INDIA'S INVESTMENT POTENTIAL IN AFRICA

WORKING PAPER NO. : 120

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WORKING PAPER NO. 120

India's Investment Potential in Africa

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Executive Summary

Africa is a diverse continent and is well endowed with various natural resources. About 30% of the global mineral reserves, 8% of global natural gas, 12% of the world's oil reserves, 40% of the world's gold and up to 90% of global chromium and platinum is concentrated in the region.

During the last decade, Africa's GDP has grown at a moderate rate of 3%. The economy contracted by 1.8% in 2020, after growing at 2.9% in 2019. Africa's GDP is dominated by its commodity dependent regions, the largest being North Africa. In 2021, Nigeria had the highest GDP of US$ 518.5 billion at constant 2015 prices among all the African countries.

Macroeconomic Scenario

High inflation is perceived as one the most urgent challenges in Africa. The average annual inflation of 14.5% in the region is much higher than the world average of 8.8% in 2022. While inflation in Africa has been persistently high over the years, the surge in the recent years is attributed to the external global developments since the start of the pandemic.

According to the UNCTAD, 83% of African countries are dependent on commodities wherein 60% or more of their merchandise exports are of commodities. In 2021, Africa's exports to the world stood at US$ 556.7 billion while imports were to the tune of US$ 621.9 billion. During 2012-21, Africa's share in world merchandise exports has also reduced from 3.2% to 2.5%. Africa's exports are dominated by primary commodities. Mineral fuels and oil were the top exported category in 2021, with exports amounting to US$ 189.6 billion. Other important categories are pearls and precious stones, and ores, slag, and ash. Africa's most important partners, both for export and import are China and India.

Intra-regional trade in Africa is currently low. The intra-regional exports and imports stood at 14.8% and 11.6%, respectively, in 2021. Given the high untapped potential of the region, the signing of the AfCFTA agreement to create a single continental market is a landmark step, which entered into force in 2019.

On the investment front, FDI in Africa is mainly concentrated in a few countries, with South Africa, Egypt, Morocco, and Nigeria being the top recipients. While mining has been the preferred sector, FDI to Africa has been increasingly diversifying into the manufacturing and services sectors. The agriculture sector is also an important area for FDI in Africa, with significant potential for investment in large-scale commercial farming, agro-processing, and value-added agricultural products. FDI inflows to Africa after declining to US$ 39 billion in 2020 have surged by 113% to US$ 83 billion in 2021. As a percentage, Africa received 5.2% of global FDI inflows in 2021.

It may be noted that increasing debt has been a cause of concern for many African countries. The general government gross debt as a percentage of GDP in Sub-Saharan Africa has increased from 27.8% in 2012 to 57% in 2021. Sub-Saharan Africa's external debt has also seen a substantial increase from US$ 372.5 billion in 2012 to US$ 741.1 billion in 2021. Debt from Chinese lenders, which accounts for 12% of Africa's private and public external debt, has grown more than fivefold to US$ 696 billion from 2000 to 2020.

Amidst all the prospects and limitation, Africa still is an important destination to explore for investment. Africa has the youngest population in the world, with 70% of sub-Saharan Africa falling under the age of 30. Africa's population is also characterized by significant regional and urban-rural variations. North Africa is the most urbanized region, with over 60% of its population living in urban areas.

Investment Potential for India in Africa

According to the African Development Bank Group, with real GDP growth estimated to average around 4% in 2023 and 2024, Africa is slated to outperform the rest of the world in economic growth. Notably, despite economic headwinds, all the five regions and 53 of 54 countries exhibited positive economic growth in Africa in 2022, which averaged 3.7%. Africa's fastest growing economies in 2023-24 are projected to be Niger (9.6%), Senegal (9.4%), Rwanda (7.9%), Côte d'Ivoire (7.1%), Democratic Republic of Congo (6.8%), Mozambique (6.5%), the Gambia (6.4%), Benin (6.4%) and Togo (6.3%). The GNI per capita of Morocco and Mozambique has increased by 1.8 times from 2002 to 2021; Nigeria, Egypt, and Kenya by 1.5 times; and South Africa and Benin by 4 times.

India-Africa Trade Linkages

India's total trade with Africa has increased from US$ 6.3 billion in 2002 to US$ 82.5 billion in 2021. Africa's share in India's global exports and imports stood at 9.6% and 7.8%, respectively. For Africa, India's contribution in its global exports and imports was 6% and 5.6%, respectively. India's exports to Africa were valued at US$ 37.9 billion in 2021, while imports were valued at US$ 44.6 billion. India's top export categories to Africa in 2021 were mineral fuels and oils, automobiles, and pharmaceuticals. About half of India's imports from Africa were of crude oil in 2021.

India's top export partner in the region is South Africa followed by Nigeria, Egypt, Togo, and Kenya. India's exports to Togo and Mozambique have grown at a remarkable AAGR of 41.8% and 21.5%, respectively during 2012-21. South Africa and Nigeria are the most important import sources for India in Africa, with a share of 45% in imports from Africa.

With respect to the Trade Complementarity Index (TCI), which indicates to what extent the export profile of the reporter country matches, or complements, the import profile of the partner country, it is noted that complementarity of India with Africa is considerably high at 71.7% in 2021 and has increased from 63.8% in 2017 and 68.6% in 2019. India and Africa also have a higher TCI as compared to other regions such as the ASEAN (62.5%), the EU (67.8%) and LAC (64.4%).

India-Africa Agreements

Under India's Duty-Free Tariff Preference Scheme for Least Developed Countries (DFTP-LDC), duty free/ preferential market access is provided on about 98.2% of India's tariff lines. As 26 of the 34 beneficiaries under the scheme are African countries, the unilateral preferential treatment has considerably aided stronger trade relations between India and Africa.

Further, India-Mauritius CEPA is the first agreement signed by India with an African country. Covering trade in goods, rules of origin, trade in services, technical barriers to trade, sanitary and phytosanitary measures, and movement of natural persons, it is a limited agreement which entered into force in April 2021.

Negotiations for a preferential trade agreement (PTA) between the Southern African Customs Union (SACU), a customs union of 5 Southern African countries (Botswana, Eswatini, Lesotho, Namibia, and South Africa) and India which started in 2007 have been revived in 2020.

India's Investment in Africa

India's total Overseas Direct Investment (ODI) to Africa during April 2000-January 2023 was to the tune of US$ 50.4 billion. During the period, Mauritius was the largest recipient of India's ODI in Africa, with a share of 79.1% in India's total ODI to Africa, owing to its tax haven status. The other top recipients during the period were Mozambique (7%), Sudan (6%), South Africa (2%) and Egypt (1.3%). Indian investments in Africa span across sectors, with manufacturing accounting for the highest chunk. The other lucrative sectors have been financial, insurance, real estate and business services, agriculture, mining, amongst others.

Investment Opportunities in Africa: Target Economies

Engaging with Africa is a key priority for India. It is important for India to explore additional markets beyond the conventional areas to advance its engagement with the African region. The Study has undertaken an analysis to identify the top economies in Africa which offer high investment opportunities for India, while undertaking a critical preview of the existing factors. The methodology considers all the 54 African economies (excluding Mauritius, as it remains largely a tax haven for businesses) and shortlists countries based on factors like economic size, trade, FDI, etc. These economies can be divided into three groups:

- Category A (Countries with high-rating and investment potential) such as Botswana,
- Category B (Countries shortlisted using the above filters with no significant issues), and
- Category C (Countries shortlisted using the above filters but have issues like repatriation, FATF monitoring, etc.) such as South Africa, Nigeria, etc.

Target Economies with suitable Business Opportunities for India

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
1	C	South Africa	353.3	87.0	123.7	6.0	5.7%	Cold storage, beer & wine, medical plastics & disposable plastics, vehicles, machinery, textiles, and chemicals	Ba2/Stable
2	B	Côte d'Ivoire	65.3	7.5	14.0	0.7	5.1%	Agro-processing, pharmaceuticals, automobiles, IT, & textiles	Ba3/Positive

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
3	C	Tanzania	64.2	15.5	6.4	1.7	11.1%	Irrigation systems, agricultural training & capacity, transportation, infrastructure, communications, electricity (especially renewable sources), wholesale & retail trade, and travel & tourism	B2/Positive
4	B	Egypt	426.0	71.4	40.7	3.3	3.3%	Animal husbandry, fisheries, automobiles, renewable energy, and chemicals	B2/Negative
5	B	Kenya	90.4	17.2	6.8	2.5	10.8%	Pesticides, fertilizers, horticulture, tea, coffee, automobiles, telecommunications, and medical devices	B2/Negative
6	B	Mozambique	18.4	45.1	5.1	1.8	8.6%	Sustainable irrigation systems, second-hand equipment and machinery, cold chain solutions, agro-processing, packaging, design & construction, FMCG, oil and gas, and transportation	Caa2/Positive
7	B	Cameroon	39.0	7.8	5.7	0.4	3.4%	Seaports, airports, railways, bauxite, and oil & gas	B2/Stable
8	C	Mali	16.3	5.4	9.4	0.2	3.1%	Meat, material manufacturing plants, gold, oil & gas, renewable energy, automobiles (especially two-wheelers), and generic medicines	Caa2/Stable
9	B	Tunisia	47.0	12.4	16.4	0.4	1.9%	Agro-processing industry, including soybeans and crude vegetable oil, feed grains and additives, modified starches etc. Tractors, pharmaceuticals, renewable energy, machinery, and tourism & hospitality	Caa1/ Review for downgrade
10	B	Ghana	66.1	35.9	15.1	1.1	5.6%	Food processing, automobiles, cosmetics, healthcare, mining industry equipment, and ICT	Ca/Stable

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
11	B	Morocco	123.9	30.7	36.6	0.8	1.8%	Fisheries, energy, textiles, auto components, infrastructure, aerospace, healthcare, ICT, and telecommunications	Ba1/Stable
12	B	Zambia	24.5	11.9	11.2	0.3	6.2%	Irrigation systems, farm inputs & equipment, energy, ICT, mining and minerals, medical equipment, and tourism	Ca/Stable
13	C	Nigeria	518.5	51.7	47.6	4.5	8.8%	Oil and gas, automobiles, chemicals, power, infrastructure, consumer products, and ICT	B3/ Review for downgrade
14	B	Algeria	174.2	16.7	37.9	0.7	2.1%	Cereals, dairy, power, ICT, and infrastructure	-
15	B	DR Congo (DRC)	48.1	22.7	22.3	0.6	6.8%	Fisheries, palm oil, rubber, warehousing, transportation, copper, cobalt, and telecommunications	B3/Stable
16	A	Botswana	16.5	2.5	7.4	0.3	4.7%	Agriculture R&D, energy, mining & minerals, telecommunications, and medical equipment & pharmaceuticals	A3/Stable

Firm based review of Indian Companies in Africa

As part of this Study, Exim Bank undertook an exercise titled "India's Investment Potential in Africa: An Investors Survey". The review focussed on Indian firms operating in Africa and was based on two parameters, one, the pre-investment considerations, which involve important factors that companies consider before venturing abroad, and secondly, the post-investment experience of these companies.

The respondents were also of the view that the newly implemented African Continental Free Trade Area (AfCFTA) would provide significant opportunities for Indian businesses as it focusses towards enhancing intra-regional trade. They also mentioned that India, given its edge in technology, could share its experiences with economies in Africa, which will help to promote digital transformation, cross-border supply chains to generate employment, and construct vital infrastructure to enhance commerce.

The select factors that were a part of survey under pre-investment considerations included resource availability, market availability, government policies, bureaucracy, etc. The responses were received on a scale of one to five, with five being the highest in the levels of importance. On similar lines, post-investment experience was also ranked from one to five, with five being the most favourable.

Select findings from the survey are:

Pre-Investment Considerations

- 48% of the respondents attributed the highest level of importance to security and stability of raw materials before investing into a country.
- With respect to the cost of raw materials, 78.6% of the respondents believed this factor to be of high importance.
- Market size of host country is of high importance for the potential investors with 40.7% of respondents giving it the level of highest importance.
- As far as access to the third country markets is concerned, it is observed that this factor is important; however, the views of the respondents are divided on this.
- Attractive inward investment policies of the host country play a crucial role in inviting investments. Two-thirds of the responses are in the important category (4 and 5).
- Another major aspect is the repatriation which is also considered important (4 and 5) by 74% respondents.
- 59.3% of the respondents have assigned the highest level of importance to political stability factor before making an investment.
- Legal system is given high importance (4 and 5) by 89% of the respondents.
- Given that the Africa's financial markets are developing, the respondents do not think that it is a major factor impacting their decision to invest.
- The responses for human resources parameters like management practices, labour laws, and quality of manpower are concentrated in the range of 3 to 4 (level of importance), signifying that these factors are important only to a certain extent.

Post-Investment Experience

- On the post-investment experience front, Africa scores well on the macroeconomy stability part, where 50% of the respondents put Africa in a zone (4 and 5) of favourable economic conditions.
- The African market has been favourable to Indian companies investing there, both in terms of product acceptability as well as revenue generation. This is largely in line with the expectation that Africa is a growing market, and its needs are similar to what India has seen or is presently experiencing.
- The findings from the survey point towards a significant scope for improvement in segments like labour laws, management practices, manpower quality, and tax regime.
- Of all the companies that intend to invest outside of India in the coming years, the survey reveals that joint venture is expected to be the most popular route for Indian companies.
- 85% of the respondents are of the view that time taken to receive the necessary approvals is a big challenge and 70% of the respondents have experienced corruption and bribery challenge.
- 90% of the respondents feel that competition from China is a challenge while only 40% feel that competition from developed countries is a challenge.
- Finally, 80% of the respondents are comfortable with the investment made in Africa and 72% respondents would like to invest in the same country again, given an opportunity.

Conclusion

Africa's vast array of natural resources and a population that is quickly growing, makes it an increasingly important destination for investors seeking to tap into these opportunities. The continent is home to more than 1.4 billion people, and this number is expected to reach 2.5 billion by 2050 signifying an opportunity for the potential investors. It is also important to mention that Africa has made significant strides in improving its business environment.

The Study, with this objective, attempted to understand the macroeconomic scenario in the region, covering aspects such as GDP growth, international trade, inflation, investment flows, and consumer profile.

Most importantly, the Study identifies 16 economies based on a structured methodology, which exhibit significant potential for India's investment in the medium term.

In fact, this focussed paper can facilitate interested Indian companies to have a head start while investing in Africa, as it details not only the economies, but also the products/areas of potential therein.

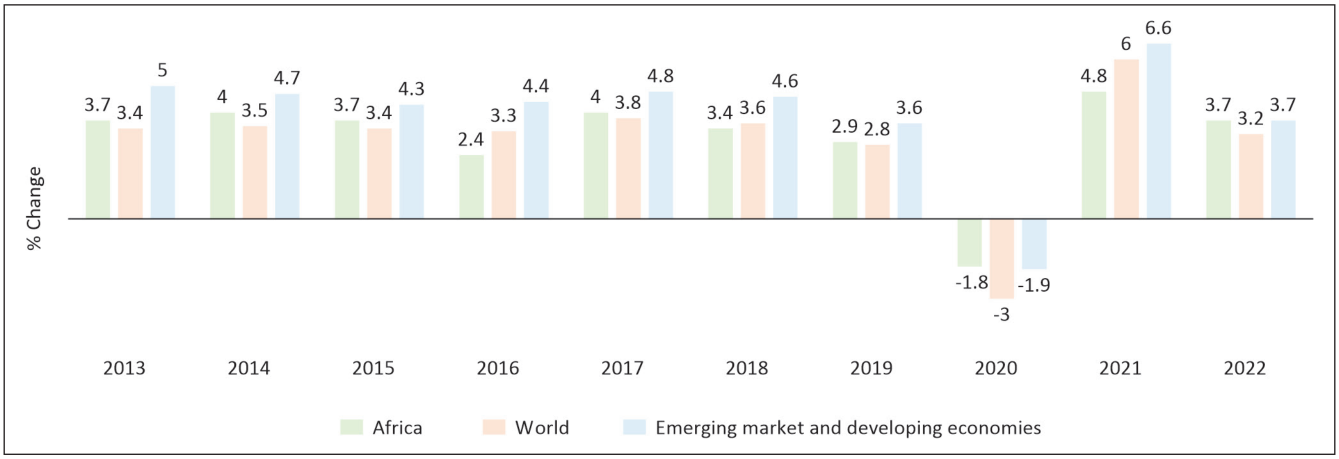
The AfCFTA, envisages to create intra-regional trade by creating a single market for goods and services, facilitate the movement of persons, and promote and strengthen industrial development. Going forward, Indian industry can play a significant role in development cooperation and leverage the new opportunities presented by the AfCFTA.

1 Regional Overview- Africa

Africa is a diverse continent with a population of over 1.4 billion and 54 independent nations. The continent is well endowed with various natural resources, some of which are predominantly available in significant volume. About 30% of the global mineral reserves, 8% of global natural gas, 12% of the world's oil reserves, 40% of the world's gold and up to 90% of global chromium and platinum is concentrated in the region. Furthermore, Africa holds 65% of the global arable land and 10% of the world's renewable fresh water sources[1].

Africa's economy is largely dependent on agriculture and natural resources. In recent years, the service sector has also shown steady growth, particularly in finance, telecommunications, and tourism. During the last decade, Africa's GDP has grown at a moderate rate of 3%, lower than the average growth rate of emerging markets and developing economies (3.9%). The COVID-19 pandemic had crippling impact on Africa's economy. The economy contracted by 1.8% in 2020, after growing at 2.9% in 2019 (Figure 1). Even prior to the pandemic, Africa was facing headwinds including a global economic slowdown, increasing protectionism and tariff wars among large economies.

Figure 1: Real GDP Growth in Africa

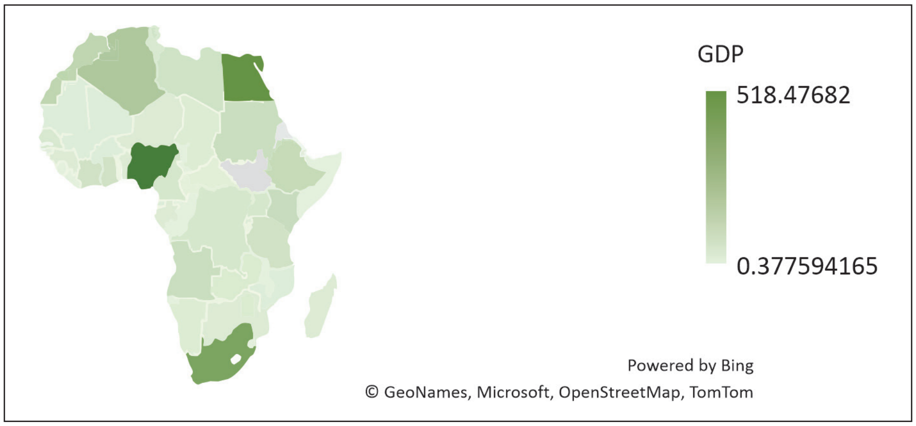


Source: IMF; India Exim Bank Research

Africa's GDP is dominated by its commodity dependent regions, the largest being North Africa. In 2021, Nigeria had the highest GDP of US$ 518.5 billion at constant 2015 prices among all the African countries (Figure 2). Egypt had the second largest economy with a GDP of US$ 426 billion, followed by South Africa (US$ 353.3 billion), Algeria (US$ 174 billion) and Morocco (US$ 123.9 billion).

[1] United Nations Environment Programme

Figure 2: GDP of African Countries (Constant 2015 US$ Billion)

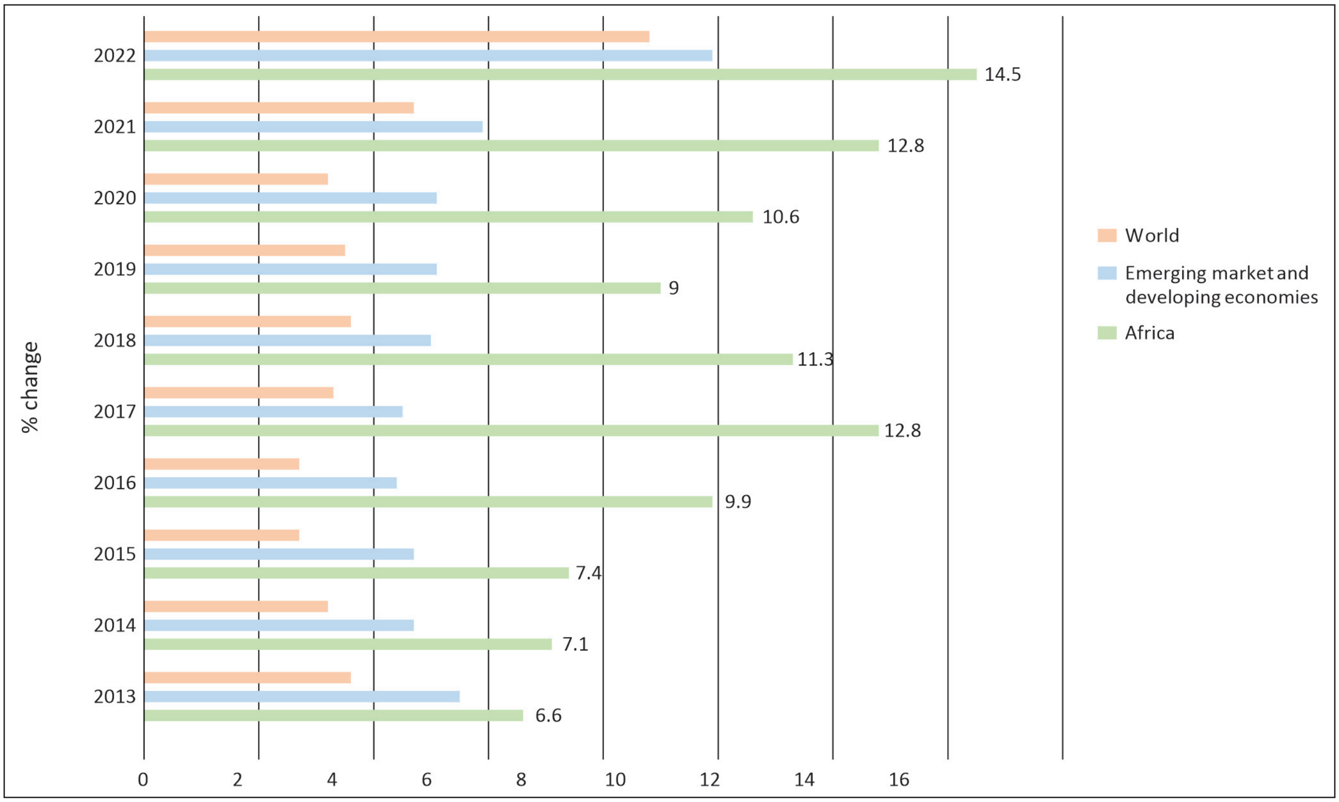


Source: World Bank; India Exim Bank Research

Inflation

High inflation is perceived as one the most urgent challenges in Africa. The average annual inflation of 14.5% in the region is much higher than the world average of 8.8% and the emerging markets and developing countries average of 9.9% in 2022 (Figure 3). While inflation in Africa has been persistently high over the years, the surge in the recent years is attributed to the external global developments since the start of the pandemic. The sharp rise in global commodity prices, high exchange rate volatility and global supply chain disruptions are the major factors. The Russia-Ukraine war has further contributed to the inflationary pressures, particularly on food and energy prices.

Figure 3: Average Consumer Price Inflation

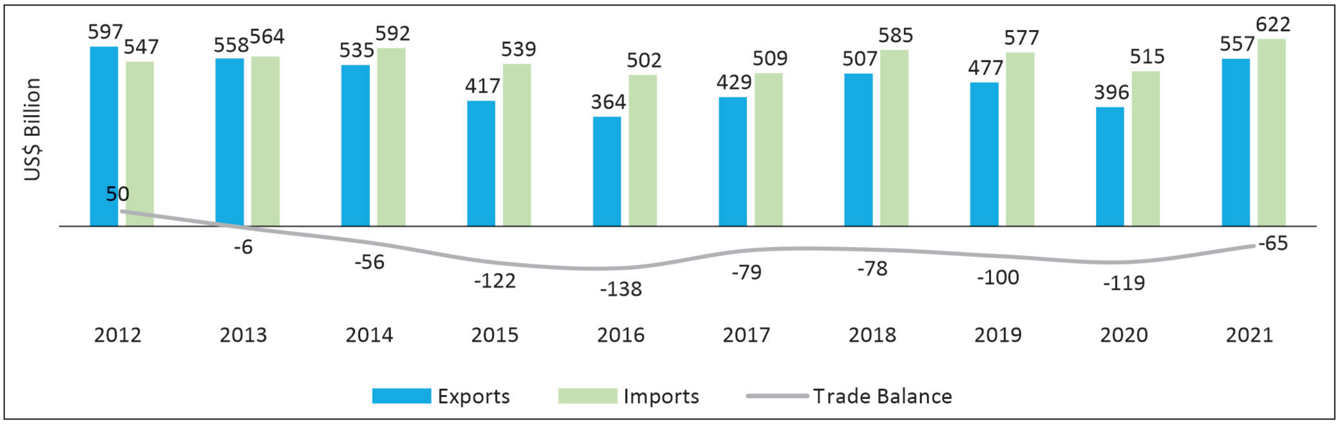


Source: IMF; India Exim Bank Research

International Trade

According to the United Nations Conference on Trade and Development (UNCTAD), 83% of African countries are dependent on commodities wherein 60% or more of their merchandise exports are of commodities. In 2021, Africa's exports to the world stood at US$ 556.7 billion while imports were to the tune of US$ 621.9 billion, leading to a trade deficit of (-) US$ 65.3 billion (Figure 4). During 2012-2021, the exports have demonstrated a lacklustre growth of 0.9%. Africa's share in world merchandise exports has also reduced from 3.2% to 2.5% during the period. The average import growth during the period was higher, at 1.9%. Africa's share in world imports has seen a slight fall from 3% in 2012 to 2.8% in 2021.

Figure 4: Africa's Trade with the World

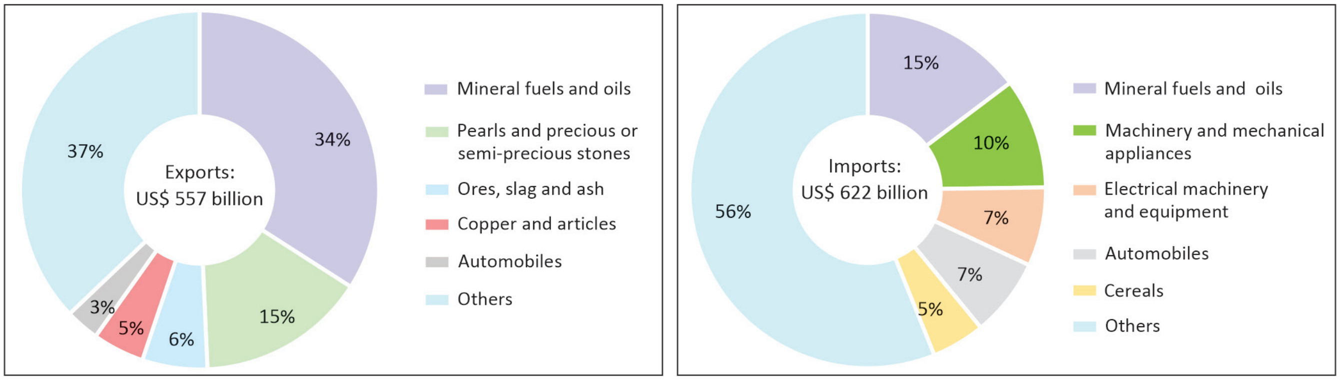


Source: ITC Trade Map; India Exim Bank Research

Africa's exports are dominated by primary commodities. Mineral fuels and oil were the top exported category in 2021, with exports amounting to US$ 189.6 billion. Natural or cultured pearls and precious or semi-precious stones (US$ 84.8 billion), ores slags and ash (US$ 32.7 billion), copper and its articles (US$ 6 billion) and automobiles (US$ 17 billion) were the other top exported items from the region. At HS 6-digit, crude oil was the top exported item in 2021, constituting a share of 23% in total exports. Gold (6%) and natural gas (3%) were the other top exported commodities at HS 6-digit level.

As regards imports, around 15% of Africa's imports from the world were of mineral fuels and oils (US$ 91.6 billion), followed by machinery and mechanical appliances (US$ 62.4 billion), electrical machinery and equipment (US$ 44.6 billion), automobiles (US$ 44.2 billion) and cereals (US$ 30 billion) (Figure 5).

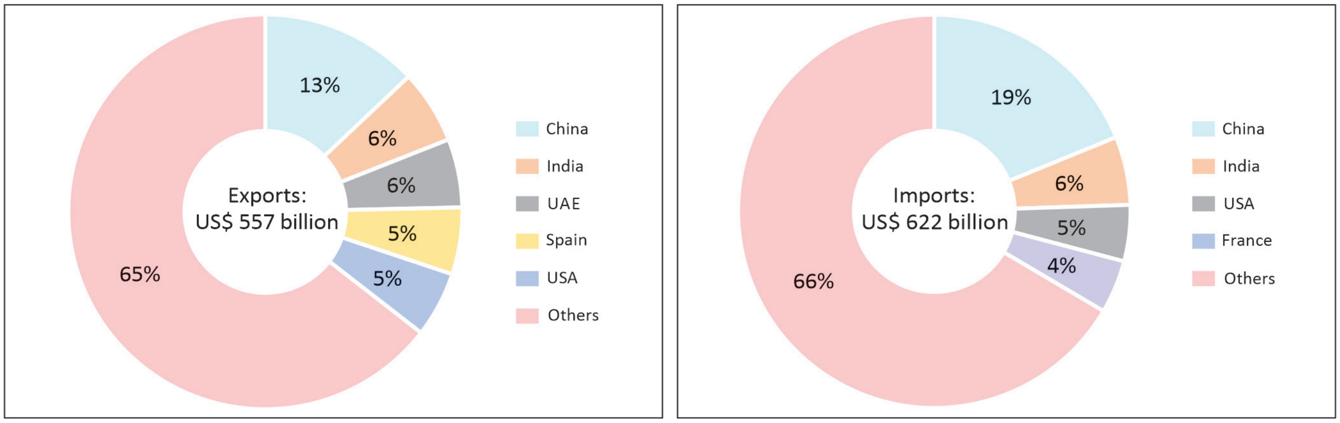
Figure 5: Africa's Top Commodities Exported and Imported in 2021



Source: ITC Trade Map; India Exim Bank Research

Africa's most important partners, both for exports and imports, are China and India (Figure 6). In 2021, Africa exported goods worth US$ 72.2 billion and imported goods worth US$ 117.2 billion from China, leading to a considerable trade deficit of US$ 45.1 billion for Africa. With India, Africa's exports equalled US$ 33.7 billion, and imports were to the tune of US$ 35 billion, leading to a trade deficit of US$ 1.3 billion for India.

Figure 6: Africa's Top Export Destinations and Import Sources in 2021



Source: ITC Trade Map; India Exim Bank Research

South Africa, being the major industrialised economy, is the largest exporter in Africa with a share of 22.2% in Africa's exports in 2021. The other top exporters were Nigeria (8.5%), Egypt (7.3%) and Algeria (6.8%). The top importers in 2021 were South Africa (15.1%), Egypt (11.9%), Morocco (9.4%) and Nigeria (8.4%).

African Continental Free Trade Agreement (AfCFTA): Intra-regional trade in Africa is currently low. The intra-regional exports and imports stood at 14.8% and 11.6%, respectively in 2021. Africa's contribution to world exports has also declined as noted above. Given the high untapped potential of the region, the signing of the AfCFTA agreement to create a single continental market is a landmark step. The AfCFTA entered into force in May 2019, and presently has 54 member states as signatories. The AfCFTA envisages to "eliminate trade barriers and advance trade in value-added production across all service sectors of the African Economy". According to UNCTAD, AfCFTA could boost intra-Africa trade by about 33% and cut the continent's trade deficit by 51%.

Foreign Direct Investment (FDI) inflows

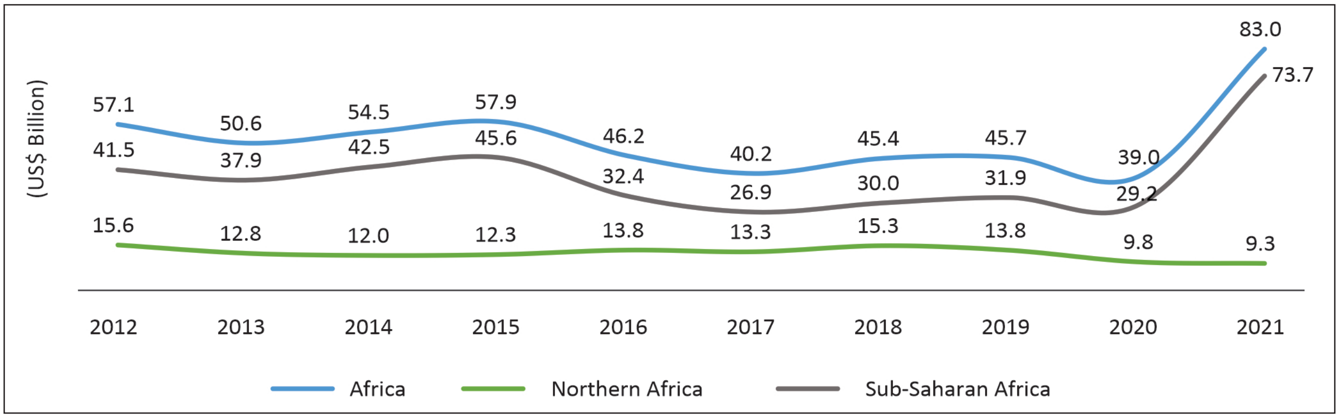
FDI in Africa has been growing steadily over the past few years. FDI in Africa is mainly concentrated in a few countries, with South Africa, Egypt, Morocco, and Nigeria being the top recipients. Although the mining sector has traditionally been the most preferred sector for investments, FDI to Africa has been increasingly diversifying into the manufacturing and services sectors. Infrastructure investment has also been growing with focus on transport, telecommunications, and power generation.[2].

The agriculture sector is also an important area for FDI in Africa, with significant potential for investment in large-scale commercial farming, agro-processing, and value-added agricultural products. In addition to these preferred sectors, there is also growing interest in FDI in the technology and digital economy sectors in Africa, with a number of successful start-ups and tech hubs emerging across the continent.

[2] WEF. (2021) Why foreign direct investment is key to Africa's sustainable recovery

FDI inflows to Africa after declining to US$ 39 billion in 2020 have surged by 113% to US$ 83 billion in 2021 (Figure 7). As a percentage, Africa received 5.2% of global FDI inflows in 2021. Region-wise, while North Africa has witnessed a contraction of (-) 5.3% in 2021, FDI inflows to Sub-Saharan Africa have increased by 152.7% from 2020 to 2021. According to UNCTAD, the extraordinary rise in FDI in 2021 was due to an intrafirm financial transaction in South Africa (a share exchange between Naspers and Prosus), accounting for 45% of the total inflow[3]. Barring this, African countries saw a moderate rise in FDI in 2021.

Figure 7: FDI Trends in Africa



Source: UNCTAD; India Exim Bank Research

The AfCFTA, by establishing a US$ 3.4 trillion borderless market, is slated to provide a further boost to investments in Africa.

Debt

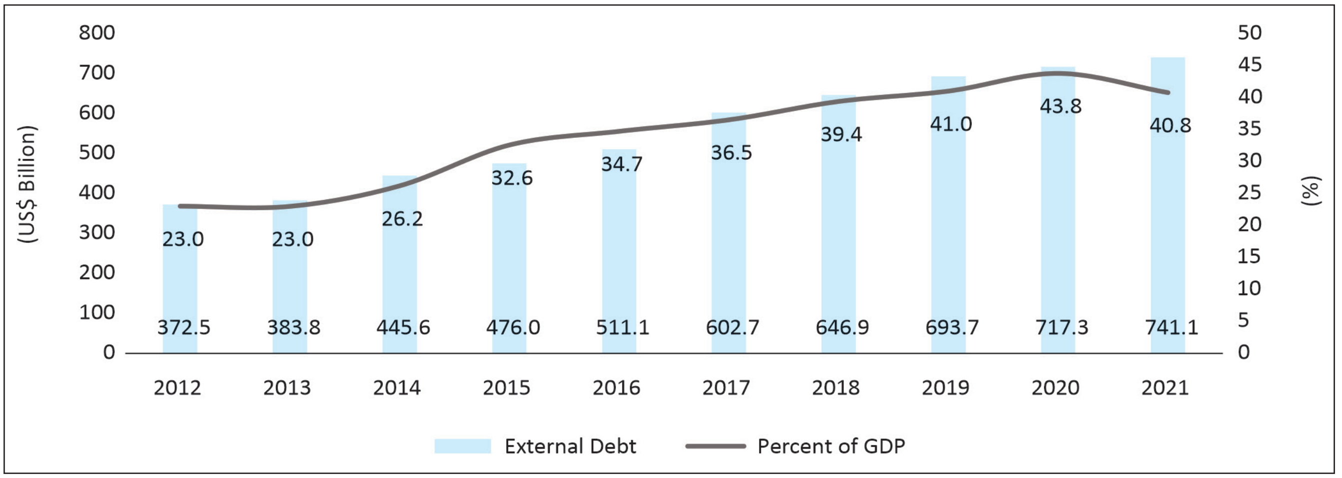
Increasing debt has been a cause of concern for many African countries. The general government gross debt as a percentage of GDP in Sub-Saharan Africa has increased from 27.8% in 2012 to 57% in 2021. This increase in debt could limit the countries' avenues for economic development.

Sub-Saharan Africa's external debt has also seen a substantial increase from US$ 372.5 billion in 2012 to US$ 741.1 billion in 2021. As a percentage of GDP, external debt has almost doubled from 23% to 40.8% during the period (Figure 8). The main drivers of external debt in Africa are borrowing from multilateral institutions such as the World Bank and the International Monetary Fund (IMF) as well as loans from foreign governments and private creditors. Many African countries also rely on external debt to finance their current account deficits. Debt from Chinese lenders, which accounts for 12% of Africa's private and public external debt, has grown more than fivefold to US$ 696 billion from 2000 to 2020[4].

[3] UNCTAD (2022). Investment flows to Africa reached a record $83 billion in 2021

[4] Chatham House. (2022). The response to debt distress in Africa and the role of China

Figure 8: Sub-Saharan Africa's External Debt



Source: International Monetary Fund; India Exim Bank Research

The surge in interest rates and commodity prices due to the various global shocks in the recent years have further exacerbated the situation, especially after the pandemic.

Consumer Profile

Africa has the youngest population in the world, with 70% of sub-Saharan Africa falling under the age of 30[5]. Further, the population is projected to double by 2050. This poses a big opportunity for the region's growth. Africa's population is also characterized by significant regional and urban-rural variations. North Africa is the most urbanized region, with over 60% of its population living in urban areas. In contrast, Sub-Saharan Africa comprises of low, lower-middle, upper-middle, and high-income countries, 22 of which are fragile or conflict-affected[6]. According to the IMF, the outlook of Sub-Saharan Africa for 2023 is "extremely uncertain" with the prospects linked to global developments.

Scope of the Study

The subsequent chapters of the study focus on identifying countries and business opportunities in Africa that offer significant potential for Indian investments. The study delves into comprehending the economic status of these countries, including trade, and identifying lucrative sectors for investment. Moreover, the study undertakes a preliminary survey across companies involved in various businesses in Africa to get a holistic picture of the challenges and opportunities in Africa.

[5] UN. Young People's Potential, the Key to Africa's Sustainable Development
[6] World Bank. The World Bank in Africa

2 Africa: High Potential for Investments

The vast continent of Africa has some of the fastest-growing economies, globally. Young and rapidly growing population, rising incomes and consumption, increasing digital connectivity and growing industrialization, amongst others are enhancing investment prospects across the region.

The Resilient Economies of Africa

According to the African Development Bank, with real GDP growth estimated to average around 4% in 2023 and 2024, Africa is slated to outperform the rest of the world in economic growth. Notably, despite economic headwinds, all the five regions and 53 of 54 countries exhibited positive economic growth in Africa in 2022, which averaged 3.7%[7].

Economic growth was estimated to be the highest in Central Africa (4.7%), supported by favorable commodity prices. North Africa, at 4.3%, was the second fastest growing region in 2022 with a positive outlook for the coming years (Table 1). Furthermore, Africa's fastest growing economies in 2023-24 are projected to be Niger (9.6%), Senegal (9.4%), Rwanda (7.9%), Côte d'Ivoire (7.1%), Democratic Republic of Congo (6.8%), Mozambique (6.5%), the Gambia (6.4%), Benin (6.4%) and Togo (6.3%).

Table 1: Real GDP Growth Rate of African Regions in 2022

Region	Growth Rate
Central Africa	4.7%
Southern Africa	2.5%
West Africa	3.6%
North Africa	4.3%
East Africa	4.2%

Source: Africa Development Bank Group

As regards GNI, which provides an aggregate measure of income, the GNI per capita at 2015 prices of several African countries has seen a tremendous increase. The GNI per capita of Morocco and Mozambique has increased by 1.8 times from 2002 to 2021; Nigeria, Egypt, and Kenya by 1.5 times; and South Africa and Benin by 4 times.

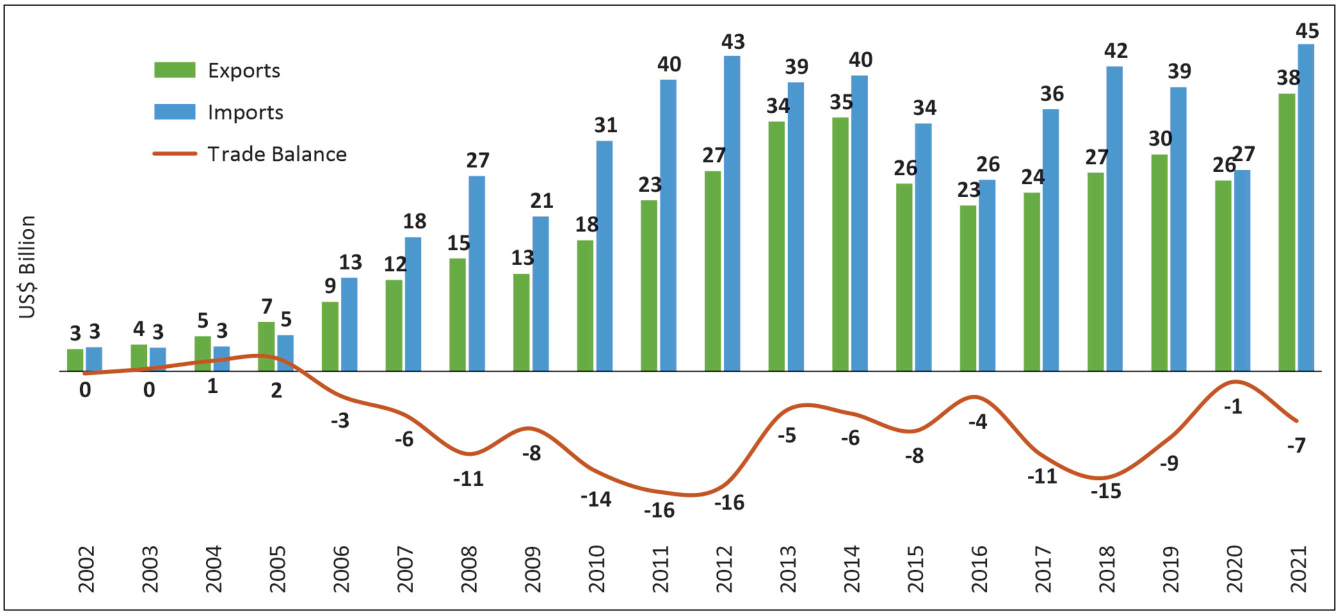
[7] African Development Bank Group. (2023). Africa's economic growth to outpace global forecast in 2023-2024 – African Development Bank biannual report

Trade Linkages: India and Africa

India and Africa are key trading partners. India's total trade with Africa has increased from US$ 6.3 billion in 2002 to US$ 82.5 billion in 2021 (Figure 9). Africa's share in India's global exports and imports stood at 9.6% and 7.8%, respectively. For Africa, India's contribution in its global exports and imports was 6% and 5.6%, respectively.

India's exports to Africa were valued at US$ 37.9 billion in 2021, registering an AAGR of 5.6% during the last decade (2012-2021). India's imports from Africa, on the other hand, were valued at US$ 44.6 billion in 2021, registering an AAGR of 3.9% during 2012-2021. While India has constantly run a trade deficit with Africa, barring a few years, the value has decreased from (-) US$ 15.7 billion in 2012 to (-) US$ 6.8 billion in 2021.

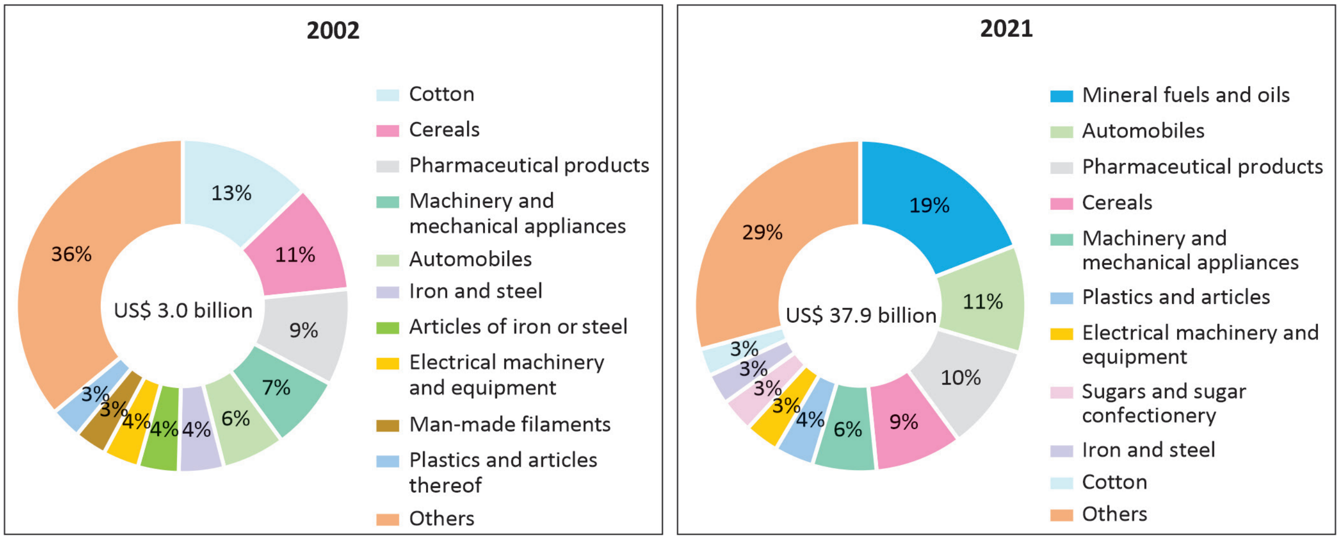
Figure 9: India's Merchandise Trade with Africa



Source: ITC Trade Map; India Exim Bank Research

India's top export categories to Africa at HS 2-digit in 2021 were mineral fuels and oils (US$ 7.2 billion), automobiles (US$ 4 billion), pharmaceutical products (US$ 3.9 billion), cereals (US$ 3.2 billion) and machinery and mechanical appliances (US$ 2.4 billion). From 2002 to 2021, the export basket has undergone a shift (Figure 10). The share of cotton and cereals in India's total exports to Africa has gone down from 13% and 11%, to 3% and 9%, respectively, while the share of mineral fuels has increased from 1.8% to 19%.

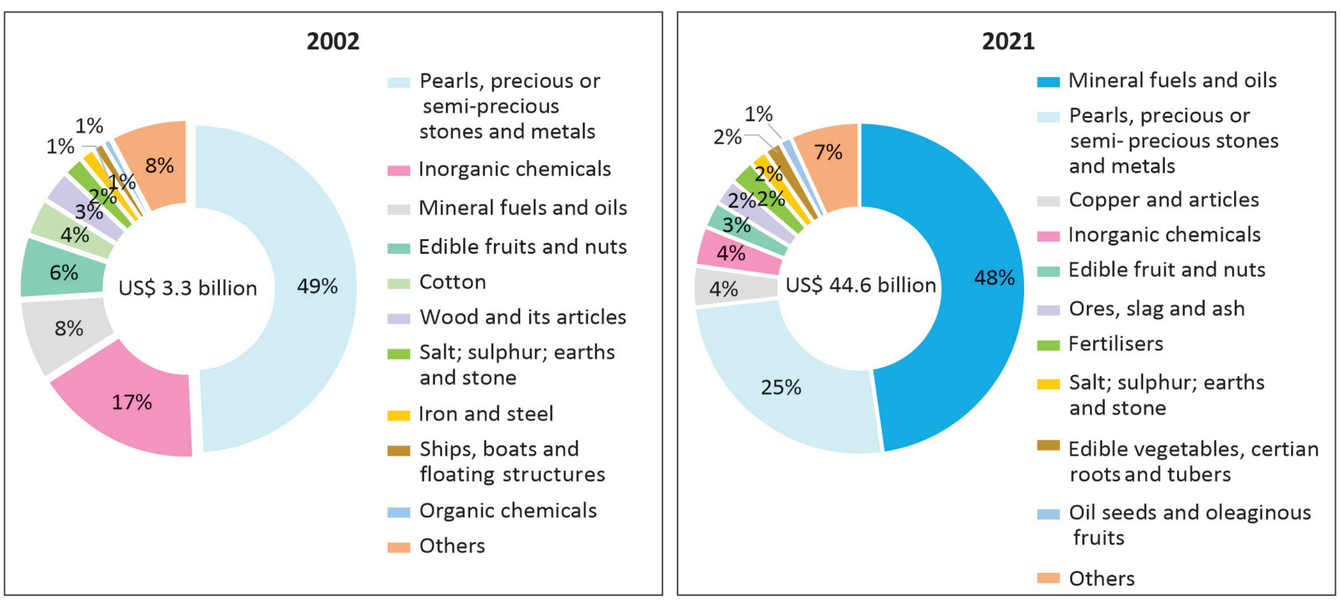
Figure 10: India's Top Export Categories to Africa in 2002 vs 2021



Source: ITC Trade Map; India Exim Bank Research

As regards imports, about half of India's imports from Africa were of crude oil in 2021 (US$ 21.3 billion), followed by precious stones (majorly gold and diamonds) (US$ 11.4 billion), inorganic chemicals (majorly phosphoric acid) (US$ 1.7 billion) and edible fruits and nuts (majorly cashew nuts) (US$ 1.2 billion) (Figure 11).

Figure 11: India's Top Import Categories from Africa in 2002 vs 2021



Source: ITC Trade Map; India Exim Bank Research

India's top export partner in the region is South Africa. Exports to South Africa amounted to US$ 6 billion in 2021, constituting 15.8% of total exports to the region. Nigeria, Egypt, Togo, and Kenya were the other top export partners with a share of 11.9%, 8.7% and 7.7% and 6.6%, respectively in 2021 (Table 2). Notably, India's exports to Togo and Mozambique have grown at a remarkable AAGR of 41.8% and 21.5%, respectively, during 2012-21. Among the top ten export destinations, Kenya is the only country where India's exports have declined during 2012-21, at an AAGR of (-) 2.7%.

Table 2: Top 10 countries where India has the Highest Exports in Africa

Country	India's Exports in 2012 (US$ bn)	India's Exports in 2021 (US$ bn)	Country's Share in India's Exports to Africa	Export AAGR during 2012-21
South Africa	5.0	6.0	15.8%	5.5%
Nigeria	2.8	4.5	11.9%	8.5%
Egypt	2.8	3.3	8.7%	3.8%
Togo	0.3	2.9	7.7%	41.8%
Kenya	3.8	2.5	6.6%	-2.7%
Mozambique	0.9	1.8	4.8%	21.5%
Tanzania	1.6	1.7	4.5%	9.2%
Ghana	0.7	1.1	2.9%	6.6%
Sudan	0.7	1.0	2.7%	4.3%
Senegal	0.5	0.9	2.5%	9.7%
Total of top 10	**19.2**	**25.8**	**68.0%**	**12.8%**

Source: ITC Trade Map; India Exim Bank Research

South Africa and Nigeria are also the most important import sources for India in Africa, with a share of 45% in imports. Countries like Guinea, Egypt, Tanzania, Ghana, Mozambique, and Gabon are also increasingly become key import sources for India in Africa (Table 3).

Table 3: Top 10 countries where India has the Highest Imports from Africa

	India's Imports in 2012 (US$ bn)	India's Imports in 2021 (US$ bn)	Country's Share in India's Imports from Africa	Import AAGR during 2012-21
South Africa	8.0	11.1	24.8%	6.3%
Nigeria	14.0	9.2	20.5%	-0.4%
Guinea	0.2	3.4	7.7%	65.2%
Egypt	2.7	3.0	6.7%	5.6%
Angola	8.0	2.3	5.2%	-5.2%
Morocco	1.5	2.0	4.4%	7.3%
Tanzania	0.5	1.9	4.2%	21.5%
Ghana	0.3	1.6	3.6%	57.4%
Mozambique	0.3	1.4	3.2%	29.1%
Gabon	0.9	1.0	2.2%	60.0%

Source: ITC Trade Map; India Exim Bank Research

Trade Complementarity Index

Trade Complementarity Index (TCI) can provide useful information on prospects for intraregional trade. TCI indicates to what extent the export profile of the reporter country matches, or complements, the import profile of the partner country[8].

A high index may indicate that two countries would stand to gain from increased trade and may be particularly useful in evaluating prospective bilateral or regional trade agreements. The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match[9].

The TC between countries k and j is defined as:

$$TC_{kj} = 100\ (1 - \text{sum}\ (|m_{ik} - x_{ij}|\ /\ 2))$$

Where x_{ij} is the share of good i in global exports of country j and m_{ik} is the share of good i in all imports of country k.

The complementarity of India with Africa is considerably high at 71.7% in 2021. It may be noted that the TCI has increased from 63.8% in 2017 and 68.6% in 2019, indicating the increasing trade opportunities between India and Africa. India and Africa also have a higher TCI as compared to other regions such as the ASEAN (62.5%), the EU (67.8%) and LAC (64.4%). Furthermore, India has high complementarity in trade with all the major importing countries in Africa (Table 4).

Table 4: India's Trade Complementarity Index (TCI) with Top Importing Countries in Africa

Region	TCI value
South Africa	64.1%
Egypt	71.1%
Morocco	66.1%
Nigeria	59.3%
Algeria	56.3%
Tunisia	68.0%
Ghana	63.9%
Kenya	69.1%

Source: ITC Trade Map; India Exim Bank Research

Agreements with African Countries

India's Duty-Free Tariff Preference Scheme for Least Developed Countries

Under India's Duty-Free Tariff Preference Scheme for Least Developed Countries (DFTP-LDC), duty free/ preferential market access is provided on about 98.2% of India's tariff lines (at HS 6-digit level of classification)

[8] WITS

[9] High complementarity indices may be misleading if the countries are geographically distant, or if the size difference in the economies is large (i.e., a match in percentage terms does not imply a match in levels).

Only 97 lines are under exclusion list and 114 lines are under Margin of Preference (MOP) list[10]. As 26 of the 34 beneficiaries under the scheme are African countries, the unilateral preferential treatment has considerably aided stronger trade relations between India and Africa.

India-Mauritius Economic Cooperation and Partnership Agreement (CECPA)

The India-Mauritius CEPA is the first agreement signed by India with an African country. Covering trade in goods, rules of origin, trade in services, technical barriers to trade, sanitary and phytosanitary measures and movement of natural persons. It is a limited agreement which entered into force in April 2021.

The CECPA covers 310 export items for India, including food stuff and beverages (80 lines), agricultural products (25 lines), textile and textile articles (27 lines), base metals and articles (32 lines), electricals and electronic item (13 lines), plastics and chemicals (20 lines), wood and articles (15 lines), and others. For Mauritius, preferential market access into India has been granted for 615 products, including frozen fish, specialty sugar, biscuits, fresh fruits, juices, mineral water, beer, alcoholic drinks, soaps, bags, medical and surgical equipment, and apparel. Furthermore, Indian service providers have been granted access to about 115 subsectors such as professional services, computer related services, research & development, other business services, telecommunication, construction, distribution, education, environmental, financial, tourism & travel related, recreational, yoga, audio-visual services, and transport services. India has in turn offered access to about 95 sub-sectors including professional services, R&D, other business services, telecommunication, financial, distribution, higher education, environmental, health, tourism and travel related services, recreational services and transport services[11].

Other Developments

Negotiations for a preferential trade agreement (PTA) between the Southern African Customs Union (SACU), a customs union of 5 Southern African countries (Botswana, Eswatini, Lesotho, Namibia, and South Africa) and India which started in 2007 have been revived in 2020. In a virtual meeting, the Indian side, led by Joint Secretary, Department of Commerce and the SACU, led by Executive Director, Ministry of Industrialization, Trade and SME Development discussed steps to expedite the PTA.. As the SACU is an important trade partner for India, fruition of the agreement would give a boost to trade and investment with the region.

FDI

Africa is becoming a strategic investment hub for countries such as China and the US. The FDI in Africa has increased from US$ 10.4 billion in 2000 to US$ 83 billion in 2021, growing at an average of 15% every year. Consequently, Africa’s share of global FDI has increased from 0.8% in 2000 to 5.2% in 2021.

According to a report by the Overseas Development Institute, a global affairs think tank, British companies have made bigger profits investing in Ghana, Kenya, Nigeria, and South Africa[12] than any other region of the world.

In 2019, the estimated rate of return on all inward FDI in developing African countries was 6.5%, higher than other developing regions as well as the developed economies. Similarly, according to a report by the UNCTAD,

[10] Ministry of Commerce and Industries. India’s Duty-Free Tariff Preference (DFTP) Scheme for Least Developed Countries
[11] PIB. India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement will enter into force on 1st April 2021
[12] ODI. (2020). Africa and the United Kingdom Challenges and opportunities to expand UK investments.

Africa is the most profitable region in the world based on its highest rate of return of 11.4% on FDI inflows between 2006-2011. Further, the AfCFTA is likely to increase the gains on investments.

India's total Overseas Direct Investment (ODI) to Africa during April 2000-January 2023 was to the tune of US$ 50.4 billion[13]. During the period, Mauritius was the largest recipient of India's ODI in Africa, with a share of 79.1% in India's total ODI to Africa, owing to its tax haven status. The other top recipients during the period were Mozambique (7%), Sudan (6%), South Africa (2%) and Egypt (1.3%) (Table 5).

Table 5: African Countries receiving the Highest ODI from India during April 2000 to January 2023

Country	ODI (US$ Million)
Mauritius	39,875
Mozambique	3540
Sudan	3026
South Africa	991
Egypt	632
Kenya	319
Libya	251
Nigeria	184
Liberia	181
Zambia	179

Source: Department of Economic Affairs, Ministry of Finance

Indian investments in Africa span across sectors, with manufacturing accounting for the highest chunk. The other lucrative sectors have been financial, insurance, real estate and business services, agriculture and mining, transport, storage and communication services and wholesale, retail trade, restaurants and hotels. Besides these, there are tremendous investment opportunities pertaining to furthering the Sustainable Development Goals in the continent.

Identifying Potential Countries in Africa

Engaging with Africa is a key priority for India. It is important for India to explore additional markets beyond the conventional areas to advance its engagement with the African region.

The study has undertaken an analysis to identify the top economies in Africa which offer high investment opportunities for India, while undertaking a critical preview of the existing factors.

Methodology

The methodology considers all the 54 African economies (except Mauritius, as it remains largely a tax haven for businesses). The following criteria are used to filter and arrive at the final list of countries:

1. Top 30 African countries by economic size (2021)
2. Top 25 countries which have received the highest cumulative FDI (2010 to 2021)

[13] Department of Economic Affairs. Monthly Fact Sheet (January 2023) Overseas Direct Investment Data From April 2000 To January 2023

3. Top 20 African exporters amongst these 25 countries (2021)
4. India's exports to these 20 countries and India's share in imports of these 20 African countries (2021)
5. Analyzing the logistics performance index (LPI) of these 20 countries. LPI is an interactive benchmarking tool created to help countries identify the challenges and opportunities they face in their performance on trade.
6. On the basis of these filtering process, 16 countries have been identified which could potentially be India's target market in the next 5 years including countries like Botswana which have high credit ratings.

These economies can be divided into three groups:

- Category A (Countries with high-rating and investment potential) such as Botswana,
- Category B (Countries shortlisted using the above filters with no significant issues), and
- Category C (Countries shortlisted using the above filters but have issues like repatriation, FATF monitoring, etc.) such as South Africa, Nigeria, etc.

Table 6: Target Economies with suitable Business Opportunities for India

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
1	C	South Africa	353.3	87.0	123.7	6.0	5.7%	Cold storage, beer & wine, medical plastics & disposable plastics, vehicles, machinery, textiles, and chemicals	Ba2/Stable
2	B	Côte d'Ivoire	65.3	7.5	14.0	0.7	5.1%	Agro-processing, pharmaceuticals, automobiles, IT, & textiles	Ba3/Positive
3	C	Tanzania	64.2	15.5	6.4	1.7	11.1%	Irrigation systems, agricultural training & capacity, transportation, infrastructure, communications, electricity (especially renewable sources), wholesale & retail trade, and travel & tourism	B2/Positive
4	B	Egypt	426.0	71.4	40.7	3.3	3.3%	Animal husbandry, fisheries, automobiles, renewable energy, and chemicals	B2/Negative
5	B	Kenya	90.4	17.2	6.8	2.5	10.8%	Pesticides, fertilizers, horticulture, tea, coffee, automobiles, telecommunications, and medical devices	B2/Negative

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
6	B	Mozambique	18.4	45.1	5.1	1.8	8.6%	Sustainable irrigation systems, second-hand equipment and machinery, cold chain solutions, agro-processing, packaging, design & construction, FMCG, oil and gas, and transportation	Caa2/Positive
7	B	Cameroon	39.0	7.8	5.7	0.4	3.4%	Seaports, airports, railways, bauxite, and oil & gas	B2/Stable
8	C	Mali	16.3	5.4	9.4	0.2	3.1%	Meat, material manufacturing plants, gold, oil & gas, renewable energy, automobiles (especially two-wheelers), and generic medicines	Caa2/Stable
9	B	Tunisia	47.0	12.4	16.4	0.4	1.9%	Agro-processing industry, including soybeans and crude vegetable oil, feed grains and additives, modified starches etc. Tractors, pharmaceuticals, renewable energy, machinery, and tourism & hospitality	Caa1/ Review for downgrade
10	B	Ghana	66.1	35.9	15.1	1.1	5.6%	Food processing, automobiles, cosmetics, healthcare, mining industry equipment, and ICT	Ca/Stable
11	B	Morocco	123.9	30.7	36.6	0.8	1.8%	Fisheries, energy, textiles, auto components, infrastructure, aerospace, healthcare, ICT, and telecommunications	Ba1/Stable
12	B	Zambia	24.5	11.9	11.2	0.3	6.2%	Irrigation systems, farm inputs & equipment, energy, ICT, mining and minerals, medical equipment, and tourism	Ca/Stable
13	C	Nigeria	518.5	51.7	47.6	4.5	8.8%	Oil and gas, automobiles, chemicals, power, infrastructure, consumer products, and ICT	B3/ Review for downgrade
14	B	Algeria	174.2	16.7	37.9	0.7	2.1%	Cereals, dairy, power, ICT, and infrastructure	-

S No	Category	Country	GDP (constant 2015 US$) US$ Bn	FDI (US$ Bn) (2010-21)	Exports (US$ Bn) 2021	India's Exports (US$ Bn): 2021	India's share in imports: 2021	Potential Industries	Rating (As of December 2022)
15	B	DR Congo (DRC)	48.1	22.7	22.3	0.6	6.8%	Fisheries, palm oil, rubber, warehousing, transportation, copper, cobalt, and telecommunications	B3/Stable
16	A	Botswana	16.5	2.5	7.4	0.3	4.7%	Agriculture R&D, energy, mining & minerals, telecommunications, and medical equipment & pharmaceuticals	A3/Stable

3 Investment Opportunities in African Countries

Investing in African countries can be a lucrative opportunity for Indian investors. With a population of over 1.4 billion people and a fast-growing middle class, the African continent presents a vast and diverse market. While Africa has often been overlooked in the past due to various challenges such as political instability and underdeveloped infrastructure, recent economic and political reforms have made the continent an attractive investment destination. Additionally, Africa's abundant natural resources, including oil, gas, minerals, and agricultural land, provide unique opportunities. This chapter explores some of the investment opportunities available in African countries for Indian business.

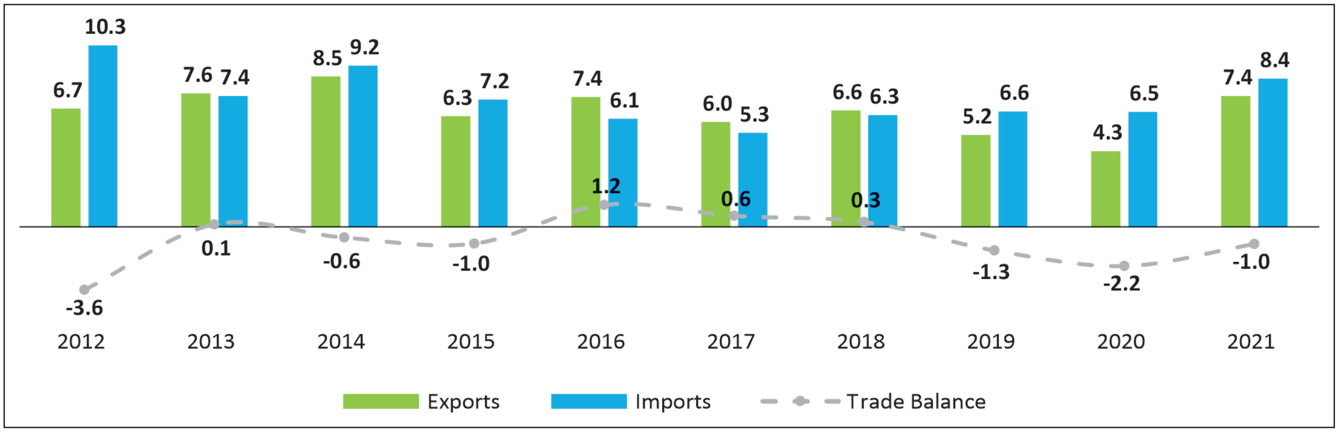
Botswana

Botswana is one of the most stable democracies in Africa, with strong political institutions. Its GDP at 2015 constant prices stood at US$ 16.5 billion in 2021, constituting a share of 0.9% in the GDP of Sub-Saharan Africa. During 2012-21, Botswana's GDP growth averaged 3.7% while CPI inflation averaged 3.8%. Botswana's central government's debt as a % of GDP equalled 19.7% in 2020 and is forecast to reduce in the coming years.

Trade

Botswana's total trade has reduced from US$ 17 billion in 2012 to US$ 15.8 billion in 2021 due to a net decrease in imports (Figure 12). During the period while exports have increased at an AAGR of 4.7%, imports have reduced by 0.4%, on average. Consequently, Botswana's trade deficit has decreased from (-) US$ 3.6 billion in 2012 to (-) US$ 1 billion in 2021.

Figure 12: Botswana's International Trade (in US$ Billion)



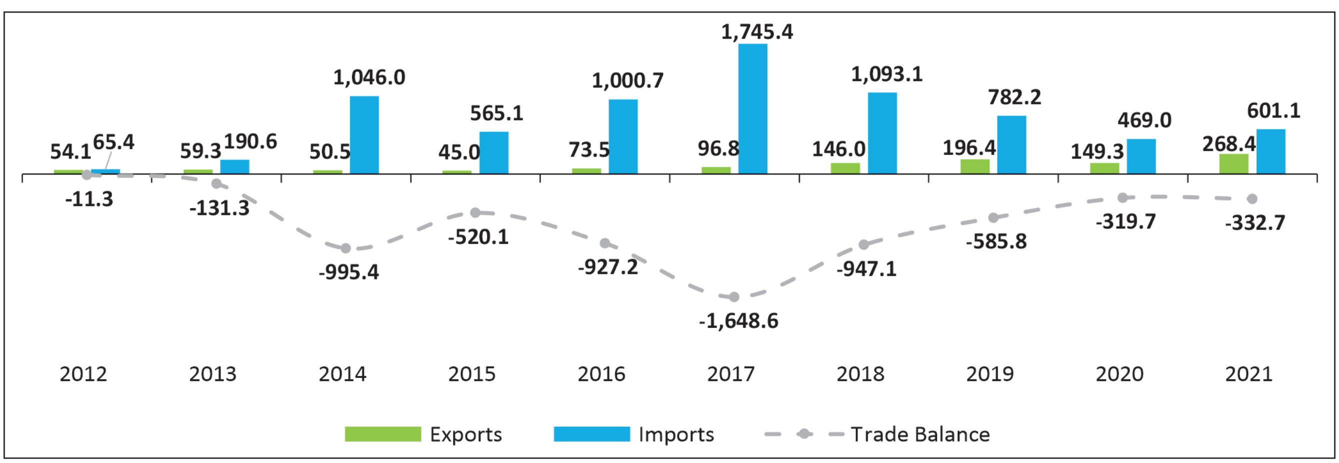
Source: ITC Trade Map; India Exim Bank Research

Botswana is rich in natural resources such as diamonds, bronze, nickel, and coal. It mines around 30% of the global diamond supply, with the diamonds being comparatively bigger in size than found in other parts of the world. It may be noted that 90% of Botswana's exports of diamonds alone, of which "non industrial diamonds unworked or simply sawn, cleaved or bruted" accounted for 78% of exports, and "diamonds, worked, but not mounted or set" accounted for the rest of the diamond exports. The other top exported commodities in 2021 were "copper ores and concentrates" (1.5%) and "ignition wiring sets and other wiring sets for vehicles, aircraft or ships" (1.3%). On the import side as well, diamonds were the top imported category with a share of 35% in total imports, followed by mineral fuels (12%), automobiles (7%), and machinery and mechanical appliances (6.6%).

Over a quarter (25.6%) of Botswana's exports went to the UAE and another 23.4% to Belgium in 2021. India (17.2%), South Africa (9.1%) and Israel (6%) were the other top export destinations in 2021. With respect to imports, South Africa is Botswana's biggest import source, accounting for about 60% of Botswana's total imports in 2021. "Light oils and preparations, of petroleum or bituminous minerals" and "non-industrial diamonds unworked or simply sawn, cleaved or bruted" were the two major product categories imported from South Africa. The other top import sources in 2021 were Belgium (14.3%), the UAE (4.8%), Namibia (4.8%) and India (4.7%).

India is Botswana's third largest export destination and fifth largest import source. India's total trade with Botswana has increased from US$ 119 million in 2012 to US$ 869 million in 2021, owing to the increasing imports (Figure 13). While India's exports to Botswana have increased at an AAGR of 24.5% during 2012-21 to reach US$ 268 million in 2021, imports have increased at a higher AAGR of 74.2%, with a value of US$ 601 million in 2021. India's trade with Botswana is mainly of diamonds and other precious stones. India's imports mainly consist of "non-industrial diamonds unworked or simply sawn, cleaved or bruted" and exports mainly consist of "Diamonds, worked, but not mounted or set".

Figure 13: India's Trade with Botswana (in US$ million)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-21, Botswana received FDI worth US$ 2.5 billion from around the world. As per the Ministry of Finance, Government of India, during the last two decades (FY 01 to FY 22), India's overseas direct investment to Botswana amounted to US$ 84 million. The data from fDi markets suggests that India's announced investments in Botswana focus on business services, financial services, consumer products and minerals. Indian companies having presence are National Buildings Construction Corporation Limited, SBI, Bank of Baroda, KGK Diamonds, TCS, Tata Motors, Mahindra & Mahindra and RITES Limited.

Investment Climate: Botswana offers many incentives for investors, including no foreign exchange controls; remittance and full repatriation of profits and dividends; no restrictions on business ownership; duty-free import of machinery and equipment for manufacturing purposes; and a liberal tax regime: 22% corporate and 25% personal tax, with 15% corporate tax for manufacturing and IFSC-registered companies, which is the lowest taxes in the SADC region. Botswana also offers a slew of incentives for the Selebi Phikwe Economic Diversification Unit (SPEDU) region, such as 5% VAT for the first 5 years and 10% VAT thereafter, and customs duty concessions on imported raw materials. The Botswana Investment and Trade Centre (BITC) also plays an enabling role in attracting FDI and ensures ease of doing business.

Botswana stands out as the only country in Africa to be ranked in ‘upper medium grade’ zone by Moody’s with a rank of A3 and a stable outlook. Botswana’s export economy is mainly driven by revenue from diamond mining. Notably, for diamond units located in Surat, which is a global diamond processing hub, Botswana has emerged as the most preferable destination outside of India for setting up production centres. Around 20 companies, including all the 12 DTC Sight holders in Surat have set up their processing units in the country. To incentivise Indian investments, the country is offering benefits such as supplying natural rough diamonds in quantities as required and providing land for diamond factories at nominal rates.

Besides diamonds, Botswana harnesses several investment opportunities in the areas of horticulture, aquaculture, dairy, and poultry production, where there is currently high import dependence. Energy, mining and minerals, telecommunications, medical equipment, and pharmaceuticals are the other sectors with high demand in Botswana.

Being a member of the Southern African Customs Union (SACU), Botswana enjoys the benefits of the FTA with the European Free Trade Association (EFTA) and PTA with MERCOSUR. In 2020, discussions between SACU and India to achieve a PTA have also been revived.

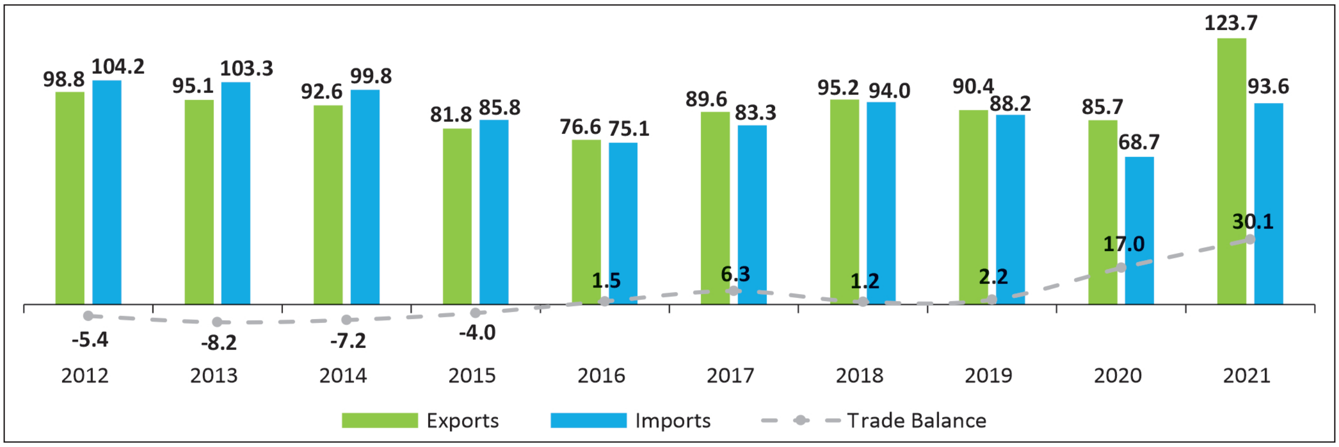
South Africa

South Africa is the second largest economy in Sub-Saharan Africa. Its GDP at 2015 constant prices stood at US$ 353.3 billion in 2021, constituting a share of 18.9% in the GDP of Sub-Saharan Africa. During 2012-21, South Africa’s GDP growth averaged 0.6%, while the CPI inflation averaged 5%. South Africa’s central government debt as a % of GDP was recorded at a high of 69% in 2021.

Trade

South Africa’s total trade with the world has increased from US$ 203 billion in 2012 to US$ 217.2 billion in 2021 (Figure 14). Of this, the exports equalled US$ 123.7 billion, and imports equalled US$ 93.6 billion leading to a trade surplus of US$ 30.1 billion in 2021. During 2012-21, exports increased at an AAGR of 3.7%, while imports have demonstrated an AAGR of 0.1%.

Figure 14: South Africa's International Trade (in US$ Billion)



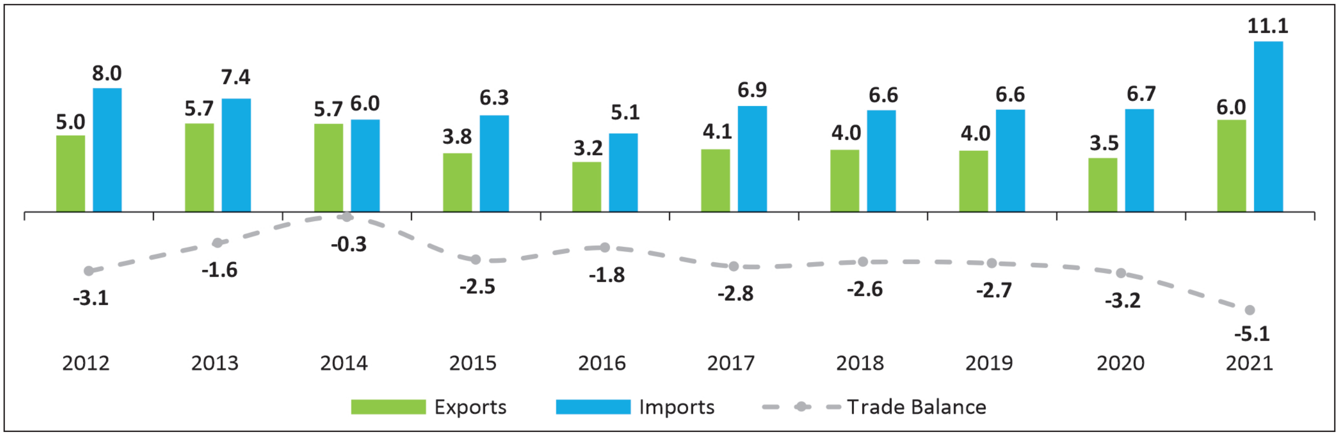
Source: ITC Trade Map; India Exim Bank Research

"Natural or cultured pearls, precious or semi-precious stones and metals" was the top exported commodity by South Africa with a share of 28% in exports, in 2021. In this category, rhodium with a share of 7% in total exports was the highest exported commodity, the others being gold, palladium, and platinum. "Ores, slag and ash" was the next largest exported product category with a share of 15%, followed by automobiles (9%), mineral fuels and oils (8%) and machinery and mechanical appliances (5%).

For South Africa, China is both the top export and import partner. South Africa exported 11.2% of its exports to China and sourced 20.6% of its imports from the Asian nation. The exports were mainly of primary resources such as iron ores, manganese ores, ferro-chromium and chromium ores, coal, zinc ores and crude oil. South Africa's imports from China, on the other hand, were dominated by specialised products such as data processing machines, mobile phones, and other electrical and mechanical machinery.

South Africa is India's largest trade partner in Africa and India is South Africa's fourth largest import source. India's exports to South Africa stood at US$ 6 billion in 2021 while imports equalled US$ 11.1 billion, leading to a trade deficit of US$ (-) 5.1 billion (Figure 15). India's top exports to South Africa were of automobiles (20%), mineral fuels and oils and ships (19%), boats and floating structure (12%), while the top imports were of natural or cultured pearls, precious or semi-precious stones and metals, consisting of gold and non-industrial diamonds (46%), mineral fuels and oils (30%) and copper and articles (6%).

Figure 15: India's Trade with South Africa (in US$ billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-21, South Africa accounted for 18.8% of total FDI received by Sub-Saharan Africa. Further, as per the Ministry of Finance, Government of India, during the last two decades (FY 01 to FY 22), India's overseas direct investment to South Africa amounted to US$ 949 million, which constituted approximately 0.4% of India's total ODI globally. The data from fDi markets of Financial Times suggests that India's announced investments have mostly been in the sectors like coal, oil and gas, renewable energy, automotives, metals, hotel and tourism and software & IT services. In the past, companies like Tata Group, UB Group, Mahindra, Wipro, Ashok Leyland, Ranbaxy, Cipla, amongst others, have invested in South Africa.

Investment Climate: The One Stop Shop initiative of South Africa provides investors with services to fast-track projects. It facilitates lowering the cost of doing business as well as making the process easier. One Stop Shops house government entities such as the South African Revenue Services, Home Affairs, Environmental Affairs, Eskom and the Companies and Intellectual Properties Commission at one place. It thus facilitates the entire investment value chain by effectively coordinating across various line departments. Besides, the Industrial Development Zones provide duty-free import of production-related materials and zero VAT on materials sourced from South Africa. The Strategic Investment Project Programme offers a tax allowance of up to 100% (maximum of US$ 86 million per project) on the cost of buildings, plant and machinery for strategic investments of at least US$ 70 million and the Critical Infrastructure Facility supplements up to 30% of the development costs of eligible infrastructure projects. South Africa has been rated Ba2 by Moody's with a stable outlook. South Africa offers exporters and investors a diverse and mature economy with robust financial and other service sectors, as well as preferential access to export markets in the European Union, and the Southern African Development Community (SADC). Recently, South Africa sought Indian investments in more than 13 Special Economic Zones that it houses. The country boasts of a short lead time for accessing its markets, as visas for businesses and tourists are provided in five working days.

Further, South Africa is investing in infrastructure development, including transportation, energy, and housing. Indian companies have the potential to participate in these projects by providing engineering, construction, and project management services. South Africa's manufacturing sector offers opportunities for Indian companies in sectors such as vehicles, machinery, textiles, and chemicals. Furthermore, Indian companies engaged in agriculture and allied products could possibly explore the cold storage market opportunity in South Africa. Another lucrative business opportunity for India is in beer and wine industry, one of the fastest-growing industries in South Africa. In the services sector as well, there are opportunities in retail, financial services, communications, and tourism, among others.

It may be noted that the FATF in February 2023 put South Africa on the grey list for "falling short of certain international standards for the combating of money laundering and other serious financial crimes". According to the FATF, authorities in South Africa need to make better use of the financial intelligence products provided by the country's financial intelligence unit. Besides, the country should improve the application of the risk-based approach by the concerned entities.

Nevertheless, with South Africa being a beneficiary of various trade agreements such as FTA between EFTA and SACU, and PTA between MERCOSUR and SACU, myriad opportunities arise for India. Furthermore, South Africa's exports also get preferential access under African Growth and Opportunity Act (AGOA), Generalised System of Preference (GSP) Norway, etc. In 2020, discussions between SACU and India to achieve a PTA have also been revived.

Côte d’Ivoire

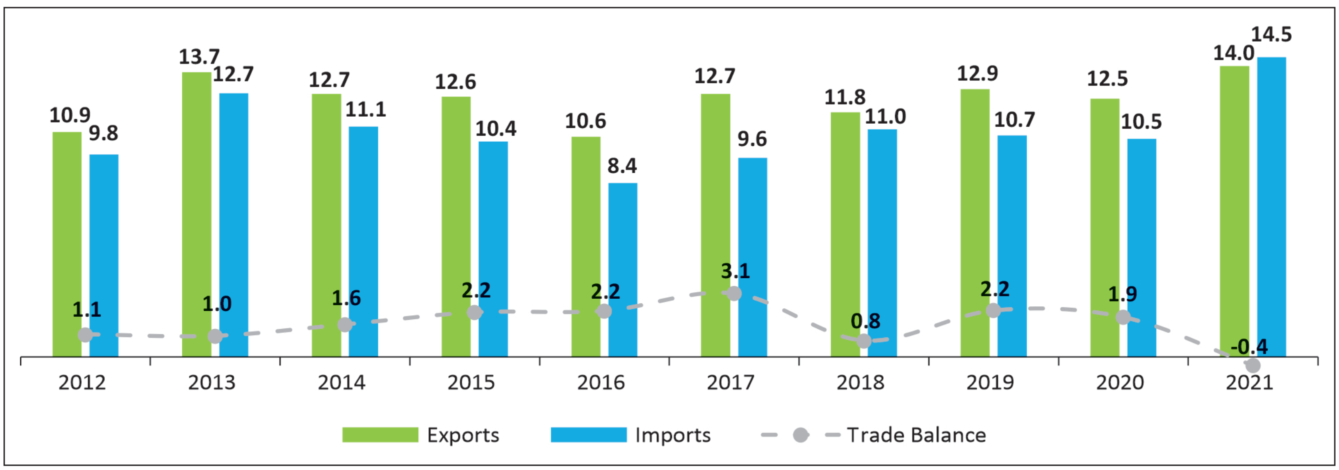
Côte d’Ivoire is a leading economy in West Africa. It is heavily dependent on agriculture and related activities, which engage roughly two-thirds of the population. Notably, Côte d’Ivoire is demonstrating one of the fastest sustained economic growth rates in Sub-Saharan Africa in nearly a decade. During 2012-21, the GDP grew at an average growth rate of 7.1%. Its GDP at constant 2015 prices stood at US$ 65.3 billion in 2021, accounting for 3.5% of the GDP of Sub-Saharan Africa. Furthermore, the low average inflation rate of 1.3% during 2012-21 and the moderate central government debt to GDP ratio of 52.1% in 2021 point at the positive economic outlook of the country.

Trade

Côte d’Ivoire is the world’s leading cocoa beans producer and exporter, accounting for 43% of the global cocoa exports. It is also a significant producer and exporter of coffee and palm oil. Côte d’Ivoire's total trade with the world has increased from US$ 20.6 billion in 2012 to US$ 28.5 billion in 2021, pointing at its increasing openness to the world (Figure 16). During the period, exports have grown at an AAGR of 3.7% to reach US$ 14 billion and imports have grown at an AAGR of 6% to reach US$ 14.5 billion, leading to a trade deficit of (-) US$ 0.4 billion in 2021.

Almost half (47.2%) of Côte d’Ivoire’s exports in 2021 were of cocoa and cocoa preparations, followed by rubber and its articles (13.2%), edible fruits and nuts (11.6%) and natural or cultured pearls, precious or semi-precious stones and precious metals (10.2%). The top imports, on the other hand were of mineral fuels and oils (12%), machinery and mechanical appliances (9.2%), automobiles (7.7%), cereals (6.8%) and electrical machinery and equipment (5.7%).

Figure 16: Côte d’Ivoire’s International Trade (in US$ Billion)

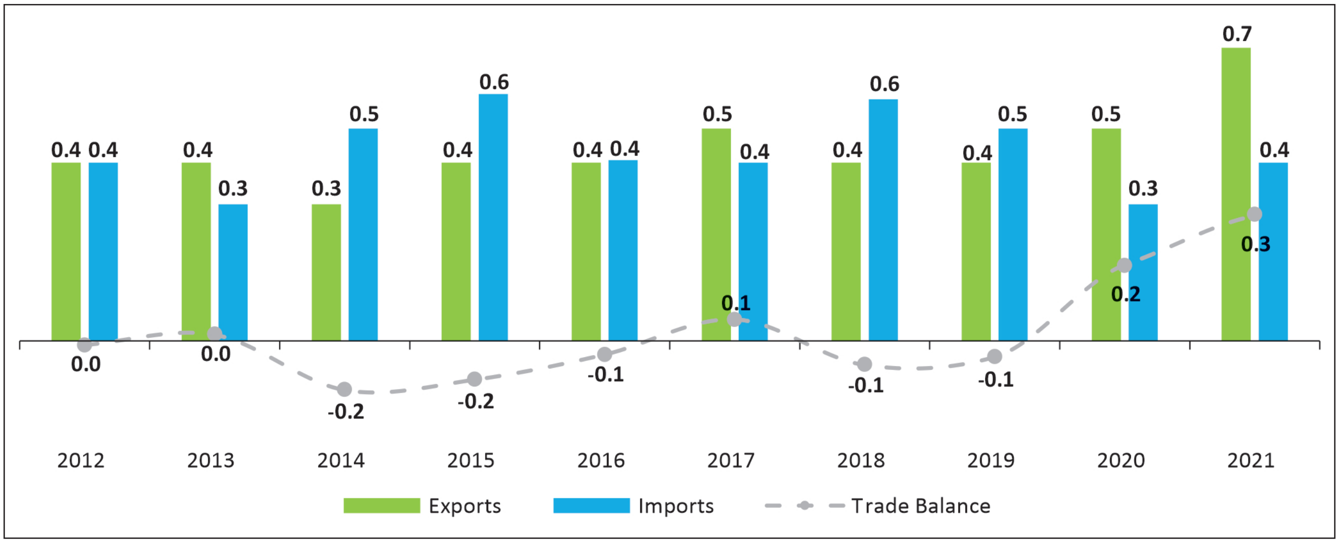


Source: ITC Trade Map; India Exim Bank Research

Côte d’Ivoire’s top export partners in 2021 were the Netherlands (10%), the USA (6.7%), Switzerland (6.5%), Vietnam (6.4%) and Belgium (5.4%). Côte d’Ivoire’s top import sources in 2021 were China (15%), Nigeria (13%), France (11%), India (5.1%) and the USA (4%).

India’s trade with Côte d’Ivoire has seen a moderate increase from US$ 0.9 billion in 2012 to US$ 1.1 billion in 2021 (Figure 17). In 2021, India ran a trade surplus of US$ 0.3 billion with Côte d’Ivoire with exports amounting to US$ 0.7 billion and imports worth US$ 0.4 billion. “Semi-milled or wholly milled rice, whether or not polished or glazed" and "broken rice" were the most important commodities exported by India to Côte d'Ivoire in 2021, together accounting for 43.8% of total exports. Similarly, "fresh or dried cashew nuts, in shell" was the major imported commodity by India from Côte d'Ivoire constituting a share of 33.9% in India's total imports from the country. The other top imported commodities were "technically specified natural rubber" (28.2%), crude oil (14.8%) and crude palm oil (8.7%). It may be noted that before 2021, India did not import crude palm oil from Côte d'Ivoire. The rising palm oil prices during the year have opened up new trade avenues between the two countries.

Figure 17: India's Trade with Côte d'Ivoire (in US$ billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-21, at US$ 7.5 billion, Côte d'Ivoire accounted for 1.6% of global FDI received by Sub-Saharan Africa and 5.1% of global FDI received by Western Africa. Further, as per Ministry of Finance, Government of India, during the last two decades (FY 01 to FY 22), India's overseas direct investment to Côte d'Ivoire amounted to US$ 108 million. India's investments in the country are directed towards iron and manganese mining, trading of cashew, tinder and commodities, manufacturing and agro-processing. The main Indian investors in the country are Ashok Leyland, Tata Motors, Taurian Manganese and Tata Steel.

Investment Climate: In most of the sectors in Côte d'Ivoire, there are minimal restrictions on foreign investments. The government encourages foreign investment, including investor participation in state-owned firms slated for privatization. The Center for Promotion of Investment in Côte d'Ivoire acts as a one-stop-shop for investors, offering services such as company registration, permits, and licenses, as well as assistance with project implementation.

Côte d'Ivoire declaring India as the focus country for cooperation in the fields of information and communications technology, agriculture, mining and infrastructure in 2011 and the establishment of the Indian Chamber of Commerce and Industry in the country are among the favourable factors that call for greater economic engagement between the two countries. There are several opportunities for India to collaborate with Côte d'Ivoire in the agricultural sector. India's robust agricultural research ecosystem can be leveraged to enable knowledge sharing with Côte d'Ivoire to help increase productivity and improve crop yields. Assistance may also be provided for establishing agro-processing units in the country for facilitating value addition and exports.

There is also high potential for enhancing investments in the automotive sector as well as exploring other sectors such as pharmaceuticals, mining, information technology and textiles and apparels among others. Côte d'Ivoire has been rated Ba3 with a positive outlook by Moody's. The country is well poised to attract increased FDI based on the promising economic outlook. It may be noted that other than being a party to AfCFTA and AGOA, Cote d'Ivoire is a part of the Economic Community of West African States (ECOWAS) which enables free movements of goods among the 15 West African countries and West African Economic and Monetary Union (WAEMU) for coordination of economic, financial, and structural policies with most francophone partners in the region. Furthermore, Côte d'Ivoire ratified an Economic Partnership Agreement (EPA) with the EU in 2016 for gaining duty and quota-free access for its exports and an EPA with the UK in 2020 for similar tariff treatment as with the EU.

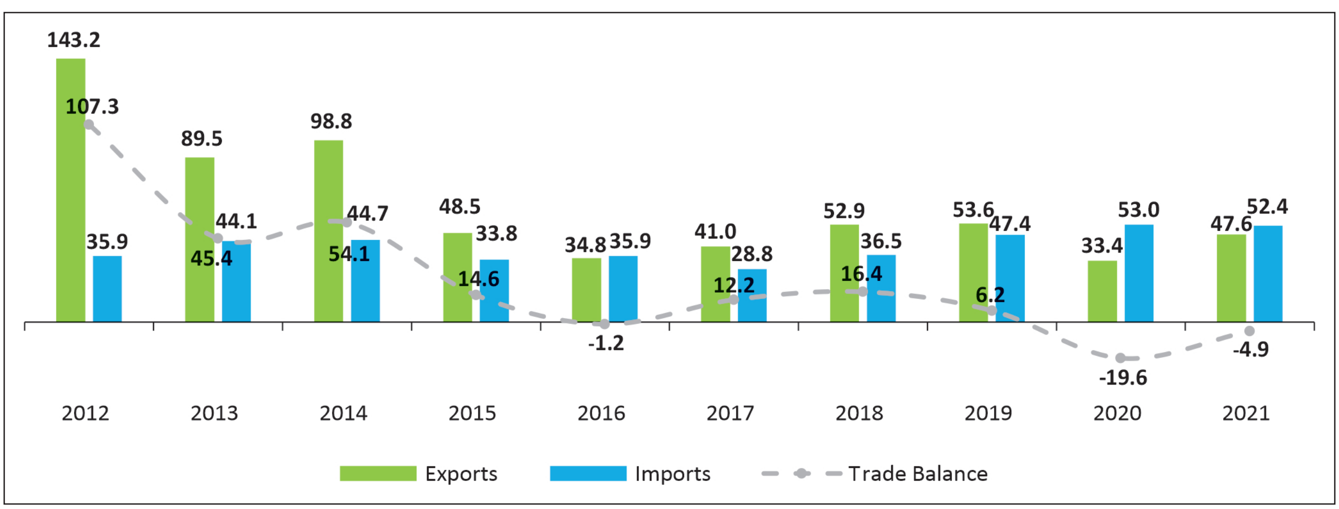
Nigeria

Nigeria is Africa's largest economy, an oil exporter and an OPEC member. Hydrocarbons generate about 50% of government revenue and more than 80% of export receipts. Nevertheless, agriculture and services are bigger contributors to the GDP. Nigeria's GDP at constant 2015 prices stood at US$ 518.5 billion in 2021. Nigeria accounted for 27.4% of Sub-Saharan Africa's GDP. During 2012-21, Nigeria's economy grew at 2.3% while inflation grew at 12.4%. The Central Government's debt to GDP ratio was recorded at 32.7% in 2021.

Trade

Contrary to other African nations, Nigeria's total trade has witnessed a visible fall over the last decade, from US$ 179 billion in 2012 to US$ 100 billion in 2021, owing to the declining exports (Figure 18). The exports during the period have fallen from US$ 142.2 billion to US$ 47.6 billion, registering a negative AAGR of (-) 5.9%. Imports on the other hand have grown at an AAGR of 6% to touch US$ 52.4 billion in 2021. Due to increasing imports and falling exports, Nigeria has started running trade deficit in the recent years, recorded at (-) US$ 4.9 billion in 2021.

Figure 18: Nigeria's International Trade (in US$ Billion)



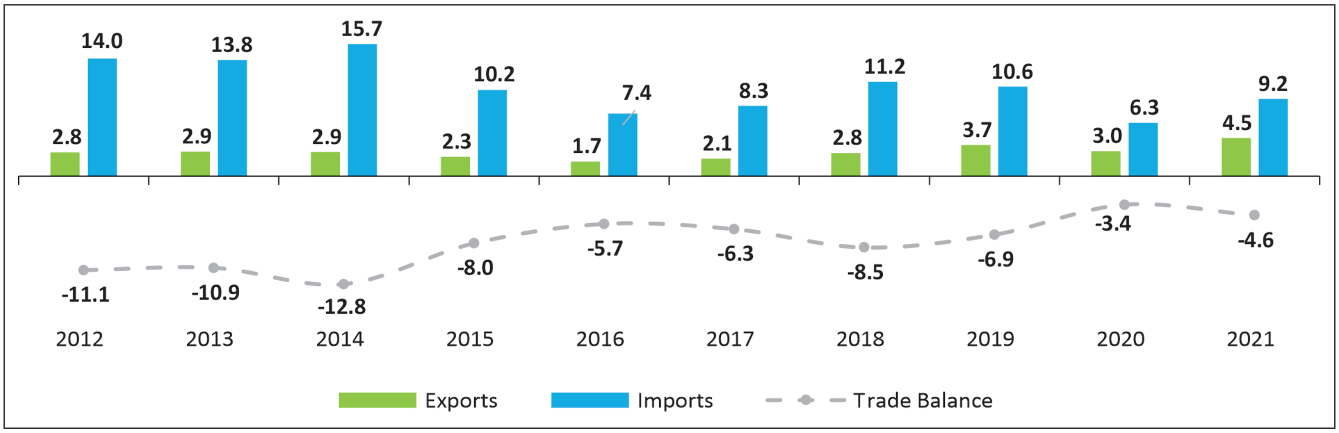
Source: ITC Trade Map; India Exim Bank Research

Crude oil is the single most important export item for Nigeria, constituting 76% of total exports. Natural gas (10.5%), floating or submersible drilling or production platforms (2.5%), urea (2%) and hydrocarbons (1.2%) are the other important export items. Due to limited refining capacity, Nigeria has high import dependence for procurement of refined petroleum oils. In 2021, light and medium petroleum oil preparations constituted a share of 30.2% in Nigeria's total imports. It may be noted that, during the period, imports of mineral fuels and oils have increased by almost 19 times, from US$ 0.9 billion to US$ 16.3 billion. The other top imports in 2021 were machinery and mechanical appliances (14.2%), automobiles (6.6%), electrical machinery and equipment (5.9%) and cereals (5.3%).

India was Nigeria's largest export partner in 2021, with a share of 16.4% in total exports. The other top export partners were Spain (11.8%), France (6.3%), the Netherlands (6%) and Canada (4.5%). As regards imports, China was Nigeria's largest trade partner accounting for almost a quarter of its total imports. The other top importers in 2021 were the Netherlands (10.3%), India (8.8%), Belgium (7.3%) and the USA (6.1%).

India's total trade with Nigeria has decreased from US$ 16.8 billion in 2012 to US$ 13.7 billion in 2021 (Figure 19). This is on the account of India's decreasing oil imports from Nigeria. During 2012-21, while India's exports to Nigeria have increased at an AAGR of 8.5% to reach US$ 4.5 billion, imports have contracted by (-) 0.4% on average, to US$ 9.2 billion. India's top exported commodities to Nigeria, namely, mineral fuels and oils (22.2%), automobiles (14.4%), pharmaceutical products (12.6%), and machinery and mechanical appliances (8.7%) have all exhibited phenomenal export growth. On the contrary, imports of the top imported product category viz. mineral oils and fuels which mainly included crude oil and natural gas and constituted 98% of the imports, have contracted from US$ 13.8 billion in 2012 to US$ 9 billion in 2021. The other top imported categories were edible fruits and nuts (0.5%) and coffee, tea, maté and spices (0.2%).

Figure 19: India's Trade with Nigeria (in US$ billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-21, Nigeria received FDI amounting to US$ 51.7 billion, contributing a share of 35% in total FDI received by Western Africa and 11.2% in FDI received by Sub-Saharan Africa. India's ODI to Nigeria during FY 2001-22 was recorded at US$ 174 million, representing 0.1% of India's total ODI. As per fDi markets, India's investments in Nigeria have been in the sectors of coal, oil & gas, communications, chemicals, building materials and renewable energy, among others. The leading companies which have invested in the country are Bharti Airtel, Tata, Bajaj Auto, Birla Group, Kirloskar, Mahindra, Ashok Leyland, Skipper, Godrej, Simba Group, NIIT, Aptech and New India Assurance, among others.

Investment Climate: There is a liberalized ownership structure of business in Nigeria, allowing foreign investors complete ownership and control of the shares in any company. Foreign investors in Nigeria receive largely the same treatment as domestic investors, including tax incentives. The Nigerian Investment Promotion Commission serves as a One-Stop Investment Center with participation of 27 governmental and parastatal agencies to consolidate and streamline administrative procedures for businesses in order to promote and coordinate investments. Besides, several reforms have been undertaken to help improve the business environment such as allowing electronic stamping of registration documents and simplifying procedures for obtaining construction permits, property registration, obtaining credit, and payment of taxes.

Home to the largest population in Africa, Nigeria is an attractive consumer market for investors. Its abundant natural resources, availability of low-cost labour and business-friendly Government, further make it a favourable market. The country is faced with the challenge of reducing dependence on oil which however also poses as an opportunity for India to invest in diversification of the economy. The reforms undertaken by Nigerian government to improve the business environment (such as facilitating faster business starts-up by allowing electronic stamping of registration documents and making it easier to obtain construction permits, register property, obtain credit, and pay taxes) also act as stimulants for overseas investment.

Notably, the recently established Nigeria-India Business Council is focussed on the expansion of trade and investment between the two countries. The identified sectors include fintech, artificial intelligence, renewable energy, technology, education, creative industry, digital economy, pharmaceuticals, agriculture, manufacturing and oil and gas. Vocational training and entrepreneurship particularly are the important areas where India's recent experiences may prove to be beneficial for Nigeria since it has a large pool of young people. India is already the second largest provider of employment in Nigeria with presence of more than 135 companies.

Nigeria's long term deposit rating has been downgraded by Moody's to Caa1 from B3 recently. FATF has also put it on its grey list citing "deficiencies in the regime to counter money laundering, terrorist financing and proliferation financing". Notwithstanding, Nigeria can be a lucrative market for companies that can learn to navigate a complex and evolving business environment.

Nigeria has bilateral investment agreements with about 31 countries across regions including but not limited to: Morocco, Singapore, Russia, Kuwait, South Africa, Germany, France, etc. However, only 15 of these BTAs are in force. In the year 2000, Nigeria and the US signed a Trade and Investment Framework Agreement (TIFA).

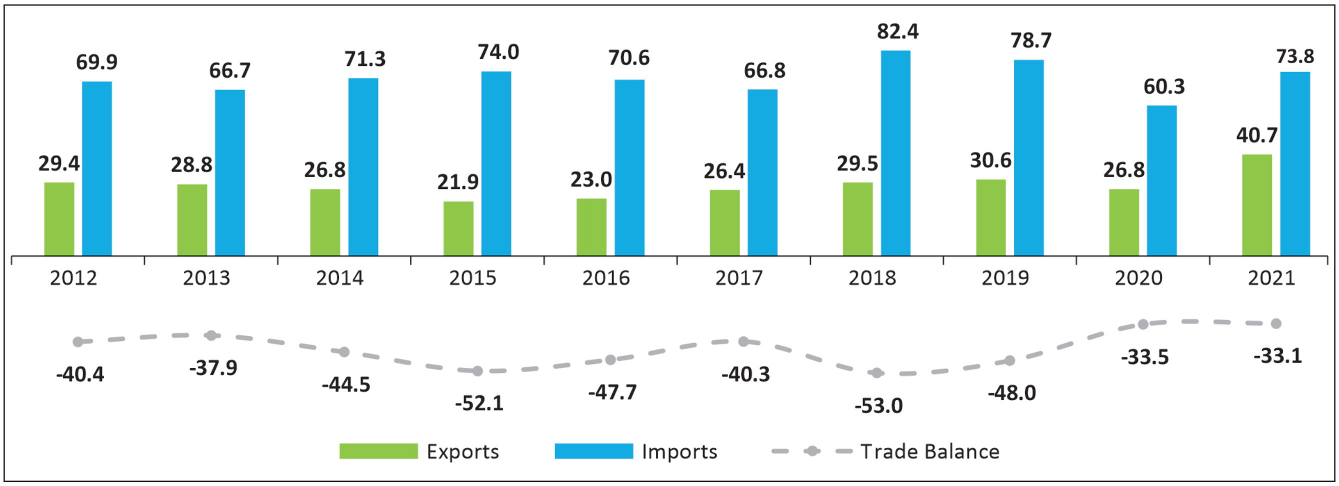
Egypt

Egypt is the largest economy in North Africa and is considered as one of the most promising emerging markets in the world. The country's economy is driven by a combination of industries including tourism, agriculture, manufacturing, and service sectors. Egypt's GDP at constant 2015 prices stood at US$ 426 billion in 2021, the second largest in Africa. During 2012-21, the GDP grew at 4% while the CPI inflation grew at 11.9%, on average.

Trade

Egypt's total trade with the world has increased from US$ 99.3 billion in 2012 to US$ 114.5 billion in 2021 (Figure 20). While the exports have grown at an AAGR of 5.3% during the period to reach US$ 40.7 billion in 2021, imports have grown at an AAGR of 1.6% with a value of US$ 73.8 billion in 2021. In 2021, the trade deficit of (-) US$ 33.1 billion, was the decade's lowest.

Figure 20: Egypt's International Trade (in US$ Billion)



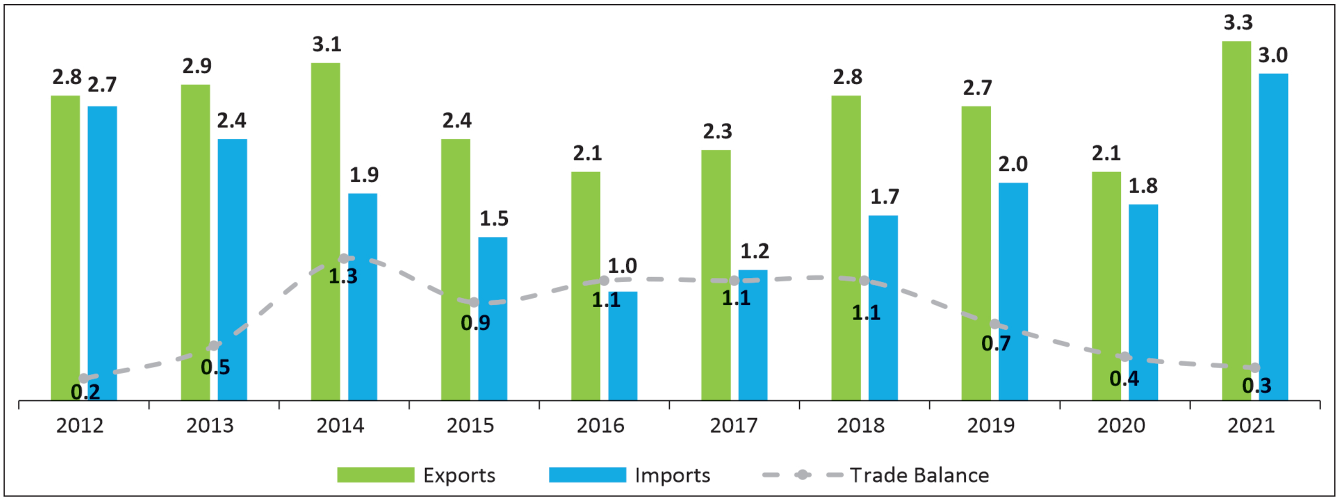
Source: ITC Trade Map; India Exim Bank Research

Mineral fuels and oils were Egypt's largest exported product category with a share of 32% in total exports. Liquefied natural gas, medium petroleum oil preparations and crude oil were among the top exported commodities in the group. The other top exports were plastics and its articles (6.6%), electrical machinery and equipment (5.9%), iron and steel (4.2%) and edible fruits and nuts (4.1%). Egypt's top imported items were also mineral fuels and oils (14.1%), machinery and mechanical appliances (8.4%), automobiles (6.8%), cereals (6.7%) and electrical machinery (6.7%).

As regards the trade partners, Egypt's top exports destinations in 2021 were Turkey (6.5%), Italy (6.3%), India (5.7%), the USA (5.3%) and Saudi Arabia (4.9%). The most important import sources were China (13.6%), Saudi Arabia (8.5%), the USA (6.9%), Germany (4.5%) and Turkey (4.2%).

India's total trade with Egypt has increased from US$ 5.5 billion in 2012 to US$ 6.3 billion in 2021 (Figure 21). India's exports to Egypt during 2012-21, grew at an AAGR of 3.8% to reach the decade's highest of US$ 3.3 billion. Similarly, a record US$ 3 billion imports were recorded in 2021, an average growth of 5.6%, during the period.

Figure 21: India's Trade with Egypt (in US$ billion)



Source: ITC Trade Map; India Exim Bank Research

India's top exports to Egypt comprised of meat and edible meat offal (21.4%), automobiles (10.2%), organic chemicals (8.7%), iron and steel (8.3%) and cotton (7%). As regards imports, mineral fuels and oils including crude oil and natural gas were the most important item in India's import basket from Egypt, constituting a share of 65% in imports in 2021. The other top import items were fertilisers (12.1%), cotton (5%), inorganic chemicals (4.8%) and salt, sulphur, earths, and stone, plastering materials, lime and cement (4.5%).

Opportunities

UNCTAD ranked Egypt as the top FDI destination in Africa between 2016 and 2020. Egypt has passed several regulatory reform laws, including a new investment law in 2017; a new company law and bankruptcy law in 2018; and a new customs law in 2020. During 2010-21, Egypt received US$ 71.4 billion worth FDI from around the world, accounting for almost half (47.2%) of the total FDI of North Africa. During FY 2002-2022, India's ODI outflows to Egypt were to the tune of US$ 630 million. As per fDi markets, India's investments have majorly been concentrated in the renewable energy sector in Egypt. Other top sectors include chemicals, plastics, coal, oil & gas and software and IT services. Some of the top Indian investing companies in the country include Kirloskar, Dabur India, Sanmar Group, Godrej, Mahindra Reliance Industries and Sun Pharma.

Investment Climate: Egypt has implemented a series of regulatory laws with the intention of improving its investment and business environment. These include a 2017 Investment Law and a 2020 Customs Law. The Investment Law offers more incentives to attract new investment and simplifies investment-related rules and procedures. The 2020 Customs Law streamlines import and export procedures, using a single-window system, electronic payments, and fast-track clearances for authorized companies.

Egypt's completion of the three-year, US$ 12-billion IMF Extended Fund Facility between 2016 and 2019, and its associated reform package, helped stabilize Egypt's macroeconomy, introduced important subsidy and social spending reforms, and helped restore investor confidence in the economy. The country has however been downgraded to B3 with a stable outlook by Moody's.

In the past, India has provided technical assistance to Egypt for the development of its agricultural sector, including the introduction of high-yielding crop varieties and the establishment of irrigation systems. In 2018, India and Egypt signed a Memorandum of Understanding (MoU) to increase cooperation in the fields of agriculture, animal husbandry, and fisheries. Thus, agriculture is one of the lucrative sectors for investments. Besides, Egypt has a large market for industrial products like automobiles, and India could potentially deepen engagements in the sector. The Egypt government, in 2021, announced that by 2030 all new public sector investment spending would be green, and accelerated plans to generate 42% of its electricity from renewable sources by 2035. This opens up further opportunities for collaboration in renewable sector.

Egypt is a signatory to several multilateral trade agreements like EU-Egypt Association Agreement, EFTA-Egypt Free Trade Agreement, Egypt-Turkey FTA, Greater Arab Free Trade Area, Egypt-MERCOSUR Free Trade Agreement, amongst others. The India-Egypt Bilateral Trade Agreement has been in operation since March 1978 and is based on the Most Favoured Nation clause. In 2010, Egypt and the EU completed an agricultural annex to their agreement, liberalizing trade in over 90% of agricultural goods.

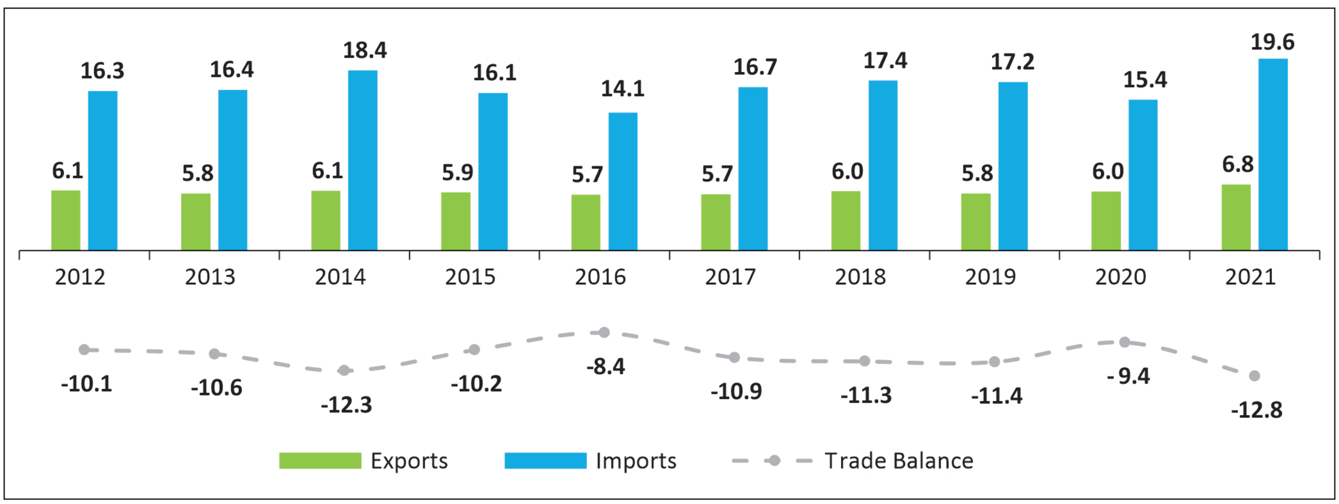
Kenya

Kenya, located in East Africa, is one of the fastest-growing economies in the continent. With a population of over 50 million, Kenya has a diverse economy that has been driven by various sectors such as agriculture, tourism, manufacturing, and service industry. The country's economic growth has been characterized by stability and steady improvement in key economic indicators such as GDP growth and inflation. Kenya's GDP at 2015 constant prices was recorded at US$ 90.4 billion, a share of 4.8% in Sub-Sharan Africa's GDP. During 2012-21, the GDP grew at 4.4% and the inflation grew at 6.1%. However, the central government debt as a % of GDP was at a high of 67.8% in 2021.

Trade

Kenya's total trade with the world has increased from US$ 22.4 billion in 2012 to US$ 26.3 billion in 2021 with trade deficit amounting to (-) US$ 12.8 billion (Figure 22). Kenya's exports during 2012-21 have grown at an AAGR of 1.2% to US$ 6.8 billion while the imports have grown at a faster pace of 2.9% to reach US$ 19.6 billion. Kenya's top exports in 2021 were of coffee, tea, maté and spices, representing a share of 22% in total exports. In this category, black fermented tea was the highest exported commodity with a share of 17% in total exports. Live trees and other plants which mainly included exports of fresh cut roses and other flowers and buds was the next most important export category with a share of 12% in total exports. The other top export items were edible vegetables and certain roots (5%), edible fruit and nuts (4%) and mineral fuels and oils (4%).

Figure 22: Kenya's International Trade (in US$ Billion)



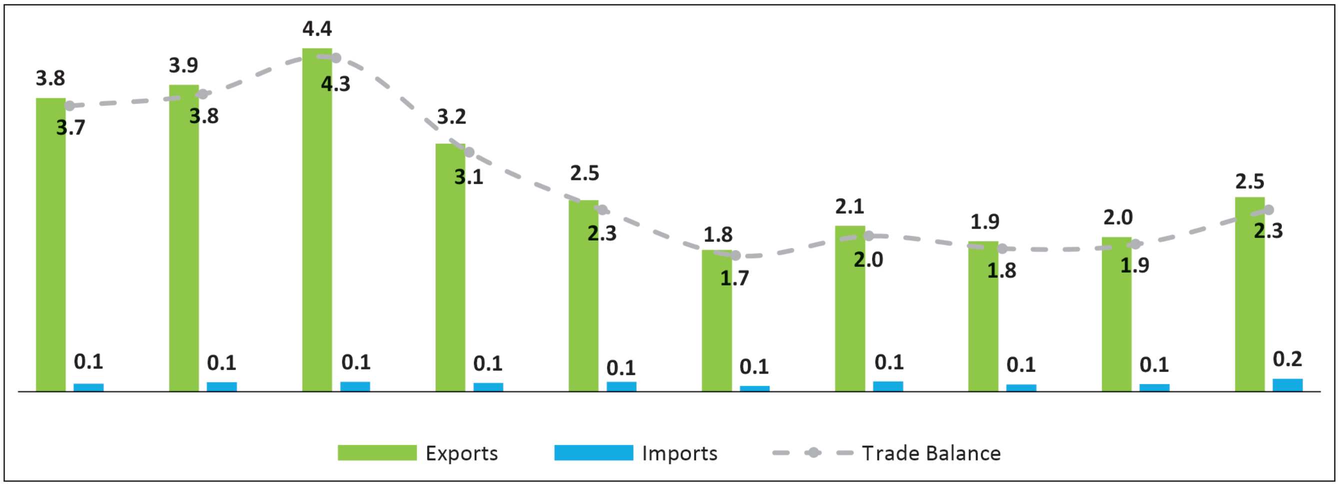
Source: ITC Trade Map; India Exim Bank Research

The other important imported product groups were machinery and mechanical appliances (8%), automobiles (7%), iron and steel (6.7%) and electrical machinery and equipment (6%).

Kenya's top export partners in 2021 were Uganda (12.3%), the Netherlands (8.3%), the USA (8%), Pakistan (7.2%) and the UK (6.7%). In terms of imports, the trade partners are more concentrated with about 21% of imports having been sourced from China in 2021. India (10.8%), the UAE (8.3%), Saudi Arabia (5.3%) and Japan (4.6%) were the other top import sources in 2021.

India's trade with Kenya is mainly limited to exports (Figure 23). In 2021, India exported US$ 2.5 billion worth of goods and imported US$ 0.2 billion worth of goods from Kenya, leading to a trade surplus of US$ 2.3 billion. In 2021, the top product categories exported were mineral fuels and oils (20%), pharmaceuticals (10.8%), iron and steel (9.3%), automobiles (9%) and machinery and mechanical appliances (8.7%). About 30.5% of India's imports from Kenya in 2021 were in the product category coffee, tea, maté and spices, followed by edible vegetables and certain roots and tubers (27%) which mainly included imports of “dried, shelled beans of species “Vigna mungo [L.] Hepper or Vigna radiata [L.] Wilczek” and “dried, shelled kidney beans “Phaseolus vulgaris””, inorganic chemicals (12.8%), and copper and its articles (11%).

Figure 23: India’s Trade with Kenya (in US$ billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2012-21, Kenya received global FDI of US$ 17.2 billion. From India, during the period FY 2001-22, Kenya received FDI amounting to US$ 319 million. India’s investments in the region have been in the sectors of coal, oil & gas, communications, automotive, real estate and chemicals. The Indian companies investing in Kenya include Mahindra & Mahindra, Bharti Airtel, Tata Chemicals, Tata Communications and Reliance Industries.

Investment Climate: Kenya has been experiencing a continuous improvement in its environment for FDI. The treatment given to foreign investors in Kenya is usually the same as that given to local investors, and the majority of the country’s industrial sector is made up of multinational companies. To facilitate investment applications and approvals, the official investment promotion agency of Kenya KenInvest, established a One Stop Centre in 2017 which ensures that the processing of applications is done promptly and transparently. In 2019, KenInvest introduced the Kenya Investment Policy and the County Investment Handbook, which aim to increase the inflow of FDI into the country. Agriculture remains the backbone of the Kenyan economy, contributing 25-30% of GDP and accounting for most of the exports. Mineral resources in Kenya include gold, iron ore, talc, soda ash, some rare earth minerals, and gemstones. Kenya is also a regional leader in clean energy development with more than 90% of its on-grid electricity coming from renewable sources. Given that agriculture’s contribution to GDP is considerable, agricultural chemicals (pesticides), where India enjoys high competence can be a focus sector for India. Some other important segments include agro-processing, automobiles, telecommunications, medical devices, financial services, energy, extractives etc.

Kenya has been rated B2 by Moody’s with a negative outlook. However, Kenya’s investment climate has made it attractive to international firms seeking a location for regional or pan-African operations. Kenya has strong telecommunications infrastructure and a robust financial sector and is a developed logistics hub with extensive aviation connections throughout Africa, Europe, and Asia. Furthermore, Kenya has instituted broad reforms to improve its business environment, including passing the Tax Laws Amendment (2018) and the Finance Act (2018).

Kenya's membership in trade agreements such as the East African Community (EAC), AGOA, East Africa Community-European Union (EAC-EU) Economic Partnership Agreement (EPA) and other regional trade blocs provide it with preferential trade access to growing regional markets. Further, under GSP, a wide range of Kenya's manufactured products are entitled to preferential duty treatment in countries like Australia, Austria, Canada, Finland, Japan, New Zealand, Norway, Sweden, Switzerland, other European countries, and the US. Kenya has also signed bilateral trade agreements with many countries like Argentina, India, Iraq, South Korea, amongst others.

It may be noted that in July 2020, the US and Kenya launched negotiations for a Free Trade Agreement, the first for the USA in sub-Saharan Africa. The agreement would not only address the tariff issue but will also cushion the Africa Growth and Opportunity Act (AGOA) which is set to expire in 2025 and it is not yet clear if it will be extended. The current emphasis of US administration with respect to negotiations with Kenya is on the non-tariff partnership focused on enhancing labour and production standards in agriculture and digital services.

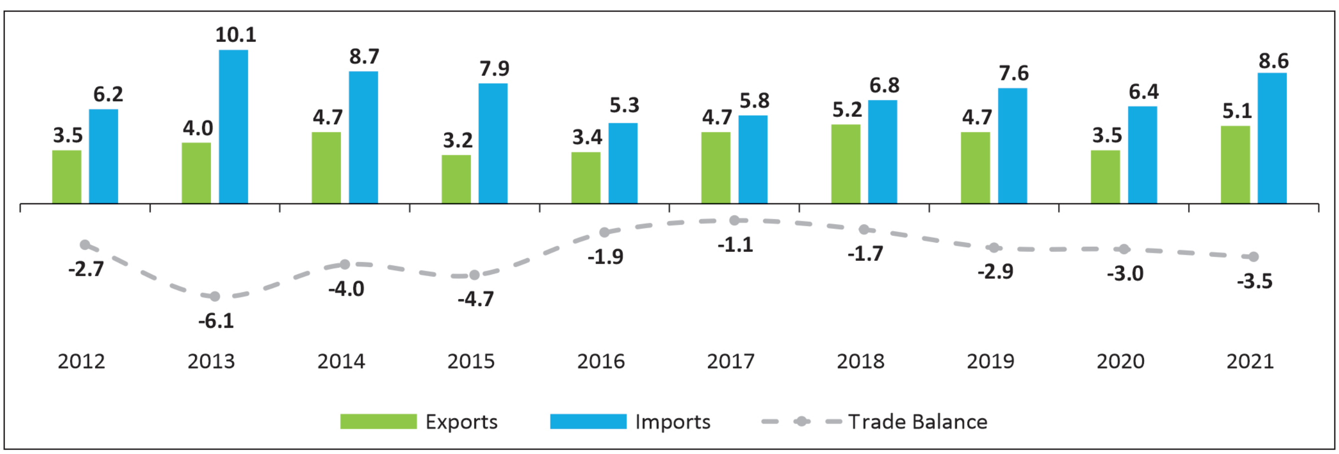
Mozambique

Located in South-eastern Africa, Mozambique is endowed with ample resources of arable land, water, and energy, as well as mineral resources and newly discovered natural offshore gas, three deep seaports and a relatively large potential pool of labour. Mozambique's GDP in 2015 constant prices stood at US$ 18.4 billion in 2021, a share of 1% in Sub-Sharan's GDP. During 2012-21, the GDP grew at 3.9% and inflation at 6.5%.

Trade

Mozambique's exports amounted to US$ 5.1 billion, and imports equalled US$ 8.6 billion, leading to a trade deficit of (-) US$ 3.5 billion in 2021 (Figure 24). During 2012-21, both the exports and imports have witnessed high growth on average, at 7.5% and 7.2%, respectively.

Figure 24: Mozambique's International Trade (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

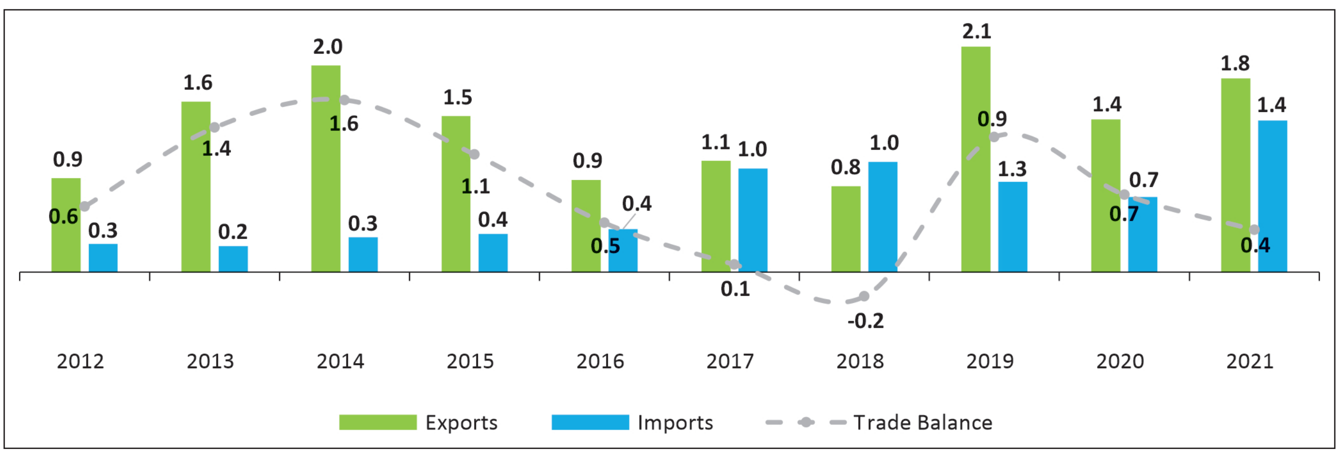
Being a mineral rich country, over a fifth of its exports in 2021 were of coal and another chunk (13%) of aluminium. At a broader commodity level, about 43% of Mozambique's exports were of mineral fuels and oils, 22% of aluminium and its articles, 8.5% of ores, slag and ash, 3% of edible vegetables and certain roots and tubers and 2.8% of tobacco and manufactured tobacco substitutes.

As Mozambique does not produce crude oil and has limited refining capacity, it relies on imports to meet its energy demands. In 2021, mineral fuels and oils were the largest imported product category with a share of 17% in imports. The other top imported categories were machinery and mechanical appliances (9.5%), cereals (7.8%), automobiles (7%) and electrical machinery (6.1%).

Mozambique's highest trade takes place with its neighbour, South Africa. In 2021, South Africa accounted for 16.7% of Mozambique's exports and 26.1% of its imports. The other important export destinations for Mozambique were India (15.7%), the Netherlands (11%), China (9.6%), and the UK (7.3%). The top import sources were China (11%), India (8.6%), the UAE (8.3%) and Singapore (6.2%).

With India, Mozambique's total trade has increased from US$ 1.2 billion in 2012 to US$ 3.3 billion in 2021 (Figure 25). Both India's exports to and imports from Mozambique have grown rapidly, at 21.5% and 29.1% to reach US$ 1.8 billion and US$ 1.4 billion, respectively, in 2021. Medium oils and preparations of petroleum was the top exported commodity by India under the mineral fuels and oil category with a share of 67% in exports. Other top exports comprised of pharmaceutical products (6.8%), cereals (5%) and ships, boats and floating structures (3.4%). India's top imports from Mozambique were also of mineral fuels and oils (50.9%), mainly of coal, followed by edible vegetables and certain roots and tubers (14.6%), copper and its articles (13%), ships, boats and floating structures (8.9%) and oil seeds and oleaginous fruits (7%).

Figure 25: India's Trade with Mozambique (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

Mozambique has received global FDI equivalent to US$ 45.1 billion during 2012-21. India's ODI outflows to the country during FY 2001-22 have been among the highest in African countries, at US$ 3.7 billion. India's investments have been predominantly in the coal, oil & gas sector. Transportation and warehousing, food & beverages and metals were the other recipient sectors. Jindal Steel and Power and Bharat Petroleum are the two largest Indian investing companies in the country.

The agriculture sector in Mozambique holds great potential due to high proportion of unused arable land, favourable agro-ecological conditions and high import dependence for food. Under agriculture, some of the important segments, where India can be a collaborator include sustainable irrigation systems, second-hand equipment and machinery, cold chain solutions, particularly in infrastructure and storage, agro-processing, packaging, and agricultural inputs.

Mozambique has enormous gas reserves, high commercially important deposits of coal (high quality coking coal and thermal coal), graphite, iron ore, titanium, apatite, marble, bentonite, bauxite, kaolin, copper, gold, rubies, and tantalum. As the utilisation is at nascent stage, continuous focus may be given to the mining and energy sectors. Other important sectors that can be targeted for investments include design and construction, FMCG, and transportation.

Investment Climate: Mozambique welcomes foreign investment and sees the FDI as a critical driver of economic growth and job creation. With the exception of a few sectors related to national security, all business sectors in Mozambique are open to foreign investment. The Agency for Promotion of Investments and Exports promotes and facilitates private and public investment in the country. It also oversees the promotion of national exports.

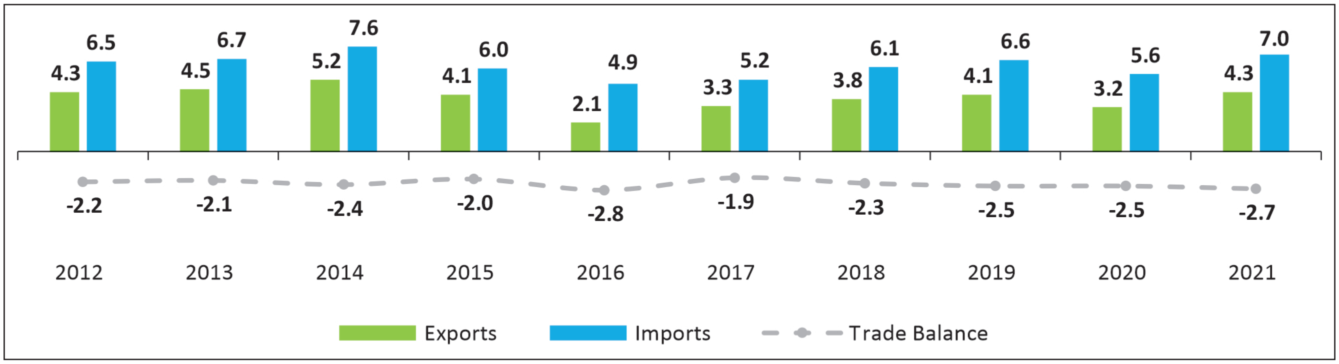
The country has however been rated Caa2 with a positive outlook. As regards the trade opportunities, other than AGOA, under the terms of the Cotonou Agreement, certain Mozambican products currently enjoy reduced tariffs or duty-free entry into EU member nations under the EBA arrangement. In 2016, India signed an MOU with Mozambique on cooperation in the field of production and marketing of pigeon peas for a period of 5 years. Under the MoU, both parties agreed to target minimum yearly quantities of imports of pigeon peas and other pulses from Mozambique to India. Further, agreement on Bilateral Promotion and Reciprocal Protection of Investment (BIPA) was signed in 2009 between India and Mozambique.

Cameroon

Cameroon is endowed with rich natural resources, including oil and gas, and mineral ores. Its GDP at 2015 constant prices stood at US$ 39 billion in 2021, a share of 2.1% in Sub-Saharan Africa's GDP. The GDP grew at a rate of 4% during 2012-2021. The inflation during the same period averaged 1.8%. Cameroon's central debt to GDP ratio was also recorded at a low of 41% in 2021.

Cameroon's trade openness over the years has increased only slightly, with its total trade with the world increasing from US$ 10.8 billion in 2012 to US$ 11.3 billion in 2021 (Figure 26). In 2021, Cameroon's exports equaled US$ 4.3 billion, and imports were worth US$ 7 billion, leading to a trade deficit of (-) US$ 2.7 billion.

Figure 26: Cameroon's International Trade (in US$ Billion)



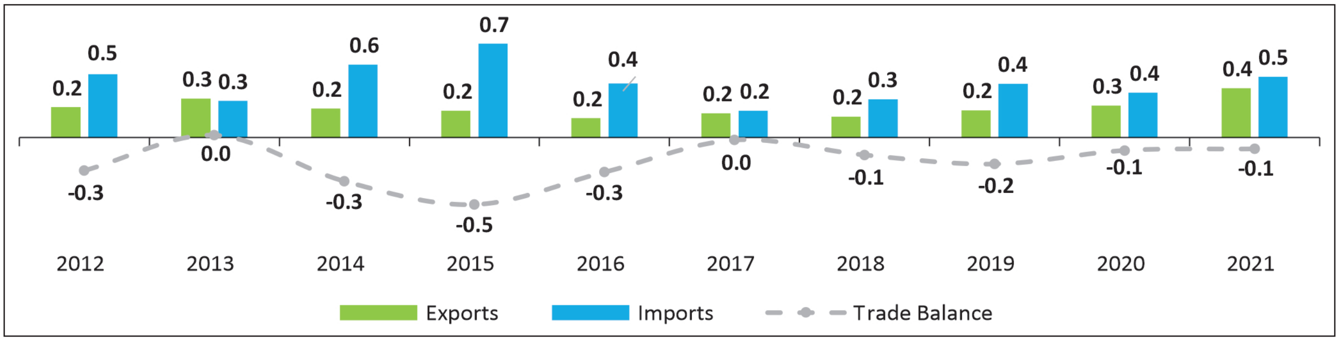
Source: ITC Trade Map; India Exim Bank Research

Over half of Cameroon's exports in 2021 were of mineral fuel and oils, mainly crude oil and natural gas. The other top exports were of cocoa and its preparations (16.4%), wood and its articles (12.2%), cotton (6%), and aluminium and its articles (1.8%). On the import side as well, mineral fuels and oils was the top imported commodity group comprising of light and medium petroleum preparations. The other top imports were of cereals, including wheat and rice (10.3%), machinery and mechanical appliances (7.8%), automobiles (6.4%) and iron and steel (5.6%).

China was Cameroon's top trading partner in 2021, accounting for over a quarter of exports and 17% of imports. Cameroon's other top export partners in 2021 were the Netherlands (12.4%), India (9.6%), Italy (7.1%) and Spain (6.1%). The other top import sources were France (9.3%), India (7.2%), Russia (6.8%) and Belgium (3.8%).

With India, Cameroon's trade has increased marginally, from US$ 0.7 million in 2012 to US$ 0.9 billion in 2021 (Figure 27). India's exports to Cameroon in 2021 were to the tune of US$ 0.4 billion and imports equalled US$ 0.5 billion, leading to a trade deficit of (-) US$ 0.1 billion for India. India's top exports were of cereals (40%), which included mainly rice, pharmaceutical products (15.9%), machinery and mechanical appliances (4.4%), plastics and its articles (4.4%) and automobiles (3.4%).

Figure 27: India's Trade with Cameroon (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

On the import side, over 95% of the commodities sourced by India from Cameroon in 2021 belonged to the mineral fuels category, namely crude oil (82.4%) and natural gas (12.8%). Cotton, articles of iron and steel and lead and its articles were the other top imported categories.

Opportunities

Cameroon received total FDI to the tune of US$ 7.8 billion between 2010 and 2021. India's investments in the region have been hitherto negligible. Cameroon has high-value species of timber, and agricultural products, such as coffee, cotton, cocoa, maize, and cassava. The sector poses a good opportunity for Indian companies. Development of transport infrastructure, such as seaports, airports, and rail, is another potential area for investments. Further, as Cameroon has abundant natural resources, including oil, gas, and hydroelectric power, Indian companies may invest in the development and production of energy resources. Particularly, India could look at exploration of resources like bauxite. India can also help in meeting the high demand for education, particularly in vocational training and technical education. Investment opportunities exist in the financial sector as well, as only 15% of Cameroonians have access to formal banking services.

Investment Climate: Apart from a few critical sectors (national defence and security areas), there are no sector-specific restrictions applied to foreign ownership and control. The Investment Code of Cameroon, amended in 2013, provides various incentives for investors including tax breaks, duty-free imports of equipment, and repatriation of profits. There are several free zones in the country that offer investors tax holidays, duty-free imports of raw materials and equipment, and simplified procedures for setting up a business. Further, Cameroon has embraced PPPs as a way of encouraging private investment in infrastructure and other sectors and thus has set up a PPP unit to oversee the implementation of these projects.

Cameroon has been rated B2 with a stable outlook by Moody's. The IMF approved a three-year, US$ 689.5 million hybrid Extended Credit Facility-Extended Fund Facility arrangement in July 2021 to advance structural fiscal reforms, improve governance, and continue mitigating the health, economic, and social consequences of the pandemic.

Besides the EPA with the EU and the AGOA, Cameroon is a member of the Central African Economic and Monetary Community, a regional bloc aimed at promoting regional economic integration, including through the elimination of trade barriers. Cameroon also has commercial agreements with the UK, China, Canada, Japan, South Korea, Russia and Turkey. A Bilateral Investment Treaty (BIT) between Cameroon and the US entered into force in 1989. The BIT renews automatically under the terms of the treaty every 10 years.

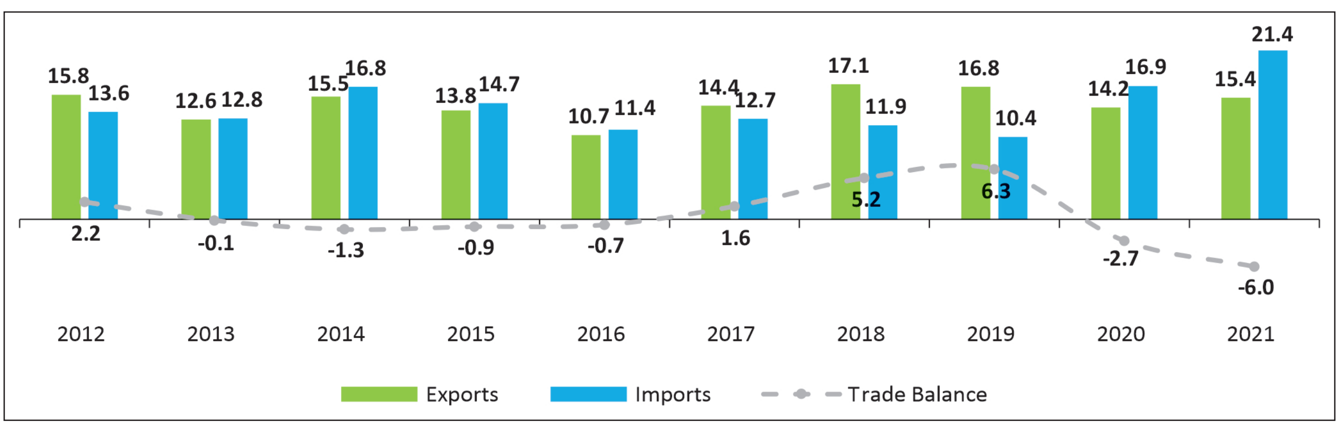
Ghana

Ghana is one of the most politically and economically stable countries in Sub-Saharan Africa. The economy is largely driven by primary activities with hydrocarbons, gold, and cocoa sectors as the main contributors. Ghana's GDP at 2015 constant prices stood at US$ 66.1 billion in 2021, a share of 3.5% in Sub-Saharan Africa's GDP. During 2012-21, while Ghana's GDP grew at 4.7%, inflation grew at 12.1%. Ghana's central government debt as a percentage of GDP was recorded at a high of 82.1% in 2021.

Trade

Ghana is the second most important producer and exporter of cocoa in the world and the second largest producer of gold in Africa. Ghana's total trade with the world has seen a rise from US$ 29.3 billion in 2012 to US$ 36.8 billion in 2021 (Figure 28). Ghana's exports were recorded at US$ 15.4 billion and imports at US$ 21.4 billion, leading to a trade deficit of (-) US$ 6 billion. The top exports were of natural or cultured

Figure 28: Ghana's International Trade (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

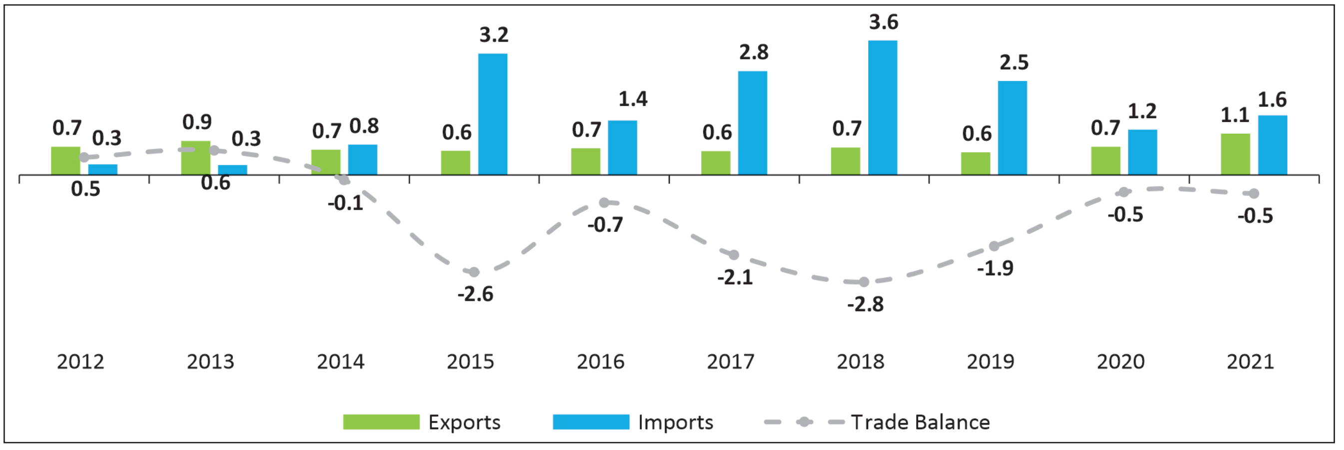
pearls, precious or semi-precious stones and metals (35%) which included mainly gold, mineral fuels and oils (28%) constituting mainly of crude oil, cocoa and cocoa preparations (19%), edible fruit and nuts (5%) and ores and slag and ash (3%). Ghana’s import basket is fairly diversified. Machinery and mechanical appliances was the top imported category in 2021 with share of 11.3% in imports, followed by automobiles (9.2%), mineral fuels and oils (6.4%), iron and steel (6.1%) and electrical machinery and equipment (6%).

As regards trade partners, Ghana’s top export destinations in 2021 were China (16.7%), Switzerland (14.7%), India (14.2%), South Africa (11.8%) and the Netherlands (5.8%). For imports as well, China was the top trade partner, representing a share of 18.2% in total imports. The other top import sources were the USA (9.4%), the UK (6.6%), India (5.6%) and Belgium (5.1%).

India’ trade with Ghana has increased from US$ 0.5 billion in 2012 to US$ 2.7 billion in 2021 (Figure 29). In 2021, India’s exports to Ghana amounted to US$ 1.1 billion and imports equalled US$ 1.6 billion leading to a trade deficit of (-) US$ 0.5 billion. India’s imports from Ghana have increased at a much higher pace of 57.4% on average during 2012-2021 as compared to the import AAGR of 6.6%.

In 2021, India’s top exports were of pharmaceuticals (15%), machinery and mechanical appliances (14%), plastics and articles (13%), automobiles (7%) and articles of iron or steel (6.1%). For imports, gold was the single most important item with imports under the category 'natural or cultured pearls precious or semi-precious stones and metals' accounting for 62% of India’s total imports. The other top imported categories were mineral fuels and oils (18%), edible fruit and nuts (11%), wood and its articles (3.9%) and rubber and its articles (1.4%).

Figure 29: India’s Trade with Ghana (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

Between 2010 and 2021, Ghana received FDI to the tune of US$ 35.9 billion. India’s investments in Ghana during FY 2001-2022 have been equal to US$ 126 million. The majority of India’s FDI went into the chemicals sector, followed by automotives, communications, industrial equipment, metals and business services. Top Indian companies to invest in the country are Tata, Ashok Leyland, Mahindra & Mahindra, Escorts, Larson & Toubro, NIIT and Shapoorji Pallonji. In general, Ghana’s investment prospects remain favourable, as the Government of Ghana seeks to diversify and industrialize through agro-processing, mining, and manufacturing. The country has made policies to attract FDI as a priority to support its industrialization plans and to overcome an annual infrastructure funding gap.

Prospects are bright in industries like automotive, cosmetics, healthcare, mining industry equipment, and ICT. It may be noted that Ghana has repeatedly shown interest in receiving investments from India particularly in exploration of oil and refining of gold, bauxite, lithium, diamond, crude oil and manganese. As Ghana envisages to become a petroleum hub, it plans to extend support for granting of mining leases and export licenses for refining activities.

Investment Climate: The Ghana Government has taken a slew of initiatives in the recent years such as the launching of Ghana Automotive Development Policy to make Ghana a “fully integrated and competitive industrial hub for the Automotive Industry in the West Africa sub-region” and rolling out of the One District One Factory policy for promoting industrialisation. Furthermore, the Ghana Investments Promotion Centre Act, 2013 (Act 865) offers various incentives to encourage strategic investments in the country, particularly in the areas of agriculture, manufacturing industries engaged in export trade or using predominantly local raw materials or producing agricultural equipment, etc., construction and building industries, mining, and tourism. In 2020, the government also launched Ghana’s National Adaptation Plan Process by which it expects to develop strategies to build resilience against the impacts of both climate change and crises such as COVID-19. Ghana has been rated Ca with a stable outlook by Moody’s. Ghana is a member of the ECOWAS, has a bilateral EPA with the EU which covers 78% of Ghana’s tariff lines. Ghana has also signed an Interim Trade Partnership Agreement with the UK and Northern Ireland in 2021 which grants the same tariff treatment to Ghana’s products as those from the EU.

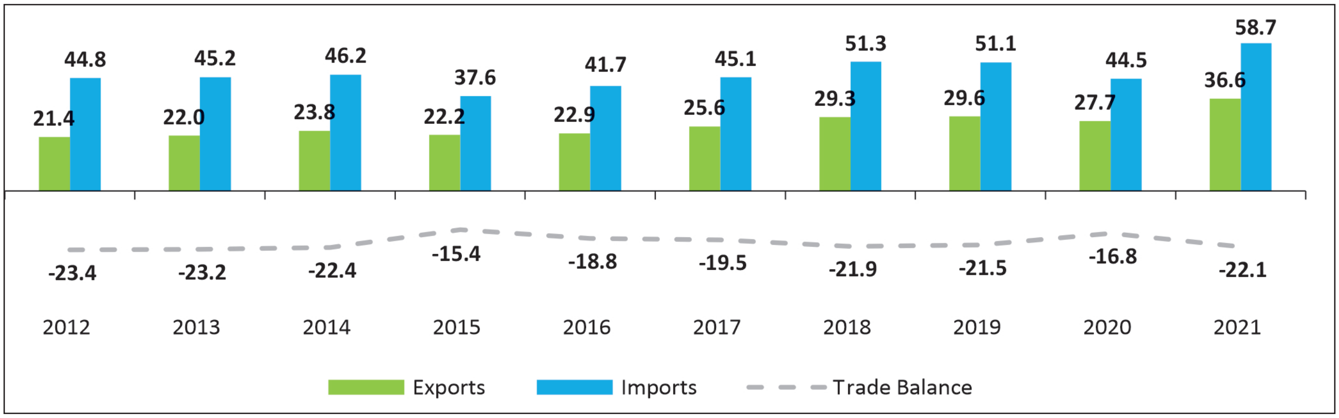
Morocco

Morocco is a developing country with a diverse economy that relies on a range of sectors including agriculture, tourism, and industry. Morocco’s GDP at 2015 constant prices stood at US$ 123.9 billion, accounting for 6.6% of Sub-Saharan Africa’s GDP. During 2012-21, the GDP grew at 4.5% and the average inflation rate was recorded at 1.2%. The central government debt to GDP ratio was recorded at a high of 68.9%.

International Trade

Morocco’s total trade with the world has seen a remarkable increase from US$ 66.2 billion in 2012 to US$ 95.2 billion in 2021 (Figure 30). During 2012-21, exports have increased at an AAGR of 6.7% to touch US$ 58.7 billion while imports have increased at an AAGR of 4% during the period to reach US$ 58.7 billion. This makes the trade deficit of Morocco at US$ 22.1 billion in 2021.

Figure 30: Morocco’s International Trade (in US$ Billion)



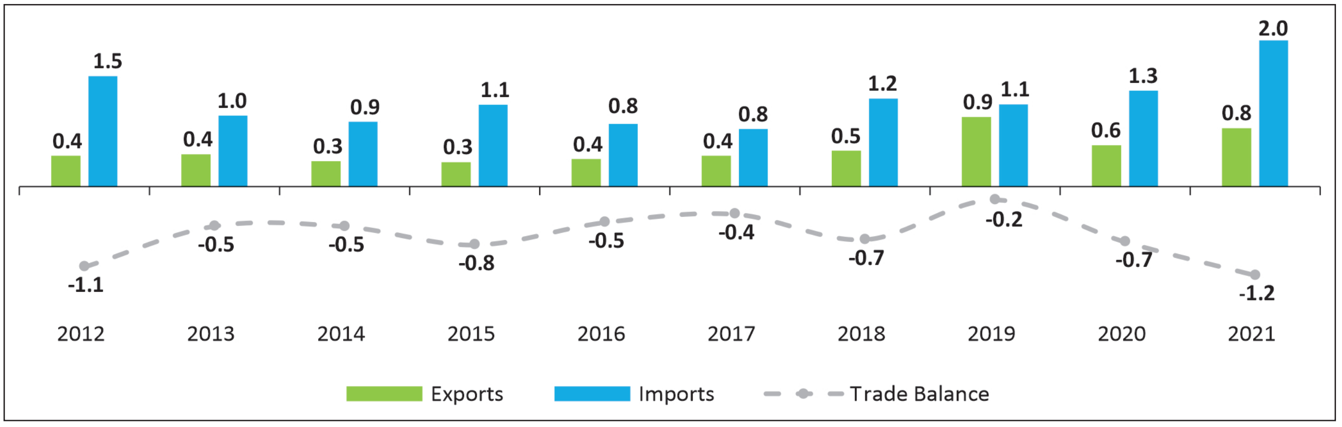
Source: ITC Trade Map; India Exim Bank Research

Morocco's top exports in 2021 were of fertilisers (15.6%), electrical machinery and equipment (14.4%), automobiles (13.7%), articles of apparel and clothing accessories not knitted or crocheted (6.9%) and inorganic chemicals, mainly phosphoric acid (6.1%). The top imports were of mineral fuels and oils (14.4%) including medium petroleum preparations, butanes and coal, electrical machinery and equipment (9.5%), automobiles (9.5%), machinery and mechanical appliances (9.4%) and plastics and its articles (4.4%).

In terms of trade partners, Spain was both the top importer and exporter for Morocco. 21.5% of Morocco's exports were destined to Spain, followed by France (20.5%), Brazil (5.5%), India (4.9%) and Italy (4.3%). Imports from Spain constituted a share of 15.7%, followed by China (11.7%), France (10.5%), the USA (6.4%) and Turkey (5.8%).

India's total trade with Morocco has increased from US$ 1.9 billion in 2012 to US$ 2.7 billion in 2021 (Figure 31). India's exports to Morocco amounted to US$ 0.8 billion and imports equalled US$ 2 billion leading to a trade deficit of (-) 1.2 billion in 2021. India's top exports to Morocco in 2021 were of electrical machinery and equipment (13%), automobiles (12%), pharmaceuticals (8%), man-made filaments (7.1%) and coffee, tea, maté and spices (6.2%). The top imports were of inorganic chemicals (43%), mainly phosphoric acid, fertilisers (36%), salt; sulphur; earths and stone; plastering materials, lime and cement (18%), aluminium and its articles (1.4%) and electrical machinery and equipment (0.2%).

Figure 31: India's Trade with Morocco (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010 and 2021, Morocco received FDI worth US$ 30.7 billion from the world. India's FDI to Morocco during FY 2001 to 2022 was to the tune of US$ 182 million, a share of 0.1% in its total ODI to the world. As per fDi markets, the top sectors for investments by Indian companies have been automotive, hotels and tourism, automotive components, chemicals and plastics. The leading companies to invest have been Mahindra & Mahindra, Tata Chemicals, Onshore Construction, Sun Pharma, Cipla, Varun Beverages, Tata Motors, Larsen and Toubro, Sumilon industries and the Oberoi Group among others.

Morocco holds 75% of the phosphate reserves of the world and is ranked third in the world in its production. Other minerals extracted with increasing rate of production are barite, clays, cobalt, copper, fluorspar, iron ore, lead, salt, silver, talc, and zinc. Notably, Morocco is India's biggest import source for phosphoric acid with a share of 36% in imports. Indian has been working with Morocco for securing long-term supply of rock phosphate. Indian companies producing diammonium phosphate (DAP) and nitrogen-phosphorus-potassium

(NPK) are thus presented with opportunities to set up plants in the country. The fishing sector in Morocco which is undergoing upgradation and modernization is another focus sector for India for setting up new infrastructure for domestic market as well as exports. The other leading sectors in Morocco to invest include energy, tourism, textiles, auto components, infrastructure, aerospace, healthcare, ICT, and telecommunications.

Investment Climate: Morocco seeks to transform itself into a regional business hub by leveraging its geographically strategic location, political stability, and world-class infrastructure. Morocco actively encourages and facilitates foreign investment, particularly in export sectors like manufacturing, through positive macro-economic policies, trade liberalization, investment incentives, and structural reforms. The Government of Morocco implements strategies aimed at boosting employment, attracting foreign investment, and raising performance and output in key revenue-earning sectors, with an emphasis placed on value-added industries such as renewables, automotive, aerospace, textile, pharmaceuticals, outsourcing, and agro-food. Most of the government's strategies are laid out in the New Development Model released in April 2021. As part of the Government's development plan, Morocco continues to make major investments in renewable energy, and is on track to meet its stated goal of 64% total installed capacity by 2030 and announced an even more ambitious goal of 80% by 2050.

Morocco has been rated Ba1 with a stable outlook by Moody's. Notably, Morocco has been removed from FATF's grey list which points at its robust compliance mechanisms. Morocco has ratified 72 investment treaties for the promotion and protection of investments and 62 economic agreements, including with the United States and most EU nations, that aim to eliminate the double taxation of income or gains. Morocco is the only country on the African continent with an FTA with the United States, eliminating tariffs on more than 95% of qualifying consumer and industrial goods. Morocco is also in the process of negotiating FTAs with Canada and Mercosur and has applied to join the ECOWAS.

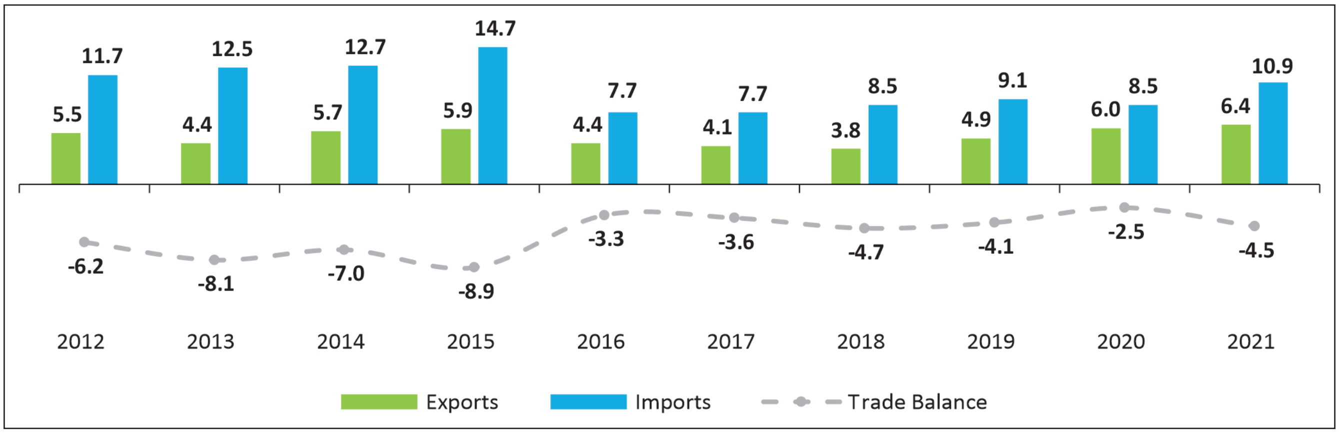
Tanzania

Tanzania is East Africa's second-largest economy, after Kenya. Tanzania's GDP at 2015 constant prices in 2021 was recorded at US$ 64.2 billion, constituting a share of 3.4% in Sub-Saharan Africa's GDP. The services sector contributes about 42% of GDP and is set to grow further driven by trade and tourism. During 2012-21, the GDP grew at 5.6% and inflation averaged 4.9%.

International Trade

Tanzania's total trade with the world, after reaching a peak of US$ 20.6 billion in 2015 was recorded at US$ 17.3 billion in 2021 (Figure 32). With exports at US$ 6.4 billion and imports at US$ 10.9 billion in 2021, Tanzania ran a trade deficit of (-) US$ 4.5 billion. Tanzania's export basket is highly concentrated with gold and waste and scrap of gold constituting 46.5% of its global exports. The other top exports were of cereals (6.3%) mainly rice and maize, edible vegetables, and certain roots (4.9%), oil seeds and oleaginous fruits (4.2%) and coffee, tea, maté and spices (4.1%). Tanzania's top imports in 2021 were of medium and light petroleum oil preparations, which together constituted around 19% of imports. The other top imported categories were machinery and mechanical appliances (10.9%), automobiles (8.8%), iron and steel (6.5%) and plastic and its articles (6.2%).

Figure 32: Tanzania's International Trade (in US$ Billion)

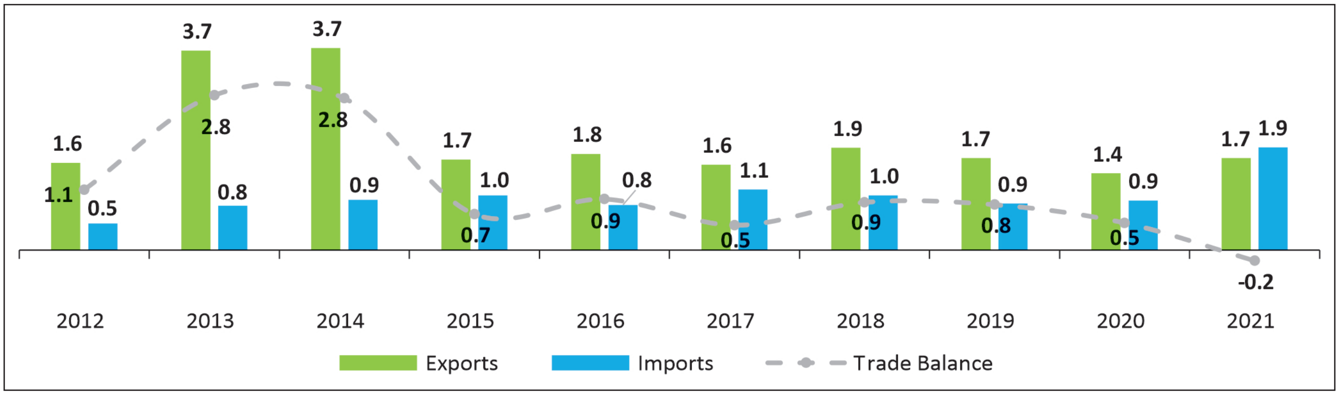


Source: ITC Trade Map; India Exim Bank Research

Tanzania's top export destinations in 2021 were the UAE (16.5%), India (15.8%), South Africa (14.3%), Switzerland (8.2%) and Kenya (6.2%). For imports, China was the most import trade partner accounting for almost a quarter of the imports, followed by the UAE (12.5%), India (11.1%), Saudi Arabia (6.2%) and Japan (4.3%).

India's total trade with Tanzania has increased from US$ 2.1 billion in 2012 to US$ 3.6 billion in 2021 (Figure 33). India's imports from Tanzania have increased at a faster pace than the exports, recording an AAGR of 21.5% during 2012-21 as compared to the export AAGR of 9.2% during the period. The increasing imports led to India recording a trade deficit of (-) US$ 0.2 billion in 2021 with Tanzania for the first time during the last decade.

Figure 33: India's Trade with Tanzania (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

India's top commodity exports to Tanzania in 2021 were of mineral fuels and oils (20.3%), mainly of light and medium petroleum preparations. The other top exports were of pharmaceutical products (14.3%), machinery and mechanical appliances (8%), automobiles (7.6%) and articles of apparels and clothing (4.7%). As regards imports, copper and its articles was the top category accounting for around 43% of imports. Other top imported categories were natural or cultured pearls, precious or semi-precious stones and precious metals (27%), edible vegetables and certain roots (15%), oil seeds and oleaginous fruits (6%) and edible fruits and nuts (4%).

Opportunities

During 2010-21, Tanzania received FDI amounting to about US$ 15.5 billion from the world. India's ODI to Tanzania during FY 2001-2022 was to the tune of US$ 133 million, representing a share of 0.1% in India's total ODI to the world. The focus sectors for investments during the period were hotels and tourism, healthcare, communications, financial services and industrial equipment. The major investing companies include Mahindra & Mahindra, Kamal Group, Kalpataru, Larsen & Toubro, Afcons, Hester Biosciences, Bharti Airtel, Bank of Baroda, Bank of India, Canara Bank. It may be noted that Indian company NMDC is exploring opportunities to mine gold in Tanzania.

All land in Tanzania is owned by the government, which can lease land for up to 99 years. Tanzania is rich in natural resources like gold, diamond, iron, coal, nickel, tanzanite, uranium, and natural gas. The manufacturing sector in Tanzania is still relatively small but has a significant contribution to the country's overall GDP. Most of the manufacturing activities are centered on simple consumer products such as foods, beverages, tobacco, textiles, chemicals, plastic, wood, and steel allied products. Currently the domestic value addition is limited by the dependence on imported intermediate goods, signifying limited inter-industry linkages that are important for promoting domestic manufacturing base and employment.

According to the Tanzanian government, there lie untapped investment opportunities in the areas of real estate development, tourism, pharmaceuticals, energy, livestock, manufacturing, agriculture, mining and fishing. In manufacturing, Indian companies can find many opportunities in segments like automotive considering the high import dependence of Tanzania, in sugar, edible oil and other food and beverage products. Tanzania has been identified as one of the 20 countries that will in the near future offer the most opportunities in the space. In agriculture, there is huge scope in agro processing. India's expertise in irrigation systems may be used for collaborating with Tanzania to improve water management in agriculture to increase crop yields and improve food security. India may also assist Tanzania by providing training and capacity building programs for farmers and other stakeholders in the agricultural sector. Transportation, communications, electricity (especially renewable sources), wholesale and retail trade, and travel and tourism are other key sectors where there are ample investment opportunities for Indian companies.

Investment Climate: The newly enacted Tanzania Investment Act of 2022 has introduced reforms such as establishment of an integrated electronic system and a clear timeframe for an issued certificate of incentive, among others. Besides, the Tanzania Investment Center serves as a one-stop center for investors, providing services such as permits, licenses, visas, and land.

Tanzania is rated as B2 by Moody's with a positive outlook. It is important to note that the Tanzania has been listed in FATF's grey list which means it is currently under 'increased monitoring'. Tanzania is a member of the East African Community, a regional intergovernmental organisation of seven Partner States, comprising Burundi, Democratic Republic of Congo, Kenya, Rwanda, South Sudan, Tanzania and Uganda. EAC guides the free movement of goods, people, labour, services and capital from one Partner State to another as well as the rights of establishment and residence without restrictions. The EAC signed a Trade and Investment Framework Agreement (TIFA) with the US in 2008. Other than this, Tanzania is also a member of SADC. It is also a beneficiary of AGOA and the EBA program of the EU. Tanzania also has bilateral investment treaties with nations like Canada, China, and the UK.

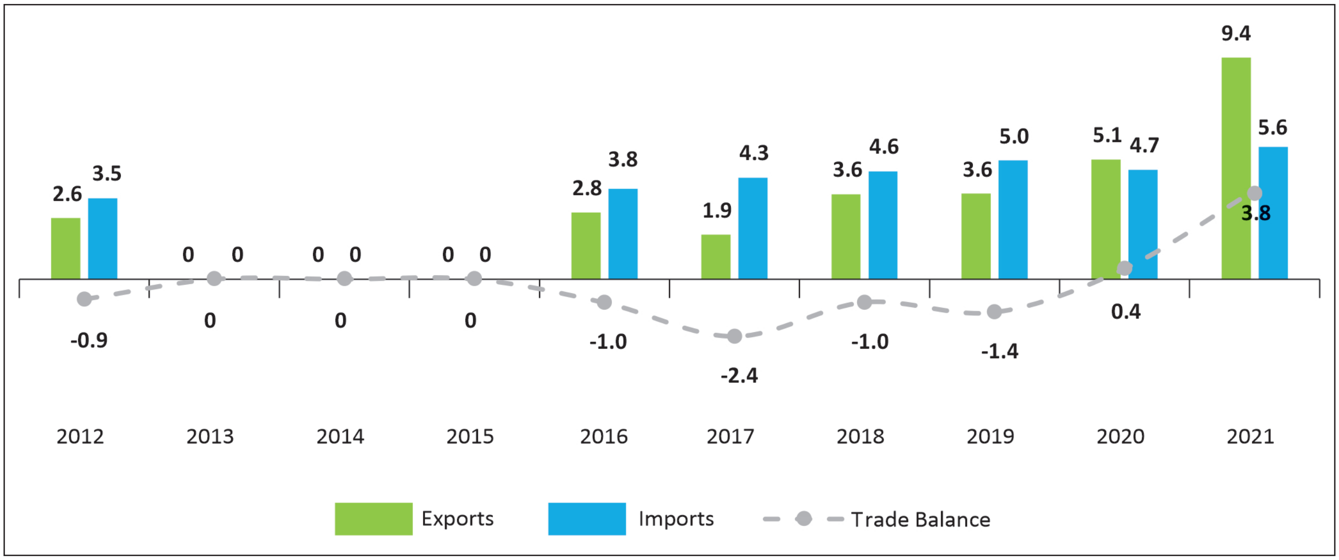
Mali

Mali is a small West African economy, predominantly dependent on cotton production and gold-mining. Mali's GDP at 2015 constant prices was estimated at US$ 16.3 billion in 2021, a share of 0.9% in Sub-Saharan Africa's GDP. During 2012-21, Mali's GDP grew at 4.2%. Inflation rate, after registering a negative growth of -1.7% increased to 0.4% in 2020 and 3.9% in 2022. The inflation during 2012-21 averaged 0.5%. Its Central Government debt as a % of GDP stood at 52% in 2021.

International Trade

Mali's total trade with the world has increased from US$ 6.1 billion in 2012 to US$ 15.1 billion in 2021 (Figure 34). Mali exported goods worth US$ 9.4 billion and imported goods worth US$ 5.6 billion in 2021, leading to a trade surplus of US$ 3.8 billion in 2021. Export basket of Mali is highly concentrated with, gold constituting 95.7% of the exports. Cotton (1.1%), sesamum seeds (0.6%), and wood (0.3%) were the other top exported items. On the import side, mineral fuels and oils like medium and light petroleum preparations and electrical energy were the top commodities with a share of 21.6% in total imports. Other top imports were electrical machinery and equipment (8.8%), machinery and mechanical appliances (8.8%), automobiles (8.7%) and cotton (4.3%).

Figure 34: Mali's International Trade (in US$ Billion)

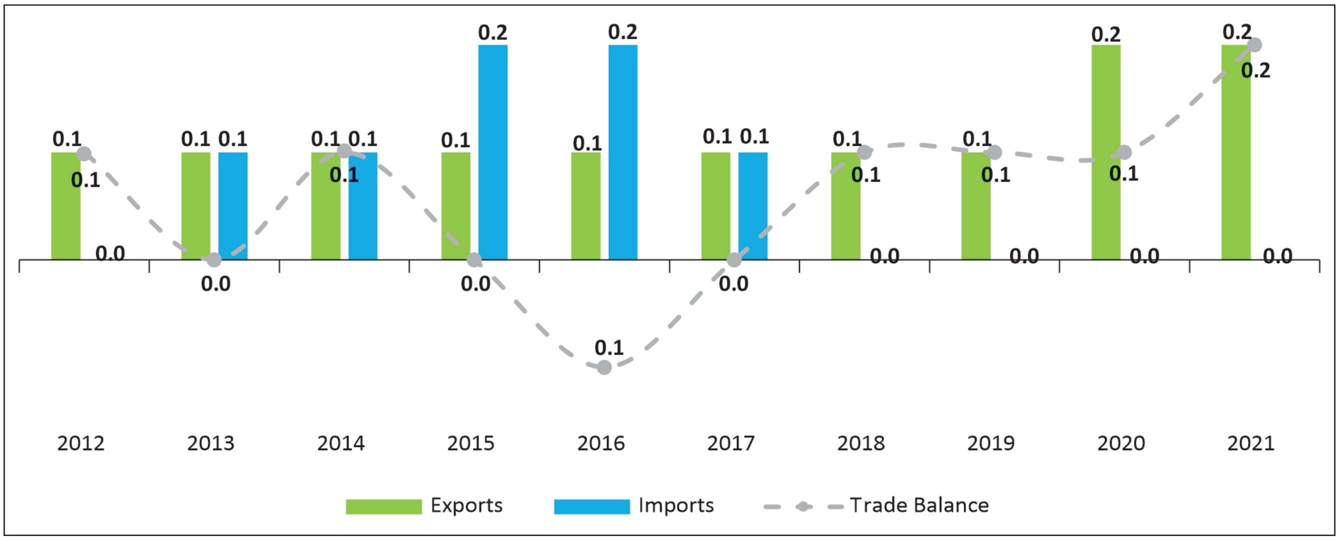


Source: ITC Trade Map; India Exim Bank Research

Mali's exports are highly concentrated in terms of the destination. In 2021, Mali's top export destinations were South Africa (36.5%), Switzerland (35.6%), Bangladesh (7.1%) and its neighbours Côte d'Ivoire (4.2%) and Burkina Faso (2.8%). The import sources were more diversified with its neighbour Senegal accounting for 22.5% of imports, followed by China (15.8%), Côte d'Ivoire (10.6%), France (8%) and India (3.1%).

India's total trade with Mali has increased from US$ 0.1 billion in 2012 to US$ 0.2 billion in 2021 (Figure 35). India's exports to Mali equalled US$ 0.2 billion and imports equalled US$ 0.02 billion leading to a trade surplus of US$ 0.2 billion in 2021.

Figure 35: India's Trade with Mali (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

India's top exports were of automobiles (17.8%), pharmaceuticals (17.7%) machinery and mechanical appliances (9.7%), cotton (8.8%) and electrical machinery and equipment (7.7%). India's imports from Mali were highly concentrated with lac, gums, resins and other vegetable saps accounting for 59.4% of total imports. The other top imports were cotton (16%), lead and articles (15%) and edible fruits and nuts (7.7%).

Opportunities

FDI from the world to Mali during 2010-2021 was paltry, recorded at US$ 5.4 billion. India's ODI to Mali during FY 2001-2022 was estimated to be US$ 11 million. Indian companies in Mali are primarily engaged in agriculture and mining, steel, cement, and pharmaceuticals. Indian companies like Parijat industries are already present in Mali.

Mali has rich reserves of gold, phosphates, uranium, bauxite, zinc, manganese, tin, and copper which however remain unexploited. Mali is the second largest producer of cotton in Africa and one of the largest producers of mangoes in the continent. However, it lacks processing facilities. Mali also has one of the largest livestock in Africa. Due to absence of modern tanneries, most of the raw hides and skins in Mali are exported. Furthermore, Mali has the best irrigation potential in the region, with nearly 2 million hectares of irrigable land yet to be equipped. It may be noted that two of the largest rivers in west Africa (Niger and Senegal rivers) flow through Mali.

Thus, for Indian companies, opportunities exist in gold and oil refining, setting up building material manufacturing plant such as cement, concrete reinforcement bars, lime, plaster, tiles, paints, etc., food processing plants, agribusiness, and infrastructure. Further, as Mali is energy deficient, India may offer collaborations in areas like solar, hydro and biomass which can be developed to achieve energy independence. Automobile sector, particularly the two-wheeler segment, also offers good opportunities for Indian automobile and auto-parts manufacturers. Besides, with a population of around 15 million exposed to tropical diseases, Mali can benefit from Indian generic medicines and pharmaceutical products.

Investment Climate: In general, the law in Mali treats foreign and domestic investment equally. Foreign private entities have the right to establish and own business enterprises with no restriction to forms of remunerative activities barring some specific limits on ownership in sectors such as mining and media. Besides, Mali's Investment Promotion Agency serves as a one-stop shop for prospective investors and serves both Malian and foreign enterprises of all sizes. It provides information on business registration, investment opportunities, tax incentives, among others.

Mali has been rated Caa2 with a stable outlook by Moody's. Following the military rulers commitment to transition to civilian rule by March 2024, the economic and financial sanctions imposed by the ECOWAS on Mali in 2021 were lifted in 2022. Mali is on the FATF List of Countries that have been identified as having strategic AML deficiencies. Mali has trade agreements with all WAEMU member countries and with ECOWAS. The US and WAEMU have a Trade & Investment Framework Agreement (TIFA). Mali has also signed the African Continental Free Trade Area agreement.

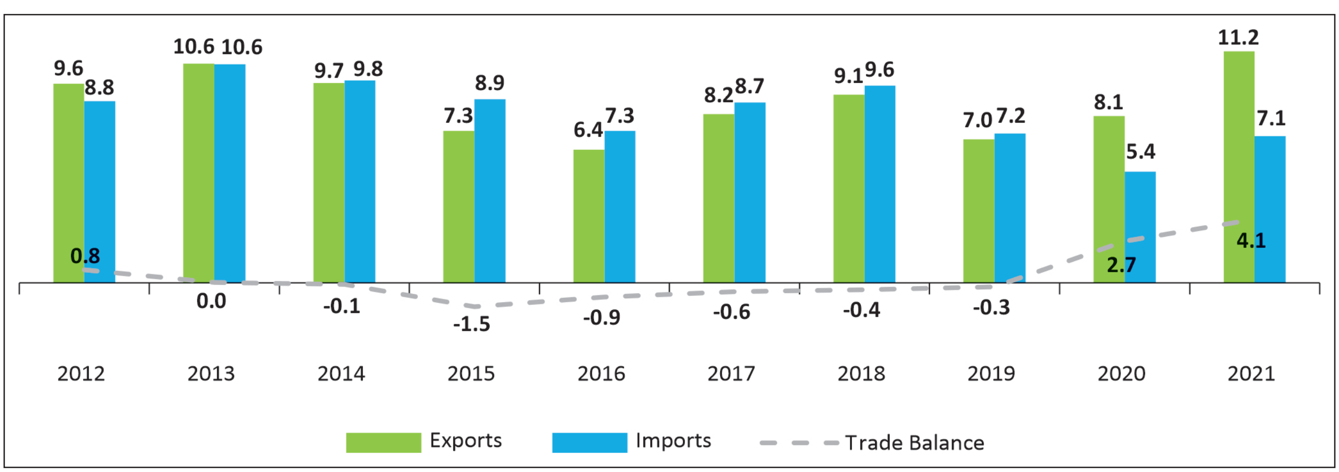
Zambia

Zambia is a landlocked, resource-rich country in Southern Africa. Zambia is witnessing a large demographic shift and is one of the world's youngest countries by median age. Zambia's GDP at 2015 constant prices stood at US$ 24.5 billion in 2021, a share of 1.3% in Sub-Sharan Africa's GDP. During 2012-21, Zambia's GDP grew at 3% while inflation averaged at a much higher rate of 11.5%. The Central Government debt to GDP ratio was extremely high, at 119% in 2021.

International Trade

While Zambia's total trade with the world, after reaching a peak of US$ 21.1 billion in 2013 has declined to US$ 18.3 billion in 2021, its exports and consequently trade surplus have seen a visible rise (Figure 36). In 2021, Zambia's exports were recorded at US$ 11.2 billion and imports at US$ 7.1 billion, leading to a trade surplus of US$ 4.3 billion. Copper and its articles was Zambia's most important category for exports, constituting 75.8% of total exports. This included exports of unrefined copper (55.5%), refined copper (18%) and unwrought copper alloys (1%). The other top exports comprised of salt, sulphur, earths, stone, plastering materials and lime and cement (2.7%), iron and steel (2.1%), natural or cultured pearls, precious or semi-precious stones and precious metals (1.7%) and mineral fuels and oils (1.7%)

Figure 36: Zambia's International Trade (in US$ Billion)

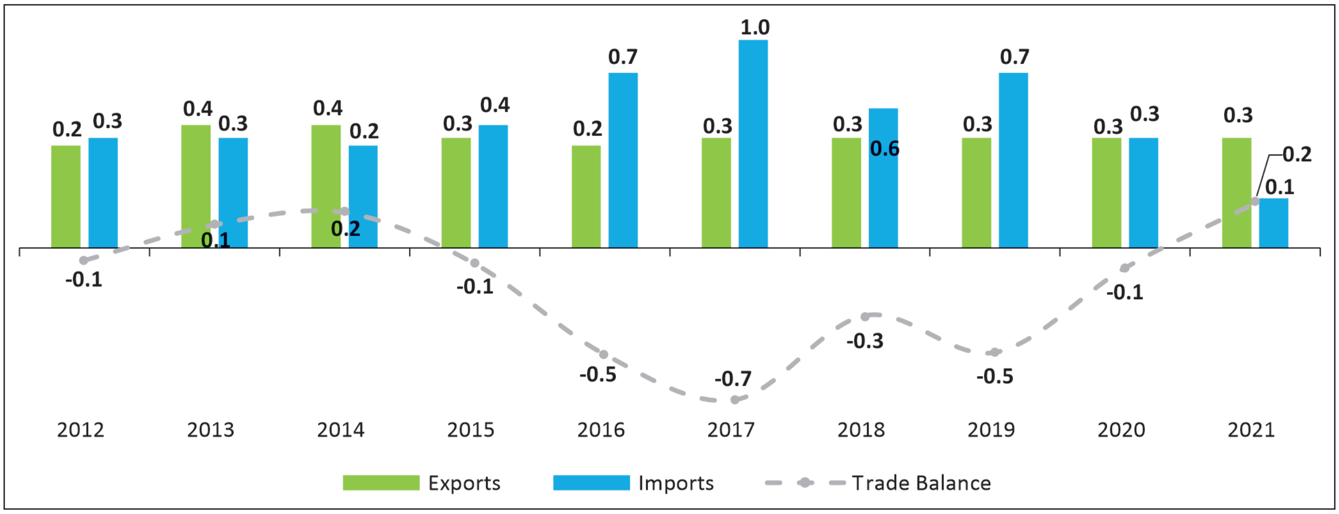


Source: ITC Trade Map; India Exim Bank Research

It may be noted that about 42% of Zambia's exports in 2021 were directed to Switzerland. The other largest export destinations were China (18.7%), Singapore (13.4%), Democratic Republic of Congo (10%) and South Africa (2.6%). On the other hand, the top import partners were South Africa (31.6%), China (12.6%), the UAE (11.3%), India (6.2%) and Democratic Republic of Congo (4.4%).

India's trade with Zambia has remained stagnant during the last decade (Figure 37). Exports have increased marginally from US$ 0.2 billion in 2012 to US$ 0.3 billion in 2021 and imports have declined to US$ 0.1 billion. India's top exports to Zambia in 2021 comprised pharmaceuticals (38%), machinery and mechanical appliances (17%), plastics and articles (7%), electrical machinery and appliances (5.4%) and automobiles (4.9%). India's imports from Zambia were dominated by precious stones and semi-precious stones, unworked or simply sawn or roughly shaped, whether or not graded (83.3%). Lead and articles (9%), mainly unwrought lead, residues and waste from the food industries and prepared animal fodder (2.6%) and oil seeds and oleaginous fruits (2.2%) were the other top imported categories.

Figure 37: India's Trade with Zambia (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-2021, Zambia received FDI equivalent to about US$ 11.9 billion from the world. India's FDI in the country during FY 2001 to 2022 was estimated at US$ 178 million, a share of 0.1% in India's total ODI to the world during the period. The sectors of interest in Zambia for India during the period were chemicals, renewable energy, communications, coal, oil & gas, automotive and metals. The leading Indian companies to invest in Zambia are Konkola Copper Mines, , TATA Holdings, Bharti Airtel, Mahindra & Mahindra and RJ Corporation, amongst others.

Of Zambia's total land, 58% is classified as medium-to high-potential for agriculture production. However, only 15% of this land is currently under cultivation. The abundant water resources also remain unexplored leading to majority of farms still dependent on rain-fed growing cycles. To diversify the economy away from copper, the Zambian government is focusing on agricultural development. It is working to develop farm blocks in all its ten provinces for large and medium commercial farming, fish farming, and livestock production. Thus, India may tap opportunities pertaining to large-scale farming, farm inputs and equipment supply, irrigation systems, agro-processing, and commodity trading. The sector would benefit from investment in mechanization.

Zambia also has abundance of natural resources including copper, cobalt, silver, uranium, lead, coal, zinc, gold, and emerald. It is one of the main producers of semi-precious gemstones and cobalt. The country is also recognized internationally as a major producer of tourmaline, amethyst, and aquamarine. India may also look at increasing investments in tourism, construction, and manufacturing

Investment Climate: Zambia has undertaken certain institutional reforms aimed at improving its attractiveness to investors, including the Private Sector Development Reform Program, which addresses the cost of doing business through legislation and institutional reforms, and the Millennium Challenge Account, which addresses issues relating to transparency and good governance. Besides, the Zambia Development Agency Act provides a one-stop shop for investment registration, licensing, and facilitation. The Zambia Revenue Authority offers various tax incentives, including capital allowances, tax holidays, and reduced corporate tax rates, to encourage investments in priority sectors and the Zambia Investment Center promotes and facilitates investment in the country.

The country has been rated Ca with a stable outlook by Moody's. Zambia has duty-free and quota-free access to the EU market, under the EBA program for the world's Least-Developed Countries. Zambia is also eligible for trade benefits under the AGOA with the U.S. Besides SADC, Zambia is also a member of the Common Market for Eastern and Southern Africa (COMESA), which allows for preferential tariff duties among member states.

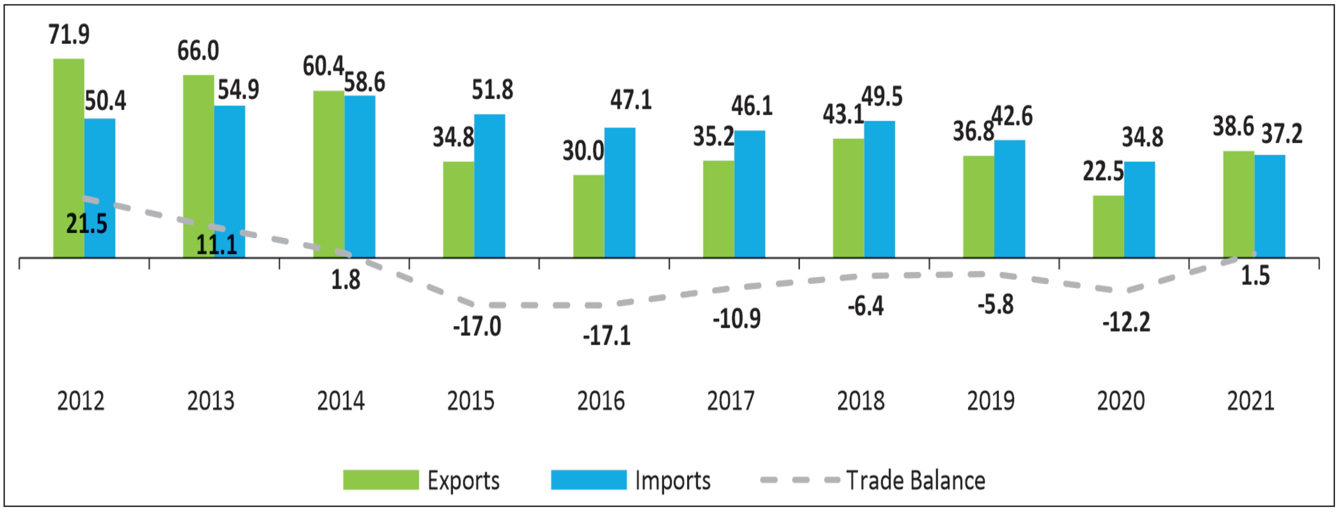
Algeria

Algeria is a North African country, majorly dependent on oil and gas. Algeria's GDP at 2015 constant prices was estimated at US$ 174.2 billion in 2021. During 2012-21, the GDP grew at 1.7% while inflation averaged 4.3%. Algeria's Central Government debt to GDP ratio was recorded at 63% in 2021.

International Trade

Algeria's total international trade has seen a considerable fall from US$ 122.2 billion in 2012 to US$ 75.8 billion in 2021 owing to both decline in exports and imports (Figure 38). In 2021, exports were recorded at US$ 38.6 billion and imports at US$ 37.2 billion, leading to a trade surplus of US$ 1.5 billion.

Figure 38: Algeria's International Trade (in US$ Billion)



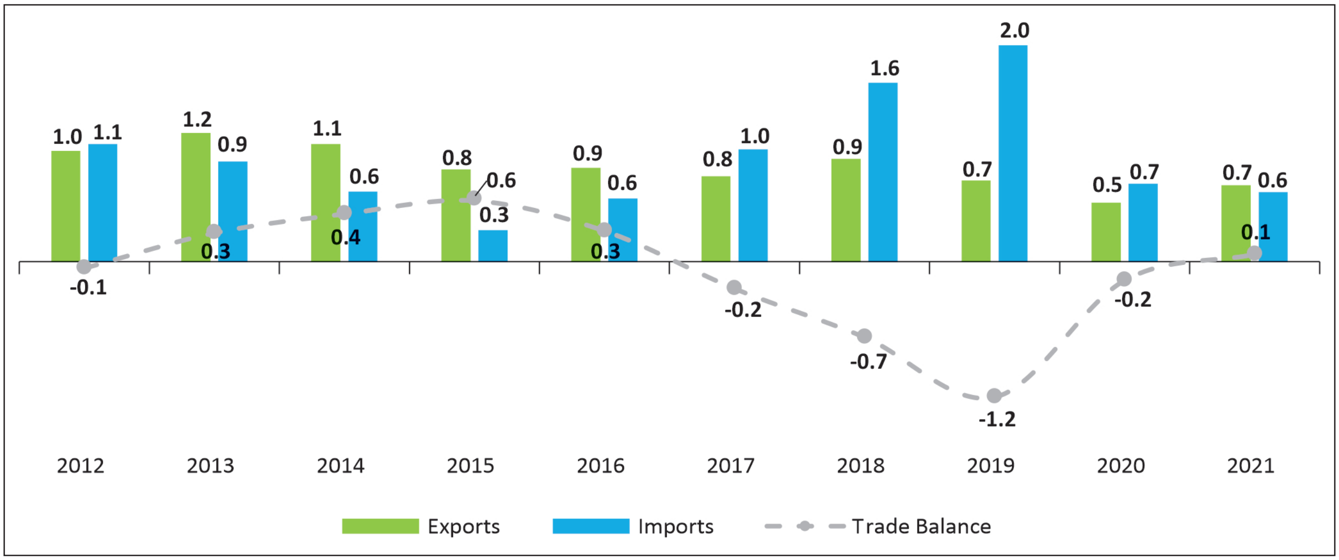
Source: ITC Trade Map; India Exim Bank Research

Notably, 87.9% of the exports in 2021 were in the category mineral fuel and oils. The commodities exported in the category included crude oil (30.7%), natural gas in gaseous state (19.5%), light petroleum oil preparations (11.4%), liquefied natural gas (9.6%), medium petroleum oil preparations (6.7%), liquefied propane (4.3%), gaseous hydrocarbons (2.1%) and liquefied butanes (2.1%). The other top exported categories were fertilisers (3.6%), inorganic chemicals (2.5%), iron and steel (2.4%) and salt, sulphur; earths and stone; plastering materials, lime and cement (1.1%).

Algeria's' import basket consisted of machinery and mechanical appliances (12.1%), cereals (9.2%), electrical machinery and equipment (6.9%), plastics and its articles (5.8%) and automobiles (5.3%). Algeria's top trade partners are mostly European nations with which it enjoys close proximity such as Italy, France and Spain. In 2021, Algeria's largest export destinations were Italy (16%), France (12.6%), Spain (11.7%), the USA (9.9%) and Brazil (6%). For imports, the top trade partner was China (18.1%), followed by France (9.3%), Italy (8.2%) Germany (7%) and Spain (6.8%).

India's trade with Algeria has decreased from US$ 2.1 billion in 2012 to US$ 1.3 billion in 2021 due to a fall in both export and imports (Figure 39). In 2021, India's exports to Algeria amounted to US$ 0.7 billion and imports amounted to US$ 0.6 billion leading to a trade surplus of US$ 0.1 billion. India's top exports to Algeria

Figure 39: India's Trade with Algeria (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

were of machinery and mechanical appliances (25%), pharmaceuticals (10%), plastics and articles (9%), cereals (8%) and organic chemicals (8%). India's import basket from Algeria on the other hand was concentrated in mineral fuels and oils (81%) which included crude oil, liquefied natural gas and medium petroleum oils preparations. The other top imports were of salt, sulphur; earths and stone plastering materials, lime and cement (9%), organic chemicals (5%), animal or vegetable fats and oils and their cleavage products (2%) and pulp of wood or of other fibrous cellulosic materials (1.6%).

Opportunities

During 2010-21, Algeria received FDI worth US$ 16.7 billion from the world. FDI received from India during FY 2001 to 2022, was a meagre US$ 12 million. Investments are concentrated in the areas of business services, pharmaceuticals and industrial equipment. The top Indian investing companies in Algeria include BLS International Services Limited, Vijay Electricals, Dodsal Engineering and Construction Shapoorji Pallonji , Zydus Cadila, Dabur, Sun Pharma and Cipla, among others.

The agriculture sector in Algeria is highly import dependent. To boost agricultural development and production, the Government is allocating public land for agricultural use to the private sector on concessional terms to encourage the establishment of modern agricultural farms particularly in cereals and dairy. As regards manufacturing, Algeria has struggled to develop non-oil industries because of heavy regulation and an emphasis on state-driven growth. Nevertheless, the government is taking a slew of initiatives to liberalise the economy and support-private sector code.

Investment Climate: In 2020, the government has eliminated the so-called “51/49” restriction that required majority Algerian ownership of all new businesses, though it retained the requirement for “strategic sectors,” identified as energy, mining, defence, transportation infrastructure, and pharmaceuticals manufacturing (with the exception of innovative products). The Government also passed a new investment law in 2022 to stimulate the development of natural resources, technology transfer, job creation, and export capacity. The law sets out the rules governing investments and defines the rights and obligations of investors and the incentives applicable to investments in economic activities.

Significant opportunities exist in the segments of oil and gas, renewable energy, defence, ICT, and infrastructure. To further its goal of producing 27% of its electricity from renewable resources by 2035, the Government launched the first tender for a one-gigawatt solar energy project in 2021 and is expected to launch additional tenders through 2035. In defence, Algeria is Africa’s most prominent market and is dependent on foreign suppliers, namely Russia, for most of its equipment. Opportunities exist in military communications, surveillance electronics, drones, and ground vehicles. Development of national ICT infrastructure being another Government priority, opportunities exist in the segments of servers, data centers, integrated cloud computing solutions, and fiber optic cable.

Algeria and the US, through the Trade and Investment Framework Agreement (TIFA) have a platform for discussing trade and investment issues. With the EU, Algeria ratified the EU-Algeria association agreement in 2005 which is aimed at reciprocal liberalisation of trade in goods, with elements of asymmetry in favour of Algeria. Under the agreement, an EU-Algeria free trade area has been established for the complete dismantling of tariffs. Algeria also has active membership in the Arab Free Trade Zone. It may be noted that Algeria is not a member of the WTO.

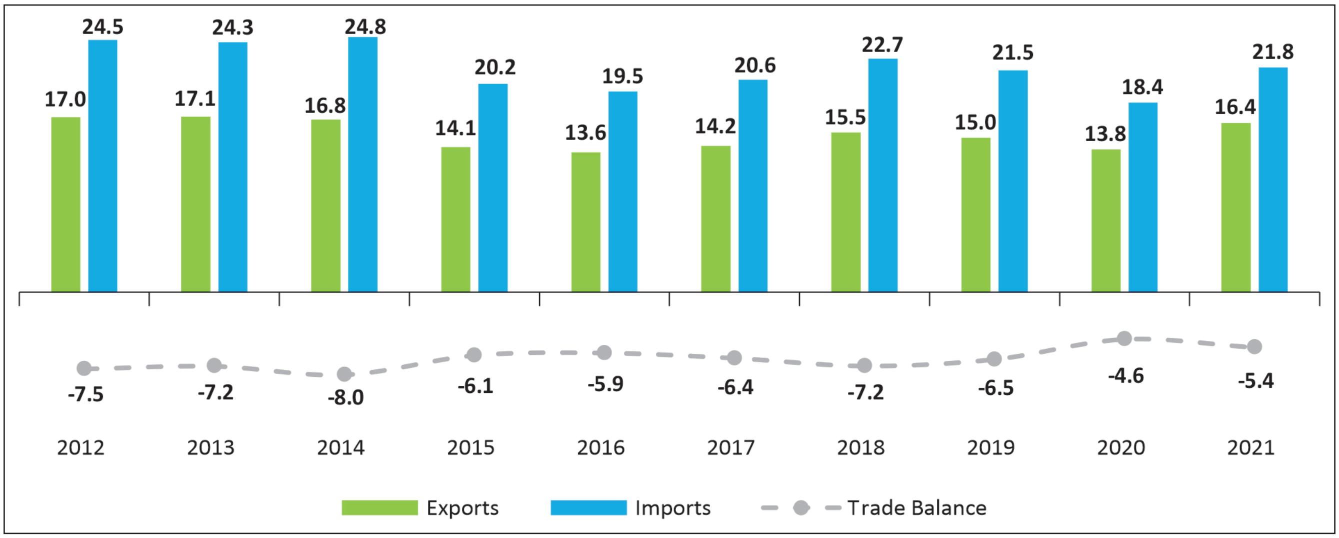
Tunisia

Tunisia is a country in Northern Africa with a diversified economy. Tunisia’s GDP at 2015 constant prices stood at US$ 47 billion. During 2012-21, the GDP growth averaged 1.1% while the inflation growth averaged 5.4%. In 2021, the central government debt to GDP ratio was recorded at a high of 81.8%.

International Trade

Tunisia’s total trade with the world has witnessed a gradual decline, falling from US$ 41.5 billion in 2012 to US$ 38.2 billion in 2021 (Figure 40). Both the exports and imports have declined; however, imports have declined at a higher average rate of (-) 0.7%. The trade deficit has thus come down from (-) US$ 7.5 billion in 2012 to (-) US$ 5.4 billion in 2021.

Figure 40: Tunisia's International Trade (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Tunisia's top exports in 2021 were of electrical machinery and equipment (26.7%), mainly consisting of "electric conductors for a voltage <= 1.000 V, insulated, fitted with connectors", "ignition wiring sets and other wiring sets for vehicles, aircraft or ships", "electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors" and "electrical apparatus for switching electrical circuits, or for making connections to or in electrical circuits". The other top exported product categories were articles of apparel and clothing (10.2%), minerals fuels and oils (6.4%), animal or vegetable fats and oils (4.5%), and optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus (4.2%).

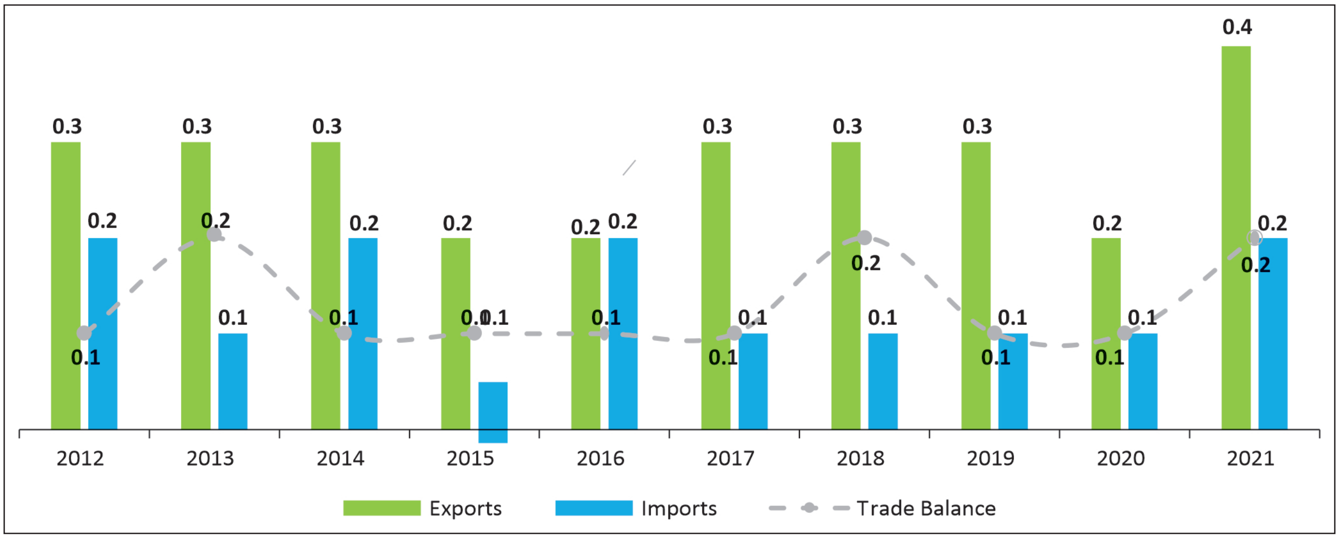
As regards imports, with a share of 14.5% in total imports, mineral fuels and oils, which included medium petroleum preparations, crude oil, hydrocarbons, light petroleum oil preparations and liquefied butanes, was the top imported category. Other top imports were of electrical machinery and equipment (13.8%), machinery and mechanical appliances (6.6%), plastic and its articles (6.7%) and automobiles (6.2%).

Due to proximity to European countries, a considerable volume of Tunisia's trade is with France, Italy and Germany. In 2021, France was Tunisia's top export partner with a share of 24% in total exports, followed by Italy (18.4%), Germany (12.7%), Spain (4.1%), Libya (3.9%) and the Netherlands (2.6%). Tunisia's top import sources in 2021 were Italy (13.4%), France (11.1%), China (10.5%), Germany (6.3%) and Turkey (5.5%).

With India, Tunisia's trade has remained limited, at US$ 0.6 billion in 2021 (Figure 41). India has consistently run a trade surplus with Tunisia with exports and imports recorded at US$ 0.4 billion and US$ 0.2 billion, respectively. The top commodity exported by India to Tunisia in 2021 was automobiles, constituting 27% of India's total exports to Tunisia. The other top exports were of iron and steel (10.6%), plastics and its articles (9.4%), coffee, tea, maté and spices (6.5%) and fish and crustaceans, mollusks and other aquatic invertebrates (6.4%).

The imports from Tunisia were highly concentrated in inorganic chemicals, mainly phosphoric acid (86%). It may be noted that Tunisia has been a reliable source for phosphates for India, with India accounting for around 50% of Tunisia's global phosphoric acid exports. India's other top imports from Tunisia were of optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories (1.7%), aluminium and its articles (1.6%), and edible fruits and nuts (1.2%).

Figure 41: India's Trade with Tunisia (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-21, Tunisia received FDI worth US$ 12.4 billion from the world. India's FDI in Tunisia was a paltry US$ 12 million during FY 2001-22. Chemicals and automotive were the top recipient sectors of India's FDI in Tunisia with the major investing companies being, Mahindra & Mahindra, KEC International Ltd and Jyoti Structures Ltd. Mahindra & Mahindra has an assembly plant of pickup trucks. It provides the vehicles as knocked-down kits, which are then assembled by the Tunisian company. Tata Motors has also commenced production of pick-up trucks in Tunisia.

Tunisia's natural resources are relatively meagre. Until the discovery of petroleum, phosphate was the principal mineral resource. Zinc, lead, barite, and iron are the other major mineral resources. The Tunisian economy is marked by heavy government control with the Government still in control of key sectors like finance, hydrocarbons, pharmaceuticals, and utilities.

Investment Climate: Over the years, Tunisia has undergone structural reforms to enhance its business climate, including an improved bankruptcy law, investment code, a law enabling public-private partnerships, and a supplemental law designed to improve the investment climate. To encourage entrepreneurship, the Start-Up Act was passed in 2018. Further, the Government passed a new budget law in January 2019 that ensures greater budgetary transparency and makes the public aware of government investment projects over a three-year period. In 2021, the government announced the elimination of government authorization requirements for 27 business activities in various sectors to help improve the country's investment climate. It may be noted that Tunisia employs two investment regimes-"offshore" and "onshore". Offshore investment supports export-only goods and services and benefits from several tax breaks and other incentives. Onshore investment, on the other hand, is focused within the Tunisian market for which foreign investors are often required to partner with a local Tunisian firm.

The most promising sectors in Tunisia as per the official sources are agribusiness, mechanical and electrical machinery, aerospace, plastics, textile and apparels, and leather and footwear. In agro-processing, opportunities exist in soybeans and crude vegetable oil, feed grains and additives, modified starches, enzymes, genetics, grain silos, tractors, irrigation systems, pesticides, and food processing/bottling machinery. India may also benefit from investing in pharmaceuticals, commercial/farm vehicles and spare parts, machinery, renewable energy, software, tourism and hospitality.

Tunisia's rating has been downgraded from Caa1 to Caa2 and the outlook has been changed to negative by Moody's. Tunisia and the EU have an Association Agreement in place which establishes a free trade area for two-way tariff-free trade in industrial products. Negotiations for a Deep and Comprehensive Free Trade Area (DCFTA) between the EU and Tunisia are ongoing. Tunisia has signed several other agreements to facilitate trade investments. Besides being a member of the GAFTA, Tunisia is signatory to the Agadir Agreement with Egypt, Jordan, and Morocco which allows for free trade among the signatory countries. Tunisia also has separate bilateral free-trade agreements with Algeria and Libya.

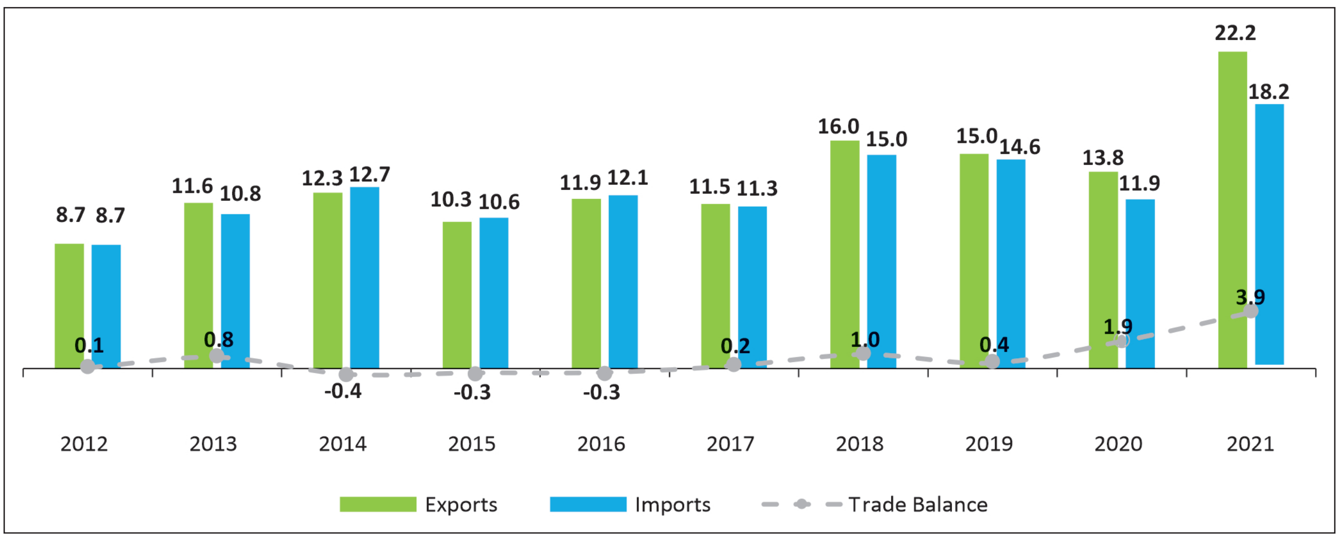
DR Congo (DRC)

The DRC is the largest country in sub-Saharan Africa. It has the potential to become a major agricultural power, replete of rivers and fishing and other significant opportunities. The GDP at 2015 constant prices was estimated to be US$ 48.1 billion in 2021, a share of 2.5% in Sub-Saharan Africa's GDP. During 2012-21, the GDP grew at 5.5%. Inflation in 2021 grew at 9.4%.

International Trade

DRC's total trade with the world has increased from US$ 17.4 billion in 2012 to US$ 40.4 billion in 2021 (Figure 42). DRC's exports equalled US$ 22.2 billion, and imports stood at US$ 18.2 billion in 2021, leading to a trade surplus of US$ 3.9 billion. Exports and imports during the period 2012-21 grew at 13.3% and 10.9%, respectively.

Figure 42 : DR Congo's International Trade (in US$ Billion)



Source: ITC Trade Map; India Exim Bank Research

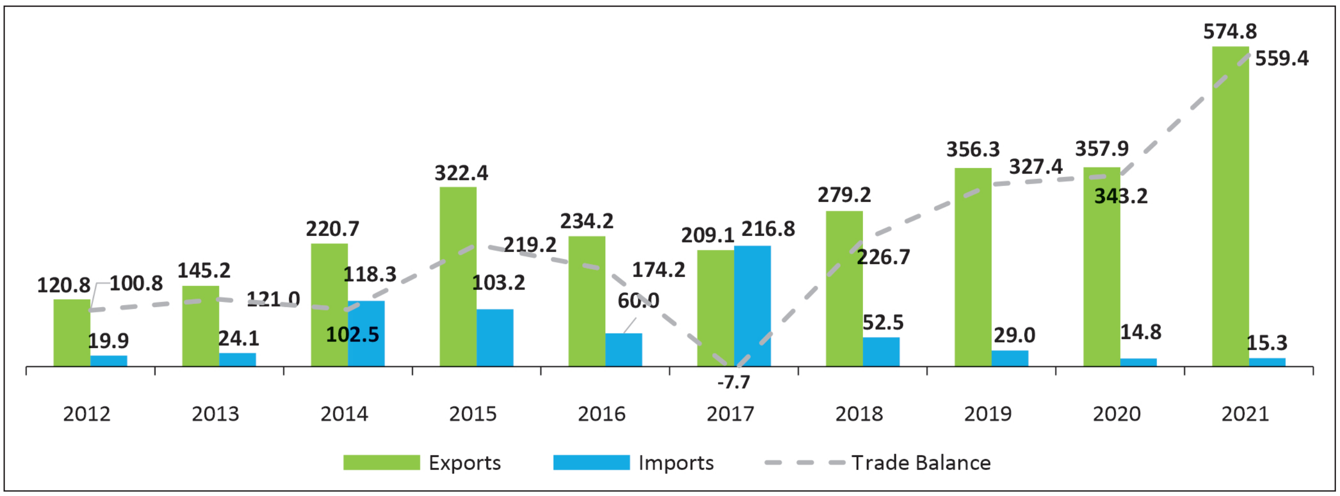
DRC's export basket is dominated by copper and its articles with a share of 65% in total exports. Within the category, "refined copper, in the form of cathodes and sections of cathodes" was the top exported commodity constituting about half of the exports, followed by "cobalt oxides and hydroxides; commercial cobalt oxides", "copper, refined, unwrought", "copper ores and concentrates" and "Copper, unrefined; copper anodes for electrolytic refining". The other top export categories were inorganic chemicals (22.3%), ores, slag and ash

(7.6%) and other base metals; cements; articles thereof (0.6%). The top commodities imported by DRC in 2021 were mineral fuels and oils (17.6%), machinery and mechanical appliances (15.3%), automobiles (9.7%), salt; sulphur; earths and stone; plastering materials, lime and cement (7.9%) and electrical machinery and equipment (6.7%).

As regards the trade partners, for exports, China was DRC's largest export partner, accounting for 47% of its exports. Tanzania (9.6%), South Africa (9.3%), Singapore (8.4%) and Zambia (6.4%) were the other top export destinations. For imports as well, China was the largest partner albeit with a lesser share of 26% in total imports. The other top import partners were South Africa (14.1%), India (6.8%), the USA (5%), the UAE (5%) and Tanzania (5%).

India's trade with DRC, tilted on the exports side was to the tune of US$ 574.8 million in 2021 (Figure 43). With exports of US$ 574.8 million and imports of US$ 15.3 million, India's trade surplus with DRC stood at US$ 559.4 million. The top commodities exported by India in 2021 were pharmaceutical products (30.5%), automobiles (21.4%), machinery and mechanical appliances (6%), cereals (5.6%) and electrical machinery and equipment (5.4%). The top imports on the other hand were of cocoa and cocoa preparations (26%), aluminium and articles (26.2%), electrical machinery and equipment (20.6%), iron and steel (8.6%) and copper and articles (8.3%).

Figure 43: India's Trade with DR Congo (in US$ Million)



Source: ITC Trade Map; India Exim Bank Research

Opportunities

During 2010-2021, DRC received FDI to the tune of US$ 22.7 billion from the world. From India, during FY 2001 to 2022, DRC received FDI accruing to US$ 23 million. The top sectors for investments have been building materials, communications, minerals, real estate and software and IT services with the leading companies being Bharti Airtel, TATA Motors, and Mahindra.

While businesses in the DRC face several challenges, there exists immense growth potential, especially in the agriculture and mining sectors. With nearly 90% of its arable land unused, the DRC is promoting the establishment of agro-industrial parks, which can provide opportunities for Indian companies to invest in value addition of items like palm oil, rubber, cocoa, coffee, and more. Notably, maize, cassava, rice and soybeans along with fishing have been identified as high-potential sectors by the DRC. Indian companies may also benefit from investing in research and development, focusing on new technologies and innovation in seeds, and improving warehousing and transportation facilities to achieve desired levels of productivity in the agriculture sector.

Additionally, the country has exceptional mineral deposits like cobalt, copper, tin, tungsten, etc. The DRC is Africa's largest producer of copper and the world's largest producer of cobalt, a strategic metal used in electronic batteries. This could be of high interest to Indian companies looking at moving towards EVs. Furthermore, the DRC has great hydroelectric potential that can be leveraged for long-term investments. Energy is another focus sector where the DRC is looking to attract investments. The sector has been liberalized and there is high scope for public-private partnerships. The priority areas for the Government are the development of energy highways along select routes in Africa, and to leverage the renewable energy potential of its provinces for achieving greater electrification.

Investment Climate: The Democratic Republic of Congo has implemented changes regarding investment to enhance its business environment, making it more competitive. This includes revisions to several codes such as investment, mining and insurance, the agriculture act, act on liberalization of electricity, and the telecommunications code. Additionally, the country has improved tax, customs, parafiscal, non-tax, and foreign exchange regulations applicable to collaborative agreements and cooperation projects. Other notable measures taken are the enactment of laws such as the Industrial Property Act, Public-Private Partnership Act, Competition Act, Special Economic Zones Act, and a decree on strategic partnerships in value chains.

DRC has been rated B3 with a stable outlook by Moody's. The DRC has bilateral trade agreements with over 50 countries and belongs to several international and regional trade organizations, including the SADC, the COMESA, the Economic Community of Central African States (ECCAS), the Nile Basin Initiative (NBI), the Economic Community of the Great Lakes Countries (ECGLC), the Organization for harmonization of the business law in Africa (OHADA), and the East African Community (EAC).

Box 1: Tata Group's Success in Africa

The Tata Group made their foray into the African market in late 1970s with the marketing of vehicles that were manufactured in India. The group has since then established presence in African countries such as South Africa, Mozambique, Zambia, Zimbabwe, Kenya, Tanzania, Senegal, Nigeria, Malawi, Uganda, Ghana, Algeria, and Cote d'Ivoire with businesses spanning from mining, steel, and energy to chemicals, beverages, hospitality, and information technology. In 1994, the Tata group established Tata Africa Holdings in Johannesburg to serve as the group's headquarters on the continent.

The Tata Group has effectively leveraged its developing-country experiences and products to cater to the needs and demands of African countries. The group's experience highlights the fact that economic interests and development can be pursued even in an environment that lacks robust institutional mechanisms. Tata Motors, the automotive division of the Tata Group, has played a crucial role in Africa's transportation sector. The company's affordable range of vehicles has gained popularity among African consumers. The company presently has around 30 dealers across South Africa, offering full range of services including sales, services, and spare parts.

In the steel sector, Tata Steel has made substantial investments. The company has invested in modernizing and upgrading steel plants in Africa, enhancing production capabilities, and meeting the growing demand for steel in the continent's infrastructure and construction sectors. Tata Consultancy Services (TCS), the IT services and consulting arm of the Group, has been instrumental in driving digital transformation in Africa. TCS has partnered with several African governments and businesses to implement innovative technology solutions, improve governance systems, and enhance service delivery. The company's expertise in areas such as data analytics, cloud computing, and artificial intelligence has helped African organizations leverage technology to achieve operational efficiency and competitiveness.

Tata Communications, the telecommunications subsidiary of the Tata Group, has contributed towards establishment of undersea cable systems, connecting Africa with the rest of the world and enabling high-speed internet connectivity. Tata Communications has also invested in data centers, offering secure and reliable hosting services to businesses operating in Africa. These investments have played a vital role in bridging the digital divide and facilitating economic growth across the continent. Similarly, the Tata Group has also established presence in the hospitality sector in South Africa and in power, particularly renewable energy sectors, amongst others.

Tata Group's success in Africa is symbolic of the myriad opportunities that the continent harnesses, leading to mutual gains. By forging strategic partnerships, leveraging local talent, and investing in key sectors, the Tata Group has not only reaped financial returns but has also made a positive impact on Africa's economic and social development.

Source: Tata International; India Exim Bank Research

Box 2: Airtel in Africa

Airtel Africa plc, one of the world's leading telecom companies, is at the forefront of bridging the digital divide and driving financial inclusion in Africa. The company has been operating in the continent for over a decade. Over time, Airtel Africa has emerged as the fastest growing, and one of the most profitable telcos in Sub-Saharan Africa.

In January 2022, Airtel joined the prestigious FTSE 100 underscoring the increasing investor confidence in its growth strategy since listing on the London Stock Exchange in June 2019. Today, Airtel Africa is a US$ 5 billion company operating in 14 countries across West, East, Central and Southern Africa. It has over 140 million customers, with 30 million of them being mobile money users.

The company continuously aligns its operating model to the existing and anticipated industry realities through various strategic initiatives such as operating on an asset-light model, investing in 5G networks, and data centers to meet the rising demand for connectivity in Africa, amongst others. Finally, sustainability is at the core of the company's operations. It is set to achieve 62% reduction in the intensity of its greenhouse gas emissions by 2032 and aims to achieve net zero emissions by 2050.

Source: India Exim Bank Research

Box 3: Public-Private Partnerships for Special Economic Zones (SEZs)- The case of Gabon

Olam International, a global integrated supply chain manager and processor of agricultural products firm based out of Singapore and the government of Gabon, in 2010, entered into a strategic partnership agreement to jointly develop a SEZ at Nkok for timber processing in Gabon. The SEZ was aligned with the government of Gabon's vision to offer developed infrastructure and fiscal incentives for the timber industry to invest in timber processing activities in the country as well as Olam International's interests to expand timber processing activities in Gabon. The strategic partnership has also paved the way for Olam to tap into new agricultural investment opportunities that fit into its long-term strategic growth plan in Gabon.

The SEZ started operations in the course of 2014 with the exports of manufactured products. The joint venture with ownership of Olam International Ltd (40.5%), the Republic of Gabon (38.5%) and Africa Finance Corporation (21%) hosts over 45 companies, mainly centred around logging. Due to the success of the SEZ, many international companies have set base in Gabon. Gabon Special Economic Zone has also undertaken other activities like the development of infrastructure such as the Owendo ore carrier terminal to support the mining industry and construction of high-voltage lines to electrify villages in Gabon.

Source: Olam Group; India Exim Bank Research

Box 4: 50 years of BMW in South Africa

In March 2023, BMW completed 50 years of manufacturing cars in South Africa. BMW South Africa's Rosslyn factory started operations in 1973 after the German company decided to venture outside of Germany for the first time. The factory holds a lot of significance as BMW's first step towards internationalization. BMW Group has been a major investor in South Africa and its people, with Plant Rosslyn moving from a limited vehicle-production plant that merely assembled vehicles with a few customisation possibilities for the domestic market, to a world-class plant, capable of producing highly customized cars for customers across the globe. According to the Group, since 1999, BMW Group South Africa has grown its overall production volume significantly while its production of cars for export markets has quadrupled.

The Group credits its flourishing presence in the country to South Africa's "very stable industrial policy". The BMW Group has invested more than R12.6 billion in plant Rosslyn since 1995. Plant Rosslyn has over the years, produced iconic cars unique to South Africa such as the BMW 2000 SA, BMW 745i, BMW 530 MLE, BMW 333i and BMW 325iS. The BMW group South Africa contributed R2.6 billion to the South African economy in 2022 and employs close to 49,000 people, both directly and indirectly.

Source: BMW; India Exim Bank Research

Box 5: Exim Bank's Facilities in Africa

Countries in the African region occupy a key focus in India Exim Bank's strategy is to promote and support trade and investment flows. The Bank has representative offices in Johannesburg (South Africa), Addis Ababa (Ethiopia) and Abidjan (Cote d'Ivoire), which play an important role in facilitating economic cooperation with the African region. The representative offices interface with various institutions, as well as Indian missions in the region. The Bank through its number of financing, advisory and support programmes strives to facilitate and promote India's trade and investment relations with the African region, in line with Government of India's initiatives.

Lines of Credit (LOC): The Bank's LOCs focus on development in priority sectors of the recipient countries and in building mutual cooperation. Africa is one of the major recipients of LOCs with projects spread across sectors like roads, railways, power, ports and shipping, telecom, health, education, and aviation. As of March 31, 2023, India had 172 operative LOCs with several countries in Africa amounting to US$ 10.8 billion.

Project Exports: The Bank under its project exports business has extended bank guarantees to several Indian companies for executing the design, engineering, procurement, and construction contracts in various countries in Africa. These amongst many others include – for a 50 MW (ac) photovoltaic solar electricity generating project at Benban, Egypt; for constructing a 200-room hotel in Freetown, Sierra Leone; for executing the construction contract for the Port and Infrastructure Development of the Guinea Bauxite Export Project; and to another Indian firm towards execution of its export orders, including Oil refinery by Dangote for Oil Refining Company Ltd in Nigeria.

Buyer's Credit under National Export Insurance Account (BC-NEIA) to Africa: To boost large scale project exports from India viz. turnkey, construction & consultancy projects, sovereign governments and government-owned overseas entities, the Buyer's Credit facility is extended by the Bank for financing import of projects from India on deferred payment terms. Under the BC-NEIA programme, Exim Bank has sanctioned loans to African countries including Cameroon, Ghana, Senegal, Uganda and Cote d'Ivoire.

Overseas Investment Finance: The Bank through its Overseas Investment Finance (OIF) also caters to the financing needs of Indian companies having operations in Africa. Under OIF, Exim Bank has supported a greenfield denim manufacturing facility in Ethiopia; in Mauritius it has assisted an Indian company for establishing university; it also supported an established Indian firm for setting up a greenfield veneer and plywood manufacturing unit at NKOK SEZ, in Gabon, amongst many others.

Trade Assistance Programme (TAP): The programme provides support through credit enhancement to trade instruments for improving the capacity of commercial banks to support cross-border trade transactions involving untapped markets with constrained trade lines. The TAP facility by the Bank as on March 2023, has been extended to 13 banks and 6 countries in Africa.

Box 6: Conducive FDI Environment in Africa

The vibrant FDI policies in African countries present myriad investment opportunities for India. Few of such policies are given below:-

One Stop Shop Initiatives: The One Stop Shop centers set up by the principal agencies for investment promotion provide investors with services to fast-track projects. They facilitate lowering the cost of doing business as well as making the processes easier. Several countries in Africa have one Stop Shop centres for streamlining investments. These include South Africa, Kenya, Tanzania, Mali, Zambia, Côte d'Ivoire and Nigeria amongst others.

Revised Regulations: To foster a more robust environment for FDI, many of the African countries have revised their existing laws. For example, DR Congo has made revisions to several codes such as investment, mining and insurance, the agriculture act, act on liberalization of electricity, and the telecommunications code to enhance its business environment. DR Congo has also improved tax, customs, parafiscal, non-tax, and foreign exchange regulations applicable to collaborative agreements and cooperation projects. In Algeria, a new investment law has been passed to stimulate the development of natural resources, technology transfer, job creation, and export capacity. The law sets out the rules governing investments and defines the rights and obligations of investors and the incentives applicable to investments in economic activities.

Incentives at Special Economic and Export Processing Zones: A host of African countries offer lucrative opportunities to set up businesses at the designated SEZs by offering incentives. For instance, Botswana offers incentives for its Selebi Phikwe Economic Diversification Unit (SPEDU) region. These include- i) Fiscal- 5% corporate tax for the first five years; 10% corporate tax thereafter; zero customs duty on imported raw material; ii) Government off-take - Direct Government off-take on procurement of at least 30% iii) Provision of Land - Minimum 50 years land leases iv) Input Costs - internet connectivity with bandwidth that promotes business competitiveness; Preferential ICT rates v) Dedicated and empowered One Stop Service Centre. Similarly, at the 11 SEZs in South Africa, several incentives are doled out. These include import duty rebate and VAT exemption on imports of production-related raw materials, including machinery and assets, used in exports; employment tax incentive for employers of low-salaried employees (below R60 000 per annum); and a reduced corporate income tax rate of 15%, among others. Investment incentives offered for Tanzania's Export Processing Zones include exemption from corporate taxes for ten years; exemption from duties and taxes on capital goods and raw materials; exemption on VAT for utility services and on construction materials; exemption from withholding taxes on rent, dividends, and interests; exemption from pre-shipment or destination inspection requirements.

Repatriation of Profits: The ability of a firm to send foreign-earned profits or financial assets back to the firm's home country is an important factor for a conducive FDI environment. Many African countries have minimal controls on repatriation of profits for foreign investors. These include Botswana, Cameroon, Rwanda, Nigeria, Tanzania among others.

Source: India Exim Bank Research

4 Firm based review of Indian Companies in Africa

In the preceding chapters, the Study has attempted to evaluate the macroeconomic conditions of identified economies in Africa that exhibit potential and opportunity for investments by Indian companies. The commercial conditions in these economies along with trade scenario and investment policies were discussed in Chapter-3. However, to understand, the ground level situation, it was also felt important to undertake a firm level review of Indian companies operating in Africa.

Survey of Indian firms operating in Africa: Methodology and Limitations

Given the above stated objective, this chapter attempts to summarize the findings of the survey undertaken by Exim Bank, of the Indian firms operating in Africa. Exim Bank's survey was based on two parameters, one, the pre-investment considerations, which involves important factors that companies consider before venturing abroad, and secondly, post-investment experience of these companies. The survey was successful in getting responses of around 50 companies operating across various economies in Africa.

The select factors that were a part of survey under pre-investment considerations included resource availability, market availability, government policies, bureaucracy, etc. The responses were received on a scale of one to five, with five being the highest level of importance. On similar lines, post investment experience was also ranked from one to five, with five being the most favourable.

There are also some limitations to the survey. For instance, some companies are operating in more than one African economy. While their experience might be different for diverse economies, their views in the survey maybe based on the collective experience of operating in Africa. Further, given the size of Africa, the experience of a company operating in East Africa may differ completely from a company operating in South Africa. However, the survey attempts to understand the general perception for Africa as an investment destination, rather than focusing on each economy. Finally, there are issues where either the firm is not in a position to answer or there is a non-applicability of that question to that particular firm. In such cases, the total number of responses may differ. However, the objective of the survey is to identify a general direction of investment climate in the region.

Summary of the Survey

Pre-Investment Considerations

Resource Availability

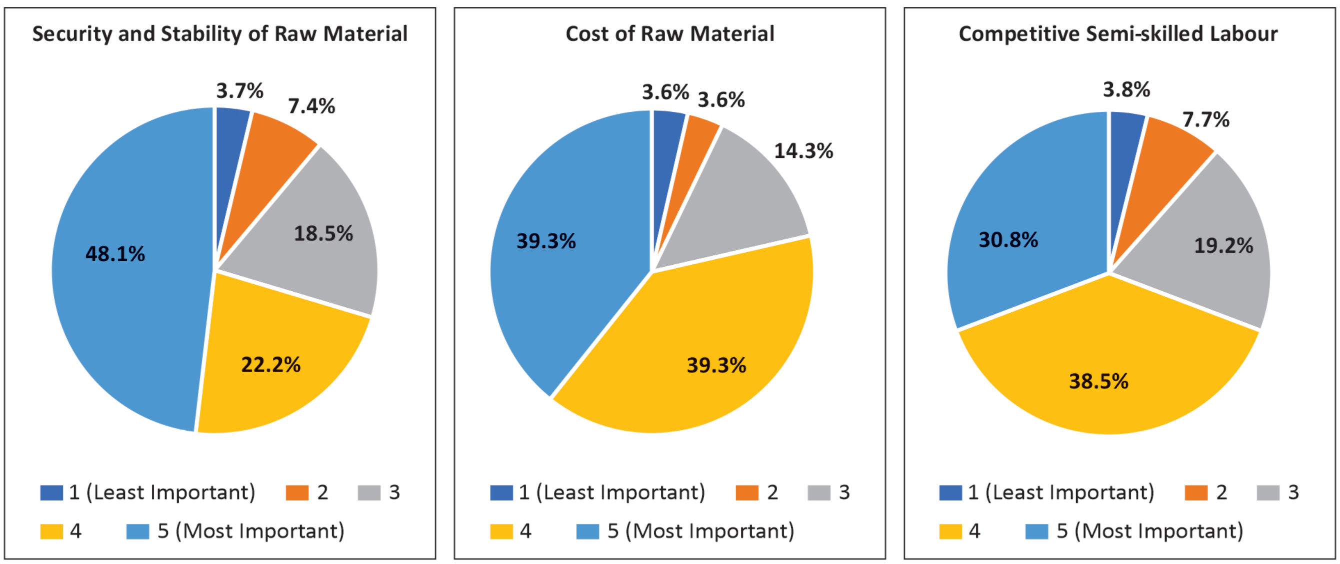
Resource availability is a crucial factor to consider when investing in a foreign country. This is because the availability of resources can greatly affect the success of an investment, both in terms of profitability and sustainability.

Resource availability can also affect the cost of doing business in a foreign country. For instance, an unreliable energy supply can hamper the profitability of the firm. Similarly, the shortage of labour can increase the cost of doing business for the company. Even the sustainability of investment can be impacted if the resources are in shortage. For example, limited access to fresh water can lead to environmental and social challenges for the firm.

48.1% of the respondents attributed the highest level of importance to security and stability of raw material before investing into a country.

With respect to the cost of raw materials, 78.6% of the respondents believed this factor to be of high importance (4 and 5).

Figure 44: Survey Findings: Pre-Investment Factors - Resource Availability



Source: India Exim Bank Research

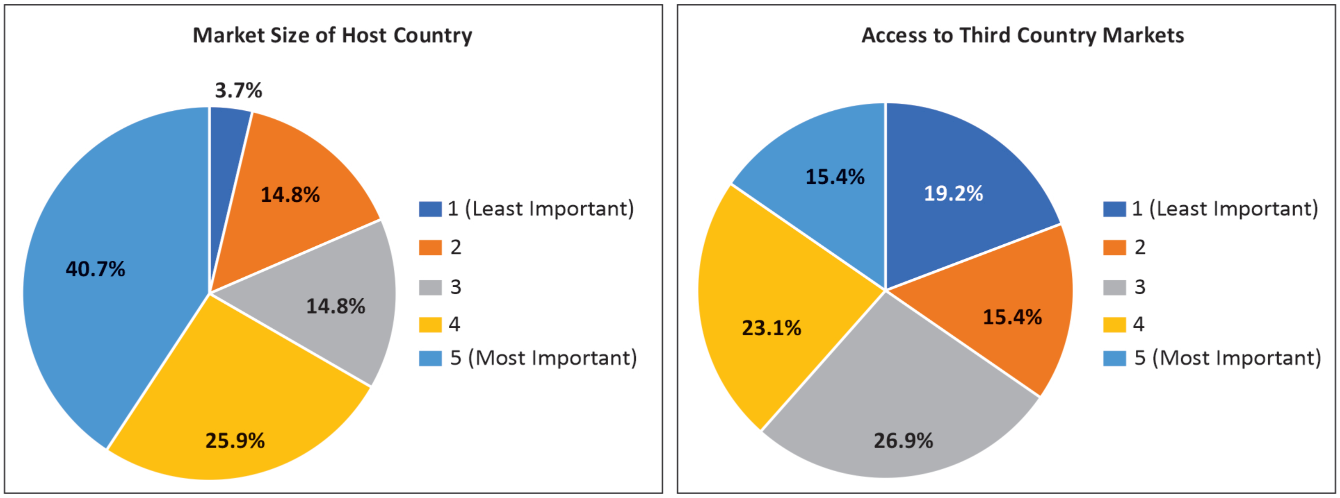
Market Availability

Market availability is an important consideration when investing in a foreign country. It refers to the size of the market for the product or service that a company is looking to invest in, and the level of demand for that product or service in the local market.

Investing in a foreign country with a large and growing market can provide significant opportunities for growth and profitability. A large market means there are more potential customers, which can help to drive sales and revenue. Additionally, a growing market indicates that there is likely to be increasing demand for the product or service, which can help to ensure long-term success.

It may also be noted that at times, the company also benefits from the trade agreements of the country in which it is investing. If the country has a trade agreement with other regions, it automatically increases the size of the market which the company is catering.

Figure 45: Survey Findings: Pre-Investment Factors - Market Availability



Source: India Exim Bank Research

The findings of the survey reveal that market size of host country is of high importance for the potential investors with 40.7% of respondents giving it the level of highest importance. With respect to the access to the third country markets, it is observed that this factor is important; however, the views of the respondents are divided on this. As a result, it could be deduced that the primary reason for investment is the size of the host country, while the benefits accruing from the trade agreements may not be the sole criteria for investment.

Government Policies in the Host Country

The regulatory environment in a foreign country can significantly impact the ability of a business to operate and make profits. Host country government policies related to taxation, labour laws, environmental regulations, and licensing requirements can all affect a company's bottom line.

Attractive inward investment policies of the host country play a crucial role in inviting investments. Two-thirds of the responses are in the important category (4 and 5). Another major aspect is the repatriation which is also considered important (4 and 5) by 74% respondents. Further, the views are divided with respect to the inclusion of exit clauses in the joint ventures of Indian companies with the host country companies; however, 36% respondents consider this to be highly important.

Table 7: Survey Findings: Pre-Investment Factors - Government Policies in the Host Country

Level of Importance	Attractive Inward Investment Policy	Repatriation in host country	Favourable Tax Regulation	Strong Legal and Property Rights	Inclusion of 'Exit Clause' in JVs
1 (Least Important)	3.7%	3.7%	3.7%	3.8%	16.0%
2	7.4%	11.1%	7.4%	7.7%	12.0%
3	22.2%	11.1%	22.2%	11.5%	16.0%
4	37.0%	29.6%	44.4%	46.2%	20.0%
5 (Most Important)	29.6%	44.4%	22.2%	30.8%	36.0%

Source: India Exim Bank Research

Institutional Efficiency and Bureaucracy

Institutional efficiency and bureaucracy are important factors to consider when investing in a foreign country. These are essential components of the overall business environment in a foreign country. A well-functioning bureaucracy can create a stable and predictable business environment that is conducive to investment, while a poorly functioning bureaucracy can create uncertainty and inefficiency, making it more difficult to do business.

On expected lines, macroeconomic stability is attributed high importance by the respondents. Further, given that the respondent companies are operating in Africa and the region has seen various conflicts in the last few decades, 59.3% of the respondents have assigned the highest level of importance to political stability factor before making an investment. Additionally, legal system is given high importance (4 and 5) by 89% of the respondents. Finally, given that the Africa's financial markets are developing, the respondents do not think that it is a major factor impacting their decision to invest.

Table 8: Survey Findings: Pre-Investment Factors - Institutional Efficiency and Bureaucracy

Level of Importance	Macroeconomic stability	Political stability	Time taken to receive necessary approvals	Corruption and bribery	Land acquisition procedures in host country	Legal system	Access to host country financial markets
1 (Least Important)	3.8%	3.7%	3.6%	4.2%	3.8%	3.7%	3.8%
2	3.8%	3.7%	3.6%	4.2%	11.5%	3.7%	11.5%
3	15.4%	11.1%	21.4%	25.0%	15.4%	3.7%	34.6%
4	34.6%	22.2%	53.6%	41.7%	42.3%	59.3%	26.9%
5 (Most Important)	42.3%	59.3%	17.9%	25.0%	26.9%	29.6%	23.1%

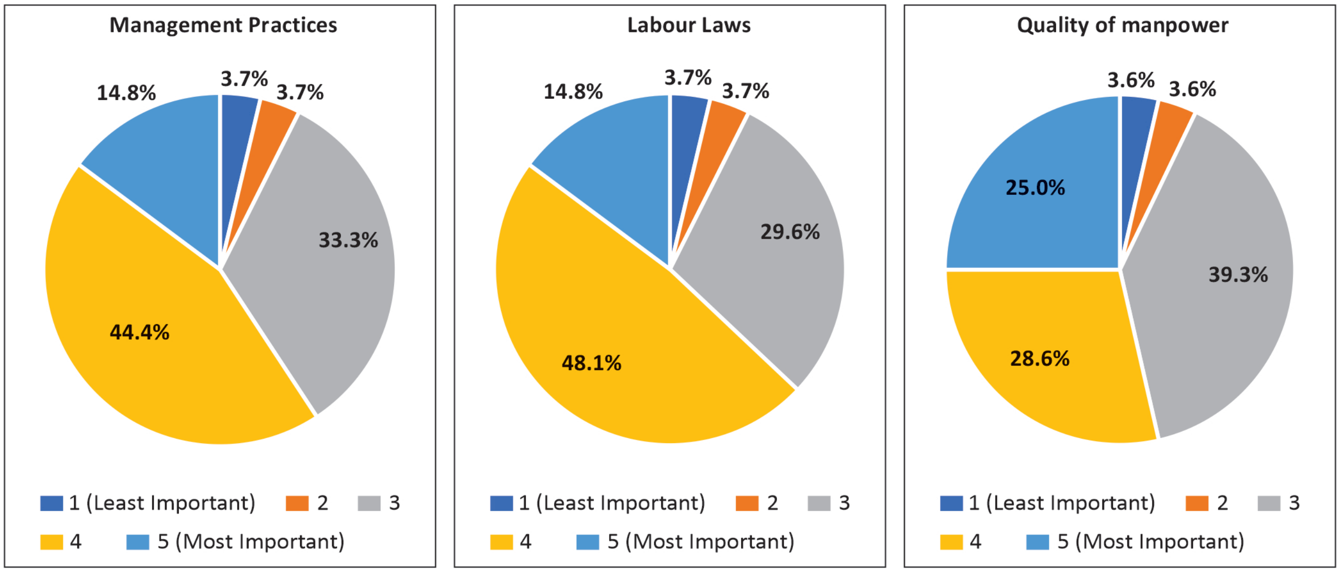
Source: India Exim Bank Research

Human Resources

Human resource management in a foreign country is often governed by local labor regulations, which can vary widely from country to country. Understanding these regulations is critical to ensuring that a business is compliant and can avoid potential legal issues that could disrupt operations. Also, the human resource practices can vary widely across different cultures, and understanding these differences is essential for successful investment in a foreign country. Cultural differences can affect everything from hiring practices to communication styles and must be taken into account when managing a multinational workforce.

The survey reveals that the three parameters, namely, management practices, labour laws, and quality of manpower, under the human resources segment are important. However, the response concentration for all three is high in the range of 3 to 4 (level of importance), signifying that these factors are important only to a certain extent.

Figure 46: Survey Findings: Pre-Investment Factors - Human Resources

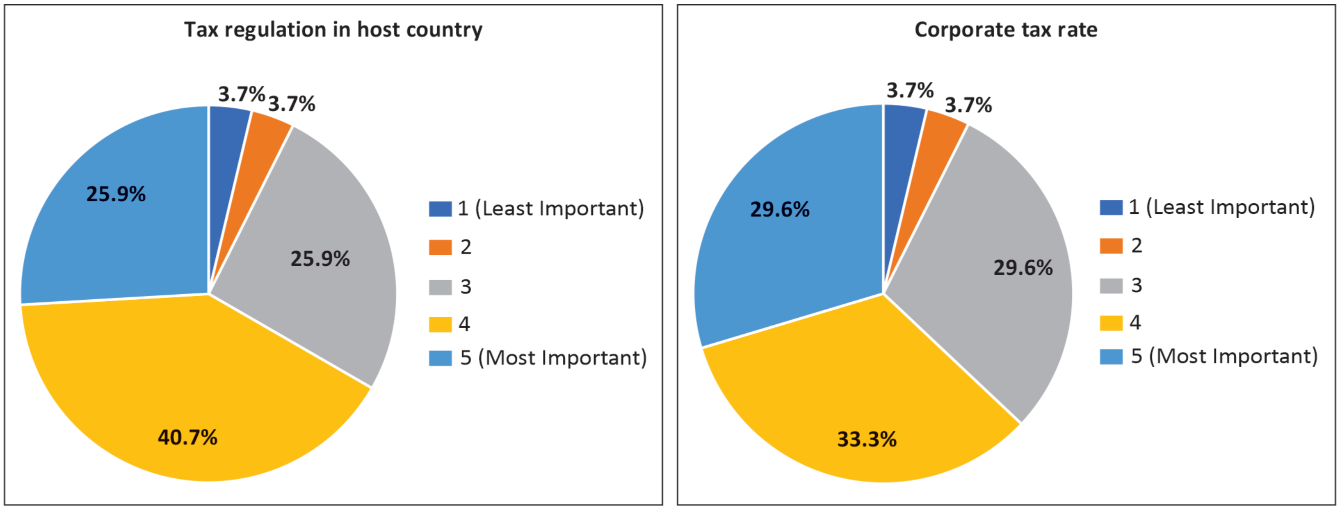


Source: India Exim Bank Research

Taxation Policies

Different countries have different tax rates, and understanding the tax system of the host country is crucial to assess the financial impact of an investment. Further, many countries have bilateral tax agreements to avoid double taxation. Understanding the tax laws of both the home and host countries is crucial to avoid being taxed twice on the same income. At the same time, some countries offer tax incentives to foreign investors, which can significantly reduce the tax burden and increase the profitability of an investment. Understanding the available tax incentives can help investors make more informed decisions.

Figure 47: Survey Findings: Pre-Investment Factors – Taxation Policies



Source: India Exim Bank Research

The survey reveals that there is a high level of importance attached to both the tax regulation in the host country and corporate tax rate before the companies decide to invest in the country.

Post-Investment Experience

Evaluating the post-investment experience is critical for a company that has invested in another country. The companies, from time to time, try to assess the expected returns on their investment. Proper management and monitoring of the investment can help a company maximize its returns and achieve its investment objectives.

Further, investing in another country requires building relationships with stakeholders such as suppliers, customers, and local authorities. It is necessary for a company to evaluate these relationships from time to time which can help a company navigate the challenges of doing business in another country.

Table 9: Survey Findings: Post-Investment Experience – Stability and Procedures

Satisfaction Level	Macroeconomic Stability	Political Stability	Land Acquisition Procedures	Legal System
1 (Least Favourable)	3.8%	11.5%	3.8%	7.7%
2	23.1%	7.7%	11.5%	3.8%
3	23.1%	26.9%	53.8%	53.8%
4	38.5%	34.6%	23.1%	19.2%
5 (Most Favourable)	11.5%	19.2%	7.7%	15.4%

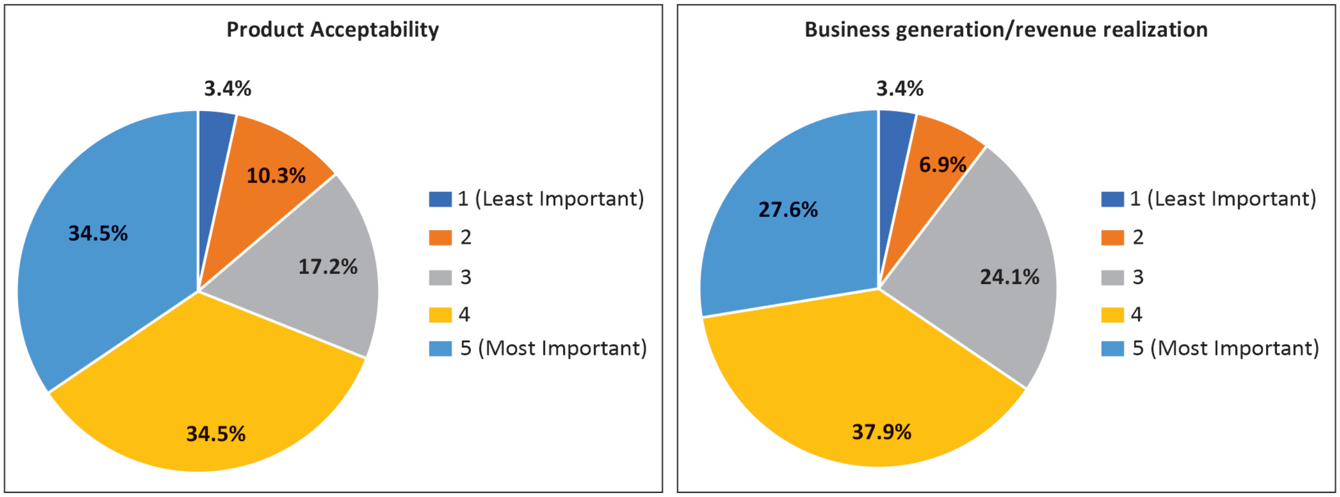
Source: India Exim Bank Research

As a growing and relatively stable region in the last few years, Africa scores well on the macroeconomy stability part, where 50% of the respondents put Africa in a zone (4 and 5) of favourable economic conditions. With respect to political stability, there are opportunities for Africa to improve. A similar condition is seen for land acquisition procedures and legal system wherein a significant scope for improvement lies.

Market

The initial assessment of market size is important for a company to enter any foreign market. However, at times, the on-ground situation can vary to a large extent, due to various factors like policy changes, increasing competition, changing preferences etc. This parameter attempts to understand on how the African market has performed for these businesses.

Figure 48: Survey Findings: Post-Investment Experience – Market



Source: India Exim Bank Research

The African market has been favourable to Indian companies investing there, both in terms of product acceptability as well as revenue generation. This is largely in line with the expectation that Africa is a growing market, and its needs are similar to what India has seen or is presently experiencing.

Labour and Tax Regime

A company's operations are highly dependent on the human resources availability. The factors could range from the labour laws in a country to the quality of labour force in the country. Further, tax regime in a nation is equally important, impacting the overall investment climate. A higher corporate tax rate hampers the profits of the companies.

Table 10: Survey Findings: Post-Investment Experience – Labour and Tax Regime

Satisfaction Level	Management practices	Labour laws	Quality of manpower	Corporate tax rate
1 (Least Favourable)	3.8%	7.7%	7.7%	4.0%
2	7.7%	7.7%	19.2%	16.0%
3	46.2%	50.0%	46.2%	56.0%
4	30.8%	19.2%	19.2%	20.0%
5 (Most Favourable)	11.5%	15.4%	7.7%	4.0%

Source: India Exim Bank Research

The findings from the survey point towards a significant scope for improvement in these segments. For all the four parameters mentioned above, significant concentration of responses lies in zone three, meaning that while the situation is not extremely adverse, there is definitely a room for better labour and tax regime.

Future Investments and Select Challenges

The respondents were also of the view that the newly implemented African Continental Free Trade Area (AfCFTA) will provide significant opportunities for Indian businesses as it focusses towards enhancing intra-regional trade.

They also mentioned that India, given its edge in technology, could share its experiences with economies in Africa, which will help to promote digital transformation, cross-border supply chains to generate employment, and construct vital infrastructure to enhance commerce.

Of all the companies that intend to invest outside of India in the coming years, the survey reveals that joint venture is expected to be the most popular route for Indian companies. This is followed by greenfield investments and acquisitions. Further, the top economies that companies are looking to invest in are Ghana, Ivory Coast, Namibia, Kenya, Senegal, amongst others.

With respect to the challenges, 85% of the respondents are of the view that time taken to receive the necessary approvals is a big challenge and 70% of the respondents have experienced corruption and bribery challenge.

Further, competition in a growing market can be a significant concern. Africa has seen increasing China's involvement in the region, in the recent years. 90% of the respondents feel that competition from China is a challenge while only 40% feel that competition from developed countries is a challenge. However, with all the challenges existing, 80% of the respondents are comfortable with the investment made in Africa and 72%

respondents would like to invest in the same country again, given an opportunity. This points to the growing market size of Africa in the years to come for India.

Conclusion

A developing economy like India, constantly looks for opportunities to invest extensively outside India. In this context, given India's relationship with various economies in Africa, and the latent potential of the continent, there is poised to be more investments going into Africa.

Africa has a young and rapidly growing population. The continent is home to more than 1.4 billion people, and this number is expected to reach 2.5 billion by 2050. This demographic trend means that Africa has a large and growing consumer market, which presents a significant opportunity for businesses looking to expand their customer base. As such, it is an increasingly important destination for investors seeking to tap into these opportunities.

It is also important to note that many economies in Africa have made significant strides in improving their business environment. Many African countries have implemented reforms aimed at reducing the cost and time it takes to start and run a business, making it attractive for investment.

The Study, with this objective, attempted to understand the macroeconomic scenario in the region, covering aspects such as GDP growth, international trade, inflation, investment flows, and consumer profile. It is seen that regions such as Central and North Africa have been growing faster than the other regions in Africa. Further, strong linkages are seen between India and Africa with respect to trade and emerging categories such as digital infrastructure, IT, etc.

The Study, using various parameters such as economy size, exports, FDI, ratings etc., identified 16 African economies that can be explored by the Indian companies to invest. For each of the 16 economies, macroeconomic scenario was evaluated, along with a detailed trade analysis. Further, opportunities and investment climate were also analyzed for these countries.

The 16 identified economies have been classified into 3 categories. The Category A are all economies like Côte d'Ivoire, Egypt, Kenya, Mozambique, Cameroon, Tunisia, Ghana, Morocco, Zambia, Algeria, and DR Congo; Category B, included just Botswana which had a high-rating; while Category C included South Africa, Tanzania, Mali, and Nigeria which exhibit potential but also have issues like repatriation, FATF monitoring, etc.

Another key outcome of this Study was through the ''India's Investment Potential in Africa: An Investors Survey'' on Indian companies operating in Africa to understand their experiences in doing business in Africa. The survey revealed that while the companies were satisfied in areas like macroeconomic stability and product-market fit, there is a scope of improvement in areas such as labour laws, tax regime, corruption, etc.

Overall, Africa is a growing region and has a huge market base. And given the significant India-Africa trade linkages, it is extremely important for Indian companies to explore investment opportunities in this region.

About India Exim Bank's Working Paper Series

As part of its endeavour in enriching the knowledge of Indian exporters and thereby to enhance their competitiveness, India Exim Bank periodically conducts research studies. These research studies are broadly categorized into three segments, viz. sector studies, country studies and macro-economic related analysis. These studies are published in the form of Occasional Papers, Working Papers and Special Publications. The research papers that are brought out in the form of Working Papers are done with swift analysis and data collation from various sources. The research papers under the series provide an analytical overview on various trade and investment related issues.

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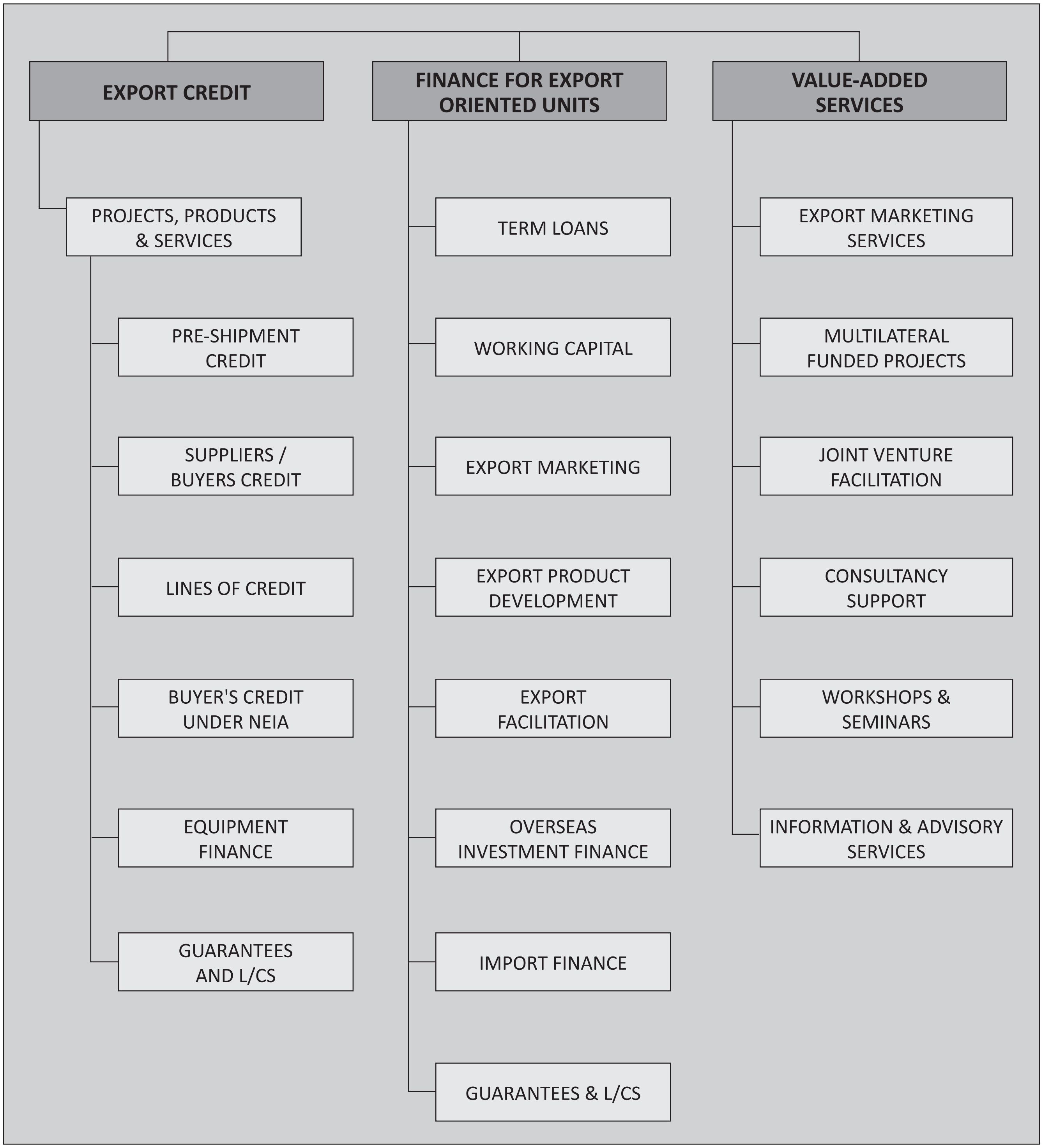
Bank's Major Programmes



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