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## India-Africa : Partners in Growth

### Annual Meetings of African Development Bank (AfDB) Group

The African Development Bank (AfDB) Group is a regional multilateral development finance institution established to contribute to the economic development and social progress of African countries. AfDB was founded following an agreement signed by member states on August 14, 1963, in Khartoum, Sudan, which became effective on September 10, 1964. AfDB comprises of three entities viz. African Development Bank, African Development Fund and Nigeria Trust Fund.

The Boards of Governors holds an Annual Meeting usually in May to review AfDB's operations, make major policy decisions and provide strategic guidance.

The 52nd Annual Meetings of the Board of Governors of the African Development Bank and the 43rd Meetings of the Board of Governors of the African Development Fund was held in Ahmedabad, India, during May 22-26, 2017. This was the first time that Annual Meetings has been held in India, and was the fourth time that AfDB's Annual Meetings have been held outside Africa. The first meeting outside Africa took place in Valencia, Spain in 2001; the second in Shanghai, China in 2007; and the third in Lisbon, Portugal in 2011. 2018 Annual Meetings of AfDB also scheduled to be held outside Africa. South Korea will host 53rd Annual Meetings in Busan during May 21-25, 2018.

The Annual Meetings is AfDB's largest annual event and serve to raise the profile of the institution on the global stage. In addition to the annual meeting of its board of governors, which constitutes the core purpose of the gathering, these annual meetings provide a forum for representatives of government, business, civil society, think-tanks, academia and the media to debate key issues on Africa.

The Annual Meetings 2017 was a five day event that brought together large number of delegates and participants, and featured number of knowledge and side events.

### "India & Africa: Partners, in Growth - An Exposition on Opportunities and Technologies for Collaboration": Inauguration on May 22, 2017

Federation of Indian Chambers of Commerce and Industry (FICCI) with the support of the Government of India organized an exhibition, with the objective to showcase the capabilities of Indian companies in terms of technology, innovation, and start-ups, which could be relevant for African countries.

Union Minister of State for Finance and Corporate Affairs Mr. Arjun Ram Meghwal on May 22, 2017 inaugurated the exhibition on "India & Africa- Partners - in Growth, Exposition on Opportunities and Technologies for Collaboration". Minister of State for Finance, Government of India, Mr. Santosh Gangwar, Gujarat Chief Minister Mr. Vijay Rupani, African Development Bank Vice President Mr. Pierre Guislain, President FICCI Mr. Pankaj Patel among others were present during the inauguration.

The exhibition was organized as a part of 5 day long AfDB's Annual Meetings. Exhibition spread over in an area of 3,100 square meter areas has 150 stalls by 67 exhibitors.

After opening ceremony of the Annual Meetings on May 23, 2017, Hon'ble Prime Minister Shri Narendra Modi also visited exhibition.

### Exim Bank Extended a Government of India's Supported Line of Credit of USD 71.40 Million to the Government of The Republic of Côte D'ivoire: Signed on May 22, 2017

During the Annual Meetings, Exim Bank hosted the annual traditional luncheon for its key constituents on May 22, 2017. During the occasion, Exim Bank at the behest of Government of India, extended an additional Line of Credit [LOC] of USD 71.40 million to the Government of the Republic of Côte d'Ivoire, for upgradation of four military hospitals in Abidjan, Korhogo, Bouake and Daloa regions in Côte d'Ivoire. The LOC Agreement to this effect was signed on Monday May 22, 2017, by Mr. David Rasquinha, Managing Director on behalf of Exim Bank and H.E. Mrs. Nialé Kaba, Minister of Planning & Development, on behalf of the Government of Republic of Côte d'Ivoire in the presence of H.E. Mr. Daniel Kablan Duncan, Vice President of the Republic of Côte

d'Ivoire, and Mr. Arun Jaitley, Minister of Finance, Government of India.

With the signing of the LOC Agreement, Exim Bank, till date has extended six Lines of Credit to the Republic of Côte d'Ivoire, at the behest of the Government of India, taking the total value of LOCs extended to the Republic of Côte d'Ivoire to USD 207.70 million. The LOCs have supported export of items like agricultural machinery and equipments, agricultural processing plants, buses and spare parts, equipments and services for projects in areas such as rural electrification / transmission lines, construction of power sub-stations, fisheries development, setting up of Biotechnology and Information Technology park, setting up of DNA Laboratories, computer assembly plant and upgradation of hospitals. Under the LOC, Exim Bank will reimburse 100% of contract value to the Indian exporters, upfront upon shipment of goods. The LOC will be used for sourcing of goods and services from India.

Exim Bank has now in place 222 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Europe and the CIS, with credit commitments of over USD 16.83 billion, available for financing exports from India. Besides promoting India's exports, Exim Bank's LOCs enable demonstration of Indian expertise and project execution capabilities in emerging markets.

#### **Formal Opening Ceremony: May 23, 2017**

The opening ceremony of the AfDB's Annual Meetings, on the theme of "**Transforming Agriculture for Wealth creation in Africa**", was held on May 23, 2017 at the Mahatma Mandir Convention cum Exhibition Center, Gandhi Nagar, Gujarat, with calls for greater cooperation between AfDB and India to help drive Africa's transformation.

Addressing over 3,000 participants, AfDB's President, H.E. Dr. Akinwumi Adesina, highlighted the AfDB's efforts in the implementation of its Ten Year Strategy encapsulated in the High 5 priorities. These

are, Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa, and Improve the quality of life for the people of Africa. With the ever-increasing need to meet the demands of the High 5s, AfDB operations went up by over 17% to 305 in 2016. In the same vein, cumulative investments, rose by 19% to US\$ 10.45 billion over the figure for 2015, said President Adesina.

"To develop with pride, Africa must feed itself," President Adesina said noting that the continent's food imports bill would nearly triple to reach US \$110 billion per year by 2025 and disrupt the continent's macroeconomic and fiscal stability.

"Africa's huge investment opportunities beckons to you, from agriculture and agribusiness to energy, infrastructure and financial services – and AfDB with its partners will be there to help you advance your investments," President Adesina added.

#### **Prime Minister Modi calls for Asia-Africa Growth Corridor**

While inaugurating the Annual Meetings, Prime Minister Narendra Modi called for creation of Asia-Africa growth corridor for development of Africa.

There is a great deal of development know-how to be gleaned in India – from the development of modern IT systems, to the management of sprawling rail infrastructure – that Africa can benefit from.

India's private sector is also providing an impetus to stronger India-Africa ties, with Africa accounting for nearly one-fifth of Indian overseas direct investments between 1996 and 2016. "India is the fifth-largest investor in Africa and has invested USD 54 billion in the continent in the past two decades," Prime Minister Modi said.

"India has contributed to all of the AfDB's capital increases. For the most recent African Development Fund replenishment, India pledged USD 29 million. We have also contributed to the Highly Indebted Poor

Countries and Multilateral Debt Reduction Initiatives," Prime Minister Modi said.

While 152 lines of credit have been extended by Export-Import Bank of India to 44 countries for a total amount of nearly \$8 billion, India had offered \$10 billion for development projects over the next five years and a grant assistance of USD 600 million at the last India-Africa summit in 2015.

Prime Minister Modi concluded by saying that while India cannot compete with Africa in long-distance running, India would always stand shoulder-to-shoulder with Africa in the long and difficult race for a better future.

#### **Bill Gates sends message of solidarity**

Mr. Bill Gates conveyed his support to the Annual Meetings in a video statement emphasizing the importance of partnering with Africa. Mr. Bill Gates said partnership is a powerful way to help Africa move forward.

H.E. Mr. Macky Sall, President of the Republic of Senegal; H.E. Mr. Patrice Talon, President of the Republic of Benin; Vice-President H.E. Mr. Daniel Kablan Duncan of Côte d'Ivoire participated in the opening ceremony alongside with Mr. Arun Jaitley, Minister of Finance, Government of India and Mr. Vijay Rupani, Chief Minister for Gujarat State.

#### **Africa-india Partnership Day: Achieving High-5S agenda through India's Development Cooperation": Organized on May 24, 2017.**

Export-Import Bank of India (Exim Bank) in association with FICCI (Federation of Indian Chambers of Commerce and Industry), and with the support from the African Development Bank Group (AfDB) and the Government of India, has been organizing Africa-India Partnership Day as part of the events associated with the Annual Meetings of the AfDB, starting with Marrakech (2013), and followed by Kigali (2014), Abidjan (2015) and Lusaka (2016). All the AIPD events focused on 'Sharing of India's Development Experience', particularly, through the Private-Public-Partnership (PPP) mode of development.

Fifth edition of the AIPD was organized on May 24, 2017 as a part of the Annual Meetings, and focused on High-5 themes of the AfDB – Light-up Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life of the People in Africa - showcasing India's capabilities and intention to partner with the African countries.

India is an ideal partner for the African nations in achieving AfDB's High-5 Agenda, said Mr. Shaktikanta Das, Secretary (EA), Ministry of Finance, Government of India.

Emphasizing on the strong Indian commitment on strengthening India-Africa relations, Mr. David Rasquinha, Managing Director, Exim Bank of India highlighted that Exim Bank and the Government of India are willing to share India's development experiences in these crucial areas of Africa.

Mr. Pierre Guislain, Vice President African Development Bank Group deliberated on the needs of Africa in those High-5 areas, and how India's experiences could be shared and replicated in the African continent through India's development cooperation.

Mr. Arun Kumar, Secretary, Ministry of Mines shared his perspectives on how India could share its experiences in the mining sector which offers win-win partnership.

#### **Release of Exim Bank's five Working Papers on the Central Theme of "India - Forging Mutual Partnership for Africa's Development"**

On this occasion, Exim Bank of India's five Working Papers on the Central Theme of "India - Forging Mutual Partnership for Africa's Development", focusing on AfDB's Hi-Five Agenda of 'Light up and Power Africa', 'Feed Africa', 'Integrate Africa', 'Industrialize Africa', and 'Improve the Quality of Life for the People of Africa, were released by Mr. Shaktikanta Das, Secretary, Economic Affairs, Ministry of Finance, Government of India, highlighting India's developmental experiences in those areas, and its role in achieving the desired outcomes through development cooperation.

Success stories under the India's Lines of Credit programme on these High5 areas have also been showcased by Indian companies who have implemented the projects. Panelists from Africa shared their perspectives on how India could help African growth progress through development cooperation.

The event was attended by several dignitaries including ministers and senior officials from African nations, CEOs of developmental financial institutions, banks and corporate houses from India and Africa. Representatives from various Indian companies participated in the event and shared Indian expertise, knowledge, skill and technology for overall development in the African continent.

#### **Buyer's Credit under Government of India's National Export Insurance Account (bc-neia): Credit Confirmation Statements: Signed during May 22-26, 2017.**

On the side-lines of the Annual Meetings during May 22-26, 2017, Exim Bank signed "Credit Confirmation Statements" aggregating USD 1.22 billion for providing financial assistance for six projects under the Buyer's Credit under National Export Insurance Account (BC-NEIA) to [a] Ghana for design and construction of Railway Linkages between Tema and Akosombo valued at USD 398.33 mn; [b] Cameroon for Construction of 225 kV Nkongsamba - Bafoussam and Yaounde - Abong Mbang Transmission Line along with associated sub-stations valued at USD 93.50 mn; [c] Senegal for construction of 225kV transmission line for Tambacounda - Kolda - Ziguinchor link and Extensions and Rehabilitation of Networks in the Regions valued at USD 200 mn; [d] Zambia for design and construction of Lusaka city decongestion project valued at USD 245.74 mn; and [e] Côte d'Ivoire for supply of 500 buses, 62 fleet maintenance support vehicles, spare parts valued at USD 87.46 mn and supply of 3,599 vehicles valued at USD 199.99 mn. The aggregate assistance exceeding USD 1.22 bn in the aforesaid infrastructure projects are being executed by Indian companies, and

expected to have a significant positive impact to the development process of these countries

BC-NEIA is a unique financing mechanism that provides a safe mode of nonrecourse financing option to Indian exporters and serves as an effective market entry tool to traditional as well as new markets in developing countries, which need deferred credit on medium or long term basis.

#### **Closing Ceremony: May 25, 2017**

The 52nd Annual Meetings of African Development Bank, and 43rd Meetings of African Development Fund wound up on May 25, 2016. Held on the theme, "Transforming Agriculture for Wealth creation in Africa", the meetings focused on critical African economic and development issues, approval of policies, and strategies.

The Governors (Ministers of Finance, Economy, Planning and, in certain cases, Central Bank Governors) representing the 80 member countries reviewed and endorsed AfDB's 2016 Annual Report and its programmes for the coming year.

President Adesina thanked Prime Minister Narendra Modi and members of Indian Government for providing appropriate structures and an excellent environment for the success of the meetings.

"To Prime Minister Modi, a very big thank you for hosting us and honoring us with your presence and for your very warm words: 'Let us make history together for Africa,'" President Adesina said.

"Let 'bold optimism' from this Annual Meeting in India bubble and inspire us to accelerate financing, urgently, for the High 5s for Africa," President Adesina emphasized.

The next Annual Meetings of AfDB will be held at Busan, South Korea from May 21-25, 2018.

# Feed Africa : Strategy for Agricultural Transformation in Africa

## Introduction

The African Development Bank in May 2016 launched its High-5 priority projects, and one of them was the 'Feed Africa: Strategy for Agricultural Transformation in Africa, 2016-2025'. The focus of this project is on transformation, scaling up agriculture as a business through value addition, led by the private sector and enabled by the public sector, while using innovative financing mechanisms, to end hunger and rural poverty in Africa over the coming decade.

## Africa's agricultural trade

Agricultural exports from Africa aggregate to US\$ 40.8 billion in 2015, accounting for 10.9% of the total exports of the continent. Among the agricultural items exported, cocoa and its preparations constituted approximately 20.8% of the total exports. The exports of edible fruits and nuts valuing around US\$ 8.1 billion formed 19.8% share of the aggregate agricultural exports by the continent. Other significant agricultural products exported by Africa included edible vegetables (10.4% of the total exports), and small proportions of coffee and spices and tobacco. The export destinations for major exported products are the Netherlands, the UK, the US and France.

The agricultural imports by Africa accounted for nearly 9.6% of their total imports by Africa during the year 2015 and stood at US\$ 48.1 billion. Cereals were the leading import item and its share in the aggregate agricultural imports was 35.5% (US\$ 17.1 billion). Animal, vegetable fats and oils formed the second largest agricultural product imported followed by sugar and sugar confectionery. Most of the imports to Africa were from the developed countries

in Europe - France, Switzerland, Germany, Denmark, amongst others.

## Foreign Direct Investment

Cumulative FDI in the African agriculture sector during January 2003 till June 2017 aggregated to US\$ 9505.7 million. India has been one of the largest investors in the agriculture sector in Africa (excluding agro based processing). Apart from India, amongst the developing countries, Malaysia and Kuwait were the other major investors in the African agricultural sector. Major investors among the developed countries included the UK, the USA, Switzerland, Singapore, France and Canada. Almost 45% of the total values of investments were accounted for by two African countries - viz. Cameroon and Mozambique.

Among the sub sectors, crop production received the highest amount of investments cumulatively during 2003 and June 2017 to the tune of US\$ 6584 million, followed by grains & oilseeds at US\$ 1134 million. Coffee & tea, fruits & vegetables & specialist foods, and tobacco received the remaining investments.

## Select Agriculture Initiatives in Africa

The Governments in Africa have taken some measures to increase their production. In 2009 Mozambique distributed 7,300 oxen as part of a programme to expand the use of animal traction, a measure that should enable families to cultivate at least five hectares each, instead of the average of just one. Also, in 2009 and 2010, Uganda distributed enormous quantities of good-quality high-yielding seeds leading to one of the best maize harvest witnessed in the country. This has also helped them to produce more than twice the domestic consumption, and even exported a part

to South Sudan and the Democratic Republic of the Congo.

In 2010 in Tanzania, the Government facilitated greater use of hybrid seeds and fertilizers enabling farmers to produce a surplus rice crop. Malawi also had taken some concrete steps - in 2005 it embarked on an innovative solution to provide government subsidies to reduce the retail costs of fertilizers and high-yielding maize seeds for smallholders, leading to having a surplus in production, thereby enabling exports.

Besides facilitating enhancement in productivity, Governments of many countries have also undertaken land reform exercises. One of the successful land reforms was implemented in Ethiopia in 1975. Through this reform, the government nationalized rural land without compensation, abolished tenancy, forbade the hiring of wage labour on private terms, ordered all commercial farms to remain under state control and granted each peasant family the so called 'possessing rights' to a plot of land not to exceed ten hectares.

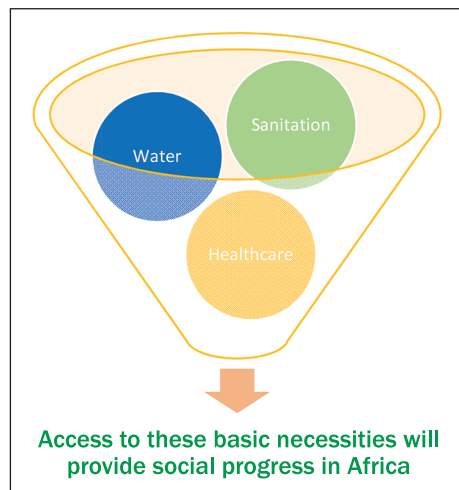
## Outlook

The 'Feed Africa' project envisages lifting 320 million people out of the realm of undernourishment by 2025. In addition, 130 million people are expected to be lifted out of extreme poverty, simultaneously. The program also hopes that Africa will be converted into a net exporter of agricultural commodities, representing the substitution of US\$ 110 bn worth of imports. This could potentially lead to opening up Africa's agribusiness which could be worth more than US\$ 100 bn per year by 2025.

## Introduction

Africa has been drawing increasing global attention with the region being home to some of the fastest growing economies – three of the world’s ten fastest growing economies over the last few years 2015-2016<sup>1</sup> are in Africa. Africa has also been urbanizing rapidly and about two-fifth of its population now live in cities. Despite the huge potential for growth in Africa, economic and social challenges still plague the continent, even in basic needs such as water, sanitation and healthcare. A study by the World Bank, shows, the economic impact of not investing in water and sanitation would be equivalent to 4.3% of sub-Saharan African GDP.

### Focus areas for Social Progress



## Case for Investing in Water in Africa

Inefficiencies in the water sector are divided between distribution losses and under-collection of revenue. The main factors that have added to the inadequate access to water include population growth and rural-urban migration. The access to improved water sources in rural and urban areas of Sub Saharan Africa has improved by a mere 14% and 3% respectively during the 2000-2015 period, while the population has grown by almost 3% during the same period<sup>2</sup>.

## Case for investing in Sanitation in Africa

Decent sanitation standards, together with good hygiene and safe water, are crucial for good health of the individual as well as social and economic development. Economic studies conducted in Africa have shown that impacts resulting from poor sanitation and hygiene cost the economies between 0.9% and 2.4% of annual GDP<sup>3</sup>. These costs are accounted for on the basis of the adverse health effects associated with poor sanitation and water supply, costs of treating these health problems, and the associated loss of productivity that results when individuals are sick and others have to care for them.

## Case for Investing in Healthcare in Africa

On most of the health indicators, Africa lags behind the rest of the world not only in terms of absolute figures but also in terms of the rate of progress on these healthcare metrics. This is further exacerbated by spread of either new strains of existing disease or an outbreak of a completely new disease.

External resources for health account for 10.4% of total health expenditure in Africa, which is a much higher proportion than anywhere else in the world (world average is just 0.2%). Set against this background, it will not be out of place to assert that Africa’s healthcare systems which today is at a nascent stage, provides tremendous opportunity for healthcare investors to create new and innovative business models for different geographies in the continent.

## India-Africa Cooperation

India has achieved reasonable success in its WASH initiatives with a novel mix of public policies and private investments and initiatives. Thus, Indian investments in Africa can not only provide a greater thrust to WASH sector but also provide the much needed expertise and innovation to improve access in the African settings. India had committed US\$ 524 mn to African infrastructure projects in 2015, up from US\$ 424 mn in 2014 but still short of the

US\$ 761 mn committed in 2013. Of its 2015 commitments, US\$ 255 mn was targeted at the energy sector and US\$ 268 mn was directed at water operations. FDI investments in African healthcare sector from India stood at 280.7 million USD from January 2003-17.<sup>4</sup>

EXIM Bank has financed many projects in the WASH sector of Africa through its unique LOC programme in various African countries, and extended credit of more than 700 million USD since 2009.

EXIM Bank’s Study titled “Water, Sanitation And Healthcare in Africa: Enhancing Facility, Enabling Growth” elucidates the challenges and strategies for investment in these sectors and elucidates select models which could be explored between various development financial institutions in India and Africa, along with multilateral development banks (namely AfDB), and various sovereign and parastatal bodies to work together in the WASH sectors. The complete flow of funds and revenue generation of these models has also been discussed in the study.

## Sum Up

African Development Bank (AfDB) has taken upon the mandate to improve the quality of life for the people of Africa under the Hi-5 principles adopted in 2016 and is committed to build up the availability of infrastructure for water, sanitation, and healthcare so that African economies can realize their full potential. The huge paucity of adequate infrastructure offers enough headroom and tremendous opportunity for investments, through creating new infrastructure, providing technology, transfer of know-how, and serving both the domestic African market as also making it as base for exporting to other regions of the world. Given the similar nature of socio economic scenario in India and Africa, both the nations can be prudent partners in achieving sustainable solutions for universal access in the WASH sector, and make the economic growth meaningful by improving welfare of the citizens.

<sup>1</sup>World Economic Forum, 2016

<sup>2</sup>Source: World Bank Data

<sup>3</sup>World Bank, Water and Sanitation Program, 2011, 2012

<sup>4</sup>Fdimarkets.in

Regional integration serves as an essential conduit for overcoming barriers and harnessing complementarities across countries. It enables sharing of resources and assets among countries, and also expands the markets and opportunities for these countries. Regional cooperation is of particular relevance in Africa as the continent is not only home to some of the fastest growing economies in the world, but also has 34 of the 48 Least Developed Countries. The small size, landlocked nature and fragile state of several economies create a case for greater regional integration, aimed at facilitating shared prosperity in a region characterized by heterogeneity and substantial disparity. The role of Governments as well as the private sector will be essential in achieving this.

Regional integration is truly multi-dimensional, encompassing regional infrastructure, trade integration, productive integration, financial and macroeconomic integration, and free movement of people. These dimensions, while standalone objectives in themselves, also reinforce each other. Efficient regional infrastructure is required for creation of value chains, and therefore it supports trade and production integration. Regional infrastructure in turn benefits from larger resources and innovation arising from financial and macroeconomic integration. Free movement of people also hinges critically on regional infrastructure, and further contributes towards strengthening of trade and production linkages.

#### **Production and Trade Linkages**

Although Governments, financial institutions and the private sector have played an instrumental role in boosting regional integration, the levels of continental integration have remained relatively low. Intra-regional exports during 2015 stood at 17.7 percent of the total

exports in case of Africa, as against 60.1 percent in Asia, 66.6 percent in Europe, and 55.9 percent in America. There has been little improvement in the share of intra-Africa exports in total exports from Africa over the past decade. Intra-Africa exports stood at 12.4 percent of the total exports in 1995—not substantially different from the current levels. Intra-Africa imports have also remained range bound during this period between 11-15 percent.

From the investment perspective as well, the linkages leave significant scope for improvement. According to the data from fDi Markets, intra-regional FDI in the African continent accounted for only 9.4 percent of the total inward FDI in the continent during January 2003-December 2016. The low intra-regional FDI in case of Africa is unsurprising given the high trade costs in the region, which restricts fragmentation of production processes.

#### **Financial Integration**

African economies have been endeavouring at regional integration, not only by way of improvement in physical infrastructure but also through developing closer ties in the financial sphere. The two CFA Franc zones bear testimony to the efforts of some African economies aiming to achieve regional financial integration. Several initiatives for capital market integration are also underway in the continent. Several Regional Economic Communities (RECs) have also achieved varying levels of success in integration of payment systems.

Going forward, there is a need for convergence in regulations pertaining to accounting standards, laws, safeguards, banking supervision, corporate governance, etc. Various RECs are making headway in terms of development of common policies, institutions and establishing regional frameworks.

#### **Migration**

Promoting and deepening people-to-people linkages is another crucial aspect of regional integration. Migration has been gaining pace in Africa during recent times. While the growth in number of international migrants to Africa had been relatively less during the 1990 to 2010 period, the number of international migrants during 2010-2015 period has been roughly the same as Europe and North America<sup>17</sup>. In fact, the Africa-to-Africa corridor had the second largest number of migrants among all regional corridors during the 2010-2015 period, after the Asia-to-Asia corridor

#### **Role of India in Africa's Integration**

As a traditional development partner, India is ideally placed to understand and appreciate the needs of the resurgent continent in myriad developmental areas, of which regional integration is a key dimension. While trade and investment have lately become the catchphrase in India's multi-faceted relationship with Africa, an ambitious and all-encompassing action plan is necessary to further strengthen the cooperation between the two landmasses, of which engendering regional integration would form a key component.

According to the ICA, India had committed US\$ 524 million to African infrastructure projects in 2015, up from US\$ 424 million in 2014. The Export-Import Bank of India (Exim Bank) has been among the principal agents for supporting India's development partnership with the African continent in the infrastructure sector. The Bank has financed regional projects under its Lines of Credit program, an example of which is the electricity interconnection project between Cote d'Ivoire and Mali. The transmission line has helped Government of Mali to import power from Cote d'Ivoire at a much lower cost.

Africa is endowed with about 30 per cent of world mineral reserves, 10 per cent of petroleum oil reserves and 8 per cent of natural gas resources. Africa's real GDP grew at an average of 5 per cent during 2000-2014 mainly on the back of its dependence on commodity exports. However, growth was subdued at 3.7 per cent with a fall in commodity prices since 2014. The contribution of manufacturing value added to the GDP of Sub-Saharan Africa stood at an average of 10.5 per cent during 2005 to 2015. Africa's population is expected to double to 2.4 billion by 2050. The rising population indicates a major need for employment generation for which a strong value-added manufacturing base would be required. Africa currently accounts for just 1.9 per cent of global manufacturing, and over 80 per cent of its workforce is in low productivity sector.

### Potential Manufacturing Sectors

According to the World Bank, the size of agriculture and agribusiness industry in Sub-Saharan Africa is projected to be at US\$ 1 trillion by 2030. The growing urban population is expected to lead to further demand for processed food products. The potential sectors which are expected to grow in this process are rice, fruit and meat processing along with the traditional agricultural commodities like cocoa.

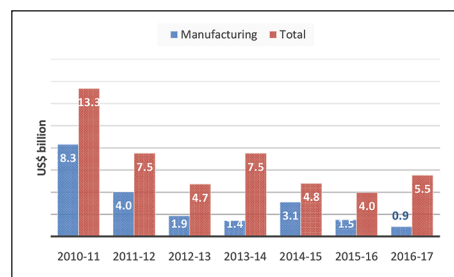
The African textile industry has started to expand with African designs and fabrics showcased in international platforms like Paris, Milan, New York and London fashion shows. Africa has been the source of cotton production for international textile manufacturers with 10 per cent of global cotton being produced in Africa, but Africa accounts for only 16 per cent of global textile market. Therefore, the need arises for Africa to produce value added products such as garments.

Africa's automotive market is relatively small compared to its other counterparts like Latin America, Developing Asia,

Oceania and Middle East. One of the biggest challenges of the automobile sector of Africa is the heavy import of second hand vehicles as a result of limited purchasing power. Access to credit for purchasing new vehicles is limited across the continent thus reducing the number of potential buyers of new vehicles. Developing a local manufacturing base is required for uninterrupted and price competitive supply of auto components.

The African pharmaceutical industry has grown from US\$ 4.7 billion in 2003 to US\$ 20.8 billion in 2013 and is projected to reach US\$ 60 billion by 2020. The African pharmaceutical industry faces the challenge of inadequate capacity for research and design required for producing drugs locally as a result of absence of investment. It also suffers from long delays in receiving international orders, poor logistics and storage facilities accompanied by high costs involved in transportation and distribution. Scaling up of production is necessary to increase the access to essential medicines of standard quality and ensuring sustainable health systems. Focus on industry specific training and education would also be required to get a skilled workforce.

**Chart 1: India's outward investment to Africa**



Source: Reserve Bank of India

### India's Role in Facilitating Manufacturing in Africa

- **Skill Development:** India may engage with other African development institutes to enrich the human resource

through various skill development programmes in manufacturing.

- **Knowledge sharing:** Indian manufacturing associations could tie up with their African counterparts to develop respective sectors of their specialisation through collaboration. This could include building common resource centres for disseminating market and business related information, common quality testing labs for their products, among others.
- **Designing educational programmes:** One of the important initiatives essential for development of African pharmaceutical industry is building a pool of professionals for clinical research. Similarly, in the case of textile industry, educational programme relating to technical know-how, efficiency in production, designing, packaging and marketing, among others, would be essential. India may collaborate with relevant educational institutes in African countries to deliver diploma programmes or vocational training for such sectors to train the workforce.
- **Credit Access:** Another major challenge for the African manufacturing sector is access to credit for investment, especially in case of textiles and agribusiness as these are mainly characterise of small holders. Indian financial institutions and banks could contribute to enhancing credit access by collaborating with financial institutions and banks in the African region.
- **Organising B2B Meets:** Enhancing of two-way trade and investment flows could not be sustained without vibrant people-to-people contacts. There could be various rounds of consultations among business fraternity, with special focus on dedicated sector/s in each round thus promoting exchange of ideas and business propositions among entrepreneurs and investors.

Sub-Saharan Africa has the lowest access to electricity ratio (as per cent of population) in the world at 37.5 per cent in 2014. This value is significantly lower than the global average. For Africa as a whole, per capita electricity consumption is one-fifth the global average, and there are wide variations both within and between countries.

The transmission and distribution networks in the region also lack efficiency, resulting in significant electric power distribution losses and reducing the supply (access) for the end-use sectors. In 2014, the distribution losses in Africa stood at an average of 21.1 per cent of the output. A comparison between generation and distribution losses in actual terms highlights that higher the generation, higher are the distribution losses. This also asserts that increase in generation infrastructure in Africa, has not been accompanied by an equivalent increase in distribution infrastructure.

This inadequate power transmission and distribution capacity, also adds to the cost of getting electricity. Further, the cost of power generation technology generally represents only part of the total cost of providing electricity. If a centralized grid is used, transmission and distribution can add significantly to the total supply costs.

### Potential and Prospects for Development of Power Sector in Africa

Electrification is strongly correlated with the GDP size of an economy. According to a McKinsey Report, inadequate electric supply along with high costs, would slow down GDP growth by 1-3 percentage points. Lack of timely and quality access to electricity, reduces revenues of businesses making it uncompetitive, slowing job growth, and affecting GDP per capita and thus growth. Countries with electrification rates of less than 80 per cent of the population generally have comparatively low GDP per capita. The only countries that

are exception to these are those with significantly endowed natural resources, such as Equatorial Guinea, Angola, Botswana and Namibia.

There exists immense potential for the power sector development in Africa. If Africa's GDP grows at an annual average rate of 4.6 per cent, the annual electricity demand is expected to increase by 7.6 per cent. In order to tap this potential, an enabling environment needs to be created through a stable policy and investment environment and appropriate developmental policies along the power value chain.

**Power policies** in African economies have generally focused on generation to address low access situation. The traditional approach leads to developmental plans falling down at other steps in the value chain and slow power sector development. However, in order to sustainably develop the power sector in Africa there is an increasing need to first breakdown the power value chain, analyze its individual components, and accordingly design power policies incorporating the shortfalls in each of them.

In Africa, most governments need to streamline sectoral **governance** and **promote efficiencies** through, inter alia, better maintenance of existing infrastructure, institutional reform of utilities and service providers, administrative and regulatory reforms, and improved subsidy policies and practices. Addressing these could save nearly 20 per cent (US\$ 17 billion/year) of the US\$ 93 billion required annually to fill the infrastructure gap in Africa. Reverse-bid auctions and tendering mechanisms have ensured full government control over technology choice and project size, apart from having electricity generation at competitive prices. Additionally, price revealing function of auctions may result in notably lower prices. To further make the most of reverse bid auctions and tendering

mechanisms other criteria on environmental impact, increase in local manufacturing content may also be imposed.

Investing in **off-grid renewable energy** is an attractive option, where most of the population either has no access to grids (mainly due to distance frontier) or finds it unaffordable to connect to the grid. Off-grid solar energy, in particular, can enable users to access lighting and in some cases afford mini renewable-based electricity generators. Further, according to the World Bank's Enterprise Surveys, 39.3 per cent of the firms surveyed identify electricity as a major constrain to doing business. Tackling the energy challenge, especially in urban areas, can improve the performance of African firms as well as attract greater investments. While off-grid power generation systems are the best possible option for the power problem in Africa, off-grid systems based on solar or wind require electricity storage to make them truly useful. The present electricity storage systems that either exist or are under development in Africa, are expensive and tend to be best suited to large-scale applications. Nevertheless, with improved technologies and rapidly falling prices for solar generation, there have been developments in electricity storage facilities thus providing the potential for small-scale, off-grid power networks.

The **international private sector** is set to play a crucial role in addressing the African continent's energy deficit. Presently, African countries including Côte d'Ivoire, Nigeria and Senegal have preferred to promote public-private partnerships (PPP) to address the power deficit situations in their respective countries. On the other hand, Ethiopia and Tanzania's power sector development has mainly been restricted to their respective governments. Countries like South Africa and Kenya have chosen the hybrid routes through IPPs.

Exim Bank of India (Exim Bank) has placed special emphasis on extension of Lines of Credit (LOCs) as an effective market entry mechanism with particular focus on small and medium enterprises. Exim Bank's LOCs provides a risk-free, non-recourse export financing option to the Indian exporting community, which helps them penetrate new markets and enhance their export volumes in the existing markets overseas. Exim Bank extends LOCs to overseas financial institutions, regional development banks, sovereign governments and other entities overseas, to enable buyers in those countries to import developmental and infrastructural projects, equipment, goods and services from India, on deferred credit terms. Exim Bank also extends LOCs with the support of Government of India. Under the Lines of Credit extended with the support of Government of India, Exim Bank reimburses 100 per cent of contract value to the Indian exporters, upfront upon the shipment of goods and at least 75 per cent of goods and services of total contract value should be sourced from India. LOCs have also enabled India to demonstrate project execution capabilities in the emerging markets. LOCs have helped to gather considerable momentum in the recent years, especially in the developing countries of Africa, Asia, Latin America, Oceania and the CIS. The Bank has now in place 221 Lines of Credit, covering over 63 countries in Africa, Asia, Latin America, Oceania and the CIS, with credit commitments of over USD 16.81 billion, available for financing exports from India. LOCs are thus an effective instrument for promoting and facilitating India's exports of projects, goods and services to developing countries.

Exim Bank, with the support of Government of India, has signed five LOCs as given

below during the period April-June 2017:

[i] An LOC of USD 71.40 million was extended to the Government of Cote d'Ivoire for upgradation of Military Hospitals. With the above LOC, Exim Bank, till date, has extended six LOCs to Cote d'Ivoire, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 207.70 million. The earlier LOCs were extended to Government of Cote d'Ivoire for renewal of urban transport system in Abidjan, agricultural projects, Mahatma Gandhi IT and Biotechnology Park, Fisheries Processing Plant, Coconut fiber processing plant, transmission line between Cote d'Ivoire and Mali and rice production programme.

[ii] An LOC of USD 2.50 million was extended to the Government of Madagascar for Completion of unfinished fertilizer plant project in Madagascar. With the above LOC, Exim Bank, till date has extended two LOCs to Madagascar, with the support of GOI, taking the total value of LOCs extended to USD 27.50 million. The earlier LOC was extended to Government of Madagascar for rice productivity and project for fertilizer production.

[iii] An LOC of USD 500 million was extended to the Government of Mauritius for Equity Participation for financing various Infrastructure Projects. With the above LOC, Exim Bank, till date, has extended five LOCs to Mauritius, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 664.80 million. The earlier LOCs were extended to Government of Mauritius for Purchase of specialised equipment and vehicles, to finance the acquisition of Waterjet Fast Attack Craft and Project Trident.

[iv] An LOC of USD 81 million was extended to the Government of Rwanda for Establishment of 10 Vocational Training Centres and 4 business incubation centres in Rwanda. With the above LOC, Exim Bank, till date, has extended four LOCs to Rwanda, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 281.05 million. The earlier LOCs were extended to Government of Rwanda for Power projects, Export Targeted Modern Irrigated Agricultural Project.

[v] An LOC of USD 318 million was extended to the Government of Sri Lanka for financing Procurement of rolling stock for Sri Lankan Railways, Upgradation of railway tracks. With the above LOC, Exim Bank, till date, has extended seven LOCs to Sri Lanka, with the support of the Government of India (GOI), taking the total value of LOCs extended to USD 1,534.16 million. The earlier LOCs were extended to Government of Sri Lanka for Purchase of equipment/ supplies, Upgradation of railway line (Colombo-Matara), Track laying on the Omanthai-Pallai sector, Madhu Church-Tallaimannar sector, Medawachchiya- Madhu railway line, Kankesanthurai railway line and setting up of signaling and telecommunications systems for the Northern railway line in Sri Lanka.

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### **Exim Bank extends a term loan of USD 1.60 billion to the Bangladesh India Friendship Power Company Pvt. Ltd. [BIFPCL]**

Exim Bank has extended a term loan of USD 1.60 billion to the Bangladesh India Friendship Power Company Pvt. Ltd. [BIFPCL, a 50:50 joint venture between the Bangladesh Power Development Board, Bangladesh and NTPC Ltd., India] for financing the 1320 MW [2\*660 MW] ultra-super-critical Maitree Super Thermal Power Project on Turnkey Basis at Rampal, District-Bagerhat, Bangladesh. The Facility Agreement to this effect was exchanged on April 10, 2017, by Mr. David Rasquinha, Managing Director, on behalf of Export-Import Bank of India with Dr. Ahmad Kaikaus, Secretary, Power Division, Ministry of Power, Energy and Mineral Resources, Government of the People's Republic of Bangladesh and Mr. Ujjwal Kanti Bhattacharya, Managing Director, on behalf of BIFPCL, in presence of the Hon'ble Prime Minister of the People's Republic of Bangladesh, H. E. Sheikh Hasina, at an Interactive Business Session in New Delhi, held on April 10, 2017.

### **Buyer's Credit under Government of India's (GOI's) National Export Insurance Account (BC-NEIA) "Credit Confirmation Statements"**

On the side-lines of the 52nd African Development Bank (AfDB)'s Annual Meetings held at Gandhinagar, India, during May 22-24, 2017, Export-Import Bank of India signed "Credit Confirmation

Statements" aggregating USD 1.22 billion for providing financial assistance for six projects under the Buyer's Credit under National Export Insurance Account (BC-NEIA) to [a] Ghana for design and construction of Railway Linkages between Tema and Akosombo valued at USD 398.33 mn; [b] Cameroon for Construction of 225 kV Nkongsamba - Bafoussam and Yaounde - Abong Mbang Transmission Line along with associated sub-stations valued at USD 93.50 mn; [c] Senegal for construction of 225kV transmission line for Tambacounda - Kolda - Ziguinchor link and Extensions and Rehabilitation of Networks in the Regions valued at USD 200 mn; [d] Zambia for design and construction of Lusaka city decongestion project valued at USD 245.74 mn; and [e] Côte d'Ivoire for supply of 500 buses, 62 fleet maintenance support vehicles, spare parts valued at USD 87.46 mn and supply of 3,599 vehicles valued at USD 199.99 mn. The aggregate assistance exceeding USD 1.22 bn in the aforesaid infrastructure projects being executed by Indian companies are expected to have a significant positive impact to the development process of these countries.

### **Launch of Duty Calculator tool on the EXIM Mitra portal**

Exim Bank, in its attempt to fulfil twin objectives, namely providing information on financial products available to facilitate exports, and delivering trade related information, has launched the "EXIM Mitra" portal. The portal seeks to provide information on Trade Finance and Export Credit Insurance options

besides Export-import intelligence and a helpline in the area of Trade Finance and Export Credit Insurance. EXIM Mitra acts as a gateway to identify potential global markets and products, understand product standards across the globe, estimate freight cost, introduce exporters and importers to the various credit and insurance facilities available, identify agencies providing handholding, apart from a host of other value added services.

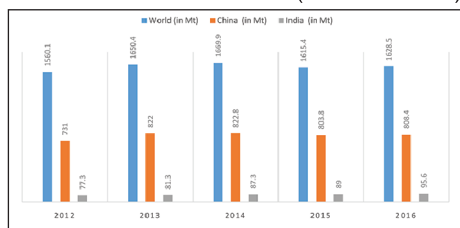
### **Export-Import Bank of India and The Export-Import Bank of Korea sign MoU to utilise the Export Credits of US Dollars Nine Billion for supporting priority sectors**

A Memorandum of Understanding (MoU) was signed between Export-Import Bank of India and The Export-Import Bank of Korea, to utilise the Export Credits of USD 9 billion for supporting priority sectors, including smart cities, railways, power generation and transmission, and other sectors as may be mutually agreed. The MoU was signed by Mr. David Rasquinha, Managing Director (Additional Charge), Export-Import Bank of India and Mr. Jongku Choi, Chairman & President, The Export-Import Bank of Korea in Seoul on the sidelines of the Fifth India - Korea Finance Ministers' Meeting. With the Memorandum of Understanding in place, Export-Import Bank of India and The Export-Import Bank of Korea will endeavour to promote projects in India and support the supply of goods and services from India and Korea as part of projects in third countries.

## Introduction

The steel industry is an important barometer of the economy as it has one of the highest economic linkages in overall Gross Domestic Production (GDP). Steel has an output-multiplier effect of around 1.4 times<sup>1</sup>, so if steel industry grows by 1%, its proportionate impact on GDP would be 1.4%. The employment-multiplier effect of steel is around seven times, that is, with increase in output, steel industry has the potential to create seven times the job opportunities, in upstream and downstream industries. India was the world's third-largest producer of crude steel in 2016, after China and Japan (up from eighth in 2003) with production amounting to 95.6 Mt - a share of 5.9% in world crude steel production, up from a global share of 5.5% in 2015. The sector also recorded a healthy production growth of 7.4 per cent in 2016 over 2015. The growth in the Indian steel sector has been driven by domestic availability of raw materials such as iron ore and cost-effective labour.

Annual Crude Steel Production (in million tonnes)

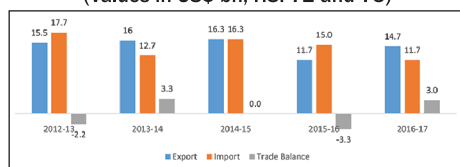


Source: World Steel Association

## Trade Scenario

After having witnessed a trade deficit in Iron and Steel (HS: 72 and 73) for several years, India witnessed a trade surplus in this product category in 2013-14. However, imports grew at a faster pace than exports in 2014-15, and

India's Trade in Iron and Steel (Values in US\$ bn; HS: 72 and 73)



Source: Ministry of Commerce, EXIM Bank Research

both reached same level of US\$ 16.3 bn in the year. In 2015-16, a trade deficit of US\$3.3bn was witnessed after which a trade surplus was reached in 2016-17 of US\$ 3 billion.

## FDI in the sector

In the Iron and Steel industry, foreign investments are allowed under automatic route for foreign equity participation up to 50 percent, subject to the foreign exchange and other stipulations governing such investments. Between January 2003 and June 2017, the total capital investment of US\$20.31 billion, in the steel products sector, while a total capital investment of US\$11.45 was received in the iron & steel mills & ferroalloy segment in the same period. Data for top FDI receiving states in the steel products sector between January 2003 and March 2017 is presented in Table 1.

## Challenges in the Steel Industry

The limited availability of essential raw materials such as high grade manganese ore and chromite, coking coal, steel grade limestone, refractory raw material, nickel,

ferrous scrap etc. is a challenge. Due to shortage of domestic coking coal, both in terms of quantity and quality, about 70% of the coking coal requirement of the domestic steel industry is presently being met through imports. Ministry of Steel plans to coordinate with Ministry of Coal to increase availability of coking coal through overseas asset acquisition. Other strategies include

establishment of sufficient number of modern coking coal Washeries, creation of special coal linkage e-auction window for steel players to ensure supply of coal to steel sector.

## Government Initiatives for the Steel Industry

The National Steel Policy 2017, envisages a crude steel capacity of 300 million tonnes (MT), production of 255 MT and a robust finished steel per capita consumption of 158 Kgs by 2030-31, as against the current consumption of 61 Kgs. The Ministry of Steel is facilitating setting up of an industry driven Steel Research and Technology Mission of India in association with the public and private sector steel companies to spearhead research and development activities in the iron and steel industry at an initial corpus of Rs 200 crore (US\$ 31.67 million). India has also imposed anti-dumping duties and Minimum Import Price and a safeguard duty of 20 per cent on import of the metal to shield the domestic industry from cheap inflows, particularly from China.

Contd. on page No. 12

Table 1: State wise FDI for Steel Products from January 2003 to March 2017 (in US\$ Millions)

Source Countries	Maharashtra	Jharkhand	Gujarat	Tamil Nadu	Orissa
South Korea	6635.8		20	560.6	16.4
UK	18	2403.7	560.6	82	581.3
Japan	78	59.8		327.8	
Luxembourg		560.6			283.5
United States	548.7				
Australia	203.7	193			
Netherlands	451				
Brazil				71.1	
Taiwan	76.6		356		
Spain	3.2		280.3		
China					
Russia	3.2				
Bahrain			280.3		
Finland	181.7			3.2	
Italy					86
Saudi Arabia	32				
UAE				25	
Sweden	10				
Germany	3.2				
<b>Total</b>	<b>8245.1</b>	<b>3217.1</b>	<b>1497.2</b>	<b>1069.7</b>	<b>967.2</b>

Source: fdimarkets.com

<sup>1</sup>PIB Release, Ministry of Steel, Feb 2017

<sup>2</sup>PIB Release, Ministry of Steel, Feb 2017

<sup>3</sup>World Steel Association

<sup>4</sup>Annual Report 2016-17, Ministry of Steel

<sup>5</sup>Source: fdimarkets.com

<sup>6</sup>World Steel Association, 2016

### Extending support to India's export

Exim Bank, through its Marketing Advisory Services, plays a promotional role to create and enhance export capabilities and international competitiveness of Indian companies by identifying opportunities in overseas platform and seeks to help Indian exporting firms in their globalization efforts by proactively assisting in locating overseas distributors, buyers and/or partners for their products and services.

The Bank has actively exercised this unique program by way of identifying buyers and generating orders for niche products from overseas markets. Facilitating such endeavors, the Bank assisted manufacturer & exporter from Rajasthan to generate an order for Wooden Panels from an Australian buyer. The Australian Importer was seeking customized wooden panels with intrigue & traditional design for installing panels at one of the fine dine restaurants owned by the Importer. The importer owns total of 18 restaurants across Australia and plans to renovate all the restaurants with wooden panels and vintage style furniture in the future. Through Exim Bank's assistance, a trial order was successfully placed and the exporter could expand its customer reach in the Australian market.

Exim Bank also assisted handloom weavers cooperatives from Kerala by generating multiple orders from an e-commerce company based in United States of America. The e-commerce company is part of the Nat Geo Group engaged in showcasing products from more than 2000 master artisans across the globe on its platform. Exim Bank's support helped the cooperatives to reach out to a wider market selling their products to direct and corporate buyers from the USA. This initiative has given a boost in export sales and a new found confidence to the weavers of Kerala.

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### Activities of Eximius Centre for Learning (ECL) during April- June 2017

During the quarter April- June 2017, ECL had organized three seminars for the exporters. ECL in association with Confederation of Indian Industry (CII) conducted a seminar on 'Opportunities and Challenges in Foreign Trade in NE region' at Dimapur, Nagaland on May 3, 2017. Senior Government officials from the ministry of Commerce, Trade and Finance, DGFT and Govt of Nagaland also attended the programme.

An interactive session for exporters on "Challenges & opportunities in Foreign Trade" was organized on May 30, 2017 at Udaipur in association with Federation of Indian Export Organisation & Udaipur Chamber of Commerce and Industries (UCCI). This seminar has speakers from DGFT, Customs and ECGC. The objective of such seminar is to bring various stake holders contributing to India's Trade & Investments at one platform and discuss the issues, challenges and opportunities relevant to the Indian exporters/importers.

In an ongoing endeavour to create an economic hub in India's North eastern region, by exploring the trade and commerce potential with ASEAN neighbours, Bank has actively participate in seminars to disseminate information on various initiatives taken by Govt. of India Financial and Support Institutions to exporters in general, and to those located in North Eastern region in particular, and a broad overview of Foreign Trade policy, export potential from the region and various financial & incentives for Indian Exporters. Hence, Exim Bank in association with Indian Chamber of Commerce had organized a seminar on "Energising Entrepreneur in International Trade" at Shillong on June 2, 2017.

### Programmes in the pipeline include

- Seminar on "International Trade Facilitation" on July 18, 2017 at Ludhiana

- Seminar on "Safest payment terms with Export Finance" at Bhubaneswar on August 1, 2017
- An "Interactive Meet on Trade & Investment" at Amritsar on August 21, 2017
- Seminar on "Implication of GST and review of Foreign Trade policy" At Varanasi on Sept 1, 2017
- A seminar on "Opportunities and Challenges in Foreign Trade in NE region" at Sikkim (date to be finalized).

Contd. from page No. 11

### Outlook

India is expected to become the world's second largest producer of crude steel in the next 10 years, moving up from the third position. The sector has ample potential for growth given the low per capita steel consumption of 61 Kg in India, as compared to the world average of 208 Kg. According to World Bureau of Metal Statistics report published in 2016, India's steel output is expected to average annual growth of 8.9% during 2017-2021, higher than 2.9% during 2012-2016. India's steel output will grow from 95.6 million tonnes (MT) in 2016 to 128.6 MT by 2021, and the country's share of global steel production will accelerate from 5.9% in 2016 to 7.7% in 2021. The expected rise in consumption will be driven by increased infrastructure construction and the thriving automobile and railways sectors. The Union Budget, 2017-18 increased the total outlay for infrastructure up by 13% to Rs. 396135 crore. The government is focussed on enhancing the infrastructure of the country in terms of railways, airports and construction that is set to create a huge demand for the steel industry, going forward.

### Chile

Chile being open economy is susceptible to global developments like movement in commodity prices. Minerals, majorly copper, account for 50 per cent of its exports. Economic growth of Chile therefore moderated to 1.6 per cent in 2016 as a result of the fall in commodity prices. It is expected to moderate further in 2017 to 1.4% reflecting weak private consumption and reduced exports due to lack of investment activity in the mining sector. Government spending is expected to remain low in order to cut down the fiscal deficit. Exports are also expected to remain sluggish in 2017 due to lower demand from key trading partners like China and USA. Industrial activity although slowed down in 2016, is expected to revive in 2017 following the increase in mining output due to improving copper price. Service sector is expected to demonstrate a reasonable growth supported by Chile's developed retail, shipping and transport sectors, and the emerging tourism sector. Agriculture will also pose a strong growth given the growing demand for Chile's fresh fruit in Asia.

### Viet Nam

Viet Nam's economy registered a growth of 6.2 per cent in 2016 and is expected to grow by 6.3 per cent in 2017 making it one of the fastest growing emerging market economies. Economic growth in the first half of 2017 was stunted due to slowdown in the extractive sector, on the back of the government's decision to shift the focus of the economy away from the natural-resources sector. The economic growth in the coming years will be supported by private consumption boosted by wage growth, increased access to credit and rapid influx of tourists with the launch of e-Visa system. Government spending is expected to slow down as the government

focuses into reforming the State Owned Enterprises (SOEs). Foreign investment in the export oriented electronics sector is expected to result in an annual average real GDP growth of 9.1 per cent during 2017-21 partly owing to the migration of low-cost export manufacturing from China.

### Qatar

Real GDP growth of Qatar declined for the fourth consecutive year and stood at 2.2 per cent in 2016 partly reflecting the impact of sluggish global economic recovery. Qatar has recorded fiscal deficit in 2016 for the first time in 15 years. Economic growth of Qatar is expected to moderate further to 0.8 per cent in 2017, owing to restricted oil production in compliance with the recently extended OPEC agreement and economic isolation imposed by Saudi Arabia, UAE, Bahrain and Egypt on Qatar with the allegation of promoting terrorism. Nonetheless, the impending launch of the long-awaited US\$ 10 billion Barzan natural gas development is expected to provide a partial offset to these negative trends. The government continues to press ahead with a massive infrastructure improvement programme as part of preparations for the 2022 FIFA World Cup, which is expected to drive growth further. Government spending on capital projects are expected to give a boost to local industries in the coming years.

### China

The Chinese economy registered growth of 6.8 per cent in 2016 and is expected to grow further by 6.9 per cent in 2017. According to IMF, the first quarter of 2017 witnessed stronger than expected growth as a result of pick up in credit and reduced excess industrial capacity. However the monetary policy easing comes with a risk of large increase in debt posing a downside risk in

medium term. The property market has proved to be more resilient in the face of administrative curbs than anticipated and infrastructure spending remained robust. A recovery in external demand has also helped to lift exports and bolster corporate confidence. The rate of economic expansion is expected to slow down to 4.9 per cent a year on average in 2018-19 as the authorities plan to bring debt levels under control. Although this is perceived as a "hard landing" by many, unemployment and social instability are unlikely to rise dramatically. Export growth and investment in housing construction are expected to hold back economic growth during 2017-21.

### Israel

Israel witnessed a strong economic growth with the real GDP growing at 4.0 per cent in 2016. Growth was however weak in the first quarter of 2017 but it reflected more of rebalancing of the economy than a slowdown through declining private consumption from highly unsustainable levels. Overall economic growth of Israel is expected to stand at 4.1 per cent in 2017. Increase in natural gas output and a modest recovery in exports, particularly in new and established markets of Asia, will lead to rise in exports. However economic slowdown in USA and China might hurt the growth prospects. Export of natural gas to Jordan from Tamar field is expected to have a modest contribution. Export growth will strengthen as the Intel (US) semiconductor plant begins production in 2017. Israel's high-technology sector will also drive investment and exports of both industrial goods and, especially, services. Investment in residential construction will increase, backed by government initiatives to expand the housing stock.

### ZAR (South African Rand)

During July the South African Rand weakened marginally against the US dollar in terms of London closing from 13.087 to 13.229. The Reserve Bank of South Africa (SARB) lowered the repurchase rate by 0.25 percentage point to 6.75%.

The Rand has weakened against the US dollar following the warning from Moody's that the SARB is under increasing political pressure to maintain expansionary monetary policy. It follows the SARB's surprise decision to ease monetary policy. The SARB is attempting to provide more support for economic growth. South Africa's economy unexpectedly fell into recession in Q1 and there is little evidence yet of improving growth momentum. Nevertheless the SARB has only limited scope to ease monetary policy given that inflation is still expected to average 5.3% this year and 4.9% in 2018. The SARB remains concerned as well that the Rand is vulnerable to negative domestic political developments.

South Africa is at risk of losing its investment grade rating for Rand denominated debt. Persistently weak growth and President Zuma's call for "radical economic transformation" pose ongoing risks to foreign investor confidence in South African assets. Dlamini-Zuma is the current favourite to become the next leader of the ANC (African National Congress) and has backed President Zuma's plans for "radical economic transformation". Investors have breathed a sigh of relief after the public prosecutor Busisiwe Mkhwebane effectively retracted her demand that the mandate of the SARB be altered via an amendment to the constitution. The negative domestic developments have prevented the Rand from benefitting further from favourable external conditions. In these circumstances, market expects the Rand to strengthen in the year ahead although it is subject to building downside risks.

### EGP (Egyptian Pound)

The Egyptian pound has showed some signs of revaluation, for the first time in three months, the Egyptian pound

strengthened against the US dollar, trading at EGP 17.88 per USD in July 2017.

The exceptionally attractive yields coupled with the devalued local currency advocated the steady inflow of portfolio investments, with \$54bn of fresh funds flowing into the system since flotation of the currency in November. Consequently, this supported a positive shift in the banking sector's net foreign assets' position to mark a surplus of \$3.8bn in May 2017 against a deficit peak of \$11bn in December 2016 and a reduced deficit of \$0.4bn in April 2017, according to the report.

However, removing the capital restriction, which were previously applied by the Central Bank of Egypt (CBE), will act as the final test for demand size. Market expects that the CBE to gradually shift their stance after testing the ability to cater for the real existing demand following the clearing of the repatriation back log, as well as the removal of capital transfer restrictions.

This view is supported by an adequate reserve shield that jumped 35% since November 2016 to comfortably cover 6.5 months of imports in May 2017, up from a low of 3.1 months in June 2013.

Furthermore, Market expects that the downward pressures on the Egyptian pound will gradually decline in the future, as the supply and demand dynamics settle. However, due to the rising foreign liabilities with excessive borrowing, the total outstanding liability is expected to register at \$7.6 bn and \$12.2 bn in FY 2017/18 and FY 2018/19 respectively. Some reports forecast that the rate of the appreciation of the Egyptian pound will be mild over the next three years.

Foreign exchange rate correction is what is needed to tame inflationary pressures, as it is a cost-push inflation driven by the rising factors of production costs. However, the interest rates will be maintained until the end of 2017, with a possible cut in the first half of 2018.

Some Financial institutions forecast that the Egyptian pound will gain between 1-1.5% by December 2017 due to the maintained level of foreign currency

liquidity. The value of the Egyptian pound to register between 16.6-17.1 against the US dollar and to stabilise at an average of 16.8 USD/EGP for fiscal year (FY) 2017/18.

### RUB (Russian Rouble)

During July the Russian rouble weakened modestly against the US dollar in terms of London closing rates from 59.164 to 60.128. The Central Bank of the Russian Federation (CBR) maintained the one-week auction rate 9.00%.

The rouble has weakened against the US dollar which reflected in part concerns over the potential negative impact from the imposition for further US sanctions on Russia. The recent performance of the rouble has been particularly poor given that the US dollar has continued to weaken more broadly. Dampened expectations for further Fed rate hikes this year are boosting demand for carry trades although it has offered little support recently for the high yielding rouble. The rouble has also failed to derive much support from the rebound in the price of oil which has moved back into line with its average over the last year. As a result, the scale of rouble overvaluation has eased materially in recent months thereby helping to dampen previous concerns over the persistent strength of the rouble.

The CBR has stated that it does not plan to resume FX purchases this year, while the Finance Ministry will continue purchases while the price of oil is above USD 40.0/barrel. The persistent strength of the rouble over the last year has helped to dampen inflation which has moved closer to the CBR's year-end target of 4.0%. The surprise inflation pick up to an annual rate of 4.4% in June is expected to prove temporary. Market expects the CBR to stick to their plan for "gradualism" with the aim to lower real rates to between 2.5% and 3.0%. The sharp slowdown in inflation has helped to reduce headwinds to economic growth. The CBR has raised their forecast for growth this year to between 1.3% and 1.8%. In these circumstances, Market expects the rouble to strengthen modestly in the year ahead.

# India's Macroeconomic Indicators

15

INDICATORS	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
GDP (at current prices, US\$ bn)	1708.5	1823.0	1829.0	1863.2	2042.4	2073.7'	2230.8'	2406.8'
Real GDP Growth (%)	8.9	6.7	5.5**	6.4**	7.5**	8.0**	7.1p**	7.2f**
Sectoral Share in GDP (%)								
Agriculture & allied activities	14.6	18.5	17.8**	17.5**	16.3**	15.3p**	15.0ae**	-
Industry	27.9	32.5	31.9**	31.5**	31.2**	31.2p**	30.8ae**	-
Services	57.5	49.0	50.3**	51.0**	52.5**	53.5p**	54.3ae**	-
Inflation rate (CPI, annual avg. %)	10.4	8.3	10.2	9.5	5.9	4.9	3.8**	2.18 (May '17)**
Inflation rate (WPI, annual avg. %)	9.6	8.9	7.4	6.0	2.0	-2.5	1.7**	2.17 (May '17)**
Gross Fiscal Deficit (% of GDP)	4.8	5.9	4.9	4.5	4.1	3.9e	3.5e	3.2e
Exchange Rate (₹/US\$, avg.)	45.6	47.9	54.4	60.5	61.1	65.5	67.1	64.74 (Jun 30, '17)
Exchange Rate (₹/Euro, avg.)	60.2	65.9	70.1	81.2	77.5	72.3	73.6	74.00 (Jun 30, '17)
Exports (US\$ bn)	249.8	306.0	300.4	314.4	310.3	262.3	276.5	48.6 (Apr-May '17)
% change	39.8	22.5	-1.8	4.7	-1.3	-15.5	5.4	13.8^
Oil Exports (US\$ bn)	36.4	56.7	60.9	63.2	56.7	30.6	31.6	3.0 (Apr '17)
% change	29.0	55.9	7.3	3.8	-10.2	-46.1	3.4	41.7^
Non-oil Exports (US\$ bn)	213.4	249.2	239.5	251.2	253.6	231.7	244.9	21.7 (Apr '17)
% change	41.8	16.8	-3.9	4.9	0.9	-8.6	5.7	15.3^
Imports (US\$ bn)	369.8	489.3	490.7	450.2	448.0	381.0	382.7	75.7 (Apr-May '17)
% change	28.2	32.3	0.3	-8.3	-0.5	-15.0	0.5	40.6^
Oil Imports (US\$ bn)	106.0	155.0	164.0	164.8	138.3	82.9	86.9	15.1 (Apr-May '17)
% change	21.6	46.2	5.9	0.4	-16.0	-40.0	4.7	29.8^
Non-oil Imports (US\$ bn)	263.8	334.3	326.7	285.4	309.7	298.1	295.9	60.6 (Apr-May '17)
% change	31.1	26.7	-2.3	-12.6	8.5	-3.8	-0.7	43.6^
Trade Balance (US\$ bn)	-120.0	-183.3	-190.3	-135.8	-137.7	-118.7	-106.2	-27.1 (Apr-May '17)
Services Exports (US\$ bn)***	124.6	140.9	145.7	151.8	158.1	154.3	163.1	12.9 (Apr '17)
Software Exports (US\$ bn)***	53.1	62.2	65.9	69.4	73.1	74.2	73.7	-
Services Imports (US\$ bn)***	80.6	76.9	80.8	78.7	81.6	84.6	95.7	7.2 (Apr '17)
Services Balance (US\$ bn)***	44.0	64.0	64.9	73.1	76.5	69.7	67.4	5.7 (Apr '17)
Current Account Balance (US\$ bn)	-47.9	-78.2	-87.8	-32.4	-26.8	-22.1	-15.2	-
CAB as percentage of GDP (%)	-2.8	-4.2	-4.8	-1.7	-1.3	-1.1	-0.7	-
Forex Reserves (US\$ bn)	304.8	294.4	292.0	304.2	341.6	360.2	370.0	382.5 (Jun 23, '17)
External Debt (US\$ bn)	317.9	360.8	409.4	446.2	474.7	485.0	471.9	-
External Debt to GDP Ratio (%)	18.2	20.5	22.3	23.9	23.2	23.4	20.2	-
Short Term Debt (US\$ bn)	65.0	78.2	96.7	91.7	85.5	83.4	88.0	-
Short Term Debt / Total Debt (%)	20.4	21.7	23.6	20.5	18.0	17.2	18.6	-
Total Debt Service Ratio (%)	4.4	6.0	5.9	5.9	7.6	8.8	8.3	-
FDI (US\$ bn)	36.0	46.6	34.3	36.0	45.1	55.6	60.0	4.6 (Apr '17)
GDRs/ADRs (US\$ bn)	2.0	0.6	0.2	0.02	1.3	0.4	-	-
Fils (net) (US\$ bn)	29.4	16.8	27.6	5.0	40.9	-4.0	7.7	2.7 (Apr '17)
FDI Outflows (US\$ bn)	17.2	10.9	7.1	9.2	4.0	8.9	7.0	0.5 (Apr '17)

Source: Economic Survey, Various issues; Union Budget, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Finance; CSO; EIU; NASSCOM; Ministry of Commerce & Industry; Institute of International Finance (IIF); WEO, IMF.

Note: e - GOI's estimates; p - EAC, GOI's Provisional Estimate; f - IIF Estimates; - Not Available; @ - IIF Forecast; ^ - % change is over corresponding period of the previous year; - not available; \*\* - Data as per the revised base year 2011-12; ^ - implies growth over the corresponding period in the preceding year

## Trade and Partnership Opportunities

### Trade Opportunities

#### Natural Fibre Products

An NGO working in the field of education, health, income-generation & welfare of marginalized section of society. Through SHG's, the NGO allots work to manufacture décor, utility & office stationery products using the Bamboo craft, recycle craft & babui craft.



#### Handmade Bags

Assam based small enterprise manufactures and designs corporate gifting items, handbags, clutches, wallets using various handloom fabrics produced in the North East region of India.



#### Cement

One of the top producers of cement in India, offers Portland Slag Cement, Ordinary Portland Cement and Ground Granulated Blast Furnace Slag. The company has its factories in Karnataka, Andhra Pradesh and Maharashtra.



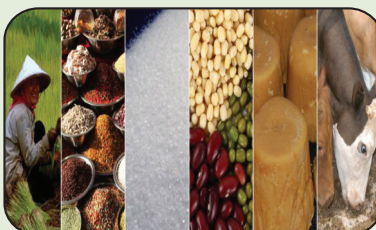
#### Vocational Training Institute

Leading organization in providing global skills development and vocational training. An ISO 9001:2015 certified company, focusing on improving business productivity and enhancing youth employability.



#### Agro Commodity

A Mumbai based company engaged in the trading and exporting of wide variety of agro products. They have an expertise in supplying high quality whole grain food and crystalsugar.



#### Poultry Equipment's

Poultry farm and hatchery equipment manufacturers specializing in poultry incubators, hatchery ventilation system, high speed vaccinators, automatic pan feeding systems and automatic environmental control system.



### Partnership Opportunities

#### Project Opportunities

- (I) A state owned enterprise of the Bangladesh Power Board has issued tender to procure GIS Substation on Turnkey basis. The last date of submitting the bid is 9.10.2017.

#### Export Opportunities

- (I) Columbian company is interested in importing poultry incubators, brooders and automatic egg sorters from India.
- (II) Myanmar based trader & distributor is looking to import confectionery, mouth fresheners, chewing gums, razors, lighters and small shampoo sachets from reputed Indian manufacturer.
- (III) An importer from Dominican Republic seeks to import chemicals such as formaldehyde, caustic soda, solid vaseline, caustic potash flakes, propylene glycol, etc, in bulk quantities.

Interested parties may like to reach out to Marketing Advisory Services Group on contact details mentioned as under.

For more details, please contact:- Phone: 2217 2600, Extn : 2707/2737, Fax: 2218 8268, Email: [mas@eximbankindia.in](mailto:mas@eximbankindia.in)