directly enhance intra-African trade to increase Africa's participation in regional and global value chains.

Our strategy suggests that if Africa is to unlock its true potential and take its rightful place in the global trade arena, it must resolve the obstacles to intra-regional trade by exploiting opportunities that will arise using market access intermediaries in the form of Export Trading Companies.

This arrangement will greatly enhance and create linkages to regional and global markets. The impact of the SMEs will be significant. They don't need to worry. They don't have the capacity to export. They don't have the capacity to meet the stringent export requirements, but they can become indirect exporters in a sense. As you may be aware, over the last two decades ETCs have also played a critical role in trade facilitation and market access in Europe and Asia.

In fact, over the last 10 years European export intermediaries have accounted for 25 percent to 60 percent of exports across Europe. In Asia, 50 percent of Japan's total exports were facilitated through nine of the largest Japanese general trading companies. It is therefore not surprising that these two regions have the highest levels of intra-regional trade. It is against this backdrop and background that we are extremely proud this afternoon to launch the Afreximbank Export Trading Company Strategy for Africa. The Strategy, which is the very first of its kind in Africa, aims to promote the emergence and expansion of ETCs in Africa.

We will make an intervention to promote, to support existing ETCs and intervene to support in any way that is required to promote new ones emerging in Africa.

The primary goal of this strategy is to increase intra-African trade through introducing various strategic interventions that will bolster the ETC landscape in the continent. As we highlighted earlier, in Asia, ETC's can also play a vital role in industrialisation. ETC's can support inputs into products that are manufactured in our industries and industrial parks. In Afreximbank, part of our industrialisation strategy is to support the development of industrial parks.

## 2.5 Panel Discussion

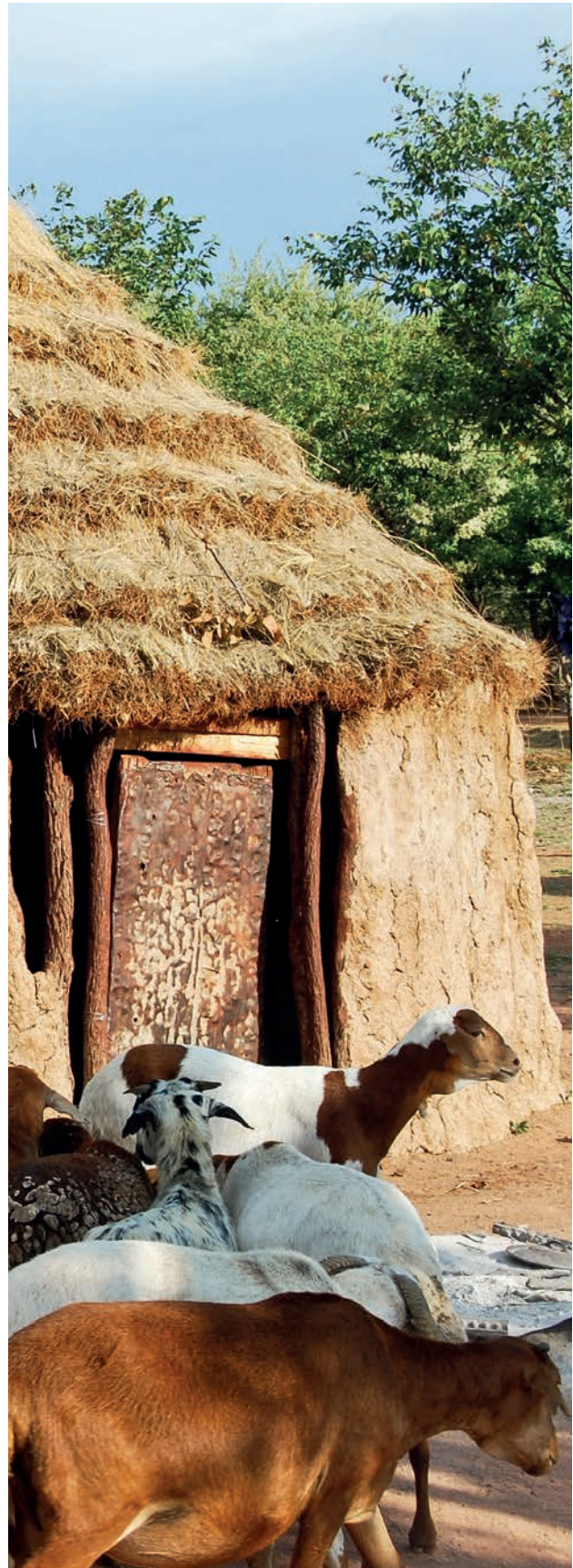
This ETC solution also enables products from the industrial parks to find markets within Africa and also globally. The strategic interventions that we propose in our strategy will include developing a legal and regulatory framework for adoption by African countries. This strategy also aims to provide advisory and twinning services as well as financial instruments to support the growth of Export Trading Companies. The strategy also recognises the importance of strategic partnership and capacity development.

On behalf of the President, Board of Directors, Management and staff of Afreximbank, please join me in commending the excellent work that was achieved. Please also join us as we commence another exciting chapter in transforming the continent through trade. We also look forward to working with our Russian business partners to support the emergence and expansion of ETCs in Africa to support intra-African trade as well as to expand trade between Africa and Russia with the ultimate objective of also changing the trade dynamics between our two regions in support of South-South trade. Thank you very much.

**Mr. Gamal Negm:**

In my capacity as Head of the Strategy and Risk Committee in Afreximbank, I would like to re-emphasise what my colleague had said, and in addition to that I would like to acknowledge the importance of the commitment from the highest level within the countries without which we could never have achieved anything on the ground.

Communication is very important to implement this initiative, and I think the challenge is not in the demand side but rather it is in the supply side. Moreover, we should have alignment with other Export Credit Agencies (ECAs) because we need finance and guarantees. Therefore, I urge and re-emphasise that it is very important at the level of every country to have ECAs and ETCs to work closely with us. Thank you.







## 2.6 Knowledge Sharing

### Panel Discussion:

# Financing South-South Trade in Difficult Global Financial Conditions

#### Moderator

**Mr. Wole Famurewa,**  
Anchor at CNBC Africa, Conference  
Moderator, Media Training  
Facilitator, Business Content  
Producer, Nigeria



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#### Panellists

**H.E. Mr. Christopher Edordu,**  
Former President and Chairman of  
the Board of Directors,  
African Export-Import Bank



**Mr. Olukayode A. Pitan,**  
Chief Executive Officer,  
Bank of Industry, Nigeria



**Mr. Alexander Kaznacheev,**  
Member, Management Board at  
CREDIT BANK OF MOSCOW PJSC,  
Russia



**Mr. Andrey Slepnev,**  
Chief Executive Officer,  
Russian Export Center, Russia







**Moderator:**

The theme of this session is to scope how can we get more finance to back South-South trade on the African continent.

I am delighted to invite our first Panellist, Mr. Pitso Molefe to give us his perspective on how trade finance capacity can be increased on the continent. We continue to hear about the huge potential for trade yet there is a huge gap that is currently estimated to be in the region of US\$1.5 trillion. How can we close this gap?

**Mr. Olukayode A. Pitso:**

I believe that the continent must become more creative. We have heard from various speakers that financing and access to capital are some of the major problems that we have, even though there is huge capital in Africa in the form of foreign reserves in international banks.

Why don't we create African champions in the financial sector? Whereby a bank like Afreximbank that is very active in financing cannot access some of those foreign funds. You create banks that are bigger because some of the other European banks are gradually moving away from Africa. Not because they want to move, but because the business size is small. Another problem is that our policies are not consistent, there's insecurity, they have lost money, there is corruption, but if you have African banks that understand Africa, they can take more risk.

**Moderator:**

Can you help us understand the situation from your experience at the Bank of Industry? I believe that last year you were able to raise US\$750 million, and that has been fully deployed already. Potentially, if you had more funds, you would have been able to deploy a lot more. Is that correct?

## 2.6 Panel Discussion

**Mr. Olukayode A. Pitan:**

That is true. If you take the Bank of Industry as an example, we had not gone out to the market before to raise money. Anybody in international finance understands that to raise US\$750 million, your debt should not be huge. However, we went through African Export-Import Bank who has been there for 26 years, with a wide network of international banks that understand Africa. Going to raise that money through them made it easier and faster for us. Then we were more creative.

Our balance sheets is about US\$3 billion and shareholders' funds are close to US\$800 million. However, we didn't leverage on the shareholders' funds. We went with the help of Central Bank of Nigeria with a guarantee through Afreximbank to raise money. If we didn't have a bank like Afreximbank, and in about seven months we raised US\$1 billion. Therefore, to raise financing for African banks and for Africa, we must do things a bit differently by working with institutions that understand Africa, and we must create local champions.

**Moderator:**

**Mr. Kaznacheev, from the experience of the Bank of Industry, it is quite clear that capital can come if you are organised for it, but how can trade finance capacity be increased on the continent from your experience?**

**Mr. Alexander Kaznacheev:**

Of course, to increase international trade is a really rewarding business. International trade finance in our bank for the last years is a high point, and we are keen on it. We have done many deals in international trade finance, so that is why we can speak about what we can provide to our clients in terms of financing trade between Russia and Africa.

Surely, we can provide financial facilities including guarantees, letters of credits, and factoring. We work with several global partners including African companies, and our financial services are growing.

The key barrier we face in trade finance is risk management. In financing exports we need to manage risk on foreign company, foreign banks. That is a key issue that needs to be addressed to facilitate African trade.

More specifically, there is a need to construct a wide network of correspondent banking networks. As has been highlighted earlier, several African banks are relatively small and unknown to Russian banks. To move forward, we must set up closer relationships between African and Russian banks so that these institutions can understand and do business together. Indeed, banks need to work through financial institutions because it is easier for local banks to manage risk than working for non-financial intermediaries.

Another barrier to trade finance is the lack of transparent statements in several African banks. That barrier needs to be addressed urgently through engagement with reputable financial intermediaries such as Afreximbank. We have limits for Afreximbank, and we used to do business with African banks through guarantees, so that is a really good way to boost international trade.

One more potential business line that has not really been used by African banks is international factoring. Last year, we became a member of the International Association, and in Africa, there are 38 banks that are members of this Association. We can act both for Russian exporters as providing financing to them, taking risk to their debtors through these 38 banks, or provide guarantors to African exporters when they work with Russian buyers.

**Moderator:**

**Thank you so much for that contribution. I think you made a few important points, which we will hopefully get back to later. Let me go to Mr. Slepnev now, and one of the points he raised was that there should be a greater use of correspondent banks. Then there is the argument that the appetite of many international banks for Africa may have dwindled quite a bit. I certainly remember during the course of volatility in Nigeria, there were a lot of reports about many correspondent banks being less aggressive about being involved there. My question to you is how to fill the financing gap?**

**Mr. Andrey Slepnev:**

Thank you. First, a couple of words about the possible reasons why international banks left Africa, and whether it is a purely an African problem or is it a global issue. We see trade wars and we see, of course, deeper impacts on the global economy. Many observers believe that current advances in technology and the new global economic system will increase the risks of doing business as it used to be done in the past. We see that as an opportunity for Africa as well as the global economy to tap this huge African potential.

My advice to financial and development institutions is to support the agenda for Africa and focus on the development and integration of Africa into the global economic system. This includes the vital development sectors such as infrastructure, ICT, food security and human development sectors. These are all the elements that make it possible to reinforce the economic potential of the region.

These are also very sizeable and lofty tasks, and not many banks are ready to support such an agenda. As a Russian public institution, just like our partner, Afreximbank, we are focused on supporting such projects, and we can absorb the potential risks that are involved in financing those developmental projects.

The Russian Export Center has an insurance agency which provides insurance for the export contracts and the Russian Export-Import Bank. Using the XR tool, we have limits opened with several large African banks and such limits can cut the deadlines and the formalities of issuing contracts. In addition, when we issue insurance for project financing or export contracts, we can structure the whole deal and invite several banks. We have good experience working with Egyptian banks because, thanks to our insurers, not only Russian counterparts are involved but also outsiders can be involved.

It is not only about selling some finished products to African countries, but these are the deals that can create the environments and the infrastructure in the region, which can revitalise the situation in a country. In terms of financial instruments and tools, we can provide classical as well as innovative insurance and financial instruments to the minimise risks.

Now, what we should have are large banks and other financial institutions that can support such a serious agenda, and this is a key factor in boosting international trade. We are ready to be involved in supporting projects that support Africa's development agenda.

**Moderator:**

**Mr. Edordu, you have had incredible experience with trade finance being the former president of the Afreximbank. When Mr. Kaznacheev was speaking earlier, he highlighted the importance of partnership with institutions such as the Afreximbank. Could you elaborate on this point about trade finance, and how we can get it to the next level on the continent?**

**Mr. Christopher Edordu:**

Thank you very much. I envisage multi-level actions and anticipate expanding trade finance availability in our continent in South-South support outside trade. African countries hold around US\$450 billion in foreign reserves in Western banks, and those banks will not want to give part of that money to the same countries that left the money with them to support trade. On several occasions during the last couple of years, we faced a situation in which international banks were withdrawing even though they were holding our money. One thing that can be done is for the authorities that hold that money on behalf of our countries to provide those funds to African entities like Afreximbank. The governments and the Central Banks need to engage directly on those points. At that level, Central Banks and the authorities allow African banks, Afreximbank, for example, to hold part of our reserves to support intra-South-South trade. Even banks like the Bank of Industry can also benefit from those kinds of arrangements under well-defined conditions.

At the level of banks, I anticipate a series of actions that can be taken to boost trade finance in the South-South direction.

The South-South trade has expanded vastly in the last decade, and now accounts for around half of global trade. The bulk of that increase has arisen because of Chinese and Indian trade. The question is how to secure funding to support this growth? There is a need for increasing the relationship between African and Chinese banks to support that growth.

Several Chinese banks come to Africa to support trade and they provide facilities that they can pull through African banks. That relationship has been growing but there is scope for expansion to further boost trade finance.

Also, among banks a recent development that I envisage to generate considerable expansion in trade in the short term are the measures the authorities are taking under new trade agreements that have just taken effect. How will that happen? Unfortunately, many African banks do not know one another. As a result, that depletes the capacity to support trade. For instance, a few years ago a South African bank did not even know the standing of the Central Bank of Nigeria. The Central Bank of Nigeria opened a small little credit of US\$5 million, and the South African bank would not accept it, because they didn't know the party they were dealing with.

## 2.6 Panel Discussion

Therefore, African banks need to come together to know one another. Mr. Pitan was talking about US\$750 million, which he can deal with. I will not be surprised if an average South Africa bank doesn't even know him, and therefore sees him as a risk. We have suggested that a forum should be created, where African banks would meet. Such forums exist in other continents. Afreximbank could take a leadership position in making that happen. The idea had started before but was not actively pushed. Given the expansion that has occurred and the potential for even greater expansion in trade, and the need for more trade finance, it is necessary that African banks create correspondent banking networks.

At a corporate level, if larger entities create supply chain relationships it could be possible for those arrangements to generate refinance resources. Hopefully, as we see the Export Trading Company initiative move forward, those institutions as well will have the capacities to support others.

### Questions and Comments from the Audience:

Relevant to the issue that is being raised now and by the panellists as well, in Europe the development of exports has been mainly sponsored by ECAs. We know all the ECAs in Europe, SACE in Italy, COFACE in France, ECGD in Great Britain and so on.

What we need here, had you been talking about taking financing to trade into African trade. Underwriting the trade risk, importers risk here requires the existence of export credit agencies or a pan-African export credit agency. This is most appropriate initiative for Afreximbank. I think this would be playing a major role in developing intra-African trade.

### Response:

Another challenge for Afreximbank and maybe we should get the former President to react and give his thoughts on that. ECAs are all about risk management, so your perspective on what he has suggested.

I think you have multi-layer requirements or potential for expanding trade finance in Africa as well as among countries in the South. The ECA has a role to play. Before now, because of the products we were exporting and the reliance on letters of credit, the role for ECAs was limited, but if we can expand in traffic and trade, there is very considerable scope for ECAs. The relevance of his point is that as we are moving into the era of the Africa Continental Free Trade Area, we need to begin to plan for this if we are really going to get the type of growth we want. I am challenging the Afreximbank to play a leadership role in promoting that.

### Question:

**Mr. Andrey Slepnev, how do you see the prospects of the development of electronic trade between Africa and Russia in a level compared with China?**

### Response from the Panellists:

I think that electronic commerce is certainly a global trend. It is growing dozens of percentage points a year, and the African continent will certainly be fully involved. The question is which platform to use. Talking about the Asian platforms where there is a lot of trading already, we are working with them actively and we plan to expand the participation of Russian players here. There are other tools that can be used.

The key question here is logistics and payments. Here I can say that the question of payments orientated toward electronic commerce is a big challenge to the financial system that we will need to address, including in African countries.

That opens up, of course, a totally new horizon because electronic commerce is always cheaper, it's modern, and this is something that many African countries need.

### Question:

**How would the African Continental and Free Trade Area agreement benefit small and medium size enterprises?**

### Mr. Christopher Edordu:

The AfCFTA does not discriminate based on the size of business. The free trade rules that apply are global, it is not sensitive to size, so it will apply to the big entities as much as to the small. With regards to the components of the programme that will provoke trade finance, the small entities have been significantly disadvantaged when it comes to raising money to trade. Afreximbank and others are taking steps to ensure that the SMEs get due attention. There are measures at the level of banks that can be taken to support SMEs. The more banks can introduce risk management facilities, structuring arrangements, innovative techniques; we will be able to reach SMEs. Also, the more that banks like Afreximbank take steps to reduce transaction costs, the more SMEs will be enabled to access finance and start operations.



**Question:**

**What is the importance of trade information in driving the Africa Continental Free Trade Area for it to work for small businesses?**

**Mr. Olukayode A. Pitán:**

The scarcity of information is, indeed, a major barrier to trade. I have heard Dangote complain that next door to Nigeria you have Benin where you could easily sell the cement at prices that are very competitive, but they have barriers. Some of the barriers we have in Africa go back to the colonial days. You look at West Africa for instance, you have the Anglophone, you have the Francophone. Just last week, we were in Equatorial Guinea for a conference, and I had to fly to Addis Ababa and then from Addis Ababa, I had to stay overnight and then go down. Between Port Harcourt and Malabo by air is 45 minutes. It took me three and a half hours and going back would be three and a half also. Sometimes, withholding information, that is the problem with African trade.

Even the perception of Africans to African goods is a problem. In the city of Aba in Nigeria, for instance, they make good shoes, but they must be exported out of Nigeria and get rebranded as “Made in Italy”, so they can increase their value because the local perception is that Nigerian-made shoes are of inferior quality. We must work hard to change that negative perception about African goods, and that can only be done through education and information.

**Mr. Andrey Slepnev:**

From my experience as Minister of Trade of the Eurasian Economic Union Commission for Trade for four years, I would like to share with you the experience of how the common Eurasian area is helping SMEs. It's not only removing barriers like trade duties and import-export duties, but also other barriers such as technical regulations and property rights issues.

There are at least 20 disciplines that are of great concern to the business community. When you have a fully-fledged free trade agreement, all those barriers are lifted, and we saw how our trade was growing. In the post-soviet era, we did not have duties, but when we removed non-tariff barriers, our trade was growing by 30 percent each year for three years. Afterwards, of course, the rate of growth went down, but still it was a good systemic potential.

**Mr. Christopher Edordu:**

The SME issue is very important. The way trade discussions are conducted has meant that ‘what is traded’ is discussed more frequently than ‘who should be the trader’. Because of the nature of exports, there is very considerable economy of scale in exporting. It is not possible for SMEs to do the exporting themselves. You cannot have a producer who produces a few shoes of some leather wants to export that, and then with all the wondering whether that leather goes to Italy first and then comes back. The way SMEs are handled is that they become indirect exporters. They must be organised and linked to bigger entities like Export Trading Companies. That is exactly what Afreximbank is pursuing. It does not mean that the SMEs are excluded from exporting. They cannot export by themselves because there is considerable economy of scale in this business. Afreximbank is striving to ensure that SMEs work as indirect exporters through some larger entities.

Even beyond the big Export Trading Companies, there needs to be some way of financing the midsize aggregators. Small families in Italy produce the Versace that is sold in the streets of London, but traders who aggregate goods produced by different manufacturers and make them available in the market are critical for export.

This is especially important in Africa where producers are just across the borders, and they need somebody to pool their products together. Our challenge is how do we facilitate financing these mid-size aggregators so that they can then work with large trading companies to get into global value chains.

## 2.7 Knowledge Sharing

### Panel Discussion:

# Mining Industry: An Integrated Approach to the Fields Development

#### Moderator

**Mrs. Shannon Manders,**  
Editor Director, Global Trade  
Review (GTR), UK



#### Panellists

**Mr. Sergei Aksyonov,**  
Deputy Head Russian Agency  
for Subsoil Use, Russia



**Dr. Karima Nigmatulina,**  
General Director Vi Holdings,  
PhD Professor of the Russian  
Academy of Sciences, Russia



**Mr. Vladimir Marchenko,**  
the Deputy Chief Executive  
Officer of ALROSA, Russia



**Mr. Cheko Marjali,**  
Deputy Chief Executive Officer for  
Communications of Pertamina, Mali



**Mr. Dimitri Osipov,**  
Chief Executive Officer,  
Uralkali Potassium, Russia



**Ms. Raquel Rahim,**  
Ministry of Industry and  
Investment, Morocco





**Moderator:**

Indeed, Africa is rich in mineral wealth and there are a lot of raw materials concentrated in this continent. Experts believe that over 60 percent of manganese ore is concentrated in Africa, more than half of chromium, more than 40 percent of bauxites, cobalt, and titanium, more than 50 percent of diamonds are found in the African continent. The mining industry in Africa has been a leading industry, which helps to develop local economies and contributes a lot in the development of the continent itself and the individual countries.

Russian companies, of course, are interested in taking part both in acceleration projects and in the development and marketing endeavours. Of course, we are interested in deeper processing and more value-added projects in Africa in order to increase the level of processing.

In Africa, we can find several Russian companies already present. Alrosa has been developing some diamond deposits since 1992; Renova is also prospecting for gold and uranium in Gabon, South Africa and Mozambique. The total investment from Renova is over US\$1 billion. Rusal, a Russian company, is dominating the production of bauxites in Guinea with investments totalling US\$1.5 billion. I should also note here a project from V Holding to develop a platinum deposit of Darwin Dale – this is a Russian Zimbabwean JV.

## 2.7 Panel Discussion

### Moderator:

Mr. Sergei Aksyonov, what are, in your opinion, the strategic destinations of cooperation between Russia and African countries around mining?

### Mr. Sergei Aksyonov:

Since I represent here the Ministry of Mineral Resources and the Subsoil Agency of the Russian Federation, I can confirm this high assessment of the mineral capacity and potential of Africa. The Russian Federation also has quite ample and comprehensive mineral resources. In the budget of the Russian Federation, mining is quite prominent. We have very good traditions in terms of the mining experience and expertise. All of this as we believe makes us very close to the African continent and its business. Of course, it creates very good foundations for broader cooperation.

The Ministry of Mineral Resources of Russia is pushing Russian business towards mutually beneficial projects and it works under about 14 inter-governmental agreements and working groups. Of course, those agreements between the government of Russia and various African countries were signed at different times but suffice to say that as part of that agreement, like I said there are 14, we have managed to achieve quite good progress.

In 13 of these agreements, we already have very specific business projects that are afloat and running. My colleagues presenting here in the panel can testify to that, but, there is probably another proof that there are very good prospects and visitors for the exploration and development of various ore minerals. What are those minerals and areas of cooperation? Of course, these are hydrocarbons and the existing hydrocarbon projects.

We have about six countries involved. For solid minerals, we have seven inter-governmental commissions, and these are minerals like diamonds, manganese, uranium, and of course precious metals, gold and platinum. I think this defines the range of strategic minerals for which we have cooperation between the Russian Federation and the African countries.

### Moderator:

Could you share with us some ideas as to what this Commission on subsoil use is doing in terms of cooperation with Africa?

### Mr. Sergei Aksyonov:

Of course, the existing business projects are not exhaustive. Every country in Africa can define the range of minerals that it has, geologically speaking. Now, this defines the middle capacity of the country, and of course, priorities can be different and should be different for each of the countries. The list of minerals will be expanding, of course, but at the same time, among the priorities of cooperation, we do not only have exploration and production of minerals.

For each of the bilateral working groups and commissions that we have, priorities are for geological study subsoil from some regional exploration efforts to compile geological maps, all the way to some prospecting and exploration before a deposit is developed. Particularly important of late have been the environmental protection issues, some specialised mining issues. Things like the clean-up, of the environmentally hazardous waste, rehabilitation of damaged lands etc. Almost always such a calculation involves preparation or other training and retraining of professionals in geology, those that are the professionals in mining.

Quite often, there are some challenges in using new laboratory equipment and force calculation and prospecting purposes. The list of such items on the agenda of calculation is very long. I think we work on a case-by-case basis in the countries. What I just mentioned, some of them are typical agendas that we have. Of course, development of major projects and deposits is unique. In each country, and in each deposit, you have some peculiarities, but there is some general thing that foreign investors expect when they come to a new country and this is support from the government.

### Questions from the Audience:

This question is directed to Vladimir Marchenko, the Deputy CEO of ALROSA. Your company has been present in Africa for quite some time. I wonder what kind of support you received, and what do you think companies can expect when they come to African countries and what they would like to get in terms of support from the government?



**Mr. Vladimir Marchenko:**

Of course, in the beginning, I did not know about a single African country which did not have a public program to incentivize foreign investment. In any African country, there is such a public program, of course, maybe a difference from country to country, but talking about incentives for investment, that can be very diverse. From administrative measures to remove obstacles, to creating public investment agencies, to creating single investment windows and various financial and tax incentives.

Some of the other tax breaks before the deposit is put into full development and various infrastructural benefits like low tariffs to access infrastructure. Many countries when possible can construct some road networks as well as power lines to the deposits, etc. Talking about some practical examples, here I would like to note a country with whom we have been cooperating for 30 years now, Angola. The new leadership of the country is making a lot of effort to mobilize new foreign investment. They also provide a lot of assistance to existing investors. They fight corruption.

There are other countries that are prepared to provide packaged incentives for investors. They also can design a targeted package of incentives for investors. Take Zimbabwe, perhaps my colleague would talk about this more but if you take the example of that country, we do see the desire of the government to come halfway to us and change some legislative acts and take very serious decisions to invite us into the country so that we can soon open our operations.

In conclusion, I would like to say we must remember that the biggest incentive for the investor would be the stability of the political system, of the legislative system and the tax base. This is the biggest incentive for us to open some operation in a country or to continue such operation because there are a number of events when taxes change, laws change that might create some dramatically diverse conditions for investors. For us, stability is of paramount importance and a factor. We are a traditional investor in Africa and this is something that we can share from our own experience.

**Moderator:**

Indeed, stability is a very important factor that many investors, even in initial stages of negotiations, would like to put into the long-term agreements that are signed even between governments. Of course, stable development and responsible use of the subsoil are not possible without long-term planning. This sustainable development model which is not only about how business develops but it is also about how business comes to develop the minerals, the deposits, how the business comes to work with societies. All of this is very important for investors, for the companies and for the partners have companies and they do pay attention to such things.

**Mr. Dimitri Osipov, you have been working in different countries across the world and you have a very interesting approach to sustainable development. Please share your experience with the audience.**

**Mr. Dimitri Osipov:**

Uralkali is one of the biggest producers in the world of potassium fertilisers. We produce about 12 million tons of potassium fertilisers, which is about 18 to 19 percent of the total world output. We sell to more than 60 countries in the world. Our company is growing constantly, and the length of investment projects characterises the potassium industry.

We are currently discussing the investment programme of the company regarding the horizon of 20 to 30 years. In order to preserve the market share, we need to take important decisions now over the horizon of 11 to 12 years, just in order to stay at the current level of production. The projects are unique everywhere and therefore we have to assume the maximum evaluation of 15 parameters at least. There are just a few places in the world such as Russia, Canada, Belarus and Germany where such projects can pay back despite such a long-time horizon in the implementation of such projects.

We don't know yet of similarly large-scale projects in the African continent. As producers of potassium, we certainly have an interest to make sure that the consumption of potassium grows, including in the African continent. The consumption of potassium fertiliser, for example, in China and in India compared to Africa, if we take that, then we can say that in most African countries the consumption is significantly less than in China.

## 2.7 Panel Discussion

Here we start with training and teaching the agricultural producers, small farmers, medium-size and big farmers to educate them in agriculture and agronomical culture. Our company is ready to invest in that because we see that there is a very promising work to be done here and it's mutually beneficial. We know that the right agronomy results in a lot of gain, a lot of benefit to the agricultural producer. Each dollar that is invested in mineral fertiliser will produce added value if the right fertiliser is used at the right time and with the right crop.

We are ready to educate agricultural producers in Africa considering our similar experience in India. You know that agriculture in the Russian Federation is currently a rapidly growing field. That is our priority area and the larger yields of crops of grain that have been achieved over the past few years are certainly the result of the work of all the producers of mineral fertiliser in the Russian Federation, and we can replicate that in the African continent. We are ready to do that in several countries that would be interested. We are ready to stimulate the use of mineral fertiliser in African countries.

In implementing large scale projects, particularly those that start with a geological survey or territorial, the study of the territory, there are always many problems, many uncertainties and many risks. This is an arduous path from geological survey to the development, production and then sales, including interaction with society.

**Moderator:**

**Ms. Nigmatulina, what about your experience of the Darwendale project, the platinum mining in Zimbabwe that you started from scratch as a greenfield project?**

**Dr. Karima Nigmatulina:**

Vi Holding Investment and Production Group works in development in Russia, also in the production of high-quality aluminium in several countries including China, Romania and Sierra Leone. Our competence is that we are ready to find interesting projects to prepare them for the financing stage. That includes the geological survey and the feasibility study. We prepare the project to make sure that it is ready for investment. The second step is identifying the right team of professional contractors to manage the project.

We also focus on long-term financing. In Africa, there are potentially many major projects and I would like to thank the Afreximbank for helping us to mobilise resource to finance the Darwendale project.

Darwendale Deposit is one of the biggest in the world so far as the platinum group is concerned. It's part of the great dyke and it is several dozen miles from Harare, the capital. That makes the field particularly attractive and together with our Zimbabwe partners, as part of the Great Dyke Investment Enterprise, we are implementing this project, mining up to 10 million tons of ore and producing MPG.

In 2018, Afreximbank became our authorised financing organiser, and now the project is ready for financing. We have the financial partners that are ready to invest. We are working with our partners and there is big political support at the level of the Russian and Zimbabwean governments. This project is an important priority for both countries.

**Moderator:**

**This is a very interesting example of a big project. Many countries in planning and then concluding agreements on large-scale projects want to achieve greater processing of the raw material that is being mined. Where this is possible in other areas, countries also have requirements so far as interaction with the local business and local companies and local content is concerned. What happened with your project so far as this is concerned?**

**Dr. Karima Nigmatulina:**

To reply to this question, let me share a few thoughts about our second project in Africa. It's this year in Mineral Holdings Ltd Company. This is a company that for several years has been processing bauxite in Sierra Leone. Today, this company is one of the more successful mining companies in the country. Over the past five years, the volume has grown by a factor of two. Now it's two million tons. We have over 1,000 workers in the company and 95 percent of them are citizens of Sierra Leone. We are actively participating in the social programmes of that country. Various social programmes over the past years have been financed to the tune of more than US\$3 million.

Also, US\$30 million had been transferred to the state budget. This is important for Sierra Leone. What do we see? The final project is the washed bauxite. We have an idea to build a hydrate plant, which will be the first processing plant that will be providing non-metal products with high added value. In Africa, but also in Russia, we always think about how to increase the value-added of the product, and for Sierra Leone it is also a priority. What we have done on this project, where we are on this project, the technical group has done the evaluation of the various ways of processing the low-quality bauxite.

We have some accumulated low-quality bauxite. We have done the study of how this could be done. The authorised organising financing institution is again the Afreximbank, so we are in very good partnership between the government of Sierra Leone, Afreximbank and our SMHL company to build this investment factory. There are quite a few interesting projects both greenfield and brownfield in terms of deepening our production and further local processing of this.

**Moderator:**

**Africa is an interesting continent and we hope that we will be able to go ahead with further projects in this continent. Indeed, this is a great example of how business goes from the initial value in the mining sector toward deeper processing and manufacturing which certainly is a contribution to the economy of the country where it is happening. Now, I would like to ask the representatives of the African continent, the Managing Director of the Rich Africa consulting company. Please tell us how do governments in various countries stimulate the arrival of foreign investors? What are the privileges? What are the possible investments in infrastructure? What is happening to stimulate foreign investments so that they go not only into mining but also into deeper processing and additional phases of adding value, so that it remains in the continent of Africa?**

**Dr. Karima Nigmatulina:**

What I want to emphasise is that there has been a shift. Traditionally, the mining sector in Africa as you all know, is the backbone of most of the African countries. However, the benefits have always been very limited and really restricted to government revenues and foreign exchange earnings. Over the past few years, there's been a shift from African countries just simply exporting their raw materials and there's been a call for value-addition of our minerals in order to get maximum benefits to develop the continent.

I think that is a very important context for the private sector or Russian companies to be aware of. That there's a whole shift to mineral value-addition and it's nice to hear that Russian companies are already doing that. In terms of the policy perspective, there's a whole conversation around regional integration. This regional integration is not only on the continental level but also in the regional level.

For example, in Namibia, SADC has a mining protocol to harmonise the laws including the physical regimes. We are aware of the competition for investment but at the same time operating in isolation has not been beneficial. You have countries like South Africa that are really pushing for beneficiation, and they have research and development tax incentives.

We have situations, for example, like in Congo, which has the world's largest deposit of cobalt. However, only 5 percent is refined in the country while China, which has no cobalt reserves, is refining 40 percent of Congo's cobalt reserves. Of course, the private sector is there to make money. However, there are various competing developmental objectives from the government side that must be met while the private businesses need to make profit. Now it is evident that there is a clear need for public-private partnerships in the extractive industries, not necessarily in the traditional sense.

There are different examples of public-private partnerships. I like to call them strategic partnerships, for example, Botswana: Would they bring the sorting and valuing of diamonds to Gaborone in Botswana? Even the diamonds from the rest of the continent go to Botswana instead of going to London. I think Russian companies that want to invest in Africa will do really well if their long-term strategic objective is mineral value-addition. The old school is exporting the raw materials. I don't think it's going to work for long.

Coming to higher processing levels and moving up the value-added chain, these issues are very important, and this is where I can make serious money and much more money than you would usually find in just the raw materials development sector. I have indeed a small share of resources developed and produced on the continent and are processed locally and this creates shareholder value-add.

**Moderator:**

**Do you think you can share with us briefly what needs to be done to really increase the share of value, which can be produced, generated and left on the continent?**

**Dr. Karima Nigmatulina:**

Both parties are responsible in terms of who will take a holistic approach to the extractive industries. Looking at the private sector, looking at the public sector and looking at communities for example, who are impacted and then also looking at the impact on the environment, so you must look through the lens of sustainability. It cannot be looked at in isolation. From the government point of view, it's important that they create the stability that has been mentioned earlier from a legal and regulatory point of view and a fiscal regime and of course, an enabling the business environment.

## 2.7 Panel Discussion

At the same time, it must make commercial sense. It can't just be one side making demands. It really requires a collaborative mindset, and also to be aware at the African Union level, there's African mining vision, which actually outlines what the continent strives to achieve with extractive industries and the regional economic communities using that as a guideline in their mining protocols, which filters down to the legal framework of the individual countries. So, it's all about a collaborative mindset.

**Moderator:**

**Ms. Raquel Rahim, what are the opportunities and possibilities that you can offer? In your view, what are the prospects and opportunities between the Russian companies and your companies? Why do you see some of the possibilities for business development?**

**What can you offer to Russian companies?**

**Ms. Raquel Rahim:**

We have some bilateral relations with Russia but there are still tremendous opportunities in the mineral industry sector for investors, and we are looking forward to boosting economic cooperation with Russia. I believe that Russian investors will find a conducive business environment in Morocco in terms of economic and political stability. Morocco also needs the Russian expertise and capacity building in the mineral industry sector and I really appreciate what Russia is doing in Zimbabwe.

The mining sector in Morocco is well organised and fully liberalised since 1914 and is undergoing periodic reforms to adapt to changing global economic and business requirements. We are striving to keep the sector globally competitive to attract foreign investors. The government accords high priority to this sector because it contributes to 10 percent of GDP in Morocco, and mining products represent 20 percent of total exports.

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Over the past few years, there's been a shift from African countries just simply exporting their raw materials and there's been a call for value-addition of our minerals in order to get maximum benefits to develop the continent.

Dr. Karima Nigmatulina,  
General Director Vi Holdings,  
PhD Professor of the Russian  
Academy of Sciences

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**Moderator:**

Indeed, fiscal stability and political stability as well as lower administrative barriers are among the key incentives to create an environment where investments flourish and promote business development. I very much hope that the Russian investors hear that and start looking with interest at the golden opportunities offered by Morocco as well as other African countries.

Now I would like to invite Mr. Cheko Marjali, the Deputy CEO for Communications of Pertamina to share with the audience an interesting project of producing and marketing hydrogen. Russian companies that work in the hydrocarbon area have ample experience both in terms of exploration and prospecting of fields but, of course, we understand that this is a deposit which is very much unlike the traditional hydrocarbon deposits in Western Siberia or elsewhere. I'm sure that they can share their expertise and experience with you and bringing their knowledge for better exploration and study of the subsoil. Can you share with us what you would like to get from Russian companies? What kind of experience would you like to have? What kind of cooperation would you expect for the successful development of these deposits or maybe some other deposits?



**Mr. Cheko Marjali:**

Detromanick is a Canadian company but its main investor is from Mali. Since 2012 we have been conducting field studies to assess the quantity of gas deposits in Mali. In parallel to these field studies, we also continued to drill on an area of about 1,200 square kilometres, and we have therefore drilled in 18 spots and all of them have turned out to be positive. The gas contains 90 percent fuel and it can be really used for many uses. We are now busy testing these wells to see how they are operating. We are hoping that with the multiplication of drilling, we will be able to establish exactly what is underground.

The objective that we have is to see how to transform gas into energy.

The advantage that we have with the hydrogen in Mali is that it is clean gas, and we need the Russian investors to help further develop the processing operations. The gas that we have is unique in the whole world and Russia has the technology, expertise and knowledge to partner with us. This would enable us to improve the processing of this new energy source. It would also be an opportunity for the Russian investors to benefit from this new development in furthering their knowledge and expertise.

**Moderator:**

This is indeed a unique story. I very much hope that our forum today and the forum in the autumn will enable you to obtain the kind of knowledge and experience that the Russian partners can offer, not only for the development of mining, but also for the processing and monetisation of the unique reserves that you have in your field.

Ladies and gentlemen, we are coming towards the end of our discussion today. We talked about some very interesting aspects and the great possibilities that are present in African countries, and about the partnership that is emerging between the Russian mining and processing companies. With this, I would like to wish our panelists success, to wish also success to the African companies and to convey my hope that the dialogue will continue and that the various sides in this dialogue will find something new for them to create the unique value and to do something that will also enrich partners on both sides.

Please join me in thanking the participants in this panel.



## 2.8 Side Events:

# Cyber Solutions and Cyber Security for Solving Governmental and Municipals Tasks

### Moderator

**Mr. Andrey Bezrukov,**  
Chairman of the Organizing  
Committee, Exporting High-Tech  
Security Initiative, Russia



### Panellists

**Mr. Kenneth Aigbinode,**  
President, Vintage Vantage  
Advisory, Canada



**H.E. Mr. Mikhail Mamonov,**  
Deputy Minister of  
Digital Development  
Communications and Mass Media,  
Russian Federation



**Eng. Ahmed El Beheiry,**  
Founder & Managing Director  
Wakandai Venture, Egypt



**Mr. Evgeny Radashkevich,**  
Deputy Director, FSBV Voskhod  
Research Institute, Russia





**Moderator:**

The world is currently witnessing a revolution in the application of IT solutions in e-governance, and Russia stands out as an example of this technological revolution. We have achieved a lot and now we are prepared to share this success with trade partners in Africa as well as in other parts of the world. With the present exponential developments in mobile technology and communication infrastructure, these new devices appear to have been fully harnessed for e-governance.

The theme of this session is to exchange insights and ideas on whether these systems are secure enough, and whether there are enough human competencies to ensure cyber security. Let me start with Kenneth Aigbinode to share with the audience his substantive banking experience and exposure to financial institutions.

**Moderator:**

**Africa appears to have an appetite to invest heavily, both locally and globally, in IT infrastructure. What are your potential markets?**

**Mr. Kenneth Aigbinode:**

The first thing that we would like to address is that Africa should not be seen as a country, but as a continent with diverse levels of development. That way we can stratify and then pick some of the situations that we want to address for optimisation.

I would say that we still do not have the skills that are needed to get the most out of these technologies. Funding remains a challenge and we need assistance from our partners around the world.

We also lack electrical power to support these technologies. Then you do have a challenge there with literacy levels, not just literacy level, but skill levels in Africa.



## 2.8 Side Events

### **Moderator:**

**Evgeny, please share with the audience the Russian experience in cyber security and how can Russia help Africa in building competencies in this area?**

#### **Mr. Evgeny Radashkevich:**

In Russia, the ICT regulator is the Ministry of Digital Development, Communications and Mass Media, which is responsible for cyberspace security. As you are probably aware, in Russia all strategic systems and applications are based on home-designed platforms. In this way the government enforces the principle of national digital sovereignty very strictly in the defence as well as in other industries.

What I would like to recommend to our partners in Africa and everywhere is to formulate national policies for the implementation and development of solutions on your own platforms. Such national platforms are robust in terms of security and operational efficiency to support all national digitalisation projects.

Then as soon as the regulator sets such rules they should be passed as a law. Furthermore, they should regulate all innovations and should impact all suppliers who work for the government. The principle of digital sovereignty that is applied in Russia, I believe, is a unique best practice that our partners in Africa may wish to take as a benchmark.

### **Moderator:**

**Along the same lines, I would like to ask Mr. Mikhail Mamonov to give us his insights on the scope of the Russian global partnership strategies in cyber security.**

#### **Mr. Mikhail Mamonov:**

This is one of the topics that we have on our agenda for several years, and I think that this forum adds an excellent opportunity to deepen that discussion with our partners in a face-to-face setting.

I would also like to note that, perhaps, it is important to carefully weigh the potential threats and opportunities in formulating national regulations and national digital policies. There should always be a balance between these factors. That means that if countries follow a purely protectionist approach in digitisation, international cooperation and global flow of information will be negatively impacted.

Up until now Russia does not appear to be aware of the needs of the African continent. All African countries were formed during the Cold War era when all our concern about Africa was based on the political and military competition between the two rivals, the Soviet Union and the western block under the leadership of the USA.

However, Africa is now rising, and the Africa-Russia cooperation too. We are looking forward the results of the upcoming October summit when we expect more than 30 African states, in addition to African political and financial institutions, to engage in dialogue with major Russian entities on various critical cooperation issues, including advanced technology transfer and capacity building for young Africans in ICT. That will be the time when we will be able to put the Africa-Russia partnership in perspective in relation to specific needs and requirement. The whole knowledge box stays in the hands of the recipient. We just need to understand what segment is of highest demand by our partners, and while we remain vigilant to cooperation, we will strive to serve those needs better than our competitors.

### **Moderator:**

**Mr. El Beheiry, in Africa-Russia potential cooperation in ICT, neither Russia nor its prospective partners can dictate the rules of the game. How do you see the way out of this situation? What should the two parties do together?**

#### **Eng. Ahmed El Beheiry:**

We are living in an interesting time as the world is shaping towards a world dominated by companies rather than by governments. A quick look at the world economy today supports this statement. Until a few years ago, the global business intelligence forecasts were focusing on four big enterprises: Facebook, Microsoft, Google and Amazon. Today, there are more multinational giants including China Unicorn, the BAT, the Baidu, Alibaba, and Tencent. These companies will become richer and richer, and nobody can stop them from growing because they started where nobody else had started.

What you really need to know is that during the next few years advanced AI based technologies, like the Internet of Things and Big Data, will be deeply imbedded in all aspects of human activities. These innovations are the challenges that Africa should be shrewd enough to address. In fact, this is going to be the new face of colonisation, and no country in the world can afford to exclude itself from being part of it. Perhaps, even in the most remote parts of the world ordinary people will be obliged to pay for services using smart devices. This is not science fiction, it is going to be a reality. The whole digital economy of China has been formalised in the last three to four years, and China today is a purely cashless society. 700 million people are using their mobile phones and QR codes to purchase.



This is how I see the AI venture evolving in Africa, and that is why we are thinking beyond the Egyptian market to focus on AI solutions for Africa as a whole. We believe that we could build platforms that are more customised to Africa's economic needs. There is a huge potential for cooperation between Russia and Africa to make this happen. Russia has a lot of experience and talents in lots in cyber security and in AI, and Africa is preparing itself to partner in this vital developmental challenge.

**Moderator:**

**Kenneth, could you shed more light on Mr. El Beheiry's thoughts?**

**Mr. Kenneth Aigbinode:**

Indeed, digital sovereignty is a key issue, and I do not know Africa's status in this area right now. We have the big powers asserting their might and trying to define that space as quickly as possible. China and the US are clearly leading while Russia and the rest of Europe are struggling to come up with solutions and policies to compete in the global digital economy and to protect themselves in the cyber space.

Now, that leaves Africa very vulnerable, and whoever owns the technology will digitally colonise Africa. They will build the platforms, make Africa tap into them and begin to collect the revenues. What would be the third choice for Africa? We really would have to decide, as a continent, maybe through the facilitation of our regional institutions. However, Russia is ready to partner with us. But what is Russia going to put on the table? How is Russia going to convince Africa that it will not be a digital coloniser, and that African states will retain digital sovereignty and tools to maintain national cyber security? I think that it is a big issue and Africa must think carefully while it is looking for digital technology partners.

**Moderator:**

I take these words as a summary of our discussion because all the critical issues have been addressed. First, we need to get ready and start doing business instead of talking. Second, we need an African digitalisation policy framework.

The dialogue with Russia should continue as a constant agenda in all the upcoming Russia-Africa forums.

My summary is that I think after our discussion, we understand the problem a bit better. We are humbler. We see how much work there is to do. How much work we must do in this country to build that partnership. Thank you very much, and it is a pleasure having you all on the panel.

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What you really need to know is that during the next few years advanced AI based technologies like the Internet of Things and Big Data will be deeply imbedded in all aspects of human activities. These innovations are the challenges that Africa should be shrewd enough to address.

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Eng. Ahmed El Beheiry,  
Founder & Managing Director,  
Wakandai Venture, Egypt

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## 2.9 Side Events:

# South-South Synergies – Establishing African SME Partnerships in the Russian Market

### Moderator

**Mrs. Shannon Manders,**  
Editor Director, Global Trade  
Review (GTR), UK



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### Panellists

**Dr. Philip Kamau,**  
Chief Executive, Fund for  
Export Development in Africa



**Ms. Charlene Chen,**  
Chief Operating Officer,  
BitPesa, South Africa



**Dr. Robert Ochola,**  
Director, Strategy and Innovation,  
African Export-Import Bank



**Dr. Edem Adzogenu,**  
Co-Founder,  
AfroChampions, Kenya



**Ms. Katya Dyachenko,**  
Chief Executive Officer,  
B2B-Export, Russia





**Moderator:**

It is obvious that there is huge potential to increase trade between Africa and Russia to a much higher level than it has been historically. Why is it that Africa-Russia trade has not been very high all along? Dr. Ochola, do you have a view on that?

**Dr. Robert Ochola:**

Between 2005 and 2016, there was a growth of about 200 percent in trade and investments between Africa and Russia, but beyond that there has been very little collaboration and interaction between the countries in various areas. There is a lot of areas of mining, but what we've not been able to do is look for strategic growth areas. Mauritius, for example, has transformed its economy from being very heavily reliant on sugar into a financial hub. Rwanda moved very heavily into technology and innovation over the last 10 years. If you look at Botswana, it has gone into diamond mining. I think the approach needs to be very strategic, whereas at a regional level you look at the key growth areas within the specific countries through the national development plans and then, based on that, you look

for synergies between businesses in Africa and Russia and break down some of the barriers that constrain collaboration.

Russia and Africa have a long history of knowledge transfer, and that was manifested in the thousands of young Africans who were trained in Russia in the 1960 and 1970s. And judging from that cooperation, I tend to believe that the current trade barriers are artificial. I think we need to step up dialogue and start putting strategies in place to expand the trade relations.

**Moderator:**

**Katya, please share with us your experience.**

**Ms. Katya Dyachenko:**

I guess one of the problems is that SME size in Russia is different from what we call SME in Africa. For instance, in Russia, a business which has US\$20-30 million kind of revenue, we call small-medium. In Africa, small-medium is maybe US\$100,000 revenue a year and is already a business.

## 2.9 Side Events

Sometimes, therefore, it is difficult for African and Russian entrepreneurs to think of size and understand the match, because it is not equal. I think we should try to understand each other to be able to do business. When Russia had the food import ban by Europe in 2014, I had about seven offers to buy food from East Africa, but I found out that it needed two months to get enough cheese to fill one container.

My second comment is that we missed the trade finance facility, and I have been quite active in pushing the Russian Federation to join Afreximbank because we need that trade facility. We really need to unlock that underwriting of credit on each other. In Russia, because we do not know how African businesses operate, our banks cannot underwrite credit to African importers. We need that Afreximbank expertise and presence in African countries to underwrite their credit. The same applies to export credit, and when African exporters are pulled together, they need operating capital. I think Afreximbank is currently proactively developing export trading companies to aggregate small producers and exporters. It is a journey that has commenced, and we will soon reach the goal.

**Moderator:**

**Dr. Edem, in the last 18 months or so, Russia signed agreements to boost economic ties with various African countries. To what extent do you think these agreements are important for African SMEs?**

**Dr. Edem Adzogenu:**

I think this reinforces the commitment of Russian and African governments to boost trade. During the post-Cold War era African countries were following a dependency model of economic development where most of our businesses were financed by multilateral institutions, and that limited Africa's ability to do business with the Eastern bloc. Then the kind of businesses that most Russian companies are interested in is largely in mining and defence logistics, and much of that is outside the scope of African SMEs.

Therefore, these agreements renew the commitment to bilateral and multilateral business with Russian and African companies. It is also an opportunity to use PPP models that will enable the private sector on both sides to play its expected role in boosting business relations. There are huge opportunities in agriculture and in tourism, and I think those are the kind of businesses that we feel the African private sector would have an appetite for. We would now be able to co-invest with Russia and be able to maximise those opportunities.

**Moderator:**

**I want to move the conversation towards technology. In this day and age, you have a situation where anybody with a laptop can access global markets and sell digitally. In the light of technological advancements on global startups, what is stopping African SMEs and Russian SMEs from developing Africa-Russia digital value chains?**

**Ms. Katya Dyachenko:**

Obviously, it is quite a novel thing for a lot of SMEs to be able to trade digitally. However, in Africa there is a lot of mistrust of online trading because of the spread of online fraud. I think Afreximbank can push that agenda and help create awareness among SMEs and other businesses that digital trading can be safe. I think we must think of creative ways of addressing this issue because trust is a very delicate thing. You cannot build a platform overnight and people trust you.

**Ms. Charlene Chen:**

I think Katya raised some important points about why digital solutions are adopted. When I first worked in East Africa, we adopted a lot of applications via cellphone that would allow farmers to trade digitally. However, the lack of trust was a big challenge to the initiative, and many farmers ended up going back to the old school of face-to-face transactions.

In Kenya, Mpesa, which is a mobile money innovation that facilitated a lot of payment transaction could not solve the problem of mistrust. However, mobile money is another innovation that has helped on the payment side for small-scale traders. There are also other technological innovations including block chain technology, which is an open and transparent database to track supplier and buyer relationships through the stored identities of both parties.

**Dr. Robert Ochola:**

I think these are exciting times and the transition is really taking place. From the data of the value of goods sold on internet platforms on the continent over the last three to five years, there is an exponential increase. In Rwanda last year when Alibaba was set, an SME who was selling coffee sold all its stock in within a few hours of that platform going live.

The issue of awareness of trust is to begin tapping it. Then when you layer that with blockchain, you layer that with things like artificial intelligence, I think you are getting to some very interesting territory because once you can do that, you begin to drive visibility and transparency.



Beyond that, of course, it is important to ensure that products and services meet the market needs. These are some of the exciting things that are going to happen. Finally, just to note some work Afreximbank has recently built the MANSA as a platform to populate different types of businesses into one database to allow open access to business information. The platform also offers verified quality information on the products of the listed entities. Afreximbank, therefore, is leading the charge in Customer Due Diligence.

**Moderator:**

**Dr. Kamau, I am going to move the discussion away from technology a bit and get your perspective based on your extensive experience in development finance and policy. We get the point; technology is going to be very, very useful and will play a critical role in solving some of these problems. Are there any other problems that governments and DFIs should solve in terms of addressing the barriers that have been identified by the other panelists?**

**Dr. Philip Kamau:**

Indeed, one of the barriers is the availability of long-term capital, which SMEs are finding a bit of a challenge. The Afreximbank is setting up many initiatives to address some of those barriers. One of those initiatives is the Fund for Export Development in Africa (FEDA) to provide long-term capital to SMEs to enable them to grow and to diversify into export activities.

Research shows a funding gap of about US\$110 billion in export development across Africa, and FEDA will try to meet this gap directly. The Bank will be able to do co-investments with other investors into some of these companies and to attract FDI flows into Africa through limited partner funds. This will mobilise funding both within Africa and globally.

The Bank has also got some of the initiatives like the Small and Medium Enterprises Incubation Programme. This programme is to enable SMEs to acquire business knowledge to run their businesses better and to facilitate the raising of finance, both debt and equity, and to link these entrepreneurs to other networks, so that they will be able to sell their produce. Another area in which the Bank is moving to address the barriers, is a trade information portal.

**Moderator:**

**About access to finance, most small businesses will tell you that access to the internet is their biggest problem. In the age of Fintech, Artificial Intelligence, Big Data, in the light of all these technological advancements, is it time for us as financiers to start thinking differently about the way that we assess small businesses? Do we now have enough sort of technological infrastructure to start thinking beyond collateral management and the SME's balance sheet? Charlene, do you have a view on that?**

**Ms. Charlene Chen:**

There are companies like Branch and Tala across sub-Saharan Africa that are actually leveraging peoples' cellphones, entrepreneurs' cellphones to track metrics such as airtime usage, mobile money usage and how many contacts you have. Essentially, taking this mobile phone data, which is a little frightening in some perspectives.

I think there is a flip side of data privacy, but certainly there is so much rich data that can be used to create credit scores for individuals. There is the innovation of peer-to-peer lending, but that could be applied to SME lending. Then tying back to the technological interventions that were mentioned earlier, imagine a blockchain where all your supplier invoices are on the block chain. Now you have a very viable transaction history that shows how many times you are buying and selling goods, and of what amount. That can allow you to map your income flows in a way that was previously not very transparent.

I think there are a lot of ways that we can harness data in creative ways to create meaningful credit scores, which then unlock capital, and certainly the MANSA platform helps us think of ways to share due diligence data in a meaningful way.

**Dr. Robert Ochola:**

I have a view on that but let me do something before I talk about that. I think you asked a very interesting question. Your question is, will technology change the way that SMEs receive financing and bring down the cost? It is already happening and probably that is the key reason why we are here.

## 2.9 Side Events

On a more serious note, now people can access funds and get money through their mobile wallets within seconds. Sometime ago China realised that some of the funding that was targeted to specific SME programmes was not used properly. Therefore, they used a block chain to have visibility and ensure immutability, and to track the funds to the point of knowing when it was spent. If you take a look at that and also look to collateral management, inventory management, then you can get into people's business and have real-time data. Then you can intervene to assist those businesses that need assistance, for example, in terms of cash flow management.

**Moderator:**

**Dr. Edem, do you feel that African SMEs are benefiting from some of the propositions that have been outlined so far?**

**Dr. Edem Adzogenu:**

We have seen the recent emergence of multinationals in the Telco space, and banking space in Africa, all of whom emerged in the last 15 to 20 years. Prior to that, most of them were SMEs, and the banks were mostly savings and loan schemes that have now mushroomed. Equity Bank in Kenya, for example, was operating simply as an SME scheme. The fact that the right policy environment and framework is able to inspire and propel SMEs to rise to become multinationals, like we have seen in the last 15 to 20 years, mostly without even support of government, tells us that with the emergence of the African Continental Free Trade Area agreement we should see more SMEs operating within a continent that has a GDP of Spain and the fiscal liquidity that is only half of that of Spain.

If you add the fact that we have a burgeoning youth population and women, where a lot of the trade in Africa takes place, 80 percent of trade on the continent and even employment is absorbed by SMEs. Our interest in this is to utilise the AfCFTA to open our markets to international trade. The reason why African SMEs are competitive is simply because the markets are small. When they have access to a larger market it will significantly raise their capital.

The issue of technology is also of interest for Africa because no economy has developed without a manufacturing base. However, technology also poses a challenge to manufacturing. In Mexico and China, for instance, the cost of production in a manufacturing sector that relies on artificial intelligence is becoming even cheaper than the cost of using human power. If we are not careful within our policy framework, we might lose a lot of jobs.

**Ms. Charlene Chen:**

I think there are several factors that will help African start-ups scale up the way that Silicon Valley did, but obviously we need a huge user base. So, when we talk about digital platforms, we must look at something that is going to quickly spread virally amongst a large user base.

We must also remember that all businesses must add value and provide products or services that people want. Why did Uber take off so well? It is because taking a taxi can be difficult without having cash, and therefore, that was a clear user case.

Indeed, we can think of digital currency as an innovation that is currently being used as a solution in many markets where accessing the dollar is difficult.

**Ms. Katya Dyachenko:**

A lot of African SMEs complain of sanctions against Russia as a barrier to trade, and they seem to compare sanctions towards Russia with sanctions towards Iran, although these are different cases. In fact, out of four and a half million companies in Russia, only 14 are restricted. You do not need to trade with these 14, but you can trade with 4 million. Let us put it into perspective. It is not really a barrier.

Furthermore, the restrictions are mostly limited to certain military supplies and oil equipment, and these are not in the scope of SME business. However, the barrier can be something else including competitiveness, the time of delivery or the cost or other reasons, but not the payments. Many African entrepreneurs do not trade with America and they do not need to use that door, but even if they do, restrictions are only a concern in certain areas.





## 2.10 Side Events:

# Railways Infrastructure as the Key Elements for Development in Africa

### Moderator

**Mr. Alexey Bobrovsky,**  
Head, Economic Programme,  
Russia 24 TV Channel



### Panellists

**Mrs. Amani Abou-Zeid,**  
African Union Commissioner,  
Infrastructure and Energy,  
Ethiopia



**Mr. Kirill Lipa,**  
General Director,  
Transmash Holding, Russia



**Mr. Charles Byaruhanga,**  
Advisor, Minister of Finance,  
Republic of Uganda



**Mr. Alexander Misharin,**  
First Deputy Chief Executive  
Officer, Russian Railways



**Mr. Andrey Bardizh,**  
Deputy Director, Exports,  
Trading House, Sinara Transport  
Machines Holding, Russia







Railways Infrastructure truly deserves attention. Once again, railways infrastructure is the key element for the development of Africa. This session discusses what we need to know about railroads. In the historical context, this meeting is very important, the golden age of railroads is the late 19th century and early 20th century.

For some reason now, geopolitical conflicts from time to time interfere with trade relations and normal political relations. Therefore, an analogy came into mind. At some point in time, railroads were some things that oil pipelines, gas pipelines, represented. Like major infrastructural projects, railroads were very important geopolitical tools. There were many transcontinental projects, not all of them were implemented. Everybody, we may remember the transatlantic railroad in the United States.

A similar railroad project started in Canada because they were afraid that Americans would take their lands. So, Canada started its own project. Another project that was implemented, the Transsib, Trans-Siberian Railroad, was constructed under the Russian Empire and a sub-project was that of the Chinese Eastern and southeastern. Nonetheless, these triggered the Russian Japanese war at some point.

## 2.10 Side Events

Specialists in the history of railroads may remember that there was a project that was called 3B, Berlin, Byzarem, or Constantinople, and Baghdad. Many were afraid of the German project, primarily the British in particular. The French started two similar projects at the continental level. One from Cairo to Cape Town, that was a British project that was not economically feasible. It was a red line for the British Empire. The second project was from East to West supported by the French. That project nearly triggered a military conflict between the former allies. None of these projects were actually implemented.

Then, after the First World War, the British and the French were busy with other things. After the Second World War, many liberation movements were set up, in Africa in particular. The importance of railroads changed to a certain extent because they stopped being geopolitical tools in the hands of the governments.

They were vested with new meanings because they became economic and social projects. The Soviet Union implemented many such projects and helped their friends in Africa to implement such projects. We still have these competencies in hand. It will be of interest for us to talk about future plans in Africa for Russia. That is an interesting market for this technology.

### **Moderator:**

If these projects did not have geopolitical meaning, they had economic and social meaning. These meanings are still important for the development of those parts of the world where it is not that easy to get access to oceans, to seas, or some of the routes of transportation. I believe that railroads have a future in Africa. If I'm right, I would like to start with our colleagues from Russia, Mr. Alexander Misharin.

### **What would you say about the Russian perspective on this industry?**

#### **Mr. Alexander Misharin:**

Good evening, dear colleagues. Thank you for giving me this honour of speaking first on this panel. You mentioned the geopolitical nature of railroads. Surprising as it may be, it is still high on the agenda as a geopolitical tool. Actually, railroads are gaining more and more geopolitical influence, surprising as it may be.

That is related to the development of agglomerates of countries where railroads acquire a new meaning. They do this from the physical point of view and from technological point of view, and they have some advantages. According to many experts, about 50% or maybe even 70% of the population will live in agglomerates. That is our range of transportation. That is something that railroads can ensure, just with high-speed trains.

That means about 200 kilometres away from the centre. That is various agglomerates. With nearly 300 years of the history of railroads, that is the most environmentally friendly means of transportation with a very low level of noise. The noise that railroads produce, if they are correctly built, is two times lower than that from modern auto vehicles.

Actually, it is the cheapest from the operational point of view because, getting into the technical point, the resistance is lower than between a tire. That is rubber and road. That means that railroads are very efficient. Now, back to Africa or speaking about Africa, it is a bit smaller than Eurasia, but still, it is a very big continent territory-wise.

About one-third of all resources are accumulated in that continent. The other third is in Eurasia. Nearly 500,000 kilometres of railroads are located in Eurasia. 28% of cargo or turnover go through Russia. China can boast 27% of railroad transportation, India and then Africa with several thousand kilometres of railroads that are in quite a pitiful state. We do not speak about the South African Republic and some other countries, but all in all, in general, they in quite a pitiful state.

Africa is the fastest-growing continent population-wise. The economy and future development are associated primarily according to the latest assessment with the population in Africa. The major impact will be in those countries who have the highest growing populations. Africa has a good future. Resources, population, volumes and it is possible to leap over to some technologies and make this major leap, while political stability is important.

That is sure but for this--some processes of strengthening governance are important and they are underway. All that creates prerequisites for infrastructural development built. On the other hand, infrastructure lays the foundations for the implementation of all economic process. For this reason, the African continent is experiencing something similar to what the American continent experienced last century and the Eurasian continent also experienced during the same period.

What can we offer? What Russian railroads are? Well, that is one of the major companies. It is in the leading three. We take them first by the volume of freights rank, a fourth of the journey in the end depend on the passenger turnover, 500,000 kilometres of railroads. The international energy agency ranked us first among the other roads in terms of efficiency.

We use half of the energy per ton of cargo, that is the American railroads use. We have low-costs for long distance freights and this technology can be used in Africa. My colleague Carroll is here and he might confirm that we have the whole set of industrial aspects starting with the engines and cutting-edge carriages and technologies that are available.

That is what we can offer for the implementation of major large-scale projects in Africa. I just spoke with the head of the African Union. I also met today with Afreximbank heads and we need to have a better understanding of the projects that are offered in Africa. While we focus on Egypt, Ghana, Nigeria and Ethiopia, we have cooperation in the South African Republic and that is not an exhaustive list of opportunities that are opened in Africa.

Russian railroads are engaged in transportation and it is a transportation holding and a logistical holding. We work not only in Russia, but also in more than 40 countries of the world. Besides transportation, we offer engineering and construction. Together with our partners and colleagues, we service a delivery of all special vehicles to railroad and all services, the whole range of services offered as well. We also train personnel.

Russia has universities that specialised in the area of transportation. We have skills enhancement centres and that is one of the major areas where we should start cooperation with our African States who have programmes or who wants to have programmes for the development of this kind of infrastructure. These educational services are in high demand.

**Moderator:**

We are open, we are ready to cooperate and I believe that today's discussion and preparation for the forum in Sochi that will take place in October 2019 with the participation of President Putin and heads of state of Africa will help us to support a number of agreements for a joint implementation of projects. We need to use this time fruitfully to draft necessary documents.

**Questions:**

**Moderator: Mrs. Amani Abou-Zeid, my question is very simple. What is the demand on construction and modernisation of railroads that are already in place in Africa? The continent can boast a very diverse landscape. What are the preferable forms, concessions or PPPs look for private investors? Those who want to work in Africa, what should they keep in mind?**

**Mrs. Amani Abou-Zeid:**

Allow me first to thank everyone here attending and particularly thank the Federation of Russia for hosting this event and congratulate you all for this magnificent and well-organised forum. Now, I was listening very carefully when you made your introduction. I think you missed something in your introduction. You missed that the second railways in the world took place in Africa and particularly in 1852 and that was between Cairo and Alexandria.

There was a time where we were pioneers in Africa and we intend to make this happen again. I think I was really happy to see that there is interest in working in Africa and also that there is more and more awareness of what is going on in the continent. The continent is big comprising 55 countries with different levels of development, and different level of development within certain sectors.

What is sure is that the continent is moving very fast and has been recording as we all know, over the two or three decades, positive growth rates and in some cases, five or six or more of the fastest growing economies in the world are African. However, the weak state of infrastructure in Africa undermines the activities of companies operating in the continent thus slowing their development.

The infrastructure financing gap, meaning the financing needed to close the infrastructure deficit in Africa varies between \$100 to \$130 billion a year for 10 years in order for the continent to bridge that gap. Also, the infrastructure that we have now, including railways, roads and others, are the legacy of colonialism.

They are mainly linking some mine sites to some major cities the continent during the colonial time. Within the continent itself, since we are also here to talk about the free trade area and intra-African trade, that trade remains small due in part to the presence of many landlocked countries.

Indeed, so many landlocked countries have very little or no access to any means of infrastructure to the outside world to facilitate trips and the movement of goods, causing losses to economies. We intend to change this picture and we have already started doing that.

## 2.10 Side Events

We are developing under the African Union what we call the Infrastructure Development Programme which identifies exactly the missing links and the projects or the areas that we need to implement in each sector of infrastructure.

One of the main infrastructure modes that we are interested in is railways for all the reasons that Alexander just mentioned. The low cost, the efficiency, the low noise and the low emissions. For that to happen, I very much like Alexander's intervention because he mentioned the human element, which is essential for this to happen. In April, I met with high level officials from ministries of infrastructure on the continent to engage discussions regarding our collaboration.

The direction I was given by the African ministers is that this infrastructure, particularly railways, have to be smart. We are really happy that on the continent, ICT is taking a different dimension. We want to make sure that whatever we are going to do is not again, the old technology but to make use of these new technologies to leap forward. Already, we have the first electric train on the continent connecting Djibouti and Ethiopia.

We have a DGV in Morocco. The case of Mombasa-Nairobi is a success story because it suddenly opened again an area for tourism and now the hotels are full almost all the time in Mombasa. Things are happening, but how fast and how well can we do that? As I mentioned earlier, I had a meeting together with Alexander. We discussed also how to move forward. We discussed with many partners because the continent is so big and the projects are so huge.

We want to make sure that everything moves in the same direction and very fast using the comparative advantage of each and every partner that we have. To your question, Africa is opening up practically all our economies. Private sector, PPP, many modes of managing the sector, especially that our institutions that traditionally are, or have been, managing the railway sector are very weak and are no longer capable of managing the competition and making sure that this becomes again, a sector that is competitive.

The masterplans that we are putting together essentially consist of making sure that these railways are linked to ports, to other modes of transportation and create a multi-modal means of transportation that help promote development around our cities. Africa is also the fastest urbanising continent. Not only the fastest growing in terms of demographics, but also the fastest urbanising continent.

Now that the majority of the continent is rural, in 2035 the majority of the continent will be living in cities of different sizes. Again, this means that railways are going to become even more interesting and more economic and a more attractive means of transportation in addition to freight and other economic possibilities. I can go on and on in terms of why railway is being revisited and is being prioritised in our plans, but what is sure is that again, there is more than just the will to promote and to prioritise the sector.

There are specific plans to implement regional and transcontinental projects on railways. There is also openness in terms of the way to implement and to manage and work with private partners and international partners. The continent is providing a fantastic opportunity in terms of demographics, economic development, peace and security because again, we are talking about 55 countries and don't look always at what is in the news.

What is happening in the continent I think, is that it is democratising and it is setting also itself on a much more peaceful path. I think all in all, there is a good opportunity here and we intend to see that.

**Moderator:**

Thank you very much. We have another large company here, Transmash holding. They are producing long distance locomotive trains. I'm in agreement with Alexander here. It is true railways have been important two or three centuries ago. It is not just the market that they opened, they helped develop the economy and more.

**Have you been working with emerging countries? Have you been cooperating with any African countries? What format of cooperation would you prefer? Is there a potential in the market and potential in the economies? Tell us about that.**

**Mr. Kirill Lipa:**

Good afternoon. Thank you very much ladies and gentlemen for your invitation to address this room. I'm absolutely in agreement with everything that Alexander said.

Railways are still geopolitically very important. Otherwise we wouldn't have the Chinese project, One Belt. We won't see railways burgeoning in Latin America and those interesting plans to develop railway infrastructure in Africa. True, in the 19th century, railways mostly connected mining and industrial centres, but they also transported armaments and troops. It is still unfortunately or fortunately the facts, including the fact of armaments and troops and the need to transport them.



It is true the world is urbanising. It is a global trend and we see it across all continents where we are present. Of course, European countries are very active in that. Asia has been urbanising very rapidly and I'm looking forward to seeing similar rates of urbanisation in Africa. As for us, we have been working on a unique project with Egyptian Railways. We signed an agreement to supply over 350 passenger cars. It took us three years of tendering negotiations then we signed a contract due to the support we enjoyed from the government of the country and H.E. President Abdel Fattah El-Sisi himself. We have discussed the significance of this project, not from the point of view of them having the new cars, but also in establishing an industrial basis for branching out across Africa. We want to build in Egypt an industrial hub.

We have signed the contracts. We are waiting for the funding to come through and we will start working on it. If everything goes well before the end of this year, early next year, we will deliver the very first batch of passenger cars. That was the agreement. We have presence in Egypt, and we want to be active in Northern Africa acting out of Egypt, but we could look down south and we bought a locomotive factory some 40 kilometres from Johannesburg and they are now negotiating a contract for supplying locomotives.

We are also designing engines and we have a lot of plans in terms of transferring Russian knowledge and know how to Africa, all over the continent. We have been talking to Transnet and PRASA in South Africa. We will be talking today with the leaders of a number of African countries to discuss their infrastructure plans and we see a lot of potential.

The only issue we see everywhere in emerging or developing countries is financing and mobilising funds. What is unique about our Egyptian project is that we have got Exim Bank in Hungary providing the entire funding. Half of the insurance is coming from Hungary and another half of the risk insurance is from Russian Exim agency. This is a more than €1 billion worth project.

We have a unique experience here because we have three countries involved and I haven't heard of any similar project. We all know about bilateral projects, but the trio that we have makes this project completely unique. We have secured support from the leaders of three countries and we are quite confident that we could do this project. Let us stop talking, let's do the deeds, go and develop Africa.

Well, a very good slogan and this is something we were trying to do back in the USSR. In the USSR, in the Soviet Union back then we were very much focused on the socioeconomic context. But today, we were talking about Egypt, Uganda and Nigeria and it looks like we are focusing more on the economic side. Are we prepared to contribute to social or political change?

Do we want just to earn money, or do we want to look forward to longer? Do you want to do anything in Uganda, for example? Our strategy is always long term, a long-term presence.

We have been working in Russia for over a century and even I remember different times, we had times of growth, and we had times of slumps, but we have preserved all our plans and our production operations.

Our strategy is not to try and participate in all auctions and tenders across all continents and countries. What we do, we have one country to choose. We go there and we try to do our business there. We don't want to branch out on too many projects. It is exactly because the market is very cyclical and that is exactly the reason our projects are long term and our customers buy something that would serve them for 30 plus years.

We need to have a long-term perspective. Otherwise, it will destroy our business. Our focus, our strategy is to have some five countries like Egypt and South Africa, that have been chosen by us in terms of our long-term presence. It is a social aspect, let us be realistic. We are not robots, we are humans, although we may be looking for some other ways to complement our human side.

We are motivated by social and cultural ties. Undoubtedly, they underpin all our interactions here. Any Russian presence is motivated by social and cultural heritage in Egypt and South Africa. I have been part of that game. I agree with Alexander, that some education and bilateral cooperation and education is fundamental for any thought of cooperation, industrial, political, social.

**Moderator:**

**I want to ask the Advisor of the Minister of Finance, Republic of Uganda, Charles Byaruhanga. What would you say? How would you comment on the approach you heard from your Russian counterparts? What are your country's interests? How big is the need in your country for modernising railway stock, infrastructure, transportation, and in general, whether you think railways are important for African Development today?**

## 2.10 Side Events

**Mr. Charles Byaruhanga:**

Thank you very much. Good afternoon and I'm very glad to be here today. There is no doubt whatsoever that railway development is an important prerequisite to the development not only of a country like Uganda, but for the 55 countries that make up the African continent. Just to use one example, it takes, or it costs US\$1,800 to get a container of goods from Shanghai to Mombasa.

It costs US\$3,500 to ship that very same container from Mombasa inland to Kampala, which is only 900 kilometres away. That shows you the extent to which we need to start and that is using essentially road haulage, road freight. If we don't develop infrastructures, such as railways, we will continue to suffer much higher costs, which become an impediment to trade and development on the continent.

There is without a doubt, a need for us to start looking at ways and means of getting into this space that actually reduces the costs of trade within Africa and among African countries.

Now, how do we do that? Because what we have seen previously is a varied development of railway infrastructure across the continent. You have disparate systems or technologies that have been deployed over the last 150 years.

You have standard gauge rail, in some places, you have metre gauge rail. It is important for us to harmonise all these systems. That provides a way for us to perhaps look at other countries that have done it differently to try and harmonise these different systems and deliver the railway infrastructure in a much more effective way, so that there can be much better connectivity across the different technologies that we have.

That said, for a country like Uganda, it becomes very costly if you are talking about linking through DRC, which has a different gauge for each railway. In fact, the whole question of having a standard gauge or a common gauge across all countries becomes particularly problematic and very costly. How then do we develop suitable financing mechanisms that can actually address these huge capital costs that countries like Uganda, or even groups of countries that are working together, to address this?

Concessions may work like I heard, but our experience with concessions is that they have suffered quite a lot from not being able to raise the necessary financing to be able to build that capital requirement and the fact that the railways themselves are very long-term projects – we are talking about 50, 100-year investments. We need to look for different ways to actually address the financing models that we need to put out there for the railway development. Because the 55 countries also require that there is another interface that we need across countries, and this goes beyond a country like Uganda working on its own.

We now look for frameworks that bring together more than one country into governmental frameworks that we want to ensure that once you have started developing a railway in Kenya, it can have continuity across borders and be able to be implemented to its full fruition through Uganda, through DRC and that requires some level of intergovernmental coordination.

**Moderator:**

**Thank you very much. Well, I wanted also to ask Madam Abou-Zeid, if we take the whole market of African continent, how high is competition for Russian companies, for instance? With whom will they have to compete? With what countries? With what companies, and how will representatives of African companies place their priorities and whom they will prefer?**

**Mrs. Amani Abou-Zeid:**

As I said when I stated that we are open, the competition and the packaging of a project and the way it is organised, the technology that is involved, the region it covers, what we are seeing on the continent is that the economic governance frameworks are being improved especially in terms of procurement and in terms of seeing who is the best partner who can also provide the best economic conditions for a specific project.

This goes for railways as it goes for most infrastructure. There is no one size that fits all and it all depends on the project. It all depends on the partner. What are they bringing to the table when dealing with us? From our side, I did say, and I see His Excellency but also the audience here, my brothers and sisters from the continent, we have seen a multitude of partners who are eager to work with us in different projects.

I don't think we should limit ourselves and we are not limiting ourselves by saying only this or that partner. I also mentioned that just before this meeting, we reached out to the Russian partner and see what they have, the appetite they have to work on the continent, to work with us on certain projects. Again, it is a lot of exploring to know what is going on and again, the comparative advantage of each one. But I want to go back to what His Excellency, Minister from Uganda said, because I think he raised a very important issue.

That is the issue of integration of the continent through infrastructure. The idea here is that we are looking into projects that go beyond even a national view, but that reach out across borders between countries and across regions, and the issue of interoperability and a seamless road or a seamless railway. Also, the harmonisation of cross-border logistics to make sure that all of this is happening in a fluid manner and avoiding delays at the borders.

Again, we are defeating the purpose. There is the technical part, there is the policy part, there is the specs part, there is also the harmonization and the coordination between the governments especially at the border sides to ensure that our trade and our people move seamlessly.

**Moderator:**

**Alexander Sergevich, do we have the competencies that our African partners have mentioned and, who are your competitors from your point of view? I as a journalist speak about economic issues, I am really curious about that. We heard about our counterparts working from South America, from Europe, but who else works there?**

**Mr. Alexander Misharin:**

Well, first of all, we are competitive, and we should not be shy about that. We speak about that with much confidence. Our advantage is in the following. We offer comprehensive technology. Well, we offer a whole technology of a railroad or transportation depending on the length, on the burden from the point of passenger traffic and cargo freight or from the points of technical aspect infrastructure.

We have custom-tailored solutions. This is one of our competitive advantages and with this, we step into many countries. It is not only about Africa or South America, but the same goes for Europe or for Asia. Carol mentioned modern locomotives engines and carriages. Well, that will go to Egypt. Yes, but for cutting edge carriages, we need to offer a more coordinated infrastructure.

Infrastructural improvement of Cairo, Alexandria railroad, that is what we are talking about. We are not talking about concessions, but how to make things work better and we can do that. What is the fleet, what is the system of management, what is the system of signals and the general outlay of the roads and feasibility studies? All stages are covered by specialised institutions and organisations in Russia who does this professionally.

The same goes for infrastructural facilities.

Who are our competitors? Well, they are well known. They exist all over the world. Chinese companies are our competitors and our partners. We have similar projects with them. Our competitors are found among European companies, but unlike us where we offer comprehensive solutions, they work on their own Siemens and Deutsche Bank. They work on their own.

That is what differentiates us from them because we work together with our partners including with designers, engineers, technology specialists, those who know how to construct a road and how to operate in an efficient way. That is our vintage and it works. We as a construction company can compete but with RCSA, or with CCCC, or Kraken, and Chinese giants.

These are construction companies but when we enter and say, "What do you need to work on and to continue work?"

Well, here we are competitive. That is the drastic difference between Russian companies and other companies and we do not hide this advantage. We apply it and besides, we add personnel training of the staff. That is the way we work in Serbia, that is the way we offer projects in India and that is the way we work in Cuba, in Vietnam, and in some other countries.

**We know our competitors. We are on friendly terms with them, which is better than entering a very tough fight. I would like to invite Andrey, export director of the trading house STM into our conversation because that is the company that supplies railroad equipment, specialised equipment, and what Alexander Misharin just mentioned is viewed as a comprehensive solution.**

**My question to you is, when working with partners, especially if we speak about countries from emerging markets, do you have any experience in working with African countries? How important is it for them and is it a comfortable form of cooperation for you?**

## 2.10 Side Events

**Mr. Andrey Bardizh:**

Thank you. Just a couple of words first about our background. Our experience and our equipment works in Africa, not hundreds or thousands of vehicles, like our colleagues from Transmashholding, but we work in Egypt and Libya with some locomotives that are used for industrial enterprises and are independent. They are projects on their own. A large chunk of our product is vehicles for tracks. These are special vehicles that are used to construct roads. At every session today, we noticed that integrational processes are on the rise in Africa. The leadership of African countries are involved in that work. The projects that have trans-border roads in view have a future, and those projects that are towards the development of the continent at large, also have a future.

I did not say anything about the Northern parts. That is a separate story but comprehensive projects for the construction of new roads is important. We also understand what Alexander Misharin mentioned. It is not just about procuring equipment, we switch to the APC or BOT model. That is the way the global market is built. We work as suppliers under these projects and likewise, we look for partnerships with African countries primarily with Egyptian companies and companies from the Middle East as well as European companies that work along the same model.

Procurement on its own is not enough. A peculiarity of such projects is in the structuring of the financial side. BOT is something that African partners keep in mind regarding the concessions but the mechanism of guarantees from the sovereign states are involved and they are not quite liquid. It takes time for them to be launched. Afreximbank is a very important attribute to accelerate such projects.

The challenge that we have with launching the projects is investment in such projects. There should be somebody who will undertake the investment side with suppliers of equipment or under special vehicles in the hope that such players will be identified. It is not only about partners in the railroads, there are very few companies, Russian companies that work under concessions.

We are falling behind our Chinese partners who are taking a stronghold in the African market. But we are looking at projects in Sénégal, Tanzania and Nigeria and we hope that these countries maybe at a more advanced stage thanks to their economic potential. But if there is an understanding on the continent that some major projects should be set up on the African side and that there is eager to implement them, then private investors and other major companies may find it difficult to step in.

If the African party is capable of launching such mechanisms, then railroads will expand. Now, the major bulk of cargo is transported by roads, which are in a poor state and oil transported either by river, by train or by roads is not efficient. Railroad is an alternative to pipelines. That is something that we need to think about.

**Moderator:**

**I would like to turn to our colleague Charles Byaruhanga. Is what Russian partners saying important? Because we believe that the comprehensive solution is comfortable and convenient for everyone. Maybe you have a different point of view on this? Maybe that is not that convenient for you? Maybe you would like to choose competencies from the Chinese partners and let Russian companies build railroads and the French should give their fleet of carriages or is it truly convenient for a company, or for the countries that develops this industry, to have a comprehensive solution?**

**Mr. Charles Byaruhanga:**

The advantage that the Chinese competitors have had over the other providers of solutions has been more to combine both the technical and the financial aspects to deliver a project. I am not sure – I believe that from a technical perspective, the different players may be comparable, or one may have a slight edge over the other in a specific front. But the beauty of that and why many African countries gravitate towards Chinese contractors is that it is easy for them to come through with a financing package that is not that expensive and we don't see that coming from other contractors.

That is pertinent because if you are looking at sizable investments that you have to make, and most of that is going to come as debt financing, you are really looking at how much it is really going to cost you at the end of the day and the ease with which you actually get the financing is also very important. The combination of those two aspects is what perhaps makes the gravitation towards the Chinese provider much more amenable.

I guess those are solutions that can even be worked out from other contractors. Maybe the Chinese have been quite aggressive. We don't see the aggression coming from other players like the Chinese – Sorry, like the Russians. Maybe that is an area that is open and they can come on board more aggressively to sell solutions, both technical and financial.



## Questions & Comments from the Audience:

### Question:

**Is there a disconnect between the policies that we make and the implementation in Africa?**

### Answer from Panellist:

Regarding infrastructure, until now, we all agree they have their programmes, their speed of programme for infrastructure development in Africa. What are the results for that? We all know. There is Africa 2063. What are the results? We all know. The main reason is the financing. Until now, how come every continent has an infrastructure bank and we still don't have one?

The Russian colleague just mentioned it. Financing is the real issue here. You have mentioned it, Deputy Minister, that the Chinese have the financing. So we need to organise ourselves and have an infrastructure bank so that the projects we speak about can actually be implemented.

Now that is problem number one. Problem number two is also important. When we speak about infrastructure, we tend to forget about soft infrastructure. That is the human capital. Let's face it, we have the biggest need for infrastructure in the world but how many graduates in engineering do we have every year? These are the sad facts. China gets 700,000 to 800,000 graduates in engineering every year. However, the whole of Africa gets about 200,000. We have to address the fundamentals if we want to make progress on these issues.

### Moderator:

Do you want to comment on that? If I may want to ask the last question to all of the panelists very briefly, I will start with you, Alexander What are the key actions to be taken by both sides? We are here discussing Russian-African cooperation to make sure that this sector, this industry could be moving faster in the future five years.

### Mr. Alexander Misharin:

What do we need to accelerate that relationship? We have just started down the road here. We were absent from this market for 20 years. We are making our comeback. It is not that we are just coming in new or we never been there; we are coming back where we used to be. We need to rebuild teams who are prepared to develop the project. We need to work on both technological and financial sides.

As for funding, we had PPP and some other schemes, concessions, and Africa may develop other schemes or models that we could develop further. It should be realistic, involving the African existing banks and Russian banks. We may have seed capital or seed investments for such projects to start with. Second, we need to start building the human capital. There is no point talking or trying to implement anything on a serious scale without it.

It is quite important while we discuss projects involving several countries, and we might have had some agreements between the governments. We need to have those to underpin our projects, everything else is in place.

### Mr. Kirill Lipa:

A critical part of the activity in any business actually, is leadership. My understanding is, less bureaucracy and more people who really can make decisions.

### Moderator:

**Mr. Byaruhanga, what do you think?**

### Mr. Charles Byaruhanga:

It is great that this conference comes on the heels of the Afreximbank Annual Meetings and we are talking about transforming trade. Transforming trade in Africa has a core element that links through to infrastructure development, particularly railways. Having a financing house like Afreximbank, we need to see it work together with other development finance institutions in Africa to unlock this binding constraint that we have in Africa, mainly railways.

### Moderator:

**Andrey**

### Mr. Andrey Bardizh:

I agree. Our colleague involved in PPPs has suggested and we discussed it with South African EXIM Bank. We were working on some sort of partnership. It is possible to set up those infrastructure funds to launch projects and then we will come with our technologies and our construction and design know-how, and we will be there to carry on. Clearly, we could involve Russian financial institutions, but we need more of them to contribute.

### Moderator

Well, that will be the end of this panel discussion. Many thanks to the panelists and to the audience, and I want to wish our colleagues in Russia and Africa to see the relationship consolidate and grow. We used to have closer relations; we need to make this come back to catch up on times lost. We need to follow the fast moving worlds, but we all have the necessary competencies and the will. We probably need a bit of luck and mutual respect and tolerance. All the best to you.

# 02

Friday  
21 June 2019

Making Finance Work for  
Economic Transformation

Congress Park – Conference Hall



## 1.1 Diversification of Sources of Growth and Trade: Insights from Corporate Leaders

### Dr. Vera Songwe

#### UN Under Secretary General and Executive Secretary of the Economic Commission for Africa (ECA), Ethiopia

The theme of this session was the diversification of sources of growth and trade in Africa. The panel discussion focused on how to diversify in various productive sectors of the African economies including goods and services.

It is a real pleasure to participate in the 26th Annual Meetings of Afreximbank and I would like to thank, Prof. Benedict Oramah and the Government of Russia for inviting me.

I was asked to talk about diversification of the sources of growth and trade in Africa and on the African Continental Free Trade Area agreement. I think the reason why we are here is to take the message of what Africa is doing to the rest of the world and hope that we can get the rest of the world to come with us on this journey.

The Economic Commission for Africa is working very closely with the African Development Bank, under the overall leadership of the African Union Commission, of course, which has been spearheading this African Continental Free Trade Area agreement for quite a while. I think today when we talk about the AfCFTA, people just think about it as another trade agreement that exists and one more thing on the continent, but I think it is a lot more than that.

Essentially, Russia is in a way like Africa because it is also impacted by periodic fluctuations in global commodity prices. This is one of the core reasons why we are working on the AfCFTA as a cushion

to protect us against the volatility of growth that is caused by dependency on a few commodities for growth.

The African growth performance since 2015 shows very clearly the importance of diversification. Just by looking at our growth rates over the past five years, you can tell which are the sub-regions that are the most diversified and which are the ones that are less diversified, which are the ones that are dependent on commodities and which are the ones that are not.

East Africa, which is the least commodity dependent part of the continent, is growing the fastest. The region stayed at about 6 percent growth rate while other regions in the continent went well below that rate during the same period. This is a development experience that we need to learn from in our conversation around diversification.

I believe that the AfCFTA offers a great opportunity as an avenue for inclusive development and job creation because trade will boost local manufacturing.

Furthermore, the agreement will be an important engine for investment, and therefore needs to attract investors in various sectors including energy, agriculture manufacturing and technology. As you are indeed aware, Africa today is the continent that is building most ports. I think we have about 26 new airports in construction. Consequently, we must leverage this Africa-Russia conversation as part of our preparation to implement the AfCFTA. This is where Russian investors could have a stake in Africa's development potential.

I also believe that the AfCFTA will create a favorable environment for investment, and that the African private sector will be more globally oriented to work with investors from around the world. Africa has lagged for many years in export diversification. We have been trapped in exporting the same commodities to the same destinations for decades. Now we need to diversify our exports and at the same time open new markets. Rwanda, Senegal and Sudan are examples of African countries that are taking the lead in export diversification. They are not commodity-dependent countries, and we need to create more examples like these. In addition to diversification, African exporters must pay attention to quality. In an increasingly competitive global market, the rule of the game is "survival for the fittest".

Exports to Africa from Russia are currently in the region of 5 percent up from 2.5 percent a decade ago. Indeed, there is a great potential for this figure to increase significantly in the future, and mutual discussions like the one we are currently holding are important for both parties. I encourage our Russian partners to pay more attention to the both the current and potential African opportunities. There are around 33 African countries that already have competition laws, and this should be good news for Russian investors as they come into the continent. In addition to that the AfCFTA will have a continental competition policy. Hence, foreign investors should expect to compete for projects in a healthier investment environment with appropriate transparency and good governance rules. The AfCFTA also recognises bilateral investment treaties if such treaties do not conflict with the AfCFTA. Once we have established the AfCFTA, you should continue to have bilateral trading agreements and we hope that those will continue.

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We are working on the AfCFTA as a cushion to protect us against the volatility of growth that is caused by dependency on a few commodities for growth.

Dr. Vera Songwe,  
UN Under Secretary General and  
Executive Secretary of the Economic  
Commission for Africa (ECA), Ethiopia

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However, it is important to note that Africa will not continue exporting raw commodities. Rather, it is planning to transform primary materials to generate more value-added commodities to get into the global value chain. Another issue that concerns Africa as we continue the conversation on the AfCFTA, is Intellectual Property Rights, which are going to be particularly important for our services sector. As you are aware, the critical debate in international economic relations is on knowledge transfer rather than international production. As such, Africa must have its fair share in the global knowledge economy. We also need to design and implement national laws to protect Africa's Intellectual Property Rights.

Furthermore, e-commerce and digital financial transactions are going to be among the issues that we need to debate with our global partners. With the wide penetration of ICT applications across the continent, it is high time for Africa to consider what it would take to be part of the global US\$25 trillion digital economy. A lot of the work that we are doing for the next stage of the AfCFTA is designing a framework for e-commerce on the continent. There is no point in removing physical trade barriers if we cannot trade on digital platforms. Trading in the virtual economy is going to be particularly important, not just for Africa, but also for the global economy, and without a doubt, digitalisation offers another set of financial services including anti-money laundering and anti-fraud instruments.





## 1.1.2 Knowledge Sharing Panel Discussion:

# Diversification of Sources of Growth and Trade: Insights from Corporate Leaders

### Moderator

**Mr. Omar Ben Yedder,**  
Publisher & Managing Director,  
IC Publications, U.K.



### Panellists

**Mr. Samuel Dossou-Aworet,**  
Chairman of ABR and Chief  
Executive Officer of  
Petrolin Group, Nigeria



**Mr. Dmitry Mazepin,**  
Chairman of the Board  
of Directors, Uralchem JSC, Russia



**Mr. Kirill Komarov,**  
First Deputy General Manager,  
Rosatom State Atomic Energy  
Corporation, Russia



**Mr. Igor Shuvalov,**  
Chairman of VEB.RF, Russia



**Mr. Agostinho Kapaia,**  
Chief Executive Officer,  
Opaia Group, Angola



**Moderator:**

The objective of this session is to share ideas and insights into some of the key challenges that the continent as well as other emerging markets face. It is about job creation and diversification. The critical question we need to address revolves around why diversification is important for job creation.

**Mr. Samuel Dossou, you currently operate in the petroleum sector, but if you had to choose another, where do you see the biggest growth in the next 10 to 15 years?**

**Mr. Samuel Dossou-Aworet:**

I would invest in human capital. Africa is very rich in raw materials, fertile soils, and so many other things that we very often forget that it has great human resource potential. We need to invest more in training of our human resources as well as upgrading the intellectual and social skills of our population. My group is in the petroleum industry as well as the infrastructure industry, but we give thousands of scholarships annually to train students from primary to university level.

**Moderator:**

**Ultimately what you're saying is that we need to move up the value chain, but Mr. Agostinho Kapaia, the same question is directed to you: where would you see the big opportunity?**

**Mr. Agostinho Kapaia:**

Africa has several developmental challenges, but I see agriculture as the most critical area that I would choose to invest in. In addition to feeding a population of more than 1.2 billion people, agriculture is also the key sector that will lead the economic transformation of the continent. Agribusiness and agriculture-based manufacturing are the sectors that have the greatest potential in Africa now and in the future. And to be able to invest in agriculture for export, we need to be competitive by enhancing our human skills through capacity building and awareness.

I also see the AfCFTA as a big opportunity to create more jobs in the continent that will result from private sector development. When you increase trade, you must also produce more, and that needs skills development and increased labour efficiency. And when you invest in human capital you will automatically create opportunities for new jobs.

**Moderator:**

**Mr. Dmitry Mazepin, do you see a potential for partnerships in the fertilisers sector or is that coming into the market and competing with the local companies?**

**Mr. Dmitry Mazepin:**

As a shareholder in Afreximbank, Russia is now a partner in Africa's growth and this mandates us to fulfill our obligation to the continent. Therefore, in Uralchem we feel that we have an obligation to collaborate with the local African business partners. I believe that Russian companies, along with African companies can increase the level of agriculture in Africa. We have all the necessary preconditions for that, including Russian technologies, agricultural inputs as well as human skills. All we need is goodwill of the two parties as well as a conducive business environment.

**Moderator:**

**Mr. Komarov, can you share with us your wisdom on the potential role of human capital in Africa's growth trajectory?**

**Mr. Kirill Komarov:**

Of course, we all acknowledge the existence of serious barriers to investment and growth in Africa. From my experience, one of the critical hurdles in terms of infrastructure development in Africa today is the availability of human capital. Today's technologies that Africa desperately need cannot be operated without advanced human skills. Without trained people, implementation of ambitious projects like a nuclear power plant would be impossible. More importantly, Africa cannot depend on foreign skilled labour to build and operate industrial projects in African countries. There are millions of talented young African people who can lead the potential technological developments in the continent, if they are offered the necessary training and experience to enable them to do that.

We are currently building the biggest nuclear power plant in Egypt, and we plan to train young Egyptians in Russia to develop the necessary skills to operate this project. We are also creating partnership programmes with Egyptian universities to offer local training opportunities for those who prefer to train at home. I think that this is a unique approach to such big projects in nuclear power. It is not just a project that provides access to electricity, but it also boosts human capital development in a highly specialised technical field. That is some of human development investment that Africa needs desperately.

## 1.1.2 Panel Discussion

**Moderator:**

**Mr. Shuvalov, what are your thoughts in terms of protecting native industries against foreign competition so that they can build resilience in preparation for global competition?**

**Mr. Igor Shuvalov:**

Of course, it is a mandate for any government to strategise for the development of its domestic industrial and business sectors to be part of the contemporary competitive global economic order. In that sense, we are just playing our national role to support our industry without creating barriers to trade with others. To create national champions, we do not need to protect our industry because that would mean closing the markets. This is also something that was the goal of the European Union and the United States. In response, Russia had to impose certain restrictions for several industries, but unfortunately that hindered our ability to work along the rules of the WTO.

Russia has recently witnessed a significant industrial growth in agriculture, agribusiness and food processing. We believe that we need to further develop our human skills and experience in various industries. As such, we provide significant financial support to several critical industries through providing government subsidies. We believe that there are great opportunities associated with converting military technologies for civilian use, and that is our approach to developing our manufacturing industry through providing government financial support, which is allowed by the WTO.

**Moderator:**

**Mr. Samuel Dossou-Aworet, from your experience in implementing transformative infrastructure projects in Africa, what is your recommendation to policymakers to facilitate private sector's work in the continent?**

**Mr. Samuel Dossou-Aworet:**

My advice to African government is capitalise on human capital development. Human capital development in this sense includes building capacity in government officials across the spectrum of government bureaucracy. What African private enterprises expect from government is to create a business-friendly environment where business processes flow smoothly and efficiently. Government must not look at the private sector as rivals or competitors. Even though we intend to make money still we are here as partners in development, and governments cannot do everything on their own. This is a well known modern development paradigm.

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Agribusiness and agriculture-based manufacturing are the sectors that have the greatest potential in Africa now and in the future. And to be able to invest in agriculture for export, we need to be competitive by enhancing our human skills through capacity building and awareness.

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Mr Agostinho Kapaia,  
Chief Executive Officer, Opaia Group, Angola

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## 1.2 Knowledge Sharing

### Panel Discussion:

# Leveraging DFIs/ ECAs for Economic Transformation

#### Moderator

**Professor Andreas Klasen,**  
Professor of International  
Business and Head of Institute  
for Trade and Innovation,  
Offenburg University, Germany



#### Panellists

**H.E. Jean-Louis EKRA,**  
Former President and Chairman  
of the Board of Directors,  
African Export-Import Bank



**Mr. Sudatta Mandal,**  
Chief General Manager,  
Export-Import Bank of India



**Mr. Pierre Guislain,**  
Vice President Private Sector,  
Infrastructure, and  
Industrialisation,  
African Development Bank



**Eng. Hani Salem Sonbol,**  
Chief Executive Officer,  
International Islamic Trade  
Finance Corporation, Saudi Arabia



**Mr. Nikita Gusakov,**  
Chief Executive Officer, EXIAR,  
Russia



**Mr. Samaila Zubairu,**  
President and Chief Executive  
Officer, Africa Finance  
Corporation (AFC), Nigeria







Moderator:

Thank you very much for the kind introduction, for the invitation, of course, as well, and thank you for creating a lot of energy in the room.

Leveraging DFIs, development finance institutions, export credit agencies, ECAs, MDBs multilateral development banks, leveraging them for economic transformation. That is the panel topic this morning. I think it is the right topic at the right time, as you mentioned already. As we all know, if markets are perfectly competitive, if participants have perfect information, if there are no public goods, market outcomes without public intervention would be efficient, but we know that shortcomings are widely acknowledged and this applies in particular, for trade finance and for development finance, in addition to market failure, which is basically the key idea of a public intervention.

Of course, there are policy goals, they can be crucial aspects in both developed and developing economies, as we all know, have established a broad variety of government financing vehicles to improve access to finance, to foster innovation, support trade and economic development, and that is exactly our question this morning. How can we leverage the DFI, the MDB, the ECA impact for economic transformation?

My first question is a very easy one. On the other hand, I think it is the most tricky one because it is relatively broad. It is about Africa and it is about Africa's most important economic challenges. It is about Africa's most important political challenges that DFIs or ECAs should address. I think the perfect person to answer this very easy question is the former president of Afreximbank Mr. Jean-Louis EKRA.

## 1.2 Panel Discussion

**Mr. Jean-Louis EKRA:**

Thank you, Andreas, you've decided that it is an easy question.

First, the really good news is that most African countries want to be emerging countries by 2020, 2025 or 2030, so most countries have designed strategic papers on how to get there. It makes things, at least, a little easier because we know what they want to focus on and we know the path they want to take to get there. That is the easier part of it.

The most difficult one, which DFIs have to look at carefully is the fact that most African countries continue to be largely dominated by one, two, or three or four exports. We have seen a downturn in commodity prices recently. No need to dwell too much on that because we all know where oil prices have been and cocoa prices and so on. The direct impact of this is a looming debt crisis for many of those countries reaching a level of unsustainable debt burden. That, I think, is a challenge that most DFIs and ECAs have to face. Of course, because of history, we know the type of solution that we should provide, but it is still a challenge.

For me, these are the most important things that I want to highlight at this time.

**Moderator:**

Thanks a lot. I think that is quite an important contribution. A very good start. Pierre, maybe you would like to add a couple of words to what Jean-Louis mentioned? He mentioned it is commodity prices that remain the most important for most African economies.

**Are DFIs in Africa generally challenged by commodity price, natural resources, and liquidity constraints? Is the risk perception more challenging in Africa than other challenges? Is the challenge for an MDB or DFI bigger in Africa in comparison to other regions? Do you face more challenges at the African Development Bank or Afreximbank in comparison to ADB or EIB or the Inter-American Development Bank?**

**Mr. Pierre Guislain:**

We absolutely do. Thanks a lot. It is a pleasure to be here at Afreximbank's Annual Meetings. I should say first, that the African Development Bank is a founding shareholder of Afreximbank and that we are extremely proud to be part of it and lend to a strategic partner. We see this partnership as absolutely critical. African development finance institutions have to come together and coordinate and leverage their own interventions to be able to face these big challenges, because this is a development continent. This is a continent where the risks are highest and where the needs are the highest as well.

How do you bridge this gap between highest needs? For example, we estimated the annual financing deficit for infrastructure relative to the needs of the continent to achieve the SDG at something like 70 to 100 billion dollars a year of a the financing gap. One, we need to come together as African institutions. Two, we are Afreximbank ourselves and others, we are outward-looking 40% of our shareholding is nonregional, so we need to draw in capital from all over the world to come and invest in Africa.

Since we are in a higher risk environment, we also have to be more creative in developing de-risking instruments. It is a big challenge. We cannot negate it. We are very proud to be a triple-A institution. We are, unfortunately, the only triple-A institution in Africa, which makes it even harder to mobilise resources, but we have an advantage. We go through a capital increase. Now we hope to be able to lend more in the years to come, thanks to this capital increase. The key thing will really be how do we get extra capital, mobilise that extra capital. It is going to be private-sector capital and to get that capital, there is a lot of work to be done, especially if you want scale.

**Moderator:**

**Excellent. We will come back to the question of the private sector capital and mobilising it in a minute. You mentioned infrastructure financing, as well, the huge infrastructure financing gap. It is not just in Africa, but everywhere. Is it particularly important in Africa?**

**Moderator:**

**I think that is quite an important question for you as well – infrastructure as a key sector to invest for African governments. How will Africa fund the infrastructure needs, especially to boost the African continental Free Trade Agreement? What is the role of financing instruments? And could you talk to us for a minute about your institution and what you are doing, and what is really the financing relevance, the contribution regarding the infrastructure needs in Africa?**

**Mr. Samaila Zubairu:**

Good. Thank you. I will join my other colleagues in thanking Afreximbank for this opportunity to speak at this conference and to congratulate the team that put this together, the Russian Government, for hosting us. This is a very important forum where we can continue the conversations on how to increase the flow of capital into Africa. Africa Finance Corporation is one of those initiatives, which demonstrates that Africa is taking ownership of its problems and challenges, as well as the opportunities and prospects of the continent.



Africa Finance Corporation was created in 2007 with the sole purpose of providing solutions to Africa's infrastructure deficit and challenging business environment by developing, the keyword is developing, and financing infrastructure, natural resources and industrial assets with a view to enhancing productivity and economic growth of African states. The question around the infrastructure investment is a very topical one. Unfortunately, that number has continued to grow. Presently, we think that the investment requirement is about a \$170 billion annual requirement. Following from what Pierre mentioned, the gap is between 70 to 100 million, especially because Africa invests on average \$77 billion annually on infrastructure.

If we dissect the requirements, most of the need is in water and sanitation, where about \$16 billion is required annually. In energy space, about \$50 billion is required. For transport and logistics about \$14 billion is required. ICT about \$7 billion. The challenge really is that we don't have sufficient bankable projects on the continent. What we do at AFC is to provide financing to create bankable projects, so that we can have more flow of projects. Also related to that is the need to mobilise capital into the continent.

Already, we have a big part of the capital invested coming from African governments themselves. What we are engaging with them is how do you prioritise the sectors in which you intervene because there are certain sectors where private capital can easily mobilised, which is, for example, in transport and logistics, in energy and ICT.

So, we encourage African governments to focus more on water and sanitation where the need is highest and where de-risking can't be as easily achieved because of the skill that is required for an investment.

In relation to the Continental Free Trade Agreement, that is a wonderful initiative, but it will require significant investments in infrastructure for it to take root. For example, let's look at it from a very practical perspective. Currently, we have one of the lowest inter-regional trades on the globe. Some people say it is 10%. Some people say 18%, but it is still low, especially when you compare it to what happens in the EU, where they have about 70%, in Asia, we have about 60%. In North America, where it is about 40%. These challenges would be overcome when we have adequate infrastructure.

If you are able to produce in Nigeria, and you can export to neighbouring countries, it will make it easy. For that to happen, you need road infrastructure, you need rail infrastructure, you need port infrastructure, and you also need the flow of acid vessels that would constantly ply that route.

**Moderator:**

**I think you mentioned a lot of really important sectors or industries related to infrastructure. You mentioned water sanitation. You spoke about climate finance. You also spoke about ICT. The question there are so many DFIs and DCAs as well as MDBs on the panel. You have so much equity, you have so much capital, and so much liquidity. Is there a need to mobilise private sector money? Hani, maybe that is the first question to you. The Islamic Development Bank is so active, so what role can the Islamic Development Bank Group, an MDB, in general, play to mobilise private sector investment? It is not only a policy goal, I think there is a real necessity, but there is also a real opportunity. So how can we leverage or how do you leverage this opportunity SITFC?**

**Eng. Hani Salem Sonbol:**

Thank you, Andreas. I think it is a very good question, but first of all, we have to recognise that IDB group is a very unique group that is really providing all these services and products to meet the needs of member countries. When we realised that the private sector role in the development became so important, then the bank, of course, started thinking of how we can have specialised institutions that can serve the private sector as well. When IDB was created, just like any other institution, it focused on infrastructure projects, health, education, and maybe we will talk later about the change of needs, since the establishment of the Bretton Woods institution. We realised that we need to have entities that will focus on the private sector and will also work to mobilise resources for the private sector, from the private sector for development purposes. That is how ISIK was created, the insurance arm. Then later on the ICD, which is the private sector arm, and of course, at the end of the day and because trade is the engine of growth, the trade institution was created in 2008, to complement 40 years of trade business in the bank.

Each institution has its own tools to mobilise resources, not only just through partnering with the private sector, but because they are at the heart of the whole process of these institutions. For example, IDFC, over the last 10 years, we mobilised more than 30 billion US dollar from the markets and the majority of this is actually from the private sector and financial institutions.

## 1.2 Panel Discussion

I think we have also seen that the more you mobilise resources, the more confidence you are actually giving to member countries' economies. Today ITFC, as the trading arm of IDB, is able to bring the private sector and bring financial institutions Exim Banks. We will talk later on about the definitions because I was talking to Andreas this morning and I said we need to find another narrative for the DFIs, ECAs, and MDBs because there are no lines, I think, nowadays, that can be drawn between these institutions. However, bringing private sector money and bringing financial institutions money, resources will also give confidence.

I might disagree that, for example, in Africa, you have this misconception that Africa is a risky business environment. I don't think this is true. I think that if you know how to manage your risk, Africa is one of the largest continents with the most potential in the globe. I think we have been doing business in Africa for the last 45 years, and successful business in the public and private sectors. Risk management is just a misconception, or risky business in Africa is just a misconception. You have to know how to deal with that. By bringing resources from the private sector, and from the institutions, you are actually adding confidence in member countries and bringing with EU institutions, because the development process today cannot really only be the public sector's responsibility, but it is all of us that should be involved.

**Moderator:**

Thank you very much, Hani. I think, blurring the line or the potential collaboration and going together is something we want to discuss at the end as well because it is really crucial. Moving more to the Exim and the ECA world so that perhaps you could provide a short answer to the aspect of mobilising private sector capital.

**How important is that for the Exim Bank of India? You do a lot of projects in Africa as well, but how important is it for an Exim Bank to really think about the mobilisation of private sector capital?**

**Mr. Sudatta Mandal:**

Thanks Andreas. I agree with Hani on the point he made. As far as the ECAs are concerned, I strongly believe that their role is not really to do export credit because that is the realm of the commercial banks in their respective jurisdictions. The ECAs are primarily, or should be primarily responsible for creating export capabilities, because unless and until you have created export capability, obviously, you will not be able to export and therefore, the requirement of export trade credit is not there.

As an ECA in India, our primary focus is on creating export capabilities and we partner with the private sector in the country by developing suitable products to meet the financing requirements of the exporter at each stage of the business cycle – from asset creation to setting up of production facilities, product development and product marketing. We have a separate product for financing the export marketing activities of Indian companies. We also have a separate product for financing infrastructure, which creates, or which helps in international trade, so they don't need a direct export by that entity. That entity creates an infrastructure for international trade.

For example, we have financed private ports, we have financed the setting up of software training institutes and the setting up of Special Economic Zones. These are the activities that ECAs generally look into, where they look at avenues for partnering with the private sector entities for creating export capability in the country. We try to design suitable products to meet their financing needs for this activity.

**Moderator:**

Excellent. Thank you so much. When I started the discussion, the first question went to Mr. Jean-Louis EKRA, the former President of Afreximbank, because of course, it is Afreximbank's Annual Meeting. The final question of the first round has to go, of course, to Nikita because we are in Russia. We are in Moscow. The event is hosted as well by the Russian Federation. I think it is also interesting to listen to you, Nikita, because EXIAR, the Russian Export Credit Agency is, I think, the youngest institution here. My Institute is a bit younger maybe, but your institution is relatively young.

**It was an extremely successful growth path. You started with relatively small exposure. When I look now at the benchmarking figures we produce, we see that Russia has a huge volume exposure. What is the role of EXIAR? How can you bring in private sector investment, private sector money to help Russian exporters? But because we are speaking here at the Afreximbank Annual Meeting, what is the contribution to the African continent, to African growth, infrastructure, other sustainable development goals like climate, finance, etcetera?**

**Mr. Nikita Gusakov:**

Thank you very much. First of all, it is a great honour for us to have Afreximbank annual shareholder meeting in Moscow. When we decided to become, and the government decided to become, shareholders of Afreximbank and we joined the Bank two years ago, we didn't even think that we would manage to have such an audience here. It was a great initiative for us because first of all, I want to echo too that for us, the main challenge with African trade and investment into Africa is to create export capabilities.

We are ready to step in as DFIs, as ECAs to provide financing. We have the instruments. We will talk about cooperation. We have joined instruments, but we need to create flow. To create flow, we need to create demand from the African side, and we need to create awareness and willingness on the Russian side. I think the event that we are having here exactly serves this purpose because we were talking to President Oramah yesterday evening and the impression we had was that we managed to get people together. Preliminarily, we had 400 bilateral meetings yesterday. Even if we take a very conservative conversion ratio, these 400 meetings should convert into real business. For us, it is very important, and again, as EXIAR, it is not only about financing but also about creating this flow.

The other thing which I want to say which is very important and the President of AFC correctly mentioned, is to find the right projects to invest in, both on the equity and debt sides, and bankability is the big issue. Again, we discussed with Afreximbank that we need to create an instrument, which would allow companies to finance the bankability of the projects. Once you have the bankability, you have done the feasibility study and you know that the project can go to financial institutions, it is relatively easy. A lot of new development institutions and ECA banks are willing to invest in Africa, but crossing this first step is extremely important. This is the role of us as development banks and ECAs.

The other important thing is the debt capacity. Obviously, there are some challenges. Some countries already have a lot of leverage and that is why equity investment is very important. We had a special panel yesterday, where there were a few Russian companies that have already have large exposure to Africa, such as holding, Alrosa, Rusal. Our goal is also to bring companies to invest in Africa. Usually, this comes as a second step. You need to first, start to trade and if you start to trade, you will then get ready and see the potential of the market you will invest in.

One of the initiatives we are taking together with the Russian Government is to create the first Russian industrial zone in Egypt, which would serve the purpose of the Russian companies localising their production in Egypt and then expand into African markets because Egypt benefits from the Free Trade Agreements with most of the countries. It is a real platform to expand and do business in Africa.

Mobilisation of the private sector through equity and investment and creating awareness are the main purposes and the main challenges for us.

**Moderator:**

**Excellent, thank you. So, my first very short question, and will you please only say yes or no. Is there sufficient collaboration between all these institutions? Maybe, here on the panel, but in general DFIs, ECAs and DBs. Just say yes or no, Jean-Louis. Is there sufficient collaboration? Yes or no?**

**Mr. Jean-Louis EKRA:**

No, it is not sufficient.

**Moderator:**

**I come back to you because you should answer it. Is there sufficient collaboration?**

**Eng. Hani Salem Sonbol:**

There is, but we need more.

**Moderator:**

**Okay.**

**Mr. Nikita Gusakov:**

I agree. It can be sufficient. The more we do, the more we talk, and it is better.

**Mr. Sudatta Mandal:**

I think we all agree that there is collaboration to an extent. What we need to discuss or perhaps deliberate upon is the ways to increase that collaboration and the cooperation because there are real challenges in collaborations. Across countries, for example, if you have ECAs of different countries collaborating together, one of the main issues which is faced is that of the price of the financing, because each country will have a different credit rating. Their resource raising costs will be different.

**Mr Pierre Guislain:**

More than a yes or no.

**Mr. Pierre Guislain:**

That was more than a yes or no.

Yes, thank you very much.

**Eng. Hani Salem Sonbol:**

We need, I think, more effective collaborations that produce results. There is collaboration, but we need to do more effective collaboration, I would say.

**Mr. Samaila Zubairu:**

Certainly, I think that we have collaboration, but we can extend it. Collaboration should be one amongst investors, amongst their providers with countries, so there are several phases of collaboration. I think we need to define those and select the approach to engage.

## 1.2 Panel Discussion

**Moderator:**

**It was a bit more than yes or no as well, but I appreciate that. It is only, I think, a bit of an additional answer from your side as well. There are differences between the different institutions. We just discussed the question of where the opportunity is. Also, I think we might think about the difference between institutions in developing and developed countries. What is the future?**

**Mr. Samaila Zubairu:**

I hope that is not a Brexit type of question because we know what Brexit led us to.

**Moderator:**

**Don't mention it.**

**Mr. Samaila Zubairu:**

Many of those institutions were created at a particular time. Probably among them, Afreximbank is the oldest in that type of activity and the environment is also an evolving one. There is not only a need for more collaboration among the institutions, but there is also a need to focus more on what can transform African economies. Obviously, if an Exim type of institution is also to de-risk exports, but the more you export finished product, the less you need it for yourself.

I think this shift has to be taken into account. It is something that I am sure most of the institutions will be looking at.

**Moderator:**

**One question is this shift you described and also the question of the opportunities of collaboration. But we mentioned a couple of minutes ago also the mobilisation of private sector financing. It is, of course, not only the collaboration between the different public institutions, Pierre. It is also the question regarding collaboration with commercial institutions and that is sometimes a bit of tricky – how to design bankable projects, how to make them bankable. How can we contribute here as MDBs, DFIs, ECAs?**

**Eng. Hani Salem Sonbol:**

No, I think that is the right question because, in the end, we all work together. We all have countries as part of our shell. Some of us have also have private sector shells, but the key thing is really how do we get the private sector money in, because we can all work together but that will not add to the total pie. We need to add to the total pie and there are multiple ways to do that.

One of the top priorities that we are all looking at is that we are finding initial solutions and initial experiences as to how we can tap into the trillion dollars of institutional money and have a share of it

come to Africa? I think our collective efforts probably need to be more focused on how we collectively attract this international capital into Africa, including African capital. A lot of African capital is leaving the continent and investing outside. How do we work together on attracting more capital? I would like to mention this initiative that we have taken at the African Development Bank, which is the Africa Investment Forum, and Samaila at AFC and others are co-organising that, including Afreximbank, all are amongst the core organisers of this initiative.

What is that? It has been realised that each of us can do something, but that much more is needed and we are offering a platform, the Africa Investment Forum, where all investors can come and pitch their projects for financing and other supports. You may have a project that gets stuck because you don't have the right regulatory approval, etcetera. Finding different modalities to expand this pie.

Another initiative and that is with Exim India, where we jointly set up a project development company to try to develop projects and complement this relatively weak pipeline that we have right now of bankable projects. There is a lot to be done to create new tools, new approaches, and attract capital that currently tends to be invested in very low yield opportunities whereas Africa has very high yield opportunities available.

**Moderator:**

**Great answer. Thanks. Thanks a lot. You mentioned, Samaila, and I think that is the reason why I would like to have an additional or ad hoc question to you as well. What is from your point of view, the yield required regarding an appropriate project preparation for this type of projects to be bankable?**

**Mr. Samaila Zubairu:**

A key part of what we do at AFC is to develop projects and we do that by deploying capital into projects. We have a very good team at AFC. We have a blend of engineers, bankers, economists, people with regulatory and legal experience. We are able to work with sponsors and governments on any ideas that they have for infrastructure or natural resource or industrialisation of their economies. We have been able to extend that bit, actually, by putting in place what we call an equity bridge or construction finance instrument that allows us to also commence construction once we get to a point where we are sure that we have agreed a risk acceptance framework that secures our capital, then we can go ahead and construct the asset.



Then we look to invite other people after we have built the asset. That means we will have de-risked the project, we will have eliminated the completion risk of the project and at that point in time, it is easy to mobilise capital, which Pierre talked about. One of the key focus areas for us is that we have to increase the flow of private capital into Africa. The big opportunity is that there is massive capital out there, but capital is shy. We have to understand that we should be presenting projects that are de-risked and once we can do that, that flows.

What we have done is to create what we call platform companies. We have what we call an energy platform company, whereby we have put all our energy assets into that, we have created skill with that and we are able to attract capital. We are also doing the same for our transport business. In addition, we are putting all our transport assets, mainly our ports, our logistics business, our airports, all into that asset and with a view to attracting capital. We are an 80-rated institution by Moody's. We have access to the Eurobond market and we are constantly there to raise capital for the continent. A lot of that capital goes towards development of projects. Again, if you have any ideas for projects, just talk to us and we will see how we can work with you. We do equity and we do debt. We can always support.

**Moderator:**

**Great. Thank you. Two questions before we close this session and open the floor to you-- Three answers. First question, first answer, Hani, if you allow, we discussed a lot the challenges and the opportunities, we discussed demand, we somehow discussed the supply side of trade finance or financing for infrastructure. What type of projects we might support, you might finance, etcetera. What is missing is how can we measure? How can we increase the impact, because that is basically what we want to do. The question to you is, Hani, how can you as an MDB measure how we can increase impact on Africa's economic transformation, in particular, regarding infrastructure or trade? What is the impact perspective you can add?**

**Eng. Hani Salem Sonbol:**

I will take just one minute to say that I just want to follow up on the role we have been playing. We observed that there is a change in the role of the institutions that we work for, the ECAs and the development financing institutions, even since the beginning of 1912 when the first Swiss cooperation came out followed by the UK and the unions. We have seen over the years that we changed with the needs, change in the member countries, and these institutions.

I have seen that, even though in the development business we are focusing on so many sectors and diverse products. However, I think the institutions which will survive and continue operating are the institutions that change with what is happening in the world. Since 2015, we have seen the role of these MDBs and DFIs. They are also changing. Even before that, during the MDBs, the Millennium Development Goals, the SDGs, are now climate change. We need to develop products that will fit these kind of institutions for the future. Otherwise, we will be left out. Today, people are talking about FinTech and Blockchains.

You can be left out unless you adapt your institutions to these technologies.

Going back to your questions, if you cannot measure it, you will never, never have to see the impact. We need to be impactful. These institutions, if they cannot measure what they do, for example, in member countries, I don't think that would be very useful.

In IDFC, we have developed as you know, Andreas, we have developed the Development Impact Framework, where we actually measure everything we do. Yes, we are an institution that does trade finance, improving lives. How do you do that? By measuring how much you really do for improving lives in member countries, how much employment you have created, how many you have lifted from poverty. These tools to measure the impact are very important and you need to keep developing them.

I found it very useful. We have issued three EDRs reports to measure the impact in member countries and I think it is very useful, Andreas, to really see that we are actually making use of this impact framework that is really benefiting IDFC greatly.

**Moderator:**

Very true and I think it is an important contribution. What I see is the name of the game for many other institutions. They follow the objective to measure the impact, to benchmark themselves against others, to look at what the outcome is, and what the impact is, etcetera. We now get to the final question with two maybe short answers and then allow at least two or three questions from the audience. We have three institutions, Afreximbank, based in Egypt, Africa, the African Development Bank, based in Côte d'Ivoire in Africa and the Islamic Development Bank, not based in Africa, based in Jeddah, Saudi Arabia but with a lot of member countries from Africa. And two institutions in India and in Russia, not based in Africa.

The most interesting final question from me goes to Sudatta and then to Nikita.

## 1.2 Panel Discussion

**What are the most important opportunities for your own institution fostering economic growth in Africa in the future? What is your contribution? What is the most important opportunity for EXIM India to foster growth in Africa?**

**Mr. Sudatta Mandal:**

I will link it to the earlier question that I had answered regarding the creation of export capability. In the morning, we were discussing that one of the main issues or challenges being faced by the African countries is their large dependence on commodities. With the commodity cycle downturn, these countries are facing financial difficulties. The idea would be to create export capability by moving up the value chain. Instead of selling the raw materials, you actually produce the goods in your country and then sell the value-added finished products.

Recognising that opportunity, we feel that for India, it is a great opportunity in the African countries to create such export capabilities because India has moved from a period of import substitution to exports. It is an export-led economy. We have established capabilities over these last 30, 40 years in setting up of quality production facilities which meet international standards. As an ECA, we are also looking at Indian companies investing in Africa by setting up production facilities there so that there is not only a job creation, but there is also technology transfer where we transfer the technology to add value to the raw material and create finished goods for exports. That is a big opportunity for the Indian companies, which we, as an ECA, are looking at in Africa.

**Mr. Nikita Gusakov:**

From May last year, the new President of Russia, Vladimir Putin said we need to double non-commodity exports by 2024. The only place where you can grow double-digit is Africa. We grew the non-commodity exports during the last five years, three times, but it is still tiny. If we compare ourselves to China and India, we are nowhere. The opportunity is there. We just need to make all the necessary effort together with companies to take this opportunity. The key thing is to play long-term. We tell our companies to play long-term. Obviously, it takes time to do the first deal, but once you do, you have to think that you will stay there for many years, and then you will have success. Opportunities are there. Challenges are also there. That's why I think companies need our help to overcome these challenges. If we put all these together, we will have very great success.

**Moderator:**

Excellent, thank you. The perfect final word, but we still have five minutes and if you only ask a very short question for 20 seconds, and the panelists have an answer for 40 seconds, we could have five questions and five answers.

**Questions & Comments from the Audience**

**Question:**

A question addressed to the ECAs. What do we do now to make our export of agricultural products successful because I'm very worried about the current trend? When you go, for instance, to supermarkets in France and the United Kingdom, you see many agricultural products from Latin America, even from Indonesia. Three to four years ago, the products originated from Côte d'Ivoire, Ghana, Nigeria. This is really a question, what are we doing concretely for very high potential sectors to make sure that we export correctly to the European countries because we have a lot of products from European countries?

**Moderator:**

What can an ECA do to support trade of agricultural exports from Africa? I think that is a question for you.

**Answer from a Panellist:**

From the perspective of an African institution, because the African institution is the one that has to promote African exports, you will not expect a non-African institution to promote agricultural exports to their country. From the perspective of Afreximbank and the like, there is need to improve the distribution channels and the value chain itself so that goods can come from the farm all the way to an Export Trading Company. I think most of you were there yesterday when Afreximbank launched its Export Trading Companies' initiative. This is part of the initiative that can help bring products to a European or an American supermarket. It is a whole process going from there to branding, packaging, and so on.

**Moderator:**

Excellent. Thank you very much. Next question from the audience.

**Question**

The question goes to Mr. Gusagov. I want you to take Gambia as a pilot project.

**Moderator:**

That is an excellent question or a comment.

**Question:**

How can Russia export rice to Africa with a better price?

I met a Russian businessman who wants to export Rice and was seeking to connect with the Gambia. We need rice very much. We have a few companies importing rice, but let's say conniving to keep prices up. We need someone to come in the market and get the prices down. I think being a member of Afreximbank, you can support this Russian businessman to export rice to the country so that we can have rice prices will be lower. What are your thoughts on that?

**Mr. Nikita Gusagov:**

I am happy to support any Russian businessman who wants to export. That is the short answer, but rice is not really the export commodity for us because we are importing rice. But whatever you need, we are there.

**Moderator:**

Brilliant answer. Fantastic question. There is another question;

**Question:**

A question directed to Mr. Samaila. We all agree that we need to attract a lot of capital. Is it right that we talk about size when we are trying to attract funding for project?

**Mr. Samaila Zubairu:**

We have to look at the project itself and we have to, I would say, rationalise the amount of effort we make for what we want to do. For us, we look at projects in our sectors and our sectors are energy, natural resource, heavy industries, transport logistics, telecoms, and also export. Depending on the opportunity, we would look at it and if it falls within our criteria, we will deal with it. If it doesn't then we have financial institutions that we support and we can direct that opportunity to those places, so it depends. We are open for business and we will try to make things work. Anything that comes to us we'll try to ensure that there is some conclusive approach to that opportunity.

**Moderator:**

Thank you. Final question and final answer.

**Question:**

Mr. Gusagov, you just said that Russia set up a Free Trade Zone in Egypt and I'm wondering, why is everyone setting up a free trade zone in Egypt? Why not sub Saharan Africa? Spread the love. Please do so because the Chinese have a Free Trade Zone there. All the countries have Free Trade Zones. Please spread the love that's what I'm asking especially in Nigeria because I'm Nigerian.

**Mr. Nikita Gusagov:**

It is just that once you go south from Russia, this is the first stop in Africa. That is why. No seriously, it is the first step for us. It takes time. We clearly want to go to sub-Saharan Africa. We already do in terms of other instruments we have but as far as the Russian zone, Egypt would be the first step. We want it to be successful and then we move further to the south.

**Question:**

For the minister from Guinea. I have got a deal for you. I'm suggesting financing a company in Ghana that will grow you rice and deliver it to you and to the CEO of XIA? Why don't you finance me to create that company? I think that's a deal we can do.

**Moderator:**

Final answer from Hani and then we are done.

**Hani:**

Thank you very much. I just want to send a message to the audience. Yes, they are related to the export of goods. As an institution that is focusing on agriculture in Africa, ITFC, I would like to really make an appeal that we have to stop thinking about exporting raw material from Africa. We want to transform to finished goods.

That is what we need. We will help in that. This is the best thing for Africa – finished goods. Let's boost the industrialisation process in Africa and you will see Africa in 50 years from today.

**Professor Klasen:**

Well done. Thank you so much, Hani.

**Moderator:**

The final comment is from me because I'm the moderator. I prepared a 20 minute lecture as a Professor. Unfortunately, we are running out of time, so we have to skip my lecture.

Three comments. First, sincere apologies for being German and rude regarding the timing. Number two, I really want to thank you, the audience for number one, not sleeping, number two, not answering all your emails all the time. I saw a lot of really interested faces. It was a very, very good discussion but, of course, we have to thank our fantastic panel for this contribution and for a lot of brilliant thoughts and ideas.

My final comment is for housekeeping. As I mentioned before, the Prime Minister of the Russian Federation is waiting for us. Let's go on and meet the Prime Minister, thank you very much for your attention.

## 1.3 Knowledge Sharing

### Panel Discussion:

# Emerging Trends in Sovereign Reserves Management

#### Moderator

Mr. Ray Echebiri,  
CEO Centre for  
Financial Journalism



#### Opening Remarks:

Mr. Denys Denya,  
Executive Vice President  
(Finance, Administration  
and Banking Services),  
African Export-Import Bank



#### Panellists

Mr. Slawomir Soroczynski,  
Vice President,  
Crown Agents  
Investment Management (CAIM)



Mr. Antoon de Klerk,  
Investec Asset Management,  
London





International reserves—commonly defined as external assets that are readily available to monetary authorities for meeting balance of payments financing needs and mitigate external vulnerability by maintaining foreign currency liquidity to absorb shocks during times of crisis or intervening in exchange markets to affect currency exchange rates—are probably the most important instrument available to monetary authorities. Hence, improving management of hard-earned foreign exchange reserves has significant implications for both macroeconomic management and growth, and is particularly important for countries which do not enjoy the privilege of issuing a reserve currency—all African countries.

While in the past, countries have primarily invested their precious and hard-earned foreign exchange reserves in fixed-income products, primarily bond and treasury notes issued by advanced economies, the convergence towards the zero-lower-bound interest rates in the Quantitative Easing era which emerged from the 2008-09 Great Financial Crisis has significantly affected yields on these products, with real interest rates in the negative territory in some countries. This session reviews yield trends and their implications for sovereign liabilities and reserve management in the Quantitative Easing era of low-for-long interest rate environment.

Following Mr. Denys Denya's opening remarks which provided an overview on the history of the Bank and its contribution to financial innovation and transformation of African economies through trade and structured trade finance, the panellists shared their perspectives on yield trends in a low-for-long interest rates environment. He called on the Central Bank Governors present to continue supporting African institutions that seek to increase trade among Africans which is critical in transforming the economic aspirations of the continent.

The Panellists discussed emerging trends in sovereign reserve management and drew some lessons for African central bankers and monetary authorities. They also reflected on optimal models for meeting the triple goals of ensuring that: (i) adequate foreign exchange reserves are consistently available for meeting a defined range of objectives; (ii) liquidity, market, and credit risks are controlled in a prudent manner; and (iii) reasonable earnings are generated over the medium to long term on the funds invested, considering liquidity and other risk constraints. Key observation from the Crown Asset Managers was the increasing portfolio of Renminbi asset holding by many central banks seeking to increase returns in a low yielding environment.

The panellists also explored emerging initiatives and innovations in the areas of reserve management, including the African Export-Import Bank's Central Bank's Central Bank Deposit Programme (CENDEP). The panellists backed Afreximbank's push for broadening the foreign reserves domestication model promoted under CENDEP. In addition to sustaining and increasing sovereign yields in a zero-lower bound environment, CENDEP is also supporting the process of economic growth and transformation of African economies through trade. The panellists stressed this important point during the session.

Furthermore, they encouraged the Bank and its member countries to do even more in the management and effective deployment of foreign reserves in a manner that reduces leakages in the financial system. In effect, while low and even negative returns might have motivated ongoing efforts to improve sovereign reserves management, the success of CENDEP may call for a broader strategy for a better and effective deployment of African reserves in support of improved macroeconomic management and economic transformation in a region where large trade and infrastructure financing gaps have emerged as major constraints to growth and economic development.

## 1.4 Knowledge Sharing

### Panel Discussion:

# Green Energy: Facilitating the Growing Needs of African People & Industries

#### Moderator

**Mr. Alexey Zhikharev,**  
Executive Director, The Russia  
Renewable Energy Development  
Association (RREDA), Russia



#### Panellists

**Mr. Anton Moskvina,**  
Vice President of Rosatom  
Overseas, Russia



**H.E. Dr. Caleb Fundanga,**  
Former President,  
Bank of Zambia



**Mr. Eric Okoruwa,**  
Managing Director, PAC Capital,  
Nigeria



**Dr. Oleg Shutkin,**  
Deputy CEO of the Hevel Group  
of Companies, Russia



**Professor Adeniyi Osuntogun,**  
Director, Resource Integrative  
Development Foundation, Nigeria





This session discussed the Green Energy using the opportunity to discuss possible joint projects and prospects of cooperation between the Russian companies and the African region. The overall Russian Green Energy is about 1.5 gigawatts. Globally, this doesn't seem to be much, but the Russian companies and the government have long term plans to expand this and there is a programme to support both industry and investment.

The current problem in the African region is that electricity covers only 40% of the population, while more than half of the population does not have access to electricity. This creates a problem in doing business in Africa. There is need to provide a generator and electrical networks, etcetera.

The potential for consumption growth in the region is of course, enormous. The rate of growth of the African economy has been higher than the global average. This is a trend over the last 10 years. One of the main challenges for the economy of the region is access to electric energy. So, our session is about green energy. Why is that? Because green energy is something that you can build faster. In order to build other generating capacity, nuclear power project for example, it will take 2 to 10 years.

But, with renewable energy such as wind, 1, 2, 3 years is enough. To provide for the growing needs of African population, green energy seems to be the best solution. Regarding plans for electrification of Africa, let's look at the history of the past 15 years.

## 1.4 Panel Discussion

### Moderator:

Eric Okoruwa, how would you comment on the current situation and for the investors that come to you for advice and for consultation? how important is this problem for them? Lack of access to electric energy or the problem of the current access that may be very costly. We all know that energy in Africa is about twice as expensive as in other countries in the world. How important is this and what are the solutions that you are proposing?

How do you see the prospects for green energy generation and how much can green energy help investors in the future?

### Mr. Eric Okoruwa:

Thank you very much. This topic is very topical, in the sense that it is an area where a lot of African government and countries need to key in. Today, we find out that it is estimated that about 660 million people in Africa do not have access to electricity, which is quite humongous. You also look at the fact that today we have 1.1 billion people in Africa and it is estimated that by 2050, it will go to 2.5 billion people. This is quite huge.

When you look at the current situation that you have today, about 660 million people in Africa do not have access to electricity. If you extrapolate, if nothing is done at this moment to create a viable platform for alternative source of power, which is more like the renewable energy, solar, hydro, and wind, it is going to be a challenge.

Today, you find out that Africa, especially in Nigeria, has about an average of nine hours sunshine in a day. It means there is a huge opportunity for solar PVC for homes and for industries. You also take a cue from the fact that there is an increasing population of the middle-class across Africa, which also shows that there is opportunity for affordability of some of these renewable solutions. The challenges are quite numerous in terms of funding, because that is where you usually have the challenge.

A project has to be bankable before any fund provider will provide funding. If you look at Africa today, it is most of the rural communities where you have most of the challenges in terms of power. What it means, therefore is for the rural communities to have enough income to pay for electricity that is generated. It means that any investor who wants to come in has to be creative and come up with solutions to sell some of these instruments, some of this alternative energy to the rural community. I will talk briefly on funding because that is where I come in as PAC Capital is an Advisory and Investment Banking Company based in Lagos, Nigeria.

We have our head office in Lagos. We have a branch in Accra, Ghana, trading as PanAfrican Capital Ghana Limited, and we also have a registered office in Nairobi, Kenya taking care of the East African market. What we provide really is rendering advisory services. We come across a lot of projects especially in the infrastructure space. There is a huge opportunity for renewables in Nigeria. I will take a typical case of a rural community where they don't have access to grid, there's no transmission line. What it means, therefore, is that it has to be an off-grid solution to be able to give them constant electricity supply.

The off-grid solution mostly comes by way of solar energy because we have an abundance of sunshine and the initial cost is a bit high when you look at taking it from the rural committee point of view. In terms of structuring the project for the rural community, an investor who is coming today will need to be able to sell the product to this rural community. How do they do that? They may ask the rural community to pay half of the initial setup cost and then pay the tariff and the balance over a period of time. The funding instrument or the financial instrument that is typically used for a project around this space has to do with a corporate bond or a government bond mostly infrastructure bond. These are usually long term on projects of up to 10-15 years with a good attractive interest rate.

The government or a corporate might decide to float an infrastructure bond. Again, I must also warn because infrastructure bonds are usually from the capital market. In a country where you have a weak capital market, chances are that you may not be able to raise this funding from the capital market. Nigeria recently did the Series II bond for about \$42 million, it is about 15 billion Naira in Nigeria, where the government floated a green bond. The proceed of that green bond was used to provide solar energy solutions to about 17 Federal universities in Nigeria and some teaching hospitals.

That is one way the government can come to intervene. Usually, when they raise those bonds - repayment of those bonds come from the revenue that comes to the state. Corporates have also done it. I have had corporates issue bonds in the capital market. The other way you can look at funding a renewable energy project is through PPP. PPP in the sense that you have the private sector-led company who works with the state to provide the renewable energy solution. A typical case is in Cape Verde, where the state partnered with the electricity company called Electra to provide about 26 megawatts of wind electricity to the state.



PPP is also a model where the government provides the basic infrastructure and land because acquiring land and its title are usually difficult alongside challenges emanating from the host community. So when the government steps in to create an SPV for the project, the land that they are putting on the table becomes their investment while the private sector-led will now raise the capital to do it.

Equity is also a solution because you have a lot of PFMs that have come into the space to fund renewable energy projects. We have the Adaptation Fund, Climate Investment Fund, Global Environmental Facility and Green Climate funds. These are funds available for de-risking some of the renewable energy projects. The DFIs are also doing quite a lot. The African Development Bank is doing quite a lot in this area. It has a lot of products and instruments for funding renewable energy projects and can even go as far as giving a facility for the initial preparation feasibility studies to put it in a state where it becomes commercially viable for lending partners to come in.

Commercial banks also play a role, but usually the funding that you get from them is usually expensive and the tenures are usually short. These are some of the points I can raise right now but I think during the course of the discussion, I can chip in more.

**Moderator:**

**Could you just very briefly answer another question. Who are your investors and what is the average size of the project when you mention rural area? What is the average size of such projects? When you talk about the equity investors, who are they?**

**Mr. Eric Okoruwa:**

Yes, the size, especially for rural community is quite small and for the rural community is mostly donor agencies and the state that usually formed renewable projects in the rural community. The reason for that is because their disposable income is quite low and most of them will not be able to afford to get those – for instance, the solar PV panel. But in some cases where they do, what has typically happened is that they give them some repayment times that can be structured over a period of time where you have to pay the initial cost. The burden for that initial setup cost is low and they can pay over time during the course of the subscription. When I say PFMs, mostly the funds focus on renewable energy projects.

**Moderator:**

**Okay, thank you. Then I will ask you Adeniyi, could you also comment. Eric just told us his view on how the projects could be structured and what the instruments are. He also raised a very important issue regarding access to the infrastructure. What is your view on this? Where is the highest needs and highest chance for development in the rural areas, and the biggest problem is the access to finance or this is the large-scale power plants, either solar or wind or any other, and access to the infrastructure, to the grids. Do you see the necessity and the needs of infrastructure development institutions to invest more into the infrastructure?**

**Professor Adeniyi Osuntogun:**

Thank you very much. There are opportunities. When you go through the literature, you see that there is a vast opportunity in Africa for the development of renewable energy. In fact, to get infrastructure, it has got to be a modern infrastructure and an infrastructure that will not be business as usual, particularly when you are talking of the rural areas. It must be infrastructure that will make them get out of the traditional way of using biomass resources, which have environmental consequences. For example, using of what I will call, using of trees and so on. Also, apart from that, it has environmental consequences. It also has health implications.

To get infrastructure, luckily, it has got to be brought in. It is not an infrastructure that should be indigenous. Luckily, there has been a lot of development in developing the appropriate infrastructure that will be capable of usage for Africa to upgrade the use of renewable energy. To get that infrastructure is not as simple. To attract investors, you have got to make available some key elements which are now impeding investors from coming.

1. The policy must be attractive to the investor;
2. You have to make sure that you give conducive entry and exit;
3. You have got to look at other areas which are inhibiting the inflow of funds into Africa.

In terms of dissemination, one area that we have to take care of, is to think of green banks. Green banks are being used in other areas and they are working well. Once you have green banks, they are specific in their orientation. They are unlike finance companies that we have now. They are unlike commercial banks, they are dedicated. Those green banks, apart from financing infrastructure, also offer other ancillary services like demand aggregation, because in the rural areas, the demand is so isolated and micro. Such a bank will aggregate small demand and it becomes large. That will be attractive for infrastructure development.

## 1.4 Panel Discussion

Secondly, the banks also go about contract training, because lack of capacity is one of the things that is causing the problem of renewable energy development in Africa. Also, they are very interested in carrying out as a central clearing house within the rural area. When I say clearing house, clearing house is not that available to the rural area dwellers, but to those who are in the city. As I said, green banks look a very viable option and it has been done in all the countries in the developed world and is working now in some developing countries. Thank you.

**Moderator:**

**Do you still believe that there is an important role of private investments into the infrastructure? What would be the type of public partnership there, or should the government play the highest role? Who should be the main investor into the infrastructure?**

**Professor Adeniyi Osuntogun:**

There are no clear-cut situations. I would recommend that where the environment is viable, where the environment is friendly, you can have government, you can't have PPA. At times you may identify a given project which is led by somebody. He may be an indigent, maybe an investor who is interested. Then it can be person-to-person that is a worthwhile entrepreneurial from the developing country versus a wilful investor from developed countries. I don't want us to have a jacketed approach. Every situation will be considered on its own merit.

**Moderator:**

Now, I would like to ask Anton Moskvina to make a comment on this subject. Let's talk about infrastructure, about the shortage of electricity, the need for investment. Anton, you work for the company that has overseas in its name. This means that you do your business outside Russia. You probably focus on Rosatom core business that is building nuclear power plants in different parts of the world.

**Now, you also have divisions that produce equipment for renewable power units, small hydropower plants and other equipment. Can you share with us what are the prospects that Rosatom sees in Africa? Do you have any projects in the pipeline? Is there anything specific that you are doing in the way of green energy production?**

**Mr. Anton Moskvina:**

I work for "Rosatom overseas" that is a subsidiary of Rosatom. We promote nuclear technologies in different parts of the world. Let me quickly tell you about Rosatom. Many people in this room may not know about this organisation because there is not a lot of nuclear power production in Africa. We have a portfolio of 36 nuclear power plants units in different phases of construction. We are the biggest provider of such services. We use very different business models.

We are willing to use the EPC model and we would often provide government financing. There are some constraints that we have to follow. They are set by the Government of the Russian Federation. We use different forms of collaboration. Public-private partnerships are quite popular. We have a project in our portfolio where we build own and operate a power plant.

There are different business approaches that we can use. We are quite versatile. We are talking about Africa. Many people today talk about the need to have high-quality energy supply systems in any region. When we talk about quality we talk about different things, including grids, networks, and access to electricity. Many people today talked about a very important parameter that is, use of electricity per capita.

This is what really tells us whether or not people are using electricity. If this parameter is bad it means that there is something wrong between the electricity suppliers and consumers. Today in Africa, only about 50%, or probably less than 50%, of people have access to electricity. The per capita use of electricity is very low, if you compare Africa to Europe, the difference is by 15 times. If you compare Africa to North America, we are talking about 30 times. This is a good illustration of the model that exists on the continent between power providers and power users. We notice that there are certain trends in installed capacity and in generation, as people are building small power plants. They are using renewable sources of energy which is nice. You can get a small power plant quickly. It is not very expensive, not like a big power plant.

On the other hand, though, when you want to build a big system, you will end up with an energy system that is not stable and it cannot support large infrastructure development projects. Most experts in the energy field, International Energy Agency, say that if a country wants to develop green generation and it wants to develop manufacturing, one of the most important things to do is to look at the possibility of building nuclear power plants (NPP). Today, NPPs are quite competitive. You have a guaranteed price of electricity during the entire cycle of operation.

Today, NPPs have a life cycle of about 60 years and that period is growing. Costs as a percentage of electricity costs is no higher than 20%. In some situations, it is even lower. NPPs provide electricity constantly. There is a steady inflow of electricity and most NPPs work at 90% of their capacity at all times. There are no renewable sources of power that would produce such level of stability. NPPs produce no greenhouse gases. There are zero CO<sub>2</sub> emissions. If you look at the entire production cycle, then again, we look quite competitive against such sources of power as wind or natural gas.

We say that any sustainable energy system should include a mix of different sources wind generation, solar, natural gas, coal in the countries that can afford it. There should be a stable source of clean electricity and only nuclear power plants can ensure that.

Rosatom provides solutions that are based on the latest technology, generation three-plus. The technologies are very advanced. You can see many success stories that we have had in different parts of the world. We have a broad power range. We can feed the needs of many customers. We have one big project in Africa. We are building a power plant in Egypt, 4,800 megawatts. We have a contract with Nigeria. We have negotiations with Zambia and Rwanda.

We are talking about small capacity power plants like 100 megawatts. We think that nuclear power generation in Africa has great prospects. If you were in the morning session today, you could see many numbers that illustrated different natural resources in Africa. There are a lot of uranium resources in Africa.

If you look at the benefits of nuclear power plants, you will see that there are no serious alternatives to this technology. We are open for partnership with African countries. We are customer-focused, we train human resources, we develop local industry. We are confident that we need to build a strong cooperation between us and the local government and other local stakeholders, public organisations, educational organisations and science centres. Without that, building a nuclear power plant does not make much sense.

We have been in this business for a very long time and we are familiar with all phases of a nuclear power plant's life cycle. We know how to make inter-governmental agreements and we are quite attractive for many governments.

**Moderator:**

**Thank you, Anton. Interesting presentation. I think many people will now think twice about nuclear technologies, it has been quite exciting. Many of the statements you made are difficult to beat. Let me ask you about one thing though. You mentioned distributed generation and an approach used in many African countries for rural areas, small power plants, small generators. I heard that at Rosatom you have projects of small nuclear power plants like 50 megawatts. Do you see any prospects for this technology in Africa where there are not enough grids and the capacities should not be too big?**

**Mr. Anton Moskvina:**

We have some 50 megawatts rated power plants where we offer two configurations. They can be put on land or we can build a floating unit. We have recently launched a floating nuclear power plant. We completed construction of this power plant in St Petersburg. Now, we moved it over to the city of Murmansk. Before the end of this year, we are going to connect it to the grid and it will be working for the benefit of the region.

We believe that in Africa, both configurations, both options on land and floating, can be quite viable. This is a very good solution for developing grids, for the energy systems where the total installed capacity in a country is not higher than 10 gigawatts. There are quite a few countries like that. Big nuclear power plants cannot be integrated into such grids because this would be detrimental to the stability of the grids.

These little nuclear power plants are modular. We can put a 100 megawatts unit that would consist of two units, each featuring 50 megawatts of capacity. At one site, we can put several units like that. We think that this is a good solution for those countries that need a lower level of capacity.

It is also quite good from the standpoint of money. These power plants are not quite as expensive. We can build them quickly, much quicker than big nuclear power plants. We produce most of the equipment at the factory and we can install them fairly quickly. I hope that we can continue our negotiations with Afreximbank. We have talked about these options before, maybe we can come up with some regional funding and that would create comfortable conditions for local customers.

## 1.4 Panel Discussion

**Moderator:**

Thank you, Anton. Caleb, over to you now. There is CO2 neutral technology and there is a huge potential for the development of such generation in the African region. What is your view? Do you agree with the statements? Do you see the prospect of nuclear CO2 neutral technology and clean technology? Can this technology be a good alternative, good diversification for intermittent new renewable energy like winds, solar? You also mentioned that there is a kind of scepticism regarding the stability of hydro generation because of the climate change. What is your comment on this?

**Dr. Caleb Fundanga:**

Thank you very much. Clearly, I was a bit worried when the only option he could give us is nuclear energy. I know they have been to Zambia, I'm sure. Even though we have started a programme, I'm more concerned with how we can help people without power at the village level, where probably off-grid solutions make more sense than power because even if you have got a small nuclear plant, it is small probably in terms of the bigger plants.

For us, when you are looking at delivering power to a village, it is still too big a thing. Now, let me just talk about solar energy for Africa as it represents the best solution because we have the sun all the time. It is only dark at night. During the daytime, we have light. We need to see how we can harness the sun in order that we can do certain things that we need to do in order to improve the quality of lives of our people. For me, solar provides the best solution.

There are many things that we can do with the sun. For instance, I can mention that even for people in urban areas, the use of solar geysers, for instance, can help you to warm your water and reduce your electricity bill. I recall in Zimbabwe, I don't know if it has started now, but when I was there, there was even an order that, "No new electricity geyser should be installed in a home. You need to have solar geyser." Solar geysers work very efficiently. I have one at home and that is the way to go and it saves money.

Water supply is also very importantly. If you dig a borehole and you put in a solar submersible pump, it will pump water. Then you can irrigate, which is one of the biggest problems that Africa faces today. That is another very important solution, but there are even other smaller solutions especially for those of us who are in the financial sector and are saying we want increased use of mobile phones for financial inclusion.

People are able to send money from villages and so forth. The biggest problem the villagers have got is how to charge the mobile phone.

With solar, there are small devices you can use where you can actually charge your phone and be able to communicate. Those are the basic elements of development, which if they are not taken into account, you will exclude a lot of people from actually utilising some of the emerging opportunities for development.

You can even use this to light a home. Today, there are a lot of handheld devices, which during the daytime, it charges, and at night, it provides you with light for your little hut. These are, for me, key elements in the process of the whole thing, but they also represent investment opportunities. For instance, if you are going to produce these handheld devices, somebody has to make them. But also, you need solar panels. In fact, production of solar panels is very key to doing all these things that I have been describing.

We have had a programme in Zambia - I come from Zambia - where in the villages, they are putting up grinding meals, which are solar driven. The villagers grow maize, then they can be ground and the panels they use are much bigger. It also provides opportunities for actually distributing the power to surrounding homesteads. Again, you are using solar to provide a solution for food, grinding mill, and also lighting homes. You can also probably connect the same power to a submersible pump. These are key things which will begin changes in African villages, rather than looking for more advanced systems.

Let me also say that you can produce a lot of power with the solar panels. In Lusaka, now, we have got a 14-megawatt solar plant, which is in an industrial zone. You said you had been to Zambia, I'm sure you have seen it. Recently, they floated some tenders for bigger ones, 440 megawatts. These are really big things. If you go to Morocco, I think Morocco now has got one of the biggest solar plants, but the bigger they get, the more it becomes necessary to connect to existing grid.

Obviously, it is important to have a critical mass of power for industry. These little technologies I'm talking about are for improving the quality of life in the rural areas. In countries where we have got mining, you may have to sell, if you are producing 40-megawatts, you can connect to the grid, and you sell so that you add to what is already existing from hydro-systems and so forth.



Key towards those who are producing independently, are the tariff rates, because obviously, some of this technology is a little bit expensive, so you need to have a proactive tariff policy so that we can adjust it when it is necessary. You need to sign off-take agreements to ensure there is willingness to produce – I have seen it for instance, in Denmark, one time when we went there many years ago, where people were producing electricity using windmills. What do you call them? Even at your homestead, you can have 1,2,3, if you have a surplus, immediately you can sell it to the system. We need to develop that interaction so that if somebody produces a little bit more power than they need at their homestead, they can sell it to the system, and the like.

The most important things, of course, are investment opportunities, which all these present. I have already said that just to manufacture handheld lamps, solar pumps, is a business opportunity. To produce the panels is an investment opportunity. In Zambia, it was announced three weeks ago, that there is a company coming to invest in the production of solar panels. That is what needs to be funded. I'm sure that when they go to people like Eric, they can help them to see how they can invest into such things and so forth.

There are also opportunities for small scale people. I'm saying small scale because recently, I bought a fruit dryer, which again, is very important. It is a solar fruit dryer. The important part for the solar is just that it drives a fan, which helps to draw out air from a chamber, which is actually drying the fruit using ordinary sun. All I'm saying is that there so many technologies, which are possible. I think that through cooperating with a country like Russia, which has got all these scientists and so forth, who can help us devise certain technologies to better our lives, to process our various things that we're doing, and therefore, we can ensure that our societies can thrive.

We will come to nuclear at a certain stage. For the moment, I don't see my villagers, my poor people in the village benefiting from nuclear energy yet, but for the mines, yes, you can produce that and feed to the mining companies because as you rightly pointed out, Zambia and Zimbabwe have depended on power generation from hydropower. We have got Kariba. This year, because the rains were poor, will have already will have started load shedding, which means there won't be enough power for our mining companies. For the ordinary citizen, there will be nothing, but I will be quite happy to have my lights in my home provided by solar power.

#### **Moderator:**

Thank you, Caleb. Anton, let us support this. We have an excellent opportunity, as Caleb has highlighted, to appeal to Russian technologists because we have Oleg Shutkin here who is a

Deputy CEO of the Hevel Group of companies.

I will say a few words about his company. It is a new company and it has been less than two years since the company has developed a production line to produce solar panels, a unique production line.

Oleg will correct me if I'm wrong. You are now among the top three leaders in the world in terms of efficiency of solar panels, and that is based on the work of Russian scientists mentioned by Caleb. Together with the two Institutes, the company developed a panel that today has the efficiency of over 22%, 23%. Oleg, my question to you is this: We have heard the views of our colleagues who represent both the Russian business and the African business communities.

**To what extent, as I understand, you as a producer of solar panels show the most promise because there is a sceptical attitude to big projects. Of course, nuclear power is a stable source of energy, but the local grid and systems are not always ready to accept that energy. As for the solar panels, you can scale your project from 300 watts to perhaps as much as one gigawatt.**

**As a company that is now developing production of panels in Russia, you are currently analysing export markets. Do you see potential in Africa? Do you have solutions that could perhaps provide for the needs that Caleb mentioned for the rural areas? A small plugin solution, perhaps? Tell us a little about it and perhaps a project might be launched even today.**

#### **Dr. Oleg Shutkin:**

Thank you very much, Alexey. Thank you for this opportunity to comment, this is a very interesting subject. Our Hevel company is 10 years old. You have said that we have been producing the new line for two years. Yes, indeed. We are currently using the hetero structural technology developed in Russia and it is extremely efficient and it works very well in hot climates.

This year, we will be launching the two-side solar modules with efficiency of over 23% per unit, and in hot climates, the additional effect in energy generation is over 30% compared to all other solar technology. This is a very interesting market for us.

## 1.4 Panel Discussion

We are indeed looking at exports very proactively now and Africa is one of our target markets. As for the overall situation in the African market regarding solar, the established capacity of solar is now two gigawatts with the population of 1.3 billion people. We understand that that is very little, and it is expected that by 2040, this will go 10 times higher, given that the population is growing faster and that we need to anticipate with energy in order to close the energy gap. These will be the main technologies to be used. We are looking very actively at all segments of this market, starting with large power units that will be part of government programmes and in many countries, governments will be launching those programmes fairly soon and there will be bids.

We are quite competitive, and during the bid process in Kazakhstan, we were able to provide for the lowest price of energy. In Kazakhstan, we were competing with the leading companies of the world, including Shell and others, the giants of energy, and we won the bids. We are planning to continue to work in markets with transparent bid procedures. We will be financing these projects and they will pay it back by means of selling the energy, that is the first segment.

The second segment is commercial contracts or supply of energy. There is a problem, for example, in emerging economies such as Nigeria, where the country has a population of 200 million. There are just 30-gigawatt capacity and big factories take power from diesel. For example, Coca Cola buys for 30 cents per kilowatt. Solar can provide at one half of this price.



The potential of solar and the mining sector is about 100-gigawatt, most of it in Africa. Scores of gigawatts can be established, provided, and installed where there is a special effect for the economies of those countries. When the cost of production of different ores and their processing will go down, the solar will pay for itself. This is an enormous potential which is untapped. We need to tap into it.

Thirdly, Caleb said that the use of solar for consumers is very efficient, and yes, indeed, that is what makes solar better than atom and nuclear. We are not competing. We are in different niches, and so nuclear is good, solar is good, but in their niches and in their areas.

What do a Siberian village and an African village have in common? Well, in both places, the problem is electricity. In Siberia and in the Far East, we are working to install hybrid solar-diesel stations. We do not need government money. We recover the investment very quickly and the same model must work in the African continent, or in any developing country where the problem exists.

It is the problem everywhere, and sun is also everywhere. Not in our country though, but sun is everywhere, and we are looking at projects in Nigeria, in South Africa, in Ghana, in Kenya, in Zambia, and everywhere there are possibilities of working in these segments. As for the barriers, one is access to financing. We are hoping that with the help of Afreximbank and The Russian Export Center, we will be able to overcome that barrier. We signed an agreement yesterday. We would like to start with projects in this region and we are hoping that we will find partners and we will find ways of implementing such projects.

Now, going to production. If there is a market, then certainly, there will be investors in the production of equipment, in the production of parts, and in the dealer networks. It will have a multiplying effect for the economy as soon as funding is available. If funding is available, additional segments will also emerge.

**Moderator:**

Thank you, Oleg. Now, in these concluding remarks, we recall the organiser of this session, the Afreximbank must play one of the key roles in the financing for export and import contracts. Now, I would like colleagues to thank our participants. We have time for a couple of questions.

**Questions & Comments from the Audience:**

**Question:**

Using elementary technologies as small elementary production, in particular, in countries like Nigeria there is abundance of gas, or Equatorial Guinea, or whatever it is. Does the African Union have any function on it? How this sector is regulated, continent-wise? Are these potential projects the focus of attention for financial structures, like ZIMBANK for example, or whatever it is because what we are ready for is to make that is not expensive?

**Moderator:**

Eric, I would ask you to answer the question for just 30 seconds.

**Mr. Eric Okoruwa:**

There is no doubt that, yes, in Nigeria we have an abundance of gas supply, but you can't take away the opportunity for solar energy. You can't take away what that opportunity portends, in terms of an off-grid solution, remote area, and all that. Solar energy technology is very key. I'm happy you just mentioned you have a technology that comes at a cheaper cost. Those are the kind of products that we want in our rural community, which will help a lot in terms of reducing the initial setup costs, which is usually a major challenge.

**Moderator:**

Thank you, Eric. Thank you very much to all panellists. This was very interesting indeed. We had a very interesting conversation. Thank you to the audience. Thank you.

# 1.5 Side Events:

## Health care and Education: Governmental and Corporate Social Responsibility

### Moderator

**Evelina Zakamskaya,**  
Editor-in-Chief, Doctor Channel;  
Anchor, Russia 24



### Panellists

**Mr. Oleg Salagay,**  
Deputy Minister of Health,  
the Russian Federation



**Mrs. Vivian Onano,**  
Vice President of Global Youth  
Empowerment Fund



**Mrs. Oby Ezekwesili,**  
Co-Founder of transparency  
International and Former Minister  
of Education and Solid minerals of  
the Federal Republic of Nigeria,  
and Former World Bank  
Vice President



**Ms. Anastasia Samarkina,**  
Director General, Bureau Legint,  
Russia



**Mr. Dmitry Korotkin,**  
Deputy General Director, Group  
of Medical Companies Kiel, Russia



**Mr. Masamba Kah,**  
Coordinator of a Consortium of  
Russian Education Organisations  
for the Joint Implementation of  
the Cluster Approach, Peoples'  
Friendship University of Russia  
(RUDN University)





**Moderator:**

**Oleg Salagay, please tell us what could be offered to them in the areas that I just listed, and where that cooperation has already been developing.**

**Oleg Salagay:**

We have lots of things to share with our partners and we are already cooperating in many different areas. Today about 3,000 African medical students are in Russian universities and about 1,000 Russian health care experts work in Africa, and these are substantial numbers. Of course, this cooperation is long-term and of a mutually beneficial nature even though it is not equally distributed across the continent.

In some countries, we have larger and stronger projects. With other countries it is only beginning. For example, one of the most famous Russian projects in Africa is the Soviet Red Cross Hospital that has worked in Ethiopia since 1947. Today this hospital is run by Ethiopia offering health care services to more than 70,000 people annually, with Russian technical support.

There are also several thousand Africans who receive medical services in Russia in what is currently known as medical tourism. According to Russian official statistics on medical tourism, Africans account for 0.5 percent of the foreigners who receive health care services in Russia annually. For example, between 2011 and 2019, an ophthalmology clinic provided help to about 3,000 Sudanese citizens even though there are no direct flights between Khartoum and Moscow.

Hence, the potential growth in health care cooperation between Russia and Africa is quite significant, and our task today is to structure an appropriate framework of this cooperation. That would be interesting to the Russian health care investors as well as to the Russian medical specialists.

**Moderator:**

**Mr. Masamba, from your experience in implementing and promoting the cluster approach in ten countries, tell us about the services and skills in demand in Africa that Russia could provide.**

**Mr. Masamba Kah:**

Started in 2014, the cluster approach is a synergy of educational and research activities of the Peoples' Friendship University of Russia to implement in Africa. The project is basically an attempt to establish a worldwide collaboration in education, bringing together various expertise into the market. The regional cluster is a set of educational and social-cultural practices. The Peoples' Friendship University of Russia has an international reputation in offering courses on global social-cultural courses.

The cluster approach is implemented through collaboration of several organisations in the target countries including national education authorities such as ministries of education. Intervention in a country starts with the needs assessment to design country-specific programme activities and deliverables.

The Peoples' Friendship University of Russia acts as a programme implementation agent for Russian education institutions as well. The cluster programme benefits about 100,000 students in 170 countries of the world, and these country programmes are in various stages of implementation.

The cluster programme includes a special project called Simulation Education offered through the Russian Medical Simulation Center. Many African students are currently enrolled in this programme, studying various medical specialisations, including courses that are not available in African universities such as nuclear and Nano medicine. Indeed, the Peoples' Friendship University of Russia is playing a critical role in Russia-Africa cooperation in health care and advanced medical training. This is the area that we identified as mostly needed in Africa, as several countries in the continent are eager to fulfill their promise to implement the UN Sustainable Development Goals (SDGs) in health care.

**Moderator:**

**Minister of Education of the Federal Republic of Nigeria, is Nigeria aware of this cluster project? And what are your expectations of Russia-Africa cooperation in health care?**

**Mrs. Oby Ezekwesili:**

Nigeria has strong knowledge transfer cooperation with Russia through training and advanced education including medical specialisations. It is interesting to see that this cooperation is being structured in a cluster. It appears as a framework that brings all the important stakeholders in various higher education areas that Africa needs to respond to the growing demand for skills and human capital development.

Indeed, cooperation in providing health care services as well as skills development in medical specialisation will be a potential strategic issue for Russia and Africa. Africa is rising in various areas of human development, and Russia is indeed aware of the opportunities it can have in Africa from, among others, the window of investment in medical infrastructure, medical technology and health tourism. Indeed, a young medical professional will eventually become a health care policy maker in his or her country and will develop a special relationship with the Russian medical industry to strengthen this cooperation.

## 1.5 Side Events

Clearly, the initiative of the Peoples' Friendship University of Russia is critical to human development efforts in Africa. It also strengthens the corporate social responsibility mandate that the private sector in Russia and Africa will be eager to undertake.

Finally, I would like to underscore the fact that the historical ties between Africa and Russia are a competitive advantage that should be harnessed for deepening cooperation in innovative learning and health care services.

There are opportunities for productive partnerships with Russian educational institutions, the private sector and all other stakeholders in education and health care. We have serious gaps in innovative ICT-based learning including distance learning, virtual classrooms and telemedicine. These are critical areas of collaboration between Russian and African institutions. The required IT infrastructure and internet connectivity are widely available in most African universities as well as in major specialised hospitals. These can be used as technology hubs to be connected to Russian universities whereby African learners can receive advanced education in health care and medical specializations without a need to travel. This would be an area of cooperation that Russia and Africa can embark upon immediately.

**Moderator:**

**Mrs. Vivian Onano, in your capacity as Vice President of Global Youth Empowerment Fund, could you tell us more about how you see the prospects of cooperation between Africa and Russia?**

**Mrs. Vivian Onano:**

Without a doubt, human capital plays an indispensable role in economic development.

When we talk about investing in human capital, it starts with spending on education, health care and training. As a young person and looking at both Russia and Africa, the biggest challenge that we are having right now is youth unemployment.

In Africa we currently have a mismatch in education and the labour market requirements. To remove that mismatch it is important to build collaborative arrangements with global partners. We cannot afford to leave health care and education to the government alone because most of the African governments do not have enough financial resources to support innovative services in a sustainable and inclusive scale.

However, the role of government is critical in creating a conducive environment for health care providers in the private sector to thrive. This includes formulation of public policies and building strategic partnerships with global entities including foreign governments

and international organisations. It starts with proper infrastructure – infrastructure is very important for the private sector to thrive.

My message today is that Africa-Russia cooperation is a form of South-South dialogue that we should peruse seriously. Health care and skills development are two areas that Africa should strive to achieve more results within the framework of the SDG agenda. African governments must also leverage private sector readiness to invest in human development through public-private sector partnership arrangements, because governments cannot do everything alone.

**Moderator:**

**Mrs. Anastasia Samarkina please share with the audience your thoughts about Russia's cooperation with Africa. How do you see the current constraints and prospects for Africa-Russia cooperation in the health care sector?**

**Mrs. Anastasia Samarkina:**

I share some of the concerns that have been expressed by previous speakers about health care in Africa where there are still deadly diseases that kill people every year. One such disease is the Ebola epidemic that killed over 12,000 people in recent years. There is a possibility that the disease will extend to other continents. The Russian government in collaboration with the Russian private sector was able to organise a Russian presence for the first time in years in the areas that were affected by the epidemic. Out of US\$5 billion that was contributed by the international community to fight Ebola, Russia's contribution amounted to about US\$60 million.

Ebola is still a serious threat to several African countries, and there is a need for urgent action to develop effective vaccines against the disease. To support the international community in the battle against Ebola, the Russian Research Centre of Epidemiology responded to that need by producing an effective anti-Ebola vaccine.

I believe that the time has come to attract other governments, public and private companies to invest more on research to help eradicate this disease. This is an example of the type of health care cooperation that needs to be strengthened between Africa and Russia. And to make this cooperation more efficient, we are suggesting the creation of a special Africa-Russia health care fund. We hope that the business community will support this. The fund will enable us to save significant amounts of money going forward, because it will work in particular to prevent Ebola, and also to organise urgent responses during Ebola outbreaks as well as to mobilise medical responses in times of need.

**Moderator:**

Now I would like to give the floor to Mr. Dmitry Korotkin to tell us what he is doing in Africa.

**Mr. Dmitry Korotkin:**

I represent a group of medical companies called Kili, a member of the Russian Association of Developers and Producers of Medical Equipment. I would like to say that the Russian health care system has the technologies, infrastructure and the expertise to help in addressing some of Africa's critical health concerns.

The key challenges in delivering health care is the need to maintain high quality of medical services and to provide access to basic medical services to the maximum possible number of people who need health care. Our approach addresses these challenges to establish small easily accessible outpatient clinics that can provide medical services in remote areas. This is one of the models that we are suggesting to Africa because such facilities are cost effective in terms of initial setup as well as daily running costs.

These small medical facilities are also connected to more sophisticated diagnostic centers and major hospitals for referring the patients who need further attention. The centers can also refer patients to specialists via the Russian network of telemedicine platforms. These are some of the solutions in which Russia can share its expertise and technology with African health care planners.



## 1.6 Side Events:

# Food Safety as Foundation for National Welfare

### Moderator

Evelina Zakamskaya,  
Editor-in-Chief, Doctor Channel;  
Anchor, Russia 24



### Panellists

Mr. Atanas Bostandjiev,  
Chief Executive Officer,  
Gemcorp Capital, Russia



Mr. Osita Ogbu,  
Executive Director of the African  
Development Solutions, Nigeria



Mr. Simon Tiemtore, President  
Vista Bank Group,  
Republic of Guinea



Mr. Renat Shigapov,  
Deputy General Director  
for Foreign Economic Activity  
Development, Trading Company  
Resource South, Russia



Mr. Dmitry Konyaev,  
Deputy Chairman of the Board  
of Directors, URALCHEM, Russia







**Moderator:**

The African food market is currently estimated to be worth over US\$300 billion yearly, and by 2030, it is projected to exceed US\$1 trillion. In 2018 a third of the African food consumption was covered by imports. Right now, Russia is among the largest suppliers of food products to Africa and is the fifth largest food supplier to the continent.

Indeed, total Russian exports are growing steadily. Last year that growth amounted to 30 percent. Traditionally, the first Russian export product used to be wheat. However, the product mix of exports became more diversified in recent years with the introduction of new products like meat and poultry. For instance, we have recently become a major global supplier of Halal food products to various markets including Africa.

Egypt is the biggest importer of Russian food products with US\$2 billion annually followed by Algeria, Kenya and Sudan. We are going to increase our presence in the African continent considering the projected growth of the African population. Given its high production efficiency, low cost of mass production and advanced technologies, Russia is ready to satisfy the growing needs of the Africa food consumers.

Furthermore, Russian consumers have an appetite for African products including, coffee, cotton, cocoa and tropical fruit.

Therefore, we are sure that Africa-Russia cooperation will be a strategic choice for the two parties. Going forward, we must work together to structure that cooperation in a mutually beneficial economic alliance.

## 1.6 Side Events

### **Moderator:**

**Now I would like to give the floor to Atanas Bostandjiev to comment on the Russian-African challenges in trading food products. Where should we focus and how can Russia help its African partners?**

### **Mr. Atanas Bostandjiev:**

One of the biggest challenges for food security in Africa is the lack of trade finance to develop food production in the continent. As you are probably aware, after the financial crisis of 2008, most of the international banks reduced their appetite to lend to emerging markets enterprises especially in Africa. This caused the creation of huge trade finance imbalances into Africa.

Just to give you an example only for Africa the trade finance deficit is U\$120 billion a year. Clearly, this has a negative impact on trade between Africa and the rest of the world. That trade finance gap is projected to increase further because the population in Africa is growing very fast. By 2030 the continent will have the second largest population in the world, more than 1.7 billion. This means that demand for food is going to increase significantly.

The other constraint for food security in Africa is the lack of food infrastructure and logistics, such as storage and packaging facilities. Currently more than 50 percent of the annual agricultural products are wasted because of the lack of proper storage facilities.

Through Russia-Africa cooperation some of these constraints can be alleviated via private investments in agricultural production and logistics. Russia has a substantive experience in mechanisation and agro-industry, and the Russian private sector has the appetite to invest in agricultural development in Africa. Obviously, this will also help Africa's transformation from exportation of raw materials to processed products. However, it is important to note that investing in emerging markets comes with certain risks. We, as international investors need to be vigilant to the credit risks involved in such investments. There are probably two or three types of risks that can be managed or that can be identified in terms of the financial risks that we consider. One, obviously, is the political and the legal risks.

We certainly prefer to invest in stable countries that have clear investment policies and national legal frameworks to support and protect foreign investments. Without a doubt, investors expect to work in a healthy business environment where they can make profit. Therefore, we need to carefully study a country or region before we get involved in investment agreements. Finally, volatility in the exchange rates of foreign currencies in emerging markets is certainly a critical risk that investors need to manage. That exposure to the devaluation of local currencies is indeed a great barrier to investment in Africa.

### **Moderator:**

**Mr. Simon Tiemtore, as a representative of Vista Bank. Would you like to comment on the financing deficit challenges?**

### **Mr. Simon Tiemtore:**

Obviously, the global economy is currently on the verge of a severe trade war between the super economic powers including the USA, Russia and China. However, amid the smoke of the forthcoming war there appears to be an opportunity for Russia and Africa to reinforce their legacy of cooperation on a more dynamic and mutually beneficial framework. The envisaged cooperation will certainly include its own mechanisms and tools to mitigate risks including exchange rate volatility and business legislation.

### **Moderator:**

**Mr. Dmitry, what are your key recommendations for the Russian investors who wish to invest in the African continent?**

### **Mr. Dmitry Konyaev:**

We are talking about one Africa but certainly there are several countries with different investment climates, different legal frameworks and different political systems. If we go back to the topic of our discussion regarding food security, we must not forget that there still significant pockets of poverty and severe food shortages in several regions of the continent. It is very clear that we must not forget that people are starving in Africa. On the other side of the coin, Africa is a place of great potential for economic growth, investment and trade. It is also a lucrative market for investors who are ready to take some risks and tap those potentials seriously.

In our sector, fertilisers, we continue to strive to deepen our business engagement with Africa, we appreciate the serious gap in agricultural technology and the application of scientist packages in African agricultural production including the use of fertilisers. We must make more effort to increase awareness in the African agricultural sector to transfer agriculture from a substance activity to a value-generating business and an engine of sustainable economic growth. We are currently developing a platform to reach out to the farmers with the specific purpose of awareness and knowledge sharing on how to use fertilisers.

Going forward, we would like to have the honour of being partners in Africa's transformation process. We would like to see the continent, not only able to feed itself, but become a leading food supplier to the rest of the world.

**Moderator:**

**Mr. Osita Ogbu, we understand that SMEs and social support programmes are closely interconnected, please share with us your experience in this vital developmental area.**

**Mr. Osita Ogbu:**

As you are probably aware, many developing countries around the world suffer from food deficit. However, out of 86 countries that are low income states, 43 countries in Africa have food shortages while 25 percent of the Africans suffer malnutrition. All this has a serious negative impact on development. Among the reason behind this food insecurity situation is that Africa has poor quality soil with low yield which results in low productivity. You need to address some of these issues to enable Africa to feed its population and contribute to the global food market.

Against this background, I think it is important to leverage the Russia-African cooperation to approach food production in terms of applying modern agricultural models including fertilisers, machinery and farm management techniques.

Hence, as we are planning for Africa-Russia cooperation in agriculture production and trade, I believe our priority should focus on agricultural knowledge and technology transfer.

Having laid out what I thought were the critical issues, I would like to add that there are great investment opportunities in Africa. However, the investor Africa wants is the investor that is also socially conscious. Of course, we need the investor who brings capital and makes profit, but he or she must also bring new knowledge to invest in people's development. This is where social engineering comes into place.

**Moderator:**

**Mr. Simon Tiemtore, as a financier of African origin with deep knowledge about the region, how do you bring together the realities in the Africa region with the risk factors that investors see? How can we bridge expectations to attract more investors? What steps should both parties take in order for business to take place?**

**Mr. Simon Tiemtore:**

We all know that agriculture is the mainstay in an African life. It occupies 60 percent of our livelihood activities. However, our agricultural production is predominantly based on small farmers. We need to change this mode of production and we must move from subsistence farming to agribusiness. Agriculture has to be seen as a business. We must create jobs for young people in agriculture and make those jobs even more financially attractive than conventional jobs in other sectors. And to do that there is a need for strategic policies of change management to be championed by governments in collaboration with the private sector. I think we must sharpen our focus more on the new model of agriculture as a business, by encouraging investors to invest in agriculture infrastructure and knowledge. This will open significant opportunities for capital in that sector.

Going forward, what can be done in partnership between African institutions and Russian institutions, to give the level of comfort that Russian investors are looking for when they want to invest in agriculture. We are looking for serious investors with appetite to put in capital on a long-term basis to transform agriculture, create jobs and add value to the sector.

**Moderator:**

**I would like to continue the discussion, and give the floor to Renat, who is the head of Gap Resource. This is the largest Russian meat exporter and they are active and working in many regions worldwide, including Africa. Can you share your experience, Renat, and tell us how Russian business can improve relations and develop their interactions with Africa, for instance? We understand that, of course, cooperation has to be mutually beneficial. What is the benefit that Russian businesses should expect, and how can the envisaged cooperation work?**

**Mr. Renat Shigapov:**

Gap Resource is the largest producer of poultry, and one of the largest exporters. We operate from large production facilities located in the south of Russia, in Starobel in the Tambov region. The overall capacity is 640,000 tons of products, and out of that, 100,000 tons are exported worldwide. Our production facilities are certified according to food and safety standards, and we are in line with GCC requirements.



## 1.6 Side Events



We started first supplying our products to China. We are developing our exports to central and north Africa, and we have very positive experiences working in the African market. I believe the potential is great, and the critical trade barriers are falling.

Talking about regulations, the Gulf States, for instance, have unified veterinary sanitary rules especially for halal products, but when it comes to supplying products to African countries, there is no such unified standard. Therefore, we must certify our products when it comes to compliance with sanitary requirements in each country. This takes time and makes operations too complicated.

**Moderator:**

I would like to draw some conclusions. Russia and Africa, whether they have their serious ambitions, and only understanding these ambitions, we can move from the competitive landscape to cooperation. Today, some interesting ideas were expressed during the session including investment in infrastructure, financial and physical, human development.

This is a very interesting position, which can bring the partners closer. It is only a confirmation of such simple things, and Russian banks, African businesses, Russian businesses; we have business for three of us. Politics, like it or not, but a lot depends on politics. It is important that the governmental strategies and their long-term vision be coordinated at the level of the states. We need state support for the national business and communication. The more we communicate, the more we talk, not only in this format, but also during the bilateral meetings, the closer we will get to our end results. I wish you every success in your business, and good luck.





## 1.7 Investment Forum

### Panel Discussion:

# “Russia-Africa: Investment Cooperation: Experiences and Perspectives”

#### Moderator

**Mrs. Shannon Manders,**  
Editor Director, Global Trade  
Review (GTR), UK



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#### Panellists

**Mr. Samuel Dossou-Aworet,**  
Chairman, ABR and Chief Executive  
Officer Petrolin Group, Nigeria



**Mr. Onajite Okoloko,**  
Managing Director and Chief  
Executive Officer, Notore Chemical  
Industries Plc, Nigeria



**Mr. Vladimir Marchenko,**  
Vice President of ALROSA, Russia



**Mr. Agostinho Kapaia,**  
President and Chief Executive  
Officer, Opaia Group, Angola



**Mr. Fortunato Mbo Nchama,**  
President, Development Bank  
of Central African States (BDEAC),  
Congo Brazaville





**Moderator:**

The theme of this session focused on Russia-Africa, looking at opportunities, experiences and perspectives. The objective of the discussion was to generate interaction amongst Russian and African business leaders with the aim of scoping out business deals between the two parties. The first speaker will be Mr. Dossou, and he will share with the audience his experience on Benin and the opportunity that awaits investors.

**Mr. Samuel Dossou-Aworet:**

Benin is the natural port of hinterland countries. Niger, which has oil and minerals, Burkina Faso, Mali and even the North of Nigeria as you know is a big country with powerful tycoons. Then this small country has the geographical advantage to be a natural port, a deep-water port for those inter-land countries. On top of that, Benin has an almost 500-kilometre rail line from the port to the north of the country with possible extensions from Parakou to Niger, Dosso, and Niamey. This rail belongs to Benin and Niger.

The two countries launched a tender and my Group won the tender. Today what I am looking for is a partner in Russia to come and join the group and be able to manage our project. The existing port in Cotonou is invaded by the city and has space for extension. And although big businesses are coming from the northern hinterland countries with their mining potential and Cotonou cannot accept additional increase, then the rail will do the job. Here in Parakou the terminal of the existing rail, I have built a dry port on 50 hectares of land. Then, I am aware of and appreciate some foreign investors reluctance to invest in Africa because of the risks involved. However, this is not true in the case of Benin. We intend to invest around U\$10 billion, and we are legally covered by rules and regulations. The law also fully protects our investment in the ownership of land and other fixed assets.



## 1.7 Investment Forum

### Moderator:

Mr. Marchenko, as a major diamond producer in Africa, please share with the audience your long investment experience in the continent.

### Mr. Vladimir Marchenko:

Most of my experience in Africa has been positive even though we have passed through some challenges. For example, when we started a construction project in Angola, because of political hostilities, we could not use land transportation to move equipment, and therefore, we were obliged to use air transport. However, we are still there and looking for new opportunities in other African countries.

Of course, when we started there was no infrastructure, including roads and power supply. The situation is significantly different now. Africa has infrastructure now and it is growing. We can say that there are still a few dark corners, but most of Africa has good infrastructure.

Of course, there are still shortages in electricity in some parts of Africa, but we see that those challenges are being addressed. There are hydropower plants all over the place as well as solar energy plants. The continent is developing quite rapidly.

Having said that, I must say that there are still challenges. Some countries change their mining codes and tax laws frequently, and this is a challenge that must be addressed by investment policy makers. Otherwise, it would be difficult to attract investors. We have very long investment cycles; it takes about 10 years to build a plant, to build a mine. Clearly, unstable laws would create a negative investment environment.

Mining companies in Africa are some of the main infrastructure developers, because infrastructure is essential for their business. We also have a lot of social responsibilities in the areas where we work. We build schools and universities as well as several other facilities.

### Moderator:

Mr. Okoloko, Notore Chemicals operating in fertiliser, which is a vital input for Africa's growth. Please share with us your experience in Nigeria.

### Mr. Onajite Okoloko:

As you are probably aware, about 40 percent of Nigeria's GDP comes from agriculture and agri-businesses, and around 60 percent of the labour force is in the agricultural sector. Furthermore, Nigeria has a population of 200 million people and that population is projected to reach 450 million by 2050. These are very staggering statistics, but they also create huge business opportunities, particularly in the agricultural sector. As such, to meet the rising demand for food in Nigeria, huge investments must be directed towards the production of fertilisers as a key input in agricultural production. Today the globally recommended fertiliser utilisation is about 200 kilograms per hectare. However, Africa is still using less than 10 kilograms per hectare.

Therefore, there is a major latent demand for fertilisers in the continent. With over 40- 60 percent of Africa's arable land not even being cultivated today, there are huge opportunities in the agricultural space. We need foreign business partnerships to invest in agriculture, and we must harness this opportunity to attract Russian investors to this sector. There are several significant Russian fertiliser groups that are currently investing in fertiliser production. However, the market is huge, and there are still big potentials for more investments.

### Moderator:

Mr. Kapaia, Africa still has 623 million people with no access to energy at all. Please share with us your insights on how the continent will address this challenge.

### Mr. Agostinho Kapaia:

Of course, we have a set of difficult issues to resolve in the energy sector in Africa. As you are aware, much of Africa's development and investment effort is constrained by energy shortages. As such, more public and private effort needs to be directed towards increasing investment in the energy sector. Russian energy companies have the right technology and knowledge to cooperate with African business in implementing energy projects in Africa in various energy sources including clean energy sources like solar and hydrologic power.



We are currently engaged in conversations with major Russian companies to partner with us in several significant energy projects in the continent, and excellent results are expected. We are doing a lot in agriculture as well, and our group include a company specialising in agricultural production.

Our intervention in agriculture was motivated by a high increase in demand for imported food materials during the past five years. It was a big opportunity to produce agricultural products locally. About 90 percent of our food was previously imported. Now we are changing this situation, and there is enough room for more investors to join us.

**Moderator:**

**Mr. Nchama, as President of the Development Bank of Central African States, we would like to get a sense of the opportunities that you deem are there for Russian businesses to take opportunity of when in the territory that you are representing.**

**Mr. Fortunato Mbo Nchama:**

This is a pertinent question. Yesterday there was a presentation of statistics about the investments of our bank in various sectors in Africa. The Central African region was missing in those statistics even though the Central African region has quite big investment potential even though it is the least developed region in Africa.

As such, this region should be the most attractive part of the continent for investors. We have huge potentials for mining investors. We also have vast untapped natural resources waiting for investment. Moreover, we have a substantial market with over 188 million population in this region. Therefore, the Central African region can be viewed as one of huge growth potentials and opportunities.

We encourage Russian and other investors to take note of the excellent opportunities that exist in this region. We assure those who are interested that the regulatory and investment laws are now significantly favourable to foreign investment. There should be no fear of the long-term stability of investment rules and regulations.

Finally, I would like to assure foreign investors that, while Africa has been developing very fast, Central Africa acknowledges the need for a conducive business environment to foster this development. As such, our region is a place where there are the best tax regimes in the continent. This is a very favourable environment for doing business.

**Moderator:**

**Mr. Marchenko, comparing Africa with other emerging markets, are there more opportunities in other emerging markets? Are any other emerging markets doing things better than Africa?**

**Mr. Vladimir Marchenko:**

Africa is widely considered to be the land of opportunities in an increasingly global world. Without a doubt, Africa is developing and there are serious African businesses that are operating in an increasingly competitive market. Therefore, investment companies must have high skills and competencies to work in the African continent. Certainly, choosing an African partner is a critical issue. There are several success stories as well as many failures because of badly selected partners.

Fortunately, in the age of easy access to business information the risk of choosing the wrong partner is slimmer than it used to be a decade ago. Furthermore, through events like this meeting and many other business forums, there are better opportunities to meet face-to-face, to network and scope partnerships.

Another recent positive development in doing business in Africa is that there is now more transparency and good governance than in the past. It is a bit difficult for politicians to influence business deals in favour of friends and relatives, as used to be the case two or three decades ago.

**Moderator:**

**As we move closer to the implementation of the AfCFTA, which is envisaged to create US\$3.3 trillion economy, how do we expect the business competition environment to be in the coming years?**

**Mr. Onajite Okoloko:**

There are so many opportunities in Africa, and it would take hundreds and thousands of businesses to get engaged before we start to see aggressive competition. Nevertheless, competition is healthy in an open market economy as long as it is based on business best practice, corporate governance, compliance matters and cost-effectiveness.

Furthermore, businesses must be able to identify the right partners to deal with in Africa and globally. There are good partners all over the world, and there are several instruments at the disposal of business leaders to use for the identification of partners. Again, the bottom line is that the marketplace is fertile and untapped, and the cake is big enough for everyone to take the slice they have the appetite to digest.

## 1.7 Investment Forum

### Moderator:

Professor David Francis, Chief Minister of the Republic of Sierra Leone, we certainly want to get a sense of Sierra Leone and the business opportunities that abound in that territory.

### Mr. David Francis:

We have just signed a US\$130 million Memorandum of Understanding for the expansion of bauxite mining in Sierra Leone by the Sierra Mineral Holdings Limited as a representation and manifestation of the emerging partnership between Russia and Africa.

Sierra Leone is currently considered as the land of new opportunities. See Sierra Leone as the new El Dorado, where you can do good. That means impact on the lives of ordinary people, but at the same time, doing well, making profit is very important. Sierra Leone is unique, it is the only country in the world that I know where you must use three modes of transportation before you get to the capital city, you fly, you cross the sea and then you use the road. It is unique in the sense that we don't see it as a problem at all. We see it as offering emerging opportunities to invest and make businesses and profits. This is the new Sierra Leone that we are talking about.

Sierra Leone has exciting opportunities in the mining sector. Sierra Leone is known to have about 24 known strategic mineral resources. Well, of course, I am sure you know about blood diamonds, but that is the past. 24 strategic mineral resources known and currently, as I speak, we are just concluding the mineralisation survey and the airborne geological survey of the country to ascertain the scope, the range, the quantity and the depth of the reserves and the mineral assets in the country.

For once, Sierra Leone has firm control over the understanding and the data set of the mineralisation in the country, so we do not have to go to the IMF to ask for money. We use it as sovereign guarantees.

This is the new Sierra Leone, the new Africa that we are talking about. We have opportunities in the agricultural sector as well as in the health sector, and in the tourism sector.

In the next 10 to 20 years Sierra Leone is projected to move from being a lower-middle income to an upper- middle income country, and its GDP will grow from US\$3.8 billion to around US\$19 billion. As you are probably aware, 25 years ago Rwanda was a true representation of Africa as depicted as the hopeless continent. Currently it is one of the fastest-growing economies in Africa and in the world, despite the country's small size.

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There is a major latent demand for fertilisers in the continent. With over 40 - 60 percent of Africa's arable land not even being cultivated today, there are huge opportunities in the agricultural space.

Mr. Onajite Okoloko,  
Managing Director and Chief Executive Officer,  
Notore Chemical Industries Plc, Nigeria

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In effect, it is not about size, it is about good governance and competence. Likewise, Ethiopia 28 years ago was postulated as a symbol of famines and desperation. That has completely changed now. I would like to encourage the Russian investors to note Sierra Leone as a land of opportunities where you impact the lives of the people, but indeed, also find lucrative businesses.

We encourage foreign companies to come to Sierra Leone to invest in value addition. For far too long in Sierra Leone and in Africa, we have been the same traditional exporters of raw materials.

### Questions and Comments from the Audience:

#### Comment:

I am very happy that Equatorial Guinea has been cited during the conversation as a country with a developed infrastructure. Based on that testimony, I would like to state that the country is now open for foreign investment to continue along that development trajectory. Furthermore, there are opportunities for investors to diversify their business interventions. Development of infrastructure over the past decade has accounted for just over US\$20 billion. All of that was self-financing. With the current falling oil prices, we need more FDI flows for other sectors including agriculture, manufacturing, tourism and finance.

From the conversations during this event, one challenge that foreign investors are worried about when they consider investing in Africa appears to focus on the taxes and business laws. I can assure you that most governments in Africa, including Guinea, are becoming increasingly aware of this barrier, and relentless reform efforts are being done.

**Comment:**

Our company, Formika is well known in Russia as the organiser of the biggest industrial trade show, INNOPROM in Yekaterinburg for 10 years as a major international trade event. Two-thirds of our exhibitors are international companies, and the trade show is predominantly about manufacturing.

Based on our long experience, we have realised the huge interest of the Russian companies to invest abroad. We see ourselves as the radar loco of the Russian companies to discover Africa. The other discovery we made was that there is no pan-African industrial manufacturing trade show.

We are launching the first manufacturing trade show in October this year in Cairo. It is called Big Industrial Week Cairo. In parallel, we are organising the Russia-African Industrial Forum. The targeted manufacturing sectors for these trade shows are energy equipment machinery, transport machinery, agricultural technology and nuclear energy. I would like to take this opportunity to invite all of you to these events, which will have a heavy participation from leading Russian manufacturing enterprises.

**Comment:**

The Integrated Produce City is a Nigerian aggregate industrial town that has at its core, a wholesale produce market and will organise farmers around a seven-state area and produce will come in from those small farmers daily. One of the big challenges that we have is how to aggregate small producers. In these wholesale produce cities, the buyers for manufacturing and the distributors come together. From there, there is an industrial park, which is in the part of the city where we aggregate products for export and for distribution around the country. We are scoping for partners to buy or lease land space as manufacturers to take the agro-allied value chain into global markets.

We would be happy to work with Russian enterprises that wish to participate in this value chain venture. Finally, we encourage foreign investors to look at Africa positively, because Africa's industrialisation will start from the agro-allied industry. That is where jobs and wealth will be created. Over 60 percent of chocolate-related products come from cocoa from two countries in Africa, but there are very few industries in Africa that make chocolates.

Therefore, all the real value that is created from African products is created outside the continent. If we can bring industries in Africa to monetise raw materials, we can increase the profitability as logistics costs become cheaper.

## Summary of the knowledge sharing sessions

### Results of the Afreximbank Annual Meetings 2019

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The Afreximbank Annual Meetings 2019 and the associated Russia–Africa Economic Conference have come to a close. The events ran from 18 to 22 June in Moscow and was an important international platform in the lead up to the Russia–Africa Summit and Economic Forum (23–24 October, Sochi). The events were organised by the Roscongress Foundation, African Export-Import Bank (Afreximbank), and the Russian Export Center.

The Afreximbank Annual Meetings and Russia–Africa Economic Conference were attended by over 1,500 delegates from 81 countries, including: Russia, Algeria, Angola, Belarus, Belgium, Benin, Bulgaria, Botswana, Brazil, Burkina Faso, Burundi, the United Kingdom, the (British) Virgin Islands, Gabon, Gambia, Ghana, Guinea, Germany, Djibouti, Egypt, Zambia, Zimbabwe, Israel, India, Ireland, Spain, Italy, Cameroon, Canada, Qatar, Kenya, Cyprus, China, Congo-Brazzaville, Congo-Kinshasa, Côte d'Ivoire, Lesotho, Liberia, Lebanon, Luxembourg, Mauritius, Mauritania, Madagascar, Malawi, Malaysia, Mali, Morocco, Mozambique, Namibia, Nigeria, the Netherlands, the United Arab Emirates, Portugal, the Republic of Korea, Rwanda, Saudi Arabia, Seychelles, Senegal, Singapore, Somalia, Sudan, the United States of America, Sierra Leone, Tanzania, Togo, Tunisia, Turkey, Uganda, Finland, France, Chad, the Czech Republic, Switzerland, Sweden, Equatorial Guinea, eSwatini, Estonia, Ethiopia, the Republic of South Africa, South Sudan and Japan. Over 290 Russian and international journalists from 25 countries registered to take part in the Russia–Africa Economic Conference.

The Prime Minister of the Russian Federation, Dmitry Medvedev spoke at the Opening Ceremony of the 26th Annual General Meeting of Shareholders of Afreximbank. He noted that Russian and African relations have a solid historical foundation, which they can use to their advantage as they move forward and find solutions to today's challenges. "Another objective reason for our rapprochement is the similar tasks facing our economies. Russia and all African countries have tremendous natural resources. According to some estimates, they account for 50 percent of the planet's resource potential. We must use these resources effectively and simultaneously expand cooperation in this and other fields," added the Prime Minister. H.E. Dmitry Medvedev met with President and Chairman of the Board of Directors of the African Export-Import Bank, Benedict Okey Oramah, on the side-lines of the Afreximbank Annual Meetings.



The events were attended by representatives of executive government bodies. On the Russian side, they included Russian Foreign Minister Sergey Lavrov and Minister of Industry and Trade of the Russian Federation Denis Manturov. African representatives included: Chief Minister of the Republic of Sierra Leone David Francis; Permanent Secretary of the Political and Economic Affairs Office of the Federal Republic of Nigeria, Gabriel Tanimu Aduda; and Minister of Trade and Industry of the Republic of Rwanda, Soraya Hakuziyaremye. The panel sessions featured the participation of the heads of high-profile international and foreign organisations: Executive Secretary of the United Nations Economic Commission for Africa (UNECA), Vera Songwe; African Union Commissioner for Trade and Industry, Albert M. Muchanga; Member of the Board and Minister in Charge of Trade at the Eurasian Economic Commission Veronika Nikishina; Chief Executive Officer of the International Islamic Trade Finance Corporation (ITFC), Hani Salem Sonbol; Deputy Governor of the Central Bank of Egypt, Gamal Mohamed Abdel-Aziz Negm; and African Union Commissioner for Infrastructure and Energy Amani Abou-Zeid.

A total of over 20 business events were held as part of the Afreximbank Annual Meetings and the Russia–Africa Economic Conference. Participants discussed the building of partnerships between African SMEs in the Russian market; trade between emerging markets and Africa’s integration into the global economy; the financing of trade under difficult global financial conditions; digital solutions and cybersecurity for state and municipal operations; food security; health care; and education. Stressing the importance of furthering multilateral cooperation, Advisor to the President of the Russian Federation, Executive Secretary of the Organizing Committee for the Russia–Africa Summit in the Russian Federation in 2019 and other Russia–Africa events Anton Kobyakov said, “Under current conditions, multilateral cooperation with rapidly growing African economies is of primary importance in Russia–Africa relations. At the fore is demand for scientific and technological progress, comprehensive integration, and application of Russian innovative developments in sectors of the African economy such as agriculture, green energy, health care, and municipal management. Proof thereof is the heightened interest of experts, businessmen, and heads of African government agencies, who have come to Moscow for the Afreximbank Annual Meetings.”

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Russian and African relations have a solid historical foundation, which they can use to their advantage as they move forward and find solutions to today’s challenges.

Mr. Dmitry Medvedev,  
Prime Minister and Chairman of the  
Government of the Russian Federation

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During his speech, Chief Executive Officer of the Russian Export Center Andrey Slepnev expressed his confidence that Russia has met all of the conditions to strengthen its position in the region through investment in existing and developing economic chains, which would allow the country to secure a longer-term presence in Africa. “We have every reason to talk about the sustainable growth of Russian exports to Africa. Since 2015, we’ve seen a 23% annual increase in exports on average. Africa currently has enormous potential as a sales market. Today’s economic modernisation is paving the way for serious infrastructure changes, which means that the need for high quality, competitive products is growing. Consequently, African countries are our strategic trade partners. Our research has shown that Russian products in a number of industries are fairly competitive in Africa. It’s vital that Russian businesses have the necessary skills to successfully enter this fast-growing market, and the REC is creating all of the conditions to make that possible,” said Slepnev.

Key events on the side-lines of the Afreximbank Annual Meetings included: the Meeting of the Board of Directors of Afreximbank; the launch of the Afreximbank Strategy for Export Trading Companies; the launch of the 2019 African Trade Report; and the Annual General Meeting of Shareholders of Afreximbank.





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