



# INDIA IN AFRICA

Developing Trilateral Partnership



Confederation of Indian Industry



# **India in Africa: Developing Trilateral Partnerships**



Confederation of Indian Industry

## **Acknowledgements**

This report was authored by Amb. (Rtd.) Gurjit Singh, Chairperson, CII Taskforce on Trilateral Partnerships in Africa (Former Amb. to the AU and Japan), and Ms. Jhanvi Tripathi, Associate Researcher, International Trade Policy, CII.

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# List of Abbreviations

AAGC	Asia Africa Growth Corridor
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
AMU	Arab Maghreb Union
ASEAN	Association of Southeast Asian Nations
AU	African Union
CEMAC	Economic and Monetary Community of Central Africa
CENSAD	Community of Sahel Saharan States
CFA	Communauté française d'Afrique
CII	Confederation of Indian Industry
COMESA	Common Market for Eastern and Southern Africa
DFIs	Development Finance Institutions
DFTP	Duty Free Tariff Preference
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EU	European Union
GATT	General Agreement on Tariffs and Trade
IAFS	India Africa Forum Summit
IGAD	Intergovernmental Authority on Development
ISA	International Solar Alliance
ITC	International Trade Center
ITEC	Indian Technical and Economic Cooperation

JICA	Japan International Cooperation Agency
NEPAD	New Partnership for Africa's Development
OAU	Organization of African Unity
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
OIF	Organisation internationale de la Francophonie
OPIC	Overseas Private Investment Corporation
PIDA	Programme for Infrastructure Development in Africa
PPP	Public Private Partnership
RCEP	Regional Comprehensive Economic Partnership
SADC	Southern African Development Community
TICAD	Tokyo International Conference of Africa's Development
UAE	United Arab Emirates
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

# Foreword

India and Africa have been natural trade partners historically and the relationship has slowly but steadily grown. Our trade has been marked by a relationship of mutual trust and complementarities.

India's FDI stock in Africa rose from US\$ 11.9 billion in 2010 to US\$ 15.2 billion in 2014. Africa's FDI stock in India also saw an increase, from US\$ 57 billion to US\$ 73.7 billion. The higher FDI stock from Africa in India is explained by the fact that Mauritius is used as channel for large amount of India's inward FDI.

As African countries have grown in terms of democracies as well as economies, it is no surprise that African businesses have become more ambitious and Africa has emerged an important market for the world.

This report is a result of recent developments in India's, as well as the world's, approach to Africa. The world is moving away from Africa as an aid receiving continent, to a continent with pressing and real business opportunities. This is in large part due to the efforts of African countries as well, who have covered serious ground in creating a new image of change and embracing the future. The African Continental Free Trade Agreement is a case in point.

In this context, many countries have started looking at trilateral partnerships in Africa where two countries partner with a country in Africa on the basis of the latter parties needs and requirements. The CII Task Force on Trilateral Partnerships in Africa was created as a result of such a proposal which was jointly developed by India and Japan, which is now seen as the movement for a Free and Open Indo-Pacific.

This report has identified some partners who have already expressed their interest in this sort of arrangement and the potential models that could be adopted, building a business case for partnerships.

It is an effort to show CII's, and therefore Indian industry's vision and commitment to the African continent.



**Chandrajit Banerjee**

Director General  
Confederation of Indian Industry



# 1

## The Africa Opportunity

In the business world today, Africa as a bankable market is an idea that has come to stay. The business context of Africa today is wider and better conceptualized than political and strategic connotations. This is mainly due to acknowledged changes in the development story of Africa. The positive socio-economic factors, better growth rates and human indicators as well as its growing population give the context new meaning. The greater political and economic stability seen there also initiates a new narrative over the post-colonial one of strife, conflict and post conflict development. Further, these are now contributing to the evolution of a new business-based paradigm which builds upon African development and steers a course towards private sector roles and increasing commitment to economic indicators which will make Africa a part of the global growth story as partner than only a recipient of donations. Africa is no more a mere backstop in foreign policy or business decisions. It attracts a host of new economic partners now as well as the interest of large corporations and smaller business. Traditional donors now seek business like engagement. The buzz words around Africa are growth and change.

Africa is among the largest of the globe's land masses. It has 54 countries and a population growing to be almost equivalent to that of India. It is full of diversity with a varied historical context including different colonial experiences. It has wide climatic differences with mineral resources accounting for a great amount of its wealth. The

variation is also in the size of its countries. Four of them have populations over 75 million while six have under one million people.

Africa has 26 middle income countries with some having been in the upper echelons of the middle-income countries. 27 countries with about 45% of Africa's population, however, are low income countries. Africa as a whole has among the lowest global per capita incomes.

Geopolitically several of the low-income states qualify as fragile states and are often lacking access to the sea. In fact, 16 countries in Africa are landlocked. 35 countries have annual economic production of less than \$25 billion and due to this the contradictions of socio-economic development often bring great challenges. (African Development Bank Group, 2016)

What we thus have, is the continent of Africa with diverse regions, climate, development standards, and countries.

The challenges faced by Africa are accentuated by issues of climate, commodity prices, and strategic fault lines.

By the middle of the 21st century, Africa is expected to be benefitted with a growing population with median in the working age group. Nearly three quarters of global growth in the number of people in the working age group, up to the middle of the century, is likely to be in Africa. (African Development Bank Group, 2016)

Global growth will continue to demand the natural resources and possibly the land resources of Africa and of its local entrepreneurial spirits and the private sector could be harnessed with inputs of capital and technology. A great new opportunity could be grasped. What Asia achieved in the 20th century, Africa is poised to attain in the 21st century.

Slow growth in the bigger economies has led to a decline and employment opportunities, which are necessary for about 200 million people annually, are not emerging as per requirement.

Spirited action and policy implementation can provide a visible increase in economic growth figures, enhancing employment and provide a new impetus to African growth. About 20 million young people seek employment every year in Africa and job creation for them, particularly close to their homestead, is imperative. This could partially come through a greater interaction with world markets, activation of international value chains, creating industrial zones, improving trade facilitation and infrastructure, reducing barriers to regional trade, investing in skill development, all of which need emphases for the potential of Africa to be unleashed (Fox, 2018). Africa's urban conglomerates are important markets where economic activity is often twice that in rural area.

It is also to be noted that the growing African economic story has factored in the youthfulness of its population which has grasped technology very quickly. Smart phone ownership is likely to double between 2015 and 2022 to about 650 million of which nearly 250 million will be committed to financial applications. Increasing opportunities to provide mobile telephony, data and applications are, thus, huge. (Chironga, Grandis, & Zouaoui, 2017)

Another important factor is that poverty levels have fallen by nearly 15% in the last 20 years according to World Bank figures. Life expectancy is increasing, and adult literacy is growing, albeit slowly. Post conflict reconstruction in most affected countries is under way.

There is no doubt that there is huge demand for infrastructure and macro-economic policies can

suffer strains in some countries. Wherever policies are consistent economic growth is favourable.

Africa is in a transition period where high economic growth is taking place in parts and expanding to other parts. This has created a middle class of a few hundred million people, which is present in most African countries but not concentrated in any one. Further, several large-scale companies which may be multinational or African have created good business models adapting to local conditions. 700 of Africa's large companies have earnings of about \$1.4 trillion cumulatively in 2016 of which 13 have revenues of over \$10 billion and about 300 are between \$500 million to \$1 billion. However, almost half of these companies are South African based and a quarter in North Africa, with barely 30% over the remaining countries. (MGI, 2019)

Thus, Africa has a huge demand which has not been tapped or is not fulfilled, making it ready for new business models for market entry, stable market access, entrepreneurship and investment. Several consulting companies including McKinsey have indicated "you can achieve extraordinary growth and profitability – provided you get your strategy and execution right". (MGI, 2019)

Further research pertaining to statistics for Africa makes interesting reading. Its population is expected to double by the middle of 21st century. It would have more than 90 cities of a million people or more by then. The transition from rural to urban populations means agriculture-based economies will need new impetus in urban areas. By 2030, nearly 20 cities in Africa may have populations over 5 million people whereas there were merely 6 such cities in 2015. By the same time nearly 90 cities will have populations of over 1 million and many of these cities are not yet in the minds of businessmen. (Various, Lions on the Move II: Realizing the Potential of Africa's Economies, 2016). Such rapid urbanization will likely emulate the examples of Europe and the UK after the Industrial revolution, Japan during the Meiji period and in post-Civil War USA. India and China have more recently followed that trend. By 2030 nearly half of Africa's population will be urbanized.

Due to this, Africa's labour force will be around a billion by 2035 and it would have grown by about 14%, which is a faster rate than that of India and China. Such a large work force, if carefully nurtured, can provide much higher consumption and GDP growth rates besides pushing demand in a variety of sectors. What is needed is unleashing their spirit of entrepreneurship which will gain productivity and become an economic asset. This opportunity is real and available.

Consumption patterns show an increase from \$1.4 trillion in 2008 at the time of the financial crises, and likely to double by 2030. B2B marketplace may grow at a more rapid pace and business expenditure may touch \$3.5 billion by 2025. Consumption and business expenditures of about \$ 5.6 trillion are thus anticipated by 2025 which means that the current level of 400 companies of annual earnings of \$1 billion or more may double by 2025. (Various, Lions on the Move II: Realizing the Potential of Africa's Economies, 2016)

Growth in manufacturing productivity may double particularly as all 54 countries are broadly committed to establish the Continental Free Trade Area announced in 2018 and which has been vigorously supported at the African Union Summit of February 2019. The success of industrial parks in various countries more recently in Ethiopia often lead businesses to conclude that given bottlenecks in trade infrastructure, localized production with limited distribution chains can contribute to regional trade through developing clusters. Many manufacturers are now focusing on catering to domestic and regional demand and import substitution through enhanced and improved local production. Returns on investment in these factories appear to be rapid because the market demand remains huge.

Africa is famous for its natural resources and oil wealth and these tallied about quarter of African GDP growth in the first decade of the 21st century. Transport, telecommunications, tourism, financial services, real estate and construction in the same period had a growth rate of 8%. While many countries remain susceptible to fluctuating commodity prices, particularly oil, the anticipation

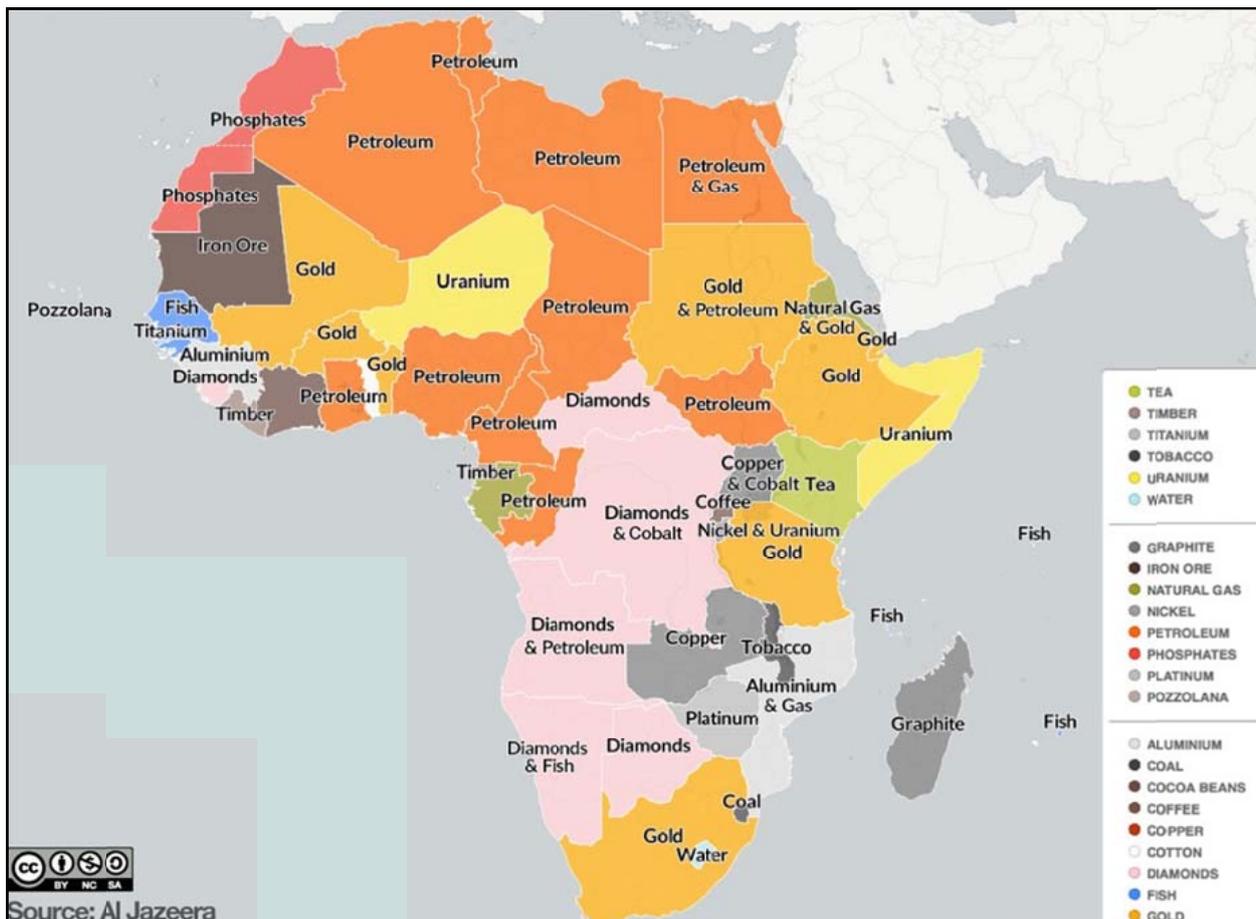
is that African companies themselves strongly believe in Africa because they see African GDP as among the rapid risers globally. They also anticipate better consumption since most African home steads are part of consumption patterns and investments in digital technology have also improved access to education and contributed to rising consumer expectations. (Leke, Chironga, & Desvaux, 2018)

New investments coming into the mining sector will also enhance economic growth in making this the right time for companies to spread to a larger number of countries and scale-up the size of their employees as they seek rapid growth in revenues from Africa. This optimism of African companies themselves is based on the unfulfilled potential of Africa linked to a focused approach adopted by many countries and companies keeping of course in mind that the pitfalls in variations can be many as well.

One of the bigger positives in the Africa's growth story is to improve trade facilitation, remove barriers, unify markets, and create regional and continental markets which will attract higher FDI and enable smoother trade. The successes of the East African community (Kenya, Tanzania, Uganda, Rwanda, Burundi and South Sudan) manifest that they have increased their intraregional trade over the last 10 years by about 15% p.a. A similar success has been noted by the 15 members of the Southern African Development Community (SADC). Other regional economic communities have been slower to organize themselves but the EAC and SADC members are the main stay of the consequent success of the 25-member COMESA. In 2018, the continental free trade area had been announced building upon the ratification by 22 countries of the tripartite free trade area (COMESA + SADC + EAC). 44 of the 54 countries had agreed to this proposal in March 2018 and by February 2019, 12 had ratified it. (Afreximbank, 2018)

Once ratifications of 22 members are received, the AfCTA will come into force bringing together 1.3 billion people into a single market. If this happens before the RCEP is launched, then it would be the biggest of the International Trade Agreements since

**Figure 1: Mapping Africa's Natural Resources**



Source: Al Jazeera, 2016<sup>1</sup>

the WTO was created in 1995. UNECA estimates that by 2022 the AfCFTA can increase intra-African trade by 52% if the objective of reducing tariffs by 90% is attained. The AU hopes the AfCFTA will boost private sector growth in Africa and is working to launch a Pan-African manufacturers' association in anticipation of the free trade area coming into force later this year. (Mevel & Tripathi, 2018)

The AU Commissioner for Trade and Industry has elucidated that the objectives of the AfCFTA include the

1. Creation of a single continental market for goods and services, with free movement of business persons and investments, and pave the way for accelerating the establishment of the Continental Customs Union and the African customs union.

2. Expand intra African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across RECs and across Africa in general.
3. Resolve the challenges of multiple and overlapping memberships and expedite the regional and continental integration processes.
4. Enhance competitiveness at the industry and enterprise level through exploiting opportunities for scale production, continental market access and better reallocation of resources.

A bigger market with fewer trade and tariff barriers will allow the creation of value chains and an increased industrial demand, as well as,

<sup>1</sup><https://www.aljazeera.com/indepth/interactive/2016/10/mapping-africa-natural-resources-161020075811145.html>

production. More than 20 countries have already agreed for Visa on Arrival Schemes for African nationals which have improved the business and tourism arrivals. Africa has largely been outside the value chains and trade facilitation measures of international organizations and businesses. It has often seen virtue in limited concessions like the EU trade concession mainly through the Lome convention and the AGOA opportunities. These did not create local value chains but brought African producers into closer links with international buyers under whose vagaries they stayed. Trade expansion remained limited within Africa and was 8% in 2008 and rising to 10% by 2010. By 2016 nearly 21% of African trade is now intra-regional as more countries trade with each other and the limited success of the SADC and EAC in particular emerge.

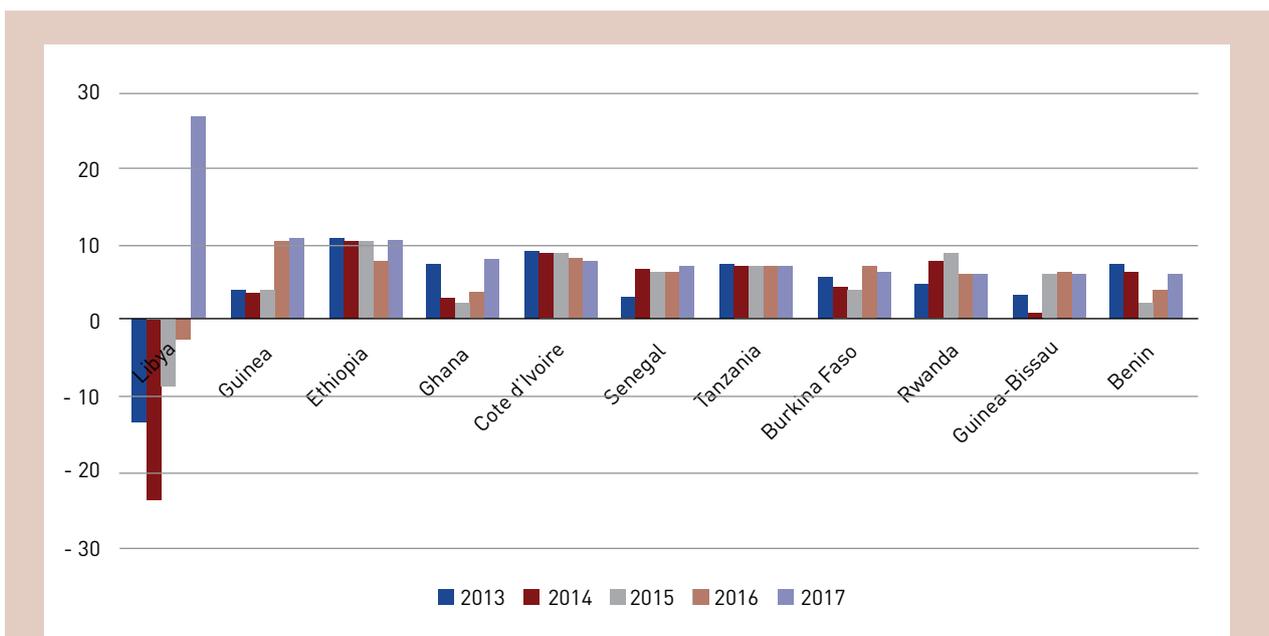
The SADC has nearly 21% intra SADC trade due to the might of the South African economy. The ECCAS in Central Africa has barely 2.1% and AMU about 4%. COMESA is about 8% and the EAC at about 15%. In Comparison EU has intra-regional trade of about 65% and the ASEAN about 23%. (Afreximbank, 2018)

Goals related to trade facilitation, lowering of internal barriers and better infrastructure are all well intentioned targets but remain challenges as well. Supporters argue that African economies are not yet large enough to support economic diversification and industrialization by themselves. They will gain from having a common position when negotiating trade agreements and sealing investments from partners.

The African Union has reverted, after a hiatus of about 5 years, to a New Partnership for Africa's Development (NEPAD) like approach of finding a big idea which could benefit many members but also increase focused development cooperation with its international partners.

From now till the middle of the 21st century, it is not only the challenges of Africa but the opportunities it affords which draw our attention. How investment and productivity grow in Africa and how they keep pace with the growth of population will have an impact in the next decades. The diversity in the economic development in various African countries shows a faster pace of economic growth in many of these countries but a slowdown in others. In

**Figure 2: Top 10 African Economies by GDP Growth (annual %)**



Source: World Bank (World Bank , 2019)

order to catch-up with the rest of the world, where growth rates particularly in Asia have increased, Africa needs a greater impetus. The divergent rates of growth within various countries, indicates that it is not only the availability of natural resources which matters but the policies adopted by various Governments and the regions. There are enough examples of good practices in African countries and if these could be more widespread across countries it will lead to a major transformation and a fulfilment of Africa’s vision 2063.

The slow pace of demographic change in Africa has an impact on the employment issue. Due to this Africa has to create jobs not only now but have a high rate of job creation over the next decades. Besides government, it is the private sector which can be to major job creator. African countries need to evolve the necessary ambience and good business practices to attract both FDI and domestic investments to ensure this goal is met.

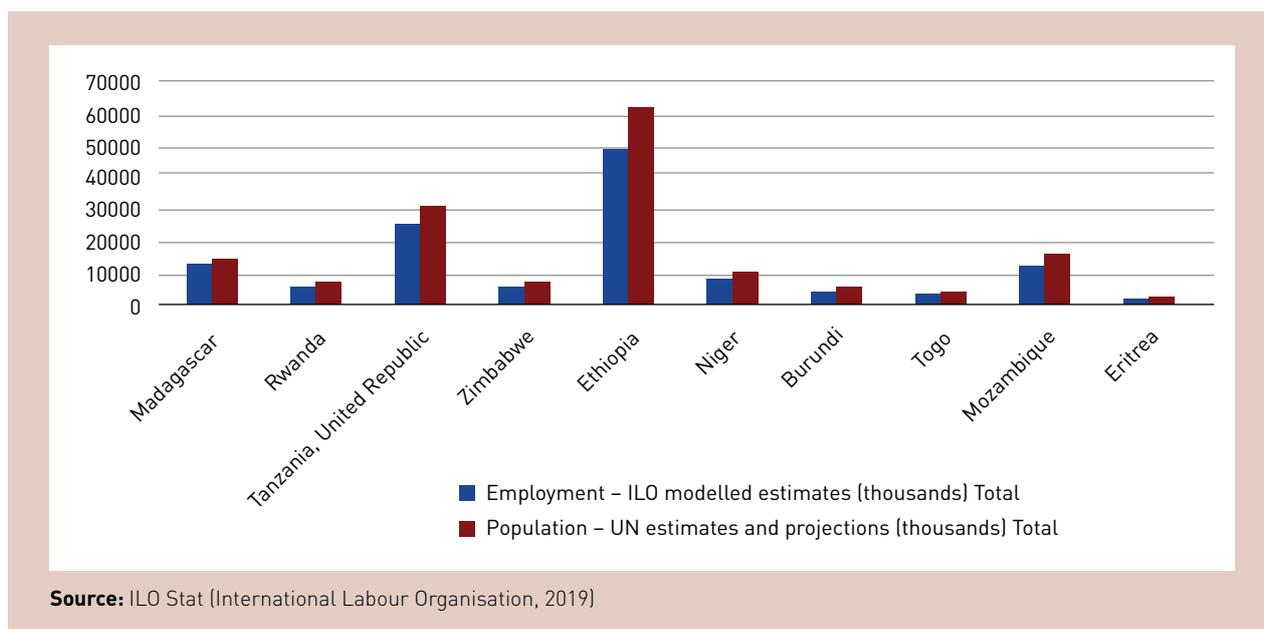
The large-scale dependence on commodity exports needs to be reduced; in actual fact the percentage of commodities and African exports remains between 70% & 75% between 1995 and 2015. Reductions in commodity prices have a negative impact on the fulfilment of aspirations of several African countries. In the same period the saving

rates in Africa appear to have increased but the low rate of public savings contributes to the low rate of domestic resource mobilization and high rate of consumption. (Ahlers & Kohli, 2017)

The development of financial systems and instruments to encourage and marshal savings is extremely important as this will help to generate funds for investment. Thus, increased investment in Africa should come from a greater interaction with private enterprise and an increase in per-capita income on long-term basis will require higher productivity. Both these need consistent attention. The inequality among African countries will decrease if the good examples of successful African countries whether in population issues, economic indicators or structural issues can be spread across the continent. Both Africa and its development partners need to jointly deal with the mitigation and adaptation to climate change, emphasize agricultural research and development, focus on urbanization and the proper marshalling of water resources. In such a scenario, Africa’s emerging advantages which include its natural resources, its growing working age population and rising middle class can become transformative attributes.

As most African countries are young nation states, they have the opportunity to create paradigms

**Figure 3: Top 10 African Countries by Employment to Population Ratio**



of inclusive growth, which in turn could lead to flourishing and sustainable employment for its growing numbers. Since, 2007 Africa has seen positive growth in per capita incomes and a decrease in extreme poverty but a transformative economic agenda with a deeper diversification will provide the sustainable growth to benefit Africa. While a youthful labour force is mostly advantageous, in some countries of Africa adequate employment opportunities are not being generated and this needs attention. A modernization of policy beyond protecting existing companies to avoid the consequences of low productivity, would be seriously required. Africa cannot remain dependent on small holder farms centred on households to be the main generators of employment but needs a better path to industrialization, augmentation of agriculture, growth in services, with a particular focus on employment of women.

## African agriculture

It is clear that agriculture in Africa is extremely important for economic growth. It is also critical to food security and employment generation. However, the performance of agriculture in Africa has been unsatisfactory over the last four decades (Johm & al, 2016). The productivity has also not kept pace and the rate of agriculture growth is well below the rest of the world. Several studies show that African agriculture growth will emanate more from investment, labour intensity, and higher productivity. The availability and price of fertilizers, the cost imposed by poor infrastructure on agricultural inputs and the prices of oil, as well as, impediments to marketing have been additional factors. Floods, particularly in coastal areas, drought, the severity of the impact of climate change and stretching of the water resources have all been inhibiting factors in addition to the policy deficits in several African countries. These restrain the prices and output of African agriculture produce. ( International Fund for Agricultural, 2016)

Vocational training in the field of agriculture is one of the salient gaps and if private entrepreneurship is encouraged on a sustainable policy basis, they could expand investment in farms, in inputs,

marketing, as well as, food processing. Policy incentives to regionalize agricultural markets and enhance market access to global markets would be helpful. A positive attitude from Africa's partners to such investment opportunities could harness not only FDI but good agriculture practices from partner countries vis-à-vis standards and scaling up production.

This could also reverse the negative trends in exports to GDP ratio in which Africa has seen a decline of over 35% since 2007 after several years of robust growth. ( International Fund for Agricultural, 2016). Thus, while FDI is to be encouraged in creating exportable surpluses, the expansion of domestic and regional demand and markets would be equally important. This will help to generate employment and create the basis of a medium-term threshold for growth which will not be totally dependent on terms of trade and commodity prices and the exploitation of natural resources. It is noted that since 2000, many countries in Africa have established liberalized economies which prefer open trade and liberalized exchange rates and are ready for more positive industrial policies to guide their growth.

## Infrastructure

The availability of proper infrastructure helps trade facilitation and is often the determinant of the creation of enhancing trade, poverty reduction, and higher productivity in some countries. In many African countries, the fault lines and higher costs have been manifested by uneven domestic policies inadequate infrastructure and the lack of regional markets. Private enterprise is often shackled with high regulatory cost, which curtails their global competitiveness. The challenge of providing skills in a continent where a large number of people still do not get basic education is a daunting task.

According to the African Development Bank, power, roads and railways are areas where Africa is way behind emerging market levels. Moreover, the concentration of existing infrastructure in these sectors in a few countries like South Africa and in the North makes for even lower penetration in

the rest of Africa. The question we need to ask is whether we can convert these to opportunities. For instance, setting up a power plant and undertaking a distribution business can both be big business opportunities.

Africa has many partners who are willing to support infrastructure development and various efforts to coordinate these support systems were undertaken. NEPAD itself started to do so and then the Infrastructure Investment Consortium through it. Now there is the Programme for Infrastructure development of Africa (PIDA) which is guiding efforts for this sector.

The role of start-ups and impact investing in enhancing power availability and promoting renewable energy is also growing. This is worth noting too. African outlay on infrastructure had reached \$75 billion by 2015 which was substantially higher than the outlay in the first 5 years of the 21st century (Various, Infrastructure productivity, 2013). Better roads, railways, urban transport systems and higher availability of power are happening in African countries where the systems have been better organized. Higher investments in telecommunications and water resources would need to be factored in along with roads, railways and power for greater growth to occur.

The role of the private sector in this effort needs to be enhanced and success stories built upon the example of GE with some governments to upgrade airports, install power capacity and railways besides public hospitals gives an idea of how a trilateral consortium could also work. The diffusion of risk largely comes from well-ordered systems in countries and these could possibly be undertaken regionally.

Multilateral institutions can assist in this. Once infrastructure assets are built the risks tend to lower and running them can be profitable. The Africa Development Bank has created the platform AFRICA50 where the impactful projects in IT, water, energy, and transport are projected. They try to find Public Private Partnerships (PPP's) PPP's, bankable projects and are welcoming of the private sector. It also has the energy program for Africa as part of

the High 5 strategic priorities and committed \$12 billion to it and hopes to attract another \$50 billion in private investment (Africa50, 2019).

Inputs into investing in sectors like education and health are also critical for the success of the Africa story. PPP's have been created in some countries like between GE and Kenya. Much of the aid in these sectors could be converted to sustainable models for business and the importance of impact investment in this again comes to the fore.

## **Education, skilling, and healthcare**

Standards in the education sector in Africa require a higher impetus. To educate and train the growing population of youth is necessary so that the current demographic dividend does not become a demographic burden. Only then will many of the potential success stories materialise.

Much aid goes in to capacity building, schools and feeding programmes and these need to have better backward integration spatially and businesswise with growth centres, rather than sprawl in an unplanned manner.

Similarly, provision of health care is extremely important for a growing population and for preventing pandemics and malnutrition both of which can ruin economies. The sustainability of African economies needs investment in education and health care critically. The role of the private sector needs abetting and more investors need to be attracted by countries who need these facilities

It is possible that industrial corridors linking ports with hinterlands, which could benefit from regional integration and lowering of regional barriers to trade could become focal points of attracting investment, raising productivity and employment. These could also facilitate a greater trade in services which often provides better opportunities and solutions than only the manufacturing sector. It has to be understood that to bring variety into an economy is not a singular template but needs consistent attention to policy so that global competitiveness can be enhanced.

# 2

## India in Africa – then and now

India and Africa are natural partners in many ways. The traditional monsoon winds connected the continents on a dhow-based trade which allowed access of African goods to India and to markets beyond. Similarly, Indian exports to Africa in the traditional times of trade, found further avenues into Mediterranean markets.

For many businessmen from Africa's partners, it is often a challenge to grasp the sheer magnitude of its diversity and complexity. The different tribes and countries of varying size often make it difficult to get a whole or a clear perception. However, for Indian businessmen and entrepreneurs who know Africa well, these are not astonishing facts.

Indian entrepreneurs have worked with African partners in very many African countries and Indian lines of credit themselves are operational in 44 countries. The biggest advantage that Indian companies have in Africa is their familiarity, long term presence and acceptability. They are neither awed by Africa's size nor do they underestimate the challenges of doing business in African countries. And they realized that Africa is likely to be among the fastest growing economies soon. Due to this, the Indian private sector has been present in Africa for centuries and has grown even before countries were independent. As economies became more resilient Indian investment and trade through its private sector expanded and not always was it confined to dealing only with Indian entities. India and its diaspora have been part of Africa's economic growth story and remain committed to its expansion.

The anti-colonial and nationalist movement in India had positive appreciation in Africa as India's independence was often seen as a model for similar aspirations, which several African countries wanted to emulate. India's leadership role for Afro-Asian solidarity particularly at the first Asia-Africa conference in Bandung in 1955 drew a closer engagement with several African countries who were free or on the verge of independence at that time. Egypt, Ethiopia, Ghana, Liberia, Libya, and Sudan were among the countries which participated along with India at Bandung.

Between 1957 and 1964 many African countries became independent and in 1963 had established the Organization of African Unity (OAU). The non-aligned movement, of which India was a founding articulator and member, provided an international identity (along with the UN) to the newly independent African countries. The close ties that India and Africa had forged while discussing independence continued as both India and Africa consolidated and developed their nascent countries.

India's political approach to Africa since the early days was one of unfettered support to anti-colonialism, nationalism, and development. The backing India offered to newly independent African countries to join the United Nations and the option of joining the non-aligned movement were both efforts to re-structure the international order after World War-II. It was an attempt to make the international system more participatory and provide engagement to the newly independent countries.

The search for an egalitarian international order, responsive to their needs was thus an early instrument of policy on both sides.

The ancient trade routes and cultural exchanges were now more open and not fettered by colonial trade patterns. However, it was an area where much work had to be done to create complementarities of trade so that India and Africa could trade with less dependence on their former colonial links. The creation of UNCTAD and the G77 were both areas where India and Africa actively coordinated, and India was supportive of many African countries to join the WTO once the transformation from GATT had been initiated. Thus, bringing African participation to a larger number of international fora and participating with them in the new emerging order was a steady Indian policy.

Cultural exchanges also continued, particularly through the Indian diaspora in many African countries who also now became agents of Indian trade and investment. As African countries became independent, several of them saw Indian FDI reach their shores from a newly confident Indian entrepreneurial class.

India's approach of capacity building and human resource development saw early post-independence participation in the development of African countries. India's first ever overseas training institution was the Imperial Military Academy at Harar, in Eastern Ethiopia established in 1956. This trained a whole generation of Ethiopian military officers as also from several African countries who were emerging into independence.

In 1964, the India Technical and Economic Cooperation (ITEC) programme was launched and it covered in the main, the newly independent African countries and kept expanding to cover those which emerged, as well as, other developing countries. African countries have remained consistently the largest participants in the ITEC programme. Similarly, the scheme of cultural scholarships, started by India also saw a large number of African beneficiaries.

Thus, the basic contours of India's approach to Africa were set in the first two decades after India's

independence where India unhesitatingly showed willingness to share its experience and facilities to work with the newly emergent African countries. This approach included political consultation, the search for an equitable international order, support to capacity building, academic and cultural exchanges, as well as, an emphasis on FDI and trade expansion.

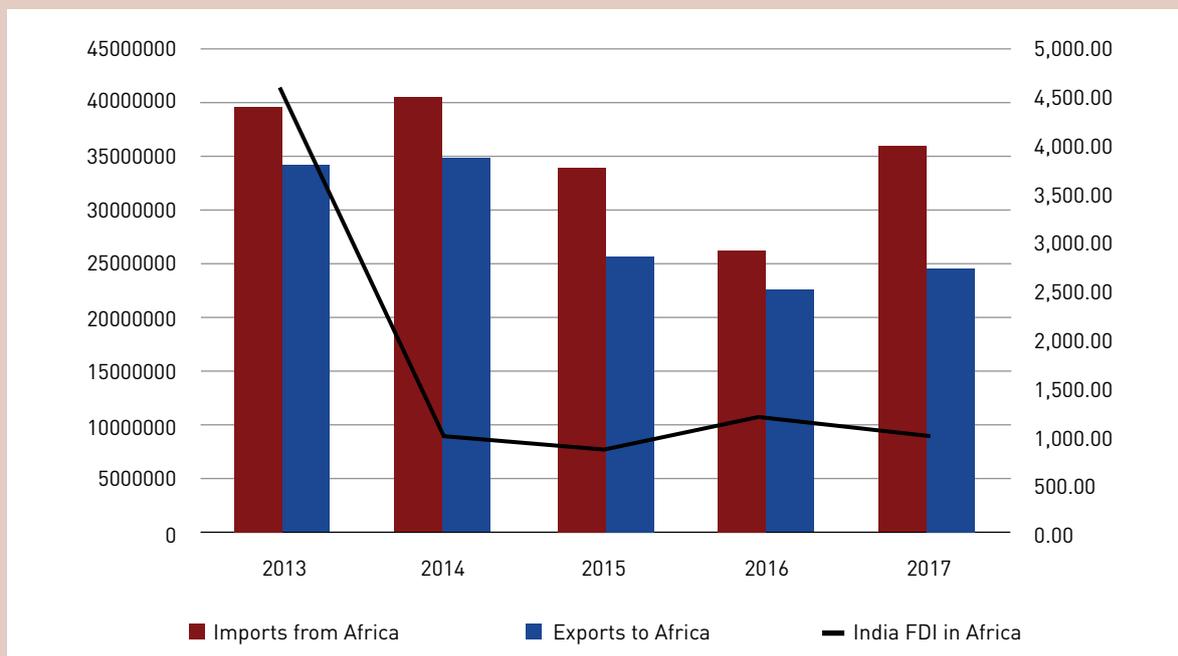
Post 1991, with the end of the Cold War and India's economic liberalization process becoming legitimised, there was a search for new partners by African countries as well as by India. Greater efforts to engage based on the earlier approach were now intensified. Indian FDI increased in Africa, trade was enhanced, military training teams were sent, India's role in peace keeping operations had attained new heights and the ITEC programme had expanded.

India's capacity building programmes were growing, and India was more cognizant of the Pan African and regional economic integration which was ensuing in Africa.

In the 21st century, Indian enterprises have ventured into Africa in many new ways and sectors. The Lines of Credit, the buyer's credits and the raising of international finance has contributed to this expansion. Other countries have also expanded their outreach both governmental and through enterprises that some see it as a new scramble for Africa.

However, Indian enterprises and skills on the ground are attractive for larger enterprises who can find in them able partners to create African models of business. Thus, there is a move now for India's economic partners, who are also avidly committed to Africa, to devise new ways to create business to business linkages and expand them for the development of Africa. It is easier for India to work with those countries and enterprises who abide by Indian values in their dealings with the Africa continent. Thus Japan, Germany, France, the UK and the USA besides the UAE and others are all now putting their heads together to care a mesh of trilateral partnerships in Africa on a B2G and B2B basis. It is this growing trend that will now give a

**Figure 4: Trade Trends: India in Africa**



*Ex-im data US\$ thousands; fdi data as Total Capital Investment in US\$ millions*

**Source:** Author's calculations based on ITC Trade Map and fdi markets intelligence data

further impetus to Africa development and provide new business linkages which will have a bigger influence ahead as more B2B partnerships are created, mentored, and taken to success.

With the transformation of the OAU into the African Union in 2002, a new method of collaboration was coming to the fore. The African Union was now a more focused and empowered institution which along with NEPAD was seeking solutions to Africa's problems. The formal recognition in the AU process of 8 regional economic communities' viz. COMESA, SADC, ECOWAS, EAC, IGAD, ECCAS, the Arab Maghreb Union (AMU) and CENSAD gave new structures of focused collaboration. Thus, the bilateralism with which India had engaged Africa for many years got further impetus to engage at regional and Pan African levels.

By 2006, the African union was now ready to seek other partners in Africa besides the EU, China, and Japan who had continental engagement in a structured manner prior to the creation of the AU. As the AU reached out to new partners, India was

among the first choices, and its response was quick and determined leading to the establishment of the processes of the India Africa Forum Summit. This initiative was the recognition that India's approach to Africa, which was not prescriptive but responsive, had struck an important chord and the time to transform the relationship to new levels had come.

Three India-Africa Forum Summits have been held since the initial discussions in 2006. IAFS-I was held in New Delhi in 2008 and the second summit was held in 2011 in Addis Ababa. Both these were held under the Banjul formula of the African Union which allowed for a cross section of 15 African countries to engage with a single country partner. These included the 8 rotating chairs of the Regional Economic Communities (RECs), the present and outgoing chairs of the African Union and the 5 founders of NEPAD viz. Egypt, Libya, Senegal, Nigeria, and South Africa. Since in several cases one country held two of these positions, it was decided to add the chair of NEPAD and Deputy Chairs of relevant countries, where necessary, to

make the full complement of the 15. The 8 regional economic communities were also invited and a separate dialogue with them was initiated as well. This formula was adopted expressly at the request of the African Union.

By the time IAFS-III was held in New Delhi in 2015, India's responsiveness to the interest of many more African countries to be directly engaged with India came to the fore, leading to all African countries being invited and attending. Thus, India's summit process with Africa has become fulsome and IAFS-III had the slogan - Partners in Progress: towards a dynamic and transformative development agenda.

An analysis of the prime ministerial statements at the 3 India Africa summits is indicative of a consolidated approach towards Africa.

In 2008 at IAFS-I, the focus was on youth and the hope was that the 21st Century would be one where the people of Asia and Africa would promote inclusive globalization. Equality and fraternity were emphasized as important elements and there was an Indian acknowledgement that Africa was the land of awakening of Mahatma Gandhi and there was a clear connection between India's independence movement and nationalism and decolonisation in Africa. Both India and Africa spoke on a common commitment to pluralism, inclusiveness, mutual benefit and commitment to combat vital challenges to humanity. India saw itself as a partner in African resurgence and offered to provide support to self-reliance, peace and stability in Africa. For this, closer efforts for food and energy security, the fight against pandemics and terrorism and efforts to deal with climate change showed significance. A special focus on human resource development and capacity building was supported with an effort to go beyond Governments into civil society, academia, artists and writers. An expansion of scholarships to look for greater opportunity for youth was clearly stated. Recognizing that market access was important to set in motion new trade connections, the WTO compliant Duty-Free Tariff Preference (DFTP) Scheme applicable to 34 African countries was announced.

At the first summit, India showed its clear intention of becoming a development partner of Africa. The announcement of US\$ 5.4 billion in

concessional lines of credit and more scholarships and grants were announced as mentioned in the IAFS I documents. By this time, the Pan African e-network project which provided tele medicine and tele education links between Indian universities and hospitals with African counter parts had already come online.

At the 2nd summit in 2011, the Prime Ministerial statement indicated that the India-Africa engagement had once again become a people's movement and the spirit of Mahatma Gandhi continued to inspire the engagement. Lines of credit of \$ 5 billion with a special window to promote regional connectivity were announced. In a continuation of the policy, \$700 million in grant to set up capacity building institutions at the bilateral, regional and Pan African level were also announced as seen in the IAFS II statements. The Pan African institutions were to build on the success of the Pan African e-network project with provided digital connectivity between India and Africa. The idea of supporting regional institutions was to support the building of regional infrastructure and capacities and thus be supportive of regional integration efforts in Africa. The ideas of sustainability were brought in and larger number of scholarships including specific ones for science and technology and agriculture were initiated. An India Africa business council, media engagement, civil society interaction and the like were part of the people's movement which was to bring G2G relations into wider ambit.

In the significantly larger IAFS-III in 2015, a new dynamism and transformative development agenda was enunciated. The spirit of Mahatma Gandhi as always was invoked and the realization that between India and Africa a third of humanity came together was manifest. Special focus on women and regional cooperation were mentioned while efforts for Pan African and regional connectivity, development of human capital and resources, and greater transfers of technology to reduce the digital divide were major emphases. In the greater promotion of business, innovation was emphasized with a focus on mobile telephony and new businesses.

India as a development partner of Africa beyond strategic concerns and economic benefits was

one of the major highlights of the speech of Prime Minister Modi at the plenary. Maritime security and counter terrorism were elaborated as were clean energy and sustainable development. Since the International Solar Alliance was already on the anvil. An unprecedented concessional credit lines of USD 10 billion were announced and grant for \$600 million along with an India development fund of \$100 million and a health fund of \$10 million were also initiated as committed in IAFS III statements.

From these Prime Ministerial statements at each of the three summits it became evident that India's approach to Africa was functional and evoking a win-win engagement, building on the ideals of Mahatma Gandhi and modernising the relationship to deal with contemporary challenges and opportunity. There was a comfort in the relationship since many African countries saw in India a role model that they could seek to emulate.

They were impressed by rapid growth in the country in a pluralistic, democratic, quasi federal system which was to the liking to many of them.

The clearest enunciation of India's approach to Africa came in PM Modi seminal address at the Ugandan Parliament on 25th July 2018.

In this the approach clearly placed itself on "*our ancient maritime link, the dark ages of colonial rule, the shared struggle for freedom, the uncertain path as independent country in a divided world, the dawn of new opportunity and the unity of aspirations of our young population*".

Further, the Indian quest for international economic partnership was also based on moral impulse, as a resort to fair and equitable access to market and resources. Our common fight against colonialism now set a stage for seeking mutual prosperity ahead.

### **Box 1: Principles of Cooperation**

Prime Minister Modi enunciated that India's engagement with Africa would continue to be guided by 10 principles which inter-alia were:

- Africa will have the highest priority for India with intensive engagement.
- The development partnership will be guided by African priorities on terms acceptable to them. India would build as much local capacity as feasible and create local opportunity.
- The Indian market would be open and attractive for trade with Africa. India will support greater FDI in Africa from India.
- Indian experience with the impact of the digital revolution would be shared with Africa which would help to achieve the SDGs and give greater opportunities to African youth.
- India would work with Africa to enhance agricultural productivity.
- India would work with Africa to deal with climate change both through adaptation and mitigation as well as to ensure a just international order.
- India would continue to support UN peace keeping operations and enhance cooperation with Africa to deal with terrorism and extremism while also building on cyber security.
- The blue economy offers great opportunities and India & Africa would work together to keep the ocean open and free for the benefit of all in a cooperative and inclusive manner.
- India wishes to support the aspiration of African youth and as globalization develops, closer engagement for mutual benefit would be necessary.
- Given the experience of India and Africa's common challenge to colonialism, they will continue to work together for a representative and fair international order in which India and Africa are both heard. India's quest for reform of global institutions always has an equal place for Africa and this is a guiding principle of our foreign policy.

# 3

## Individual Country Approaches

The continent of Africa has been the focus of development assistance and cooperation from a host of countries in Europe and North America for several decades. Over a period of time India, China Japan, Turkey and many others joined the efforts to engage Africa economically. At the same time the traditional development partners adjusted their engagement to make it more partnership oriented to develop business and entrepreneurial connections. The significance is that the number of partners Africa now has is large, the depth comes from the intensity of the engagement with traditional partners of Africa and their reorientation to trade and investment over only aid and assistance. In this several countries have reached out to India to start a dialogue, develop ideas and seek commonality of programs in Africa. As this idea fructifies, it will lead to trilateral cooperation in Africa between India and another willing partner. It is thus important to know what potential partners aim for and do in Africa as a way to develop a business-like approach keeping in view their programs and preferences as well. This paper focuses on five main partners – Germany, Japan, U.S.A., France, and UAE.

### 1. GERMANY

Germany has a smaller and older colonial legacy than many other countries. It had direct role in 6 countries and in parts of 8 others in Africa but lost all its possessions due to a League of nations decision after World war I. As Germany developed

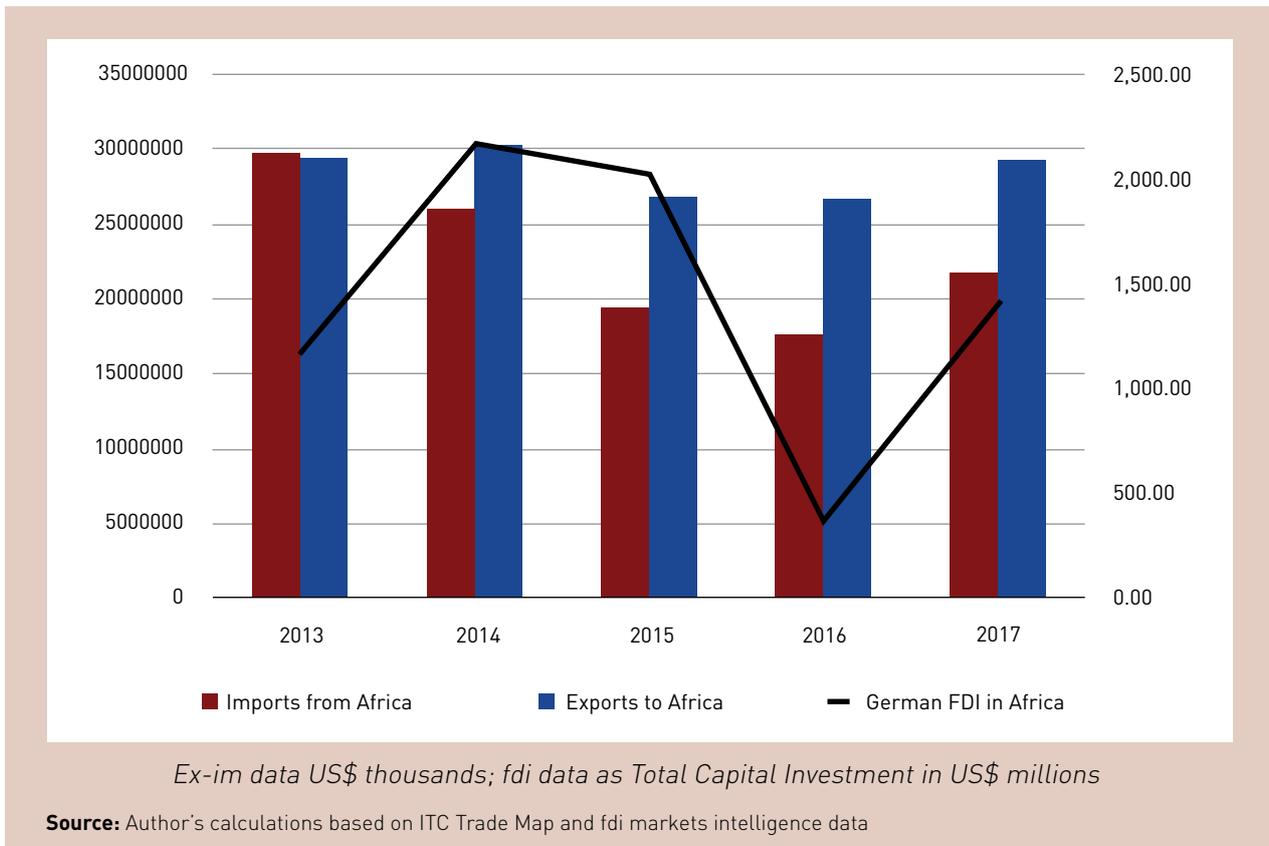
and expanded its development programs Africa became a part of such efforts. The new German Government in 2018, had an unprecedented 28 references in the current coalition agreement – a positive development for a region that was long relegated to the edges of German politics. This is based on the new ideas Germany introduced at the G20 meeting in Hamburg in 2017. These include a new development investment law to help more small and medium-sized enterprises do business in Africa; the risk of German firms doing business in Africa will be reduced through Hermes guarantees, which protect German companies in case of non-payment by foreign debtors. The government also plans to reform development aid to make it more economic focused. the Ministry of Development's Marshall Plan with Africa will become the centre piece of a new German Africa offensive, with a focus on support for start-ups and small and medium-sized enterprises, vocational training and renewable energies.

### Current trade levels with Africa

Germany's exports to Africa rose from US\$ 26.718 billion in 2015 to US\$ 29.091 billion in 2017 as per ITC data. Imports from Africa for the same time period also rose from US\$ 19.325 billion to US\$ 21.708 billion. While overall trade levels have gone up, evidently Germany has a comfortably positive trade balance vis-à-vis Africa.

As far as investment data is concerned, Germany made a total capital investment of US\$22.533

**Figure 5: Trade Trends: Germany in Africa**



million according to the FDI markets data base. The same data indicates that the Transportation sector has been the largest beneficiary of these investments, with the top 5 destinations, namely South Africa, Tunisia, Egypt, Morocco, and Kenya getting two-thirds of all investment, with South Africa getting over half again of that. There has been a steady rise in investment over the last 5 years.

Germany has consistently been one of the largest bilateral donors to Africa. Per OECD data, Germany was the 5th largest donor to Africa in 2016 with ODA amounting to US\$ 3,499 billion. (OECD, 2018)

### Latest policy push

Germany has proposed a programme labelled "Compact with Africa", alongside its G20 partners. It has partly to do with Germany's wish to play a stronger role in setting the EU's donor policy. The other imperative at play is the recognised need to pivot aid activity towards the private sector.

Part of the impetus for this has come from the large numbers of refugees that come in from the Sahel and North Africa in to Europe and then into Germany. The post 20 (The German Federal Government , 2018)15 German experience with large refugee inflows (not all from these areas) makes them want to take initiatives so that conflict and underdeveloped areas which often send refugees to Europe could be assisted through peace making and local capacity building the thought is that if economic opportunities and peace could be sustained at their home countries, the incentive to migrate may decrease

The German Federal Government's Policy Guidelines for Africa (The German Federal Government , 2018) has the following key features (Federal Foreign Office, Germany, 2019):

### Promoting a networked approach

Ostensibly basing itself on values of human rights and geared towards 'mutual benefit' the German

approach emphasises the need for a 'coherent and coordinated' approach, in a manner whereby the activities of the Federal Government are most effective and successful in achieving German priorities both nationally and within the framework of the EU.

### ***Using instruments to avoid conflict***

The issue of political instability and has a direct impact on trade. Germany's approach involves using Early Warning Systems and other foreign policy tools to 'prevent instability before they emerge'. It is possible to deduce that there is a vested interest in having less conflict in the region. The liberal imperative is that you need peace to create a conducive environment for trade, which has direct welfare consequences as well.

### ***Boosting African ownership***

Giving the citizens of Africa a stake in their growth story is central to German strategy. Increasing their capacities on issues like sustainable development, crisis prevention and conflict management. Any partnerships that have been initiated, whether in the form of Economic Partnership Agreements (EPAs) or issue specific partnerships, like on energy security, must be successfully concluded. A key element of this, from the German perspective, is by making meaningful contribution to local capacity building and vocational training, ensuring that Africa is on the path to adopting best practices on social and environment standards.

### ***Pro! Africa***

The 'Pro! Africa' programme is an initiative that draws itself from the German governments' 'Policy Guidelines for Africa', "which strengthen the foundations for stability and development" (German Federal Ministry for Economic Affairs and Energy). Economic Partnership Agreements (EPAs), have ensured, as the Pro! Africa paper also notes, that most African countries enjoy 100% free access to the EU market (as too in other developed country markets). In the EU case, African countries are only expected to open up 80% of their lines.

The countries are permanently protected from European imports in sensitive sectors such as agriculture.

Under the Pro! Africa programme, the German Economic Affairs Ministry allocated an additional €100 million for the successful funding of programmes geared towards Africa (German Federal Ministry for Economic Affairs and Energy). This would include new administrative partnerships, setting up joint economic commissions, and other such initiatives.

### ***Comparison with India's approach***

There are a few superficial differences between the German and Indian approach. The German statement clearly states that it is guided by its own priorities in the continent. It has also made clear that peace on the Continent is a crucial element of this. India on the other hand has tried to find mutual complementarities with the Continent. It has been driven by African demands, even as it ostensibly tries to create win-win situations through its development cooperation. Secondly, while India has always supported peace on the continent, whether it be through its UN Peace Keeping contributions or other rebuilding efforts, it has been treated as a separate part of its foreign policy and not seen in tandem with trade policy. In addition, German industry's presence in Africa is not diversified enough. There are very limited German companies who are active in Africa.

On the similarities front, both Germany and India have seen the need to place people at the centre of their Africa policy. There is an inherent focus on local capacity building and job creation. This is beneficial in the long run for greater trade relations. If there is local capacity, then the transaction cost for companies from training or taking home country workforce with them would be mitigated.

In the India – Germany Joint Statement issued at the fourth Inter-Governmental Consultations on May 30, 2017 special mention was made of the two-country's interest in cooperating in "their assistance to African countries... They encouraged their respective businesses to explore collaborative

activities to promote trade and development in Africa.” (Ministry of External Affairs, Government of India, 2017)

## 2. Japan

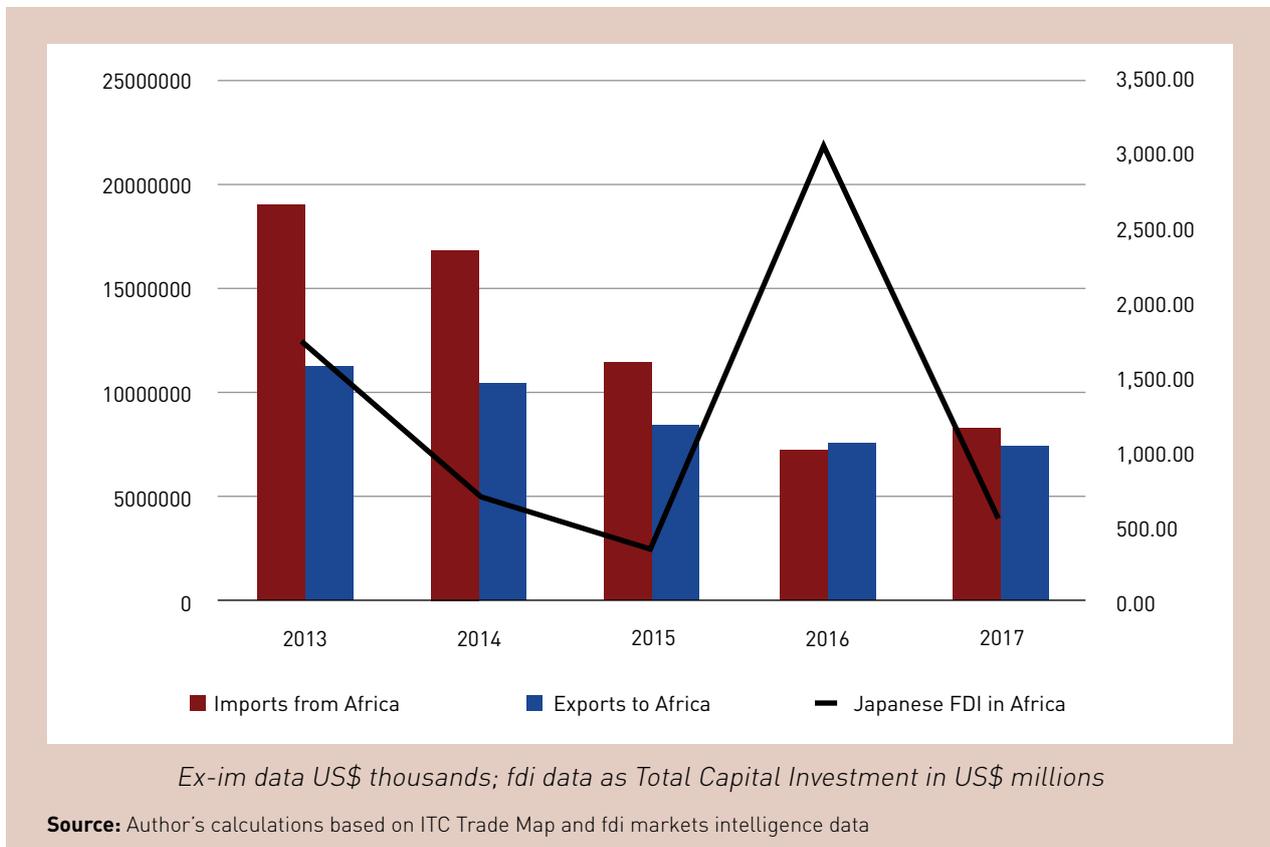
Africa was a distant frontier for Japan till the Tokyo International Conference on African Development (TICAD) was launched in 1993. Till then Japan had a limited engagement with Africa and other than South Africa few Japanese companies ventured into the continent Mineral resources and sales of automobiles were the main interest. In 1990 Trade with Africa was about 1% of Japans trade nevertheless. By 1990 2.5% of japans overseas FDI was in Liberia but mainly as a flag of convenience for large shipping investments. A grant aid program was launched in 1989 and then with TICAD in 1993 Japan started a focused engagement with Africa. Through the TICAD process Japan aims to show the world how to turn African growth into global growth and do other

things to improve the quality of growth. Based on the three themes — “robust and sustainable economy,” “inclusive and resilient society” and “peace and stability” development. The number of Japanese companies in Africa has since been growing but slowly.

### Current trade levels with Africa

Japan’s exports to Africa fell from US\$8.454 billion in 2015 to US\$ 7.417 billion according to ITC data. The same data shows that Japan’s imports from Africa fell from US\$11.365 billion in 2015 to US\$ 8.296 billion in 2017. This fall could be due to multiple factors. Foremost amongst them is the shrinking of the Japanese economy which has been caused by internal stress factors. Consumption levels in Japan have been dropping consistently, in addition to falling interest rates and stock market volatility (Breene, 2016). International pressures like the global trade war may also be playing a role.

**Figure 6: Trade Trends: Japan in Africa**



The total capital investment from Japan to Africa stood at US\$ 16.804 million according to the FDI markets data. Here again, the top 5 destination attract two-thirds of investment. These destinations are more or less consistent with the German top attracters – South Africa, Morocco, Kenya, Egypt, and Nigeria with the Automotive OEM sector being the largest beneficiary sector.

Japan has been the 10th largest overall donor in 2016, and the 5th largest bilateral donor by amount to Africa. Overall net disbursements in 2016 amounted to US\$1,495 million according to the OECD (OECD, 2018).

### **Latest policy push**

The Japanese Government has a formal platform for engaging the African continent called the TICAD which was launched in 1993 in collaboration with the African Union, United Nations Development Programme, The World Bank Group, and the UN Office of the Special Adviser on Africa. Initially held every five years, it is now held every three years, interspersed with TICAD Ministerial stock taking meetings which reflect on what commitments were made and met.

The stagnation of the Japanese economy has led to the Japanese government seeking to revise its traditional 'aid-for-Africa' approach. This traditional method necessitates government infusions of money into the African economies. It is not private sector led (Broadman, 2015). This development assistance mode is not a sustainable method, which the Japanese also realise. This, and the debt trap (Nikkei Asia, 2018) that some countries have fallen into vis-à-vis China may also be a driving element behind Japan revisiting its approach.

While Japan has done well on the development aid front, it has not done as well on stimulating commercial investment. This is perhaps what prompted Japan to approach India for the Asia Africa Growth Corridor programme, now the project for "Free and Open Indo-Pacific". This offers avenues for complementarities in our B2B engagements.

### **Comparison with India's approach**

Development cooperation, led by the private sector, is natural for India, given that the offensive in Africa has been directed by this sector. It is no surprise then that Japan has chosen to partner with India, as it creates a new push in Africa.

There are various similarities in India and Japan's approach to Africa. They both keep people to people cooperation, science and technology, and local skill creation in high esteem, in addition to infrastructure projects.

There are learnings and synergies on both ends that can create an effective partnership.

Japan has been making conscious efforts to ensure that the local population benefit from Japanese projects in Africa and are also given the proper training to maintain the infrastructure that is created. At the 6th Tokyo International Conference for African Development (TICAD), held in Kenya in 2016, in addition to talking about the training programmes, Japanese Foreign Minister, Taro Kono, stated that Japan was interested in assisting Africa on issues relating to health care and disaster management and increasing people-to-people contact between Japan and Africa. He also clarified their keenness to link Africa with Asia to promote a "Free and Open Indo Pacific" (Maini, 2018).

### **3. U.S.A.**

The US aid programs always had an Africa focus but when the Cold War ended the reorientation of US policy towards Africa took time to move from a highly political approach to a more economic engagement. The post-Cold War connection is more visible now and US policy sees major balance between their security interest and economic processes, they now see Africa's domestic security and stability as clearly good for economic partnership. As US engagement with Africa continues to advance across multiple fronts, economic links remain a significant driver of this multi-dimensional relationship. Now US interest in Africa is resumed, missed opportunities are better realized, The United States is increasing

its economic and financial expansion in view of the potential growth in demand for domestic and imported products from the local population. Currently, this potential is much easier to realize through the penetration of mobile technologies and e-commerce, the absence of which was previously a significant obstacle. The US link with Japan and India for trilateral infrastructure development is an added idea which could guide trilateral interest.

### Current trade levels with Africa

According to ITC data, U.S.A.'s exports to Africa fell from US\$ 27.043 billion in 2015 to US\$ 21.969 billion in 2017. Imports from Africa, on the other hand, so an increase from US\$ 26.276 billion to US\$ 34, 583 billion in 2017.

With US\$ 109,484 million worth of total capital investment in Africa, US is the largest investor in Africa. It invests even more than China (whose investments account for US\$ 100, 575 million). The

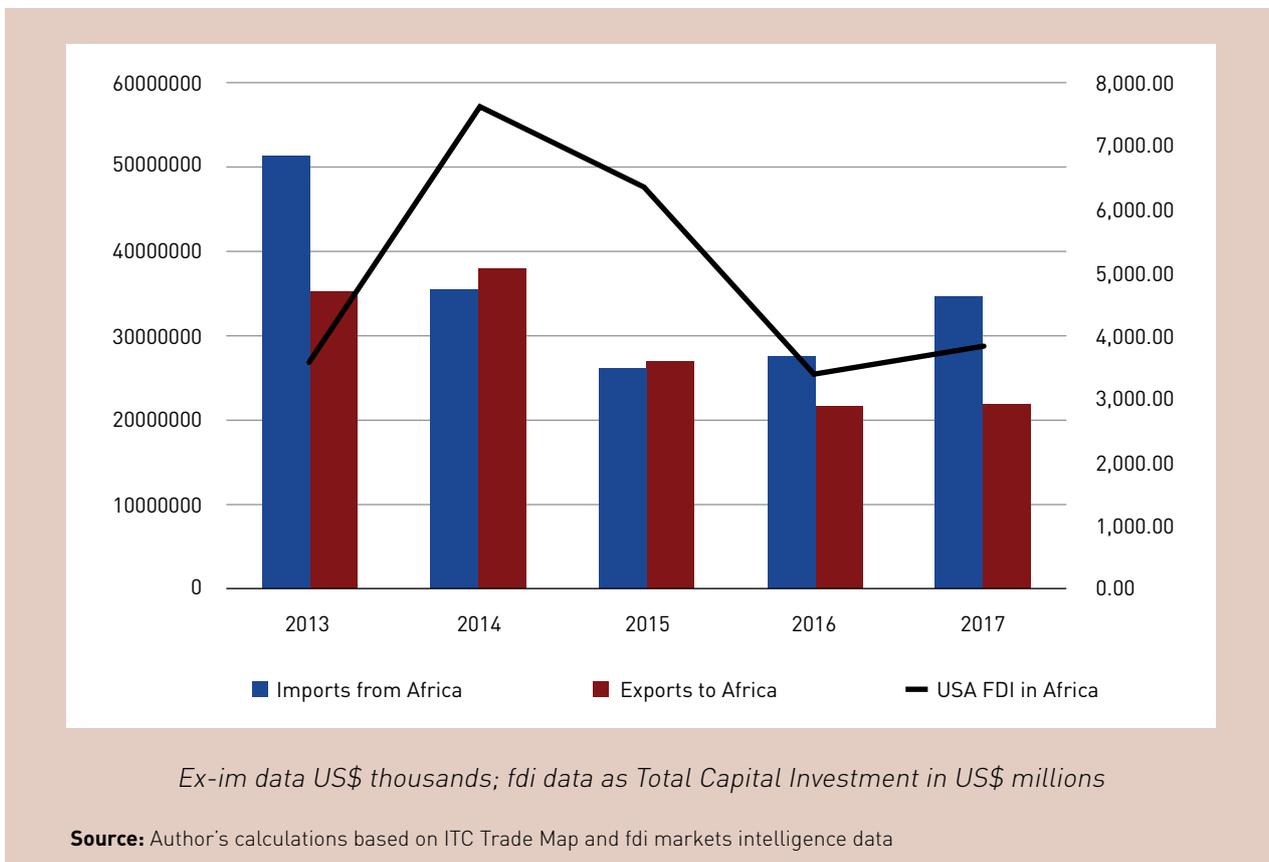
software and IT service sector are the top sector for investment with South Africa, Egypt, Morocco, Nigeria, and Kenya being the top 5 investment destinations.

Unsurprisingly, the U.S. is the largest donor into Africa. The net disbursements in 2016, according to the OECD, were US\$ 9,861 million (OECD, 2018).

### Latest policy push

The U.S.A. has various routes its takes to enter the African market. The method however is the same, of development aid. In early December 2018, the Trump Administration announced its new Africa Strategy. The strategy underlines the importance of African ownership of its security and policy issues. It states that the U.S. will aim to deepen trade and investment ties such that there are mutual benefits, and which help increase exports from the U.S. as well as job creation in both Africa and the U.S. (White House, 2018). The strategy fact

**Figure 7: Trade Trends: USA in Africa**



sheet also states that the government is in the midst of preparing an initiative titled 'Prosper Africa' to support the goal of advancing trade and commercial ties. "The initiative will support open markets for American businesses, grow Africa's middle class, promote youth employment opportunities, and improve the business climate." (White House, 2018).

The Power Africa program undertaken by the Obama Administration since mid-2013 had tried to bring in the private sector in to power sector development in Africa. In 4 years, it had arranged investments of about \$40 billion in private commitments to create 7000 MW of new generation capacity in Africa (U.S. Embassy & Consulate in South Africa, 2017).

### ***African Growth and Opportunity Act (AGOA)***

AGOA is a Trade Act passed by the U.S. Congress in 2000. The Act aims to deepen and expand the trade and investment relations between the U.S. and Sub-Saharan Africa.

While the eligibility requirements are set out in the legislation, it is the United States which determines, annually, whether countries have met the published eligibility requirements. Beneficiary status may therefore be granted, or withdrawn, at the discretion of the U.S. President. Beneficiary countries have no recourse to dispute settlement in this regard, and this unpredictability is one aspect that differentiates AGOA's non-reciprocal preferences to those contained in reciprocal and bilateral trade agreements. (AGOA.info)

The AGOA remains an important element in U.S. Africa relations. It was extended in 2015 to continue till 2025 with even more special provisions for specific sectors and about 35 African countries as beneficiaries.

U.S.A.'s new strategy for Africa also reiterates that it will use the AGOA to strengthen trade ties and promote fair trade with Sub-Saharan African states.

### ***USAID Projects***

USAID works on the premise that the country's foreign assistance promotes the U.S.'s as well as international security and prosperity by strengthening 'economic and political stability and self-reliance in developing countries.' (USAID, 2018)

"USAID supports economic growth in developing countries by supporting domestic private sector development, and helping countries attract and make good use of foreign direct investment (FDI), including from US companies." (USAID, 2018)

The explicit understanding is that any aid that the U.S. provides must, directly or indirectly, contribute to the betterment of the U.S. economy and U.S. businesses. They see the benefits that FDI can have in terms of create stable markets for U.S. products and supply chains.

### ***Overseas Private Investment Cooperation (OPIC)***

OPIC is a U.S. Government agency which aims to help American businesses invest in emerging markets. Its work includes an advisory role in risk managements related to FDI, in addition to bolstering development in emerging markets.

Under the OPIC, a specific sub-division called 'Connect Africa' is tasked with deepening Africa's trade with the U.S. and the world by investing especially in 'physical infrastructure, technology, and value chains (OPIC, 2019).

With a current portfolio of US\$ 6.28 billion in 136 projects (OPIC, 2018), Sub-Saharan Africa accounted for 27 percent of OPIC's portfolio in 2017. It comprises a quarter of the agency's active portfolio, recognising that the region is home to some of the world's fastest growing economies (OPIC, 2018).

It is clear from these policies, that the U.S.A. sees huge benefit from investing in Africa. It does not see it purely as a market for American goods but the future destination for establishing value chains.

U.S.A.'s new strategy has been criticised because it puts national security interests instead of trade at the centre. It focuses too much on what China

and Russia are doing in Africa and listing ways in which the U.S. aims to counter that. "All U.S. aid on the continent will advance U.S. interests, and help African nations move toward self-reliance.", said NSA Amb. John Bolton, as he outlined the strategy (White House, 2018). It also outlines the aim to have bilateral trade partnerships in the region.

### Comparison with India's approach

One of the things that India can learn from the U.S.'s approach is the central role that investment is given. Especially, long term and sustained investment. All three of the government initiatives discussed above have a focus on investment and skill development, in addition to seeing the potential in Africa as a future destination for supply chains.

Unlike India, or most other countries, the U.S. chooses to place emphasis on national security over any other trade concern. This is something the country should avoid. However, an Obama Era policy called "Feed the Future" is a rallying call that most African countries are interested in cornering. Playing on agriculture as a strength is important, something India too recognises. This is a specific area that trilateral partnerships can be built.

## 4. France

One of Africa's major former colonisers, France has maintained strong economic and political linkages with many of its former colonies including through the "Organisation Internationale de la Francophonie" (OIF). It has not put Africa on the backburner and remains a major partner for Africa in all sectors. The economic partnership between Africa and France, which has long been present in the economic landscape of many of the continent's countries, is growing apace with the strong growth in African countries. Since the early 2000s, foreign direct investment in Africa has grown faster than anywhere else in the world. France has been a player in this general trend by diversifying the countries and sectors it invests in. France also benefits from a compact and extensive network of subsidiaries which generate many investments

in countries where they are present. In order to enhance their presence, French companies are investing heavily in Africa. Over 1,100 French groups present in Africa with over 2,109 subsidiaries and no more do French interest confine themselves only to the French speaking countries. They are expanding in all parts of Africa with major trade and investment initiatives.

### Current trade levels with Africa

France's imports from Africa rose from US\$ 22 billion in 2016 to US\$ 25 billion in 2017 according to ITC data. Exports to Africa, on the other hand, only increased marginally, from US\$ 28.18 billion in 2016 to US\$ 28.71 billion in 2017. This is an overall decrease from 2013 levels of, US\$ 36.56 billion.

France's FDI in Africa amounts to US\$ 87,088 million in capital investment, with the financial services sector as the top recipient sector. Morocco, is the largest recipient, followed by Tunisia, Algeria, South Africa, and Egypt.

France is the 8th largest donor to Africa in terms of net disbursements and 4th in terms of bilateral disbursements to Africa according to OECD data for 2016. The aid amount in 2016 stood at US\$ 2, 217 million (OECD, 2018).

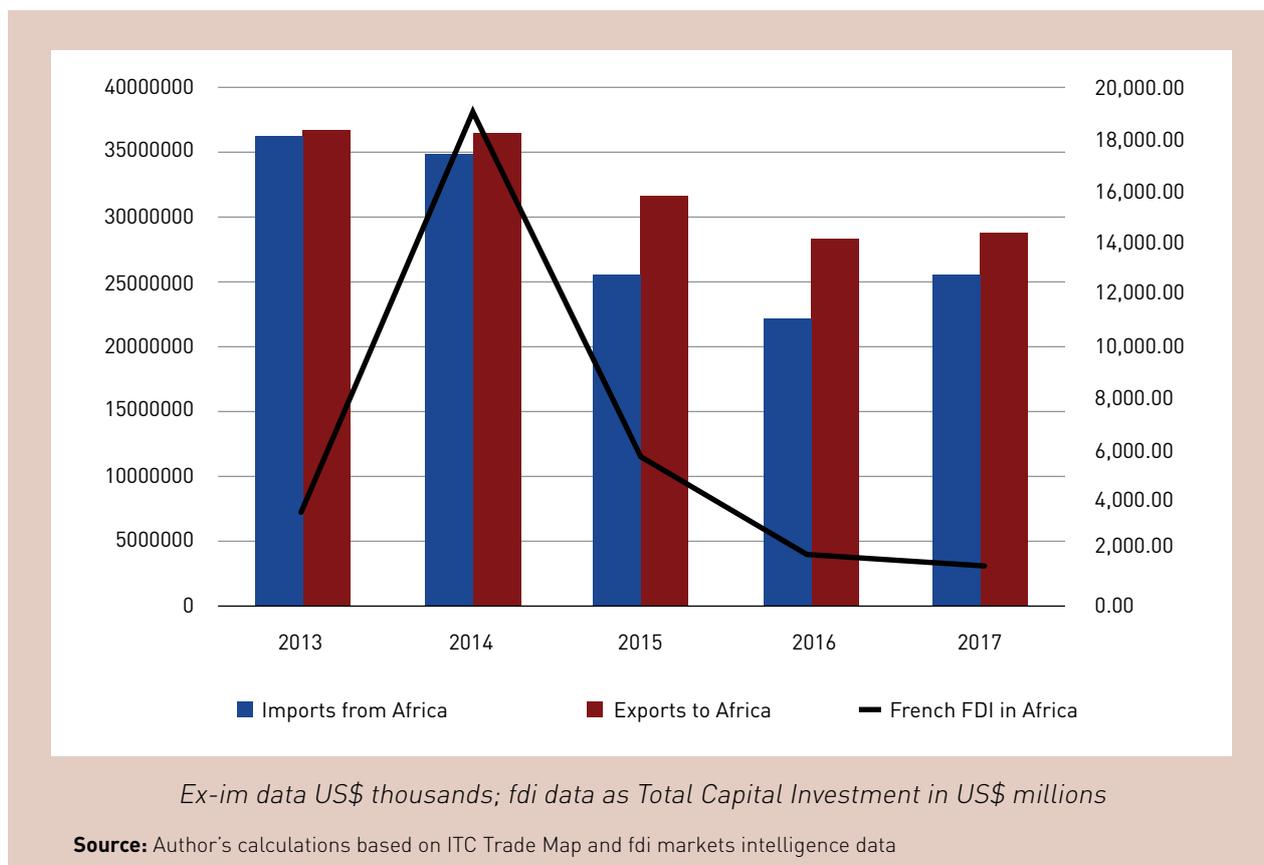
### Latest policy push

The French relations with Africa continue to have neo-colonial tints, which have been encouraged by successive governments. It's only with the Macron Administration that France has been attempting to address issues that have persisted in its diplomatic ties with Africa due to historical colonialism. These have, however, been criticised as token moves (Venkatachalam & Niang, 2017).

### *Organisation Internationale de la Francophonie*

The main agency which binds all francophone African and French countries together is the OIF. "The International Organization of the Francophonie includes among its interventions the assistance to the financing or the support to the realization

**Figure 8: Trade Trends: France in Africa**



of projects. The requests must concern activities included in its programming and contribute to the achievement of its objectives.” (OIF, 2019)

OIF Funding (OIF, 2019) can be used for:

1. Help for the visual arts, visual arts and crafts
2. Image Fund of La Francophonie
3. Francophone Fund for Human Rights “Martine ANSTETT” (FFDH)
4. Francophone Fund for Digital Innovation (FFIN)

Some experts, however, have noted, that due largely to colonial legacies, French companies have a quasi-monopoly on strategic Francophone market sectors – like telecom, infrastructure, and electricity (Venkatachalam & Niang, 2017).

### **The CFA Franc**

The economies of what is more generally called Francafrique, are further integrated with the French

economy due to the CFA franc. It refers to two currencies, the Central African as well as the West African CFA franc.

There is a neo-colonial thread that runs through the use of this currency. The most obvious reason being that the CFA franc is pegged to the Euro with the French treasury backing it (BBC World, 2017). This makes economic planning for these countries difficult.

While the CFA franc has been complimented for facilitating trade between Francafrique and Europe in general, and France in particular. The currency is governed by treaties with France... managed by two regional bodies, West African Economic and Monetary Union (WAEMU), and the Central African Economic and Monetary Community (CEMAC) (Chutel, 2017).

Emanuel Macron had promised the phasing out of the CFA Franc when he came to power. That has not transpired for various reasons. Chief amongst

them is the belief that the CFA franc zone allows for robust institutions and policy transparency. However, it is also true that movement of the Euro against the US dollar causes real appreciation of the CFA franc which impacts export prices. Both unions face costs of disruptions of regional conflict and the related political and socioeconomic stability (Gulde, 2008).

### **Comparison with India's approach**

India has been complimented by many scholars for not having a neo-colonial approach to Africa. There is no section of the continent that is taken for granted by the country, and a real effort is made on the part of the Indian government to ensure that any Indian intervention in the African economy or peace building process in some of the countries, is to the benefit of the continent.

On the other hand, India too has common colonial history with those countries that were colonised by Great Britain. A common language and similar institutional frameworks can only be a boon for greater trade. We must remember, however, that these are neither necessary, nor sufficient conditions for trade. They are only incidental, as proven by China's overall success on the continent.

### **International Solar Alliance**

The International Solar Alliance (ISA) was launched in November 2015, initiated by India and jointly launched by the Indian and French Heads of Government at the U.N. Climate Change Conference in Paris. The aim was for those countries which have the potential to harness a large amount of solar energy resources to form a coalition. This would allow for greater collaboration on identifying gaps in and filling their energy requirements in a sustainable way. The first target the ISA has set is to create and use 1TW of solar energy by 2030 (Raghavan, 2018).

Of the 121 prospective members, located between the Tropics of Cancer and Capricorn (the area with the most surplus of sunlight), 72 have signed and of those, 50 have ratified the ISA Framework Agreement.

The ISA has 5 key focus areas to achieve its objectives:

1. Promote solar technologies, new business models and investment in the solar sector to enhance prosperity
2. Formulate projects and programmes to promote solar applications
3. Develop innovative financial mechanisms to reduce cost of capital
4. Build a common knowledge e-Portal
5. Facilitate capacity building for promotion and absorption of solar technologies and R&D among member countries (UNFCCC, 2016)

Evidently, issues like that of renewable energy are growth areas for collaboration. To the extent that both India and France have an institutional approach to Africa, there are complementarities that may be leveraged for a trilateral cooperation model, where French expertise can be leveraged to step up Indian presence in Francophone Africa, wherever it is welcome. Similarly, India can be a partner for France in Anglophone Africa.

All this is contingent of course on African needs and interests in French/ Indian presence in their economy.

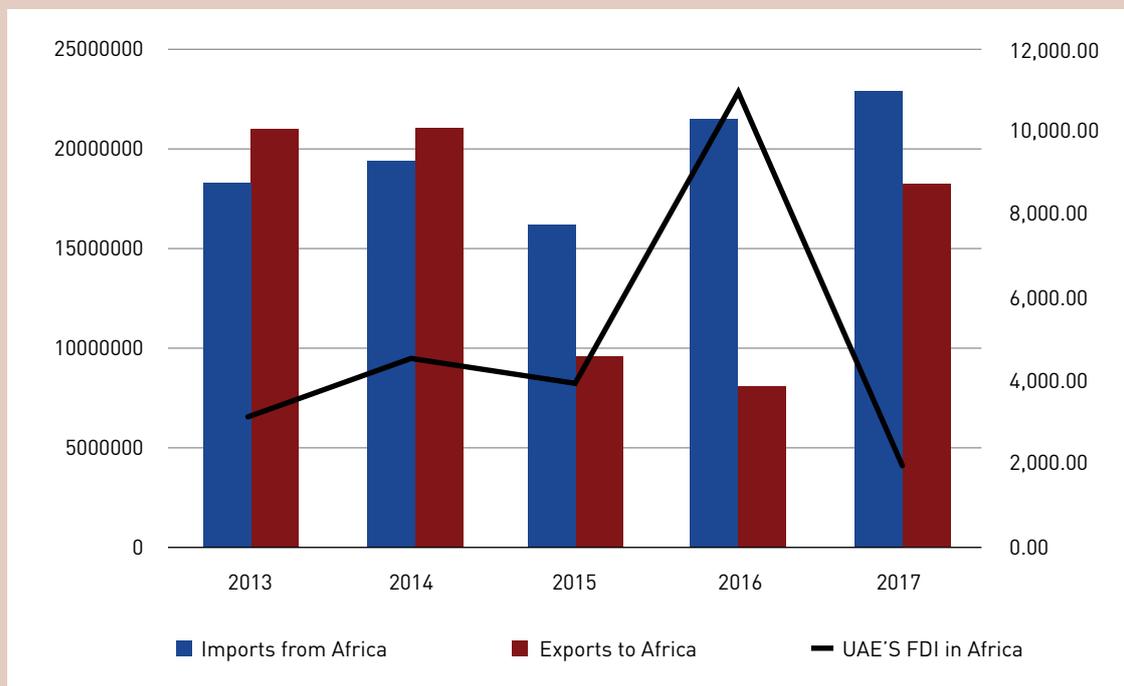
## **5. UAE**

The UAE as part of its Arab cooperation has always had strong relations with North African countries. This subsequently grew in other Arab countries as well like in Djibouti, Eritrea, Somalia. The trade relationship is moving beyond oil and agriculture produce into services with many UAE companies investing in several Africa counties. The proximity to Eastern Africa and the Horn gives trade advantages in certain sectors of fresh produce. The UAE is now also an important investor into infrastructure and services. The UAE is ahead of the rest of West Asia - and much of the world - when it comes to capitalizing on Africa's investment opportunities.

### **Current trade levels with Africa**

UAE's imports from Africa rose from US\$ 14.84 billion in 2015 to US\$20.45 billion in 2017. It is

**Figure 9: Trade Trends: UAE in Africa**



*Ex-im data US\$ thousands; fdi data as Total Capital Investment in US\$ millions*

**Source:** Author's calculations based on ITC Trade Map and fdi markets intelligence data

interesting to note that at HS 2-digit levels, significant increases were seen in imports of edible agricultural produce according to ITC's Trade Map data, besides the regular imports. Exports from the UAE to Africa also rose from US\$ 9.09 billion in 2015 to US\$ 16.98 billion in 2017.

According to fdi markets data, total capital investment from UAE to Africa stood at US\$ 96.41 billion with a peak number of projects announced in 2012. The financial services sector received the most amount of investment followed by real estate, transportation, business services, hotels and tourism, and Software and IT services making up the top six attraction sectors for FDI. Egypt was the largest recipient, followed by Morocco, Algeria, South Africa, and Nigeria.

UAE was the 7th largest donor in terms of net disbursements of ODA, amounting to US\$ 2,453 million (OECD, 2018).

### Latest policy push

"Of the Gulf states, the UAE is forefront among its neighbours in African investment... When it comes to announced greenfield investment in Africa, the UAE is second only to China." (Allisson & Dana, October 2017).

In November 2017, the Dubai Chamber of Commerce and Industry, a government body, announced that it had set aside \$27 million and dedicated it to raise awareness about investment and trade opportunities in Africa (Kedem, 2017).

A major push area for UAE's investments in Africa has been in the agriculture sector. Africa has long been seen as the world's panacea for food security concerns. This has been spun positively in Africa with initiatives such as 'Feed the Future'. Investing in agriculture and agro-tech in order to increase productivity, is the most logical way to avoid a Malthusian crisis as we have seen over time.

Other sectors of cooperation like Aviation, Infrastructure, Telecom, Tourism, and Security Cooperation, continue to be of importance in terms of any policy instrument that is created for Africa. Infrastructure especially, is seen as a sector where investment is not only fruitful, but necessary so as to enable other sectors of the economy to function. They all represent growth opportunities for UAE as well as Africa (Africa Business Pages, 2018).

### ***UAE – Africa Mentoring Development Consortium***

Another big area for UAE – Africa collaboration has been in the Start-ups. The UAE – Africa Mentoring Development Consortium is one such set-up that enables UAE-Africa collaboration in the start-ups business. The UAE, in collaboration with the government of Ghana is also starting a start-up visa programme.

The aim of these programmes is to build on the human capital and demographic advantage that Africa has, provide skills in relation to market demand, and knowledge generation.

### **Comparison with India’s approach**

The above section clearly shows that India and UAE have multiple complementarities when it comes to

their interest in the African market, especially when it comes to food security.

In December 2018, when the Indian Foreign Minister went to the UAE, an MoU was signed between the two countries regarding Development cooperation in Africa. One of the main commitments in that is the setting up of an IT Excellence centre in Ethiopia (Chaudhury, 2018). The project will be based on a collaboration where Indian expertise will be used with funding from the UAE.

All the sectors identified above, like agriculture, infrastructure, IT, start-ups, and other service sectors, effective collaboration is possible.

Model projects like the one in Ethiopia, will set a good precedent for the same. Collaboration could make a gradual progression from East Africa, where both UAE and India are comfortably placed, to collaborating in areas of mutual interest between other countries in Africa, and the third-party collaborators.

Both UAE and India see each other as important partners for trade and development. Cooperation on the same in Africa is just a natural extension of that.

# 4

## Developing Trilateral Partnerships with Africa

The preceding chapters show the increasing trend towards plurilateral approaches to development cooperation in Africa.

Many examples of this exist, whether it be the Indo-Japanese Asia-Africa Growth Corridor concept, now seen as the 'Free and Open Indo-Pacific', the India-USA-Japan infrastructure initiative, or the Japan-USA-Australia trilateral for infrastructure development in Asia. These and other bilateral initiatives are all intended to enhance the development of countries in Africa and Asia with a view to increasing stability and promoting infrastructure development which in turn will serve trade facilitation. Embedded in these programmes is a strong capacity building approach which aims to support the implementation of projects and proposals which will help implement the sustainable development goals. This report is focused on trilateral partnerships that India can develop in Africa with several of its strategic partners. These include Japan, the USA, Germany, France, and the UAE.

One of the earliest initiatives for a dialogue with India on Africa came from Japan and this has been succeeded by several other dialogues which are Government to Government (G2G) in nature. These dialogues look at the political situation in Africa, share views on it and discuss ways that India and its partner can help the situation. This includes matters like peace keeping, peace and security, and stability through development cooperation. These discussions then get reflected in India's

engagement with African countries bilaterally and through the mechanism of the India-Africa Forum Summits (IAFS).

With some of the partners economic and development cooperation in Africa has also been discussed. This has been to mainly engage on proposed G2G projects and exchange views and sometimes information on them. An example of this is the Japan International Cooperation Agency (JICA) engaging with the Exim Bank of India, who try to put together the tenders that both sides issue for projects in Africa and bring them to the attention of interested bidders in the respective countries.

Depending on governments alone to identify, plan, and implement projects as well as finance them is perhaps not the best way forward. Different governments follow different approaches and emphasise different things. In this scenario, coordination between government may not always be easy.

Foreign direct investment by Indian companies in Africa may not have the quantum width of some of our other partners but their engagement is steadfast, they are less risk averse and have mostly long-term commitments. Several studies have shown that among most of Africa's partners from where investment has come into Africa, Indian companies transfer the most technology, create the most local employment, bring in the least number of expatriates and contribute to regional and intra-national trade.

Thus, the Indian Government's approach of keeping human resource development and technology transfer for a high priority is fully adapted by the Indian private FDI in Africa. This approach also appears to suit the private sector led initiatives of other liberal economies who wish to partner India, and which have a vibrant private sector approach, but which often lacks the depth and experience in Africa that is required for a greater penetration into the market. Thus, the potential collaboration with India and its companies provides a good base for elaborating the trilateral partnership approach and bringing it into the B2B matrix.

### 4.1. On trilateral partnerships

The challenge for trilateral partnerships in Africa is to grasp the emerging opportunities as they arise. Finding appropriate projects and business ideas, where India and countries from among partners can bring their strengths, and lead to a new matrix of collaboration which is beyond thematic discussions but real in business terms is important.

In the course of the meeting of the CII task force on trilateral partnerships and the research for this report, it was found that a majority of Indian companies currently interested in Africa were looking at large scale infrastructure projects which could be assisted by fulsome participation of partner countries – both government and industry. There were other Indian companies which were interested in manufacturing, services, start-ups, and the green and blue economy.

Among some partner countries their businesses were hesitant to quickly join the quest for quality infrastructure as part of the partnership envisaged. They were more interested in using their existing engagement with India, finding common ground for it in Africa and then seeking to replicate and develop such businesses in Africa.

Hence, it is noted that at the governmental level the emphasis is on quality infrastructure or skilling projects and some of the proposed plurilateral arrangements focus on infrastructure. Both need to be built up much further to not just reduce the costs of entering the African market, but overall

growth in African economies.

If these are to be pursued then 3 approaches are perhaps viable:

1. Joint development of major projects based on a project agreed upon by 2 or more Governments.
2. A commonly agreed project in which India and one or more partners separately build in a coordinated manner different parts of a project in Africa. The permutation of financing for such a project could also be varied ranging from a single source to multiple sources.
3. A major project developed by one government through its agencies which implements it in tandem with other partners who could provide the soft elements like skill development, capacity building and the like. The IT Centre for Excellence planned in Ethiopia with the governments of India and UAE are a case in point.

Various permutations and combinations of the above ideas are feasible when put in context with African priorities.

Indian enterprises often have greater fraternity and familiarization with companies from the partner countries where trilateral approaches are being attempted. For them to play a bigger role, a stronger B2B engagement is necessary. It is also necessary to include new ideas where hitherto such collaboration may not have taken place in Africa but may have been the subject of operation in India itself. Thus, to complement the G2G collaboration, B2B collaboration is envisaged in several sectors including:

- (i) Manufacturing
- (ii) Services including consulting
- (iii) Start-ups and social entrepreneurship
- (iv) Capacity building and HRD
- (v) Healthcare
- (vi) Infrastructure development

In terms of regional familiarity, Indian business entities are most familiar with the countries of East and Southern Africa. They are also firmly present

in some of the West and North African countries. The needs of a partner country, be it infrastructure, manufacturing, industrial corridors, health and education or development cooperation, will also determine the scope and space of collaboration with Indian companies.

There are very few African markets where Indian companies are not present. One of the reasons for this may be that lines of credit have already been extended to 44 countries in Africa and some of the remaining ones are actually the middle-income countries where private sector business thrives. As a result, with each partner, an area of collaboration could be worked out. It is possible, however, that the nature of the project and cooperation are more important determinants of collaboration.

## **4.2. Sectors of collaboration**

### **4.2.1. Infrastructure**

The way forward certainly includes a focus on some land mark infrastructure projects which could be jointly developed by India and its partners in an African country keeping in view its own development goals. The manner of collaboration can be as in para above or its various combinations.

A recent example of G2G coordination in this is the commitment to build a cancer hospital in Kenya between the Indian and Kenyan governments using India expertise. The hospital actually brings together collaboration in health infrastructure as well as skilling. This is because the hospital has been envisioned as a 'teaching' hospital, with a research and training wing for healthcare professionals (McIlhone, 2016).

For this, government level coordination - including the coordination of procurement processes and tendering - would need to be done. This would also require close partnerships between Indian and foreign companies who could respectively navigate through the procurement and tendering requirements of their respective financial institutions. This exercise is likely to take more time and adjustment and it will be good idea if through

inter-governmental interaction including with the appropriate financial institutions Eg. with JICA for Japan, with KfW/GIZ for Germany, with OPIC/ US IDFC from the USA and the like would need to coordinate with Exim bank and other Indian Banks in this effort.

### **4.2.2. Start-Ups and social enterprises**

Meanwhile, we should look at an upturned pyramid, starting with smaller projects and trying to diversify them. The area of start-ups and social enterprises is already showing green shoots. The India-Japan start up exchange programme and the Indo-German start up exchange programme for instance need not restrict themselves to working bilaterally but could look at working in Africa as well. Similarly, in the field of social entrepreneurship within the greater ambit of Africa, young investors seek models and investment.

The success of the Sankalp Africa programme, modelled on the Sankalp programme in India and the decision of the Avishkar-Intellectap Group to launch an Avishkar-Africa fund for impact investing is a step in the right direction. Some initiatives in this field have come from India while financing has come from third countries. Thus, a formal launch of trilateral partnerships at the government level has been pre-empted by flagship projects in these fields.

Since India itself is focusing on new business through start-ups and impact investment this is not only an opportunity to share its models but also its business acumen. If Indian funds can support African businesses, then some trilateral partners may find comfort in investing in such funds leaving the decision making to Indian entrepreneurs. Alternatively, they could directly fund African projects using India's interface.

This area needs to be encouraged and facilitated, particularly because it synergizes trilateral and plurilateral partnerships at the B2B level. This should be encouraged and given its achievable scale, quicker decision making, and disbursement. If implemented correctly, it could probably be

among the early successes that India's trilateral partnerships in Africa are looking forward to.

While there are indications that entities like DFID, GIZ, USAID, and others from potential trilateral partners are active in these sectors in India and in Africa, there is greater scope for encouraging Japanese institutions and bigger DFIs from other partner countries to look at these sectors.

### **4.2.3. Manufacturing and services**

Similarly, the manufacturing and services sector, based on foreign investment into India expanding to Africa could be an early harvest. The advantage here is that several companies, for instance Japanese and German companies, have already invested in India in a variety of sectors like electronics, machines, automobiles and the like. They are developing excess spare export capacities which could be utilized to increase exports to African countries from India.

Daikin for instance, have moved their African headquarters from Europe to India, others can be nudged to do the same through this approach. If that happens then competitively priced exports could go to Africa which in turn could lead to the creation of sales, servicing, engineering and related technical capacities to service these businesses. By themselves, these would provide opportunities for training and capacity building for African youth who would find employment in these expanding sectors. There are several training institutions that India has promised to Africa through the IAFS process. Some of them could be directed to integrate into these efforts so that vocational training centres, entrepreneurship development institutes and incubation centres could fertilise the emerging start-up, social entrepreneurship and manufacturing ideas.

### **Consulting**

Consulting is an important area where Indian companies have a good footprint in Africa with several year's positive experience while implementing the Govt. of India's lines of credit projects. Several Indian companies also have a

positive record in working for projects under AFDB, WH and those funded by third country DFIS. If they can work with partner companies from other countries, then a business expansion and growth is possible with both Indian and foreign companies collaborating on the basis of their respective strengths.

A body of specialized studies for projects on African priority lists can be created by a specialized consultant body which would focus on highlighting future projects. These will make it easier to choose bankable projects and save time for implementing projects. A fund can be created for the same.

### **Healthcare**

Health care is another area where this approach can fructify; however, contours of this are yet unclear. One model available to us is that of the cancer hospital in Kenya.

There is no doubt there is a scope for many hospitals, diagnostic centres and clinics. Some of them could build around the telemedicine component of the Pan African e-network project which is being revamped to a digital mode. However, how to interface the health systems of different partners in an African country is a challenge and needs to be addressed. Larger amounts of funds are needed to build hospitals, but greater facilities are required to operate them.

### **Manufacturing**

Indian companies have invested in Africa for manufacturing among many small and medium enterprise sectors. These include leather, textiles, agri-products, plastics, machine tools, and the like. Their integration with larger value changes from partner countries will bring low cost and good quality on the ground and become an expanded business for both the Indian and Partner Company. The advantage to African market would be that they would get better products at lower cost.

In this way many different combinations of approaches can be undertaken in the manufacturing and services sector.

#### 4.2.4. Development Cooperation

There is also the sector of development cooperation which can see more cogent participation by Indian companies either directly or with partners in development cooperation projects funded by third countries in Africa. At one level Indian Govt. initiatives could be integrated with partner initiatives with the clear separation of operations. For instance, India does not build training centres but provides the capacity, machinery and training for them. They could tie-up with those agencies, who are ready to build the centre but cannot provide the same expertise at the costs India provides it at.

In a further permutation, Indian companies could be informed of the projects and could bid for them much on the lines that they could bid

as the Contractor or sub-contractor for larger infrastructure projects.

The crux of the matter, therefore, is how to build familiarity and trust between Indian and foreign companies to a level that they can operate in Africa jointly. Most companies from partner countries in India do have a significant number of Indians in their employ but the numbers of joint venture are not large. Hence, if a joint venture is to be created in Africa it would essentially require some more of confidence building and engagement in India. A platform for India's business cooperation in the Asia-Africa region with companies from trilateral partner companies is, hence, extremely essential and needs to be developed with each of the partners.<sup>2</sup>

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<sup>2</sup>In the case of Japan, the Japan-India vision statement after the Indian-Japan summit in Tokyo on 29th October 2018 already says "Platform for Japan-India business cooperation in Asia-Africa Region" to further enhance the exchanges between Japanese and Indian businesses toward developing industrial corridors and industrial network in the region.

# 5

## Conclusions and Way Forward

The idea to develop trilateral partnerships in Africa is based on a renewed optimism. The objective is to provide greater business opportunity for African countries along with enterprises from partner countries. The transformation of an agenda often based on post-colonial and post-conflict development, to one focused on economic stability and development has been a gradual change. This effort will greatly benefit if the might of private enterprise is unleashed. Similarly, as many African economies have had command economy structures but have also liberalized, Public Private Partnerships (PPP) can play a major role in their development.

A challenge faced while writing this report was the limits to finding out further policy development in Africa. This information is important in order to understand how the current state of development and enthusiasm can be marshalled for a win-win situation particularly for Africa.

In chapter-1, we have looked at the current state of play in Africa, noted its transformation and the positive developments. We have not glossed over the challenges and the slow pace of implementation of projects and plans. What we have tried to emphasize is that the buzz word for Africa is change and with so much change visible it is time to create coordinated matrixes of cooperation among development partners.

In chapter-2, we brought out the Indian approach to Africa. It has historical roots and a unique people

centred approach. More and more, particularly since the launch of the processes of the IAFS, the role of the private sector and a diversification of sectors in which India's cooperation with Africa has grown, have been brought forth. The most important point is that India has always consulted African countries, regional institutions and the African Union to have a fulsome engagement. These have created a model based on trust and confidence.

In chapter-3, we have focused on a few international partners of India and Africa and tried to understand their current state of engagement with Africa. We have tried to give a synopsis of their policy framework and motivation, their trade and investment profile and the vehicles through which they cooperate with Africa. The list of partners is not exhaustive; there are many others like China, Turkey, the Republic of Korea, the UK, and Singapore among others who also have successful cooperation with Africa.

We have chosen five partners with whom India has closer dialogue and engagement with a focus on Africa and tried to provide a summary of their model of engagement and parallels or synergies with India's approach. It is with these partners that we also share either established inter-government dialogue on Africa. It is important to note that since the launch of the IAFS process in 2008, there is greater awareness and appreciation of India's role in Africa, not only by African countries, but also among the partners. This has led some of them

to think of cooperating with India in Africa. One of the reasons is that on the ground, Indian projects and businesses have had an even impact, without some of the criticism attached to other initiatives. This people-centric, human resource development-oriented approach is a great asset. Indian businesses, including SME's have had a strong role in this, making them attractive to new initiatives for doing business in Africa.

In chapter-4, we have provided some suggestions on how trilateral partnership can work. This report aims at starting a more structured discussion and sharing of ideas on scaling up investment in Africa through the trilateral partnership method. Given that several of our partners have their own existing models of cooperation with Africa, we are confident that closer interaction will lead to more B2B cooperation keeping these principles and model in mind. This will provide good business opportunities in Africa, and work to the advantage of all involved. It will also build African institutions and businesses as an important part of this initiative since it is tri-literalism and not unilateral approaches that we seek to promote.

In order to take this discussion forward, we believe that certain initiatives need to be taken to bring greater interaction among institutions and businesses, as well as create avenues for closer participation, joint ventures and joint development of projects.

Our recommendations include the following:

## **1. Infrastructure**

The infrastructure sector needs to be pursued with a medium-term objective. Some land mark projects with our partners need to be looked at in consultation with African host Governments and their institutions. These projects should be a part of the African priority list and these should be put on the agenda of India's discussion with our partners to create an ambience where PPP or B2B arrangement can fructify.

The Government backed financial institutions and regional & international financing institutions

can come together to create a development fund which will finance feasibility studies for such potential projects. The availability of such a fund would allow India and its partners to have a discussion with African partners so that certain projects are identified and feasibility studies which are bankable are created. Largely these funds should be as grant though in more sophisticated instruments such costs would be recovered from implementation of project and returned to the fund. The availability of bankable studies for a short list of projects will make it easier to attract trilateral or plurilateral project finance from different partners.

Simultaneously, India and its partners would now need to look at how guarantees could be provided to mitigate risk for participating companies. Each of the partners that we have looked at, have their own mechanism for this and ways would have to be found to prioritize support for these land mark projects and provide the guarantees necessary. A possible way is if SPV's are created for each of these projects whose bankability is established. Once host governments come on board, to provide local support and clearances, then various guarantee systems could be prioritized. This would call for flexibility from the current operating style of various institutions.

Similarly, for large projects, low-cost development finance would be necessary. This would also need to be coordinated among partners who ultimately agree to implement a project from the shortlist mentioned above. It would call for lending agencies to coordinate their practices and procurement systems which are among the more diverse among the partners. Each partner would also need to introduce flexibility in their procurement system so that faster disbursement and commitment can take place.

## **2. Manufacturing**

Greater interaction between Indian, African and partner countries is a prime requirement for enhancing B2B engagements. Companies from Indian and partner countries are visiting Africa and finding opportunity for investment. If they work

together, they can find better economic terms of engagement. As a first step, greater information on all past investment profiles and future opportunities in a particular country needs to be available so that companies seeking to invest either independently or as joint ventures can see how others have fared and what pit falls to avoid. Support for this should be provided by partner countries to Investment Commissions in African countries to create such profiles and more important, provide avenues where investing companies have clear cut institutional arrangements for redressal of their problems and issues.

Partner countries can also support a less vigorous but fair investment model law in various countries and try and create a coherent policy and implementation under which investment protection and avoidance of double taxation is consistent and wide spread.

It is worth considering if the trade and investment guarantee offer by each of the partner countries could be made available for pure private sector investment into African countries at rates which are lower than currently available. This could be as part of a subsidized system or by raising the investment grade of African countries from time to time.

On the business side there is need for closer interaction between Indian companies and companies from partner countries keeping Africa in focus. There are various bilateral avenues under which Indian companies meet with Japanese, German, US, French and UAE Companies, but their focus is mainly bilateral interaction. We need to introduce cooperation in Africa into these discussions. We may also establish special avenues for focus discussion between interested companies on all sides with a view to Africa. The India Africa Conclave and its regional conclaves have taken steps in this way which can be expanded.

The steps taken by CII and JETRO to have interaction on the side-lines of major India - Africa events in New Delhi, Kampala, and Abuja in the last 2 years is the starting point. These need to become

more intense and frequent and have an institutional basis to provide periodic interaction. This can also be done through the Chamber of Commerce or Business Organization of partner countries in India. The CII task force on trilateral partnerships in Africa could be the nodal point for facilitating such interaction. Such frequent interaction will allow companies to exchange business ideas and possibly find common ground and interest to work together in Africa and lead to a sharpening of ideas to work together in markets beyond India.

### 3. Services

There is much that has happened in Africa in this sector and the business opportunities are growing rapidly. Many companies from India and other partners are keenly undertaking business in the services sector and intense competition is ensuing.

The ITES sector is another area where much is happening in Africa. It is now time for India to try and understand better the opportunities there and build appropriate partnerships.

Indian operators have not really stepped out to Africa despite many opportunities being brought forth by Indian embassies there. Airtel is a major positive example and the way it has set up local level partnerships is a good trend.

The challenge is how do we introduce the services agenda into the India-Africa and its trilateral dialogues. One way is, as seen in the case of UAE-India partnership in Ethiopia, as discussed earlier. Indian expertise is readily available and can be employed to fill up any perceived skill gap in services related fields in Africa.

### 4. New Businesses

Impact-investing, start-ups and other smaller business ideas are taking the India Africa engagement by storm. This idea brings philanthropy and traditional donor support into a more positive funding arrangement which mitigates risk through mentorship and ignites new ideas to bring about change at grass roots. The Aavishkaar series of Funds as discussed earlier, facilitate

support for trilateral partnerships by their model of functioning.

There is a large start up movement in Africa, but it seemingly goes ahead without much link to India. We can think of having the German India Start-up Exchange Program and the India Japan Start-up program both also look at possibilities of supporting start-ups in Africa possibly with companies from our countries. A discussion on this needs to start with the 2 programs and then a link to the African start up scene can be initiated. here is so much happening in the world in general and Africa in particular on this that it's not necessary to reinvent the wheel but use the current systems to their best advantage.

## **5. Development Cooperation and Capacity Building**

In almost all areas, capacity building can effectively be the core of the success of any project. The ITEC programme is a successful example of this. Through the IAFS processes nearly 100 capacity building institutions were offered to African countries and Regional Economic Communities. Many of these succeeded where countries had grasped their efficacy and could integrate them into their plans and budgets. Most others could not plan for the land, building and budget to take the partnership ahead on these institutes.

What may be done now is for the Ministry of External Affairs (MEA), Government of India to consider opening these institutes to the idea that in a particular country we may consult the Indian investors and potential trilateral partners. We could come up with a few capacity building ideas that that country may need. Then MEA could allocate the grant it originally envisaged without sticking to the nature of the proposed institute and let the Indian companies' companies or trilateral partners establish the land building and budget for its operations. That will see our goals fulfilled and

currently useful institutions emerge. The role of the Indian Embassy in these countries as always would be critical to its success

Similarly, the ITEC program and the IAFS support program should venture into ideas received from India FDI companies in their countries This has been done successfully by many embassies. We can also offer our facilities to train African trainees funded not only by ITEC but also by other donors.

A common thread that would be running through all of these sectors of cooperation would be the commitment from government or government affiliated agencies in ensuring that political risk is well mitigated. That is the main advantage of trilateral partnerships. Political risk has been identified as a key disabler of Africa – India trade and investment relations (Mevel & Tripathi, 2018). Alleviating it by ensuring that governments involved have a stake in the success of these projects is important.

Private sector partnerships happen organically as the market dictates. Examples of Joint Ventures or third party funded projects already exist. Trilateral partnerships as, for instance, envisaged in the erstwhile AAGC, now the Free and Open Indo-Pacific project (strategy?), require dedicated political commitment to build industry's trust. They are unique in the sense that they require governments, businesses, and stakeholders on the ground to work together from start to finish. From identifying gaps at the lowest level to the completion of identified projects.

This reports' aim is to initiate a discussion on trilateral partnerships in Africa. Its major endeavour is to draw upon a concept outlined by Think Tanks and encouraged by governments. Its main objective is to find a business orientation for the concept so that new opportunities for business may be understood and grasped. This idea requires continues engagement and discussion for which this report is a first step.

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## Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has around 9000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from around 265 national and regional sectoral industry bodies.

CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organizations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, healthcare, education, livelihood, diversity management, skill development, empowerment of women, and water, to name a few.

As a developmental institution working towards India's overall growth with a special focus on India@75 in 2022, the CII theme for 2018-19, India RISE : **Responsible. Inclusive. Sustainable. Entrepreneurial** emphasizes Industry's role in partnering Government to accelerate India's growth and development. The focus will be on key enablers such as job creation; skill development; financing growth; promoting next gen manufacturing; sustainability; corporate social responsibility and governance and transparency.

With 65 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 355 counterpart organizations in 126 countries, CII serves as a reference point for Indian industry and the international business community.

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