



INDIA AFRICA: A PARTNERSHIP FOR GROWTH



**TASK FORCE REPORT
2018**

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India-Africa: A Partnership for Growth



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FOREWORD

The third India-Africa forum was held in New Delhi, in 2015, in which 41 leaders of the 54 countries of Africa participated. Prime Minister Modi announced a credit line of \$ 10 billion for Africa. This was an indication that India was keen to enhance its all-round engagement with the African continent. The India-Africa trade in 2017 was \$ 54 billion. Prime Minister Modi has visited nine African countries since 2015. The President of India has visited seven countries since 2017. India has sent out a powerful signal that it would like to enhance its engagement with Africa. It is becoming clear that while there is considerable potential in India-Africa relations, a lot more work needs to be done to take the engagement to a qualitatively new level.



To examine the prospects for the growth of the India-Africa partnership, the Vivekananda International Foundation set up a Task Force of experts in 2018. Headed by Former Ambassador Shri DP Srivastava, the task force comprised of Somen Banerjee, Senior Fellow at the Vivekananda International Foundation, Dr Neha Sinha, Associate Fellow, VIF and Ms Prerna Gandhi, Research Associate at the VIF.

The Task Force had in-depth interactions with experts from different domains and would like to thank Ms. Geetha Murlidhar Chairman & Managing Director ECGC; Mr Anil Devli, CEO INSA; Ambassador Sachdeva, former Ambassador to Nigeria and Algeria; Mr. D.S. Shetty, former DG Shipping, Ministry of Shipping; and Mr. N.N. Kumar, former Chairman Jawaharlal Nehru Port, who helped shape the report. We would also like to thank Ministry of External Affairs, the Ministry of Commerce and the EXIM BANK for their contribution.

The Task Force has focused on the structural issues in India-

Africa relations, and has made key recommendations relating to: shipping; infrastructure; the export-import policy; education; capacity building; visas and UN Peace keeping issues. These recommendations were arrived at after extensive consultations with the stakeholders in industry, academia and the government. These issues need to be addressed to take the India-Africa relations to the next stage of development.

We are happy to publish the Task Force Report, with the hope that it will be useful for the policy makers and also generate informed debate.

New Delhi
August 2018

Dr Arvind Gupta
Director
VIF

Contents

Executive Summary

Chapter I

Africa's Political Emancipation – India's Role

Decolonisation

Fight against Racial Discrimination and Apartheid

Africa Fund

Chapter II

Development

Agenda 2063

Continent wide Free Trade Area

Africa's Growth – An Outsider's Perspective

Africa's Growth – An African Perspective

Visits

Team 9

India –Africa Forum Summit

Development Partnership

EXIM LOC & Buyer's Credit

International Solar Alliance

ECGC

India-Africa Trade

Duty Free Tariff Preference

Country Coverage

Utilisation of DFTP Scheme

Trade under DFTP Scheme
Investment

Pan-African Tele-education and Tele-medicine project

Chapter III

Capacity Building

Science & Technology

Chapter IV

People-to-People Contacts

Indian Diaspora

Chapter V

Peace and Security

Chapter VI

Asia-Africa Growth Corridor

Chapter VII

Prospects and Problems

Chapter VIII

Recommendations

Executive Summary

The India-Africa partnership is rooted in their shared historical experience. India has played a major role in the fight against apartheid and colonisation. The success of the decolonisation process increased the number of sovereign African countries from four in 1945 to 54 as of now. Today, the African continent constitutes the single largest electoral group in the UN General Assembly. India has also contributed to peace and security in Africa through its participation in every major UN Peacekeeping Operation in the continent. This has often come at the cost of Indian lives.

Africa is now embarking on a trajectory of growth. After a cyclical slow-down due to the slump in commodity prices, Africa's growth rebounded to 3.7 per cent in 2017, up from 2.3 per cent in 2016. The African Union (AU) has drawn up an ambitious blueprint for Africa's future - *Agenda 2063*. The document calls for development of world class infrastructure and trade facilitation, to encourage intra-African trade to grow from 12 per cent in 2013 to around 50 per cent by 2045.

The Indian development partnership reflects African aspirations and priorities. A major focus area is capacity building through the Indian Technical and Economic Cooperation (ITEC) programme. India has also given substantial assistance for projects in the infrastructure, power, drinking water, IT, education and health sectors. In 2008, the India-Africa bilateral partnership was elevated to regular summit level interaction. The third India-Africa Forum summit was held in 2015. During the summit, India announced a \$10 billion line of credit, extended over a five year period, apart from a \$600 million grant for Africa.

India was the seventh largest investor in Africa with a \$17 billion investment in 2015. India's two way trade with Africa currently stands at more than \$55 billion. India has consistently run a trade deficit with Africa, which is a testimony to her open economy. Also, the growing

Indian demand serves to boost African growth. It has extended the facility of Duty Free Tariff Preference (DFTP) to the 26 Least Developed Countries (LDCs) in Africa, which covers 95.5 per cent of the tariff lines covering African exports to India.

This report, after extensive consultations with key stakeholders, has identified key areas, where more efforts are needed. These are: (i) establishment of direct shipping lines between India and Africa; (ii) making Chabahar a trans-shipment port for trade with Africa; (iii) establishing direct banking facilities to bring down the cost of doing business through European banks; (iv) making the premium charged by Export Credit Guarantee Corporation (ECGC) more competitive; (v) reviewing and augmenting the EXIM bank's lending limits. These recommendations are summarised at the end of the report.

Chapter I

India-Africa: A Partnership for Growth

In 1945, four African states were members of the United Nations. Today, Africa constitutes the single largest regional group in the UN with 54 member states. These numbers reflect the importance of Africa in the UN General Assembly. They also attest to the success of de-colonisation process, in which India played a pioneering role.

Today, India not only extends political support to African countries, but is also a partner for development. India contributes to capacity building through an extensive programme of training and education under the ITEC programme. Despite her own resource constraints, India has extended credit for development projects in Africa. This development partnership was elevated to summit level interaction between India and Africa through the India-Africa Forum Summit. India's development cooperation reflects African aspirations and development priorities.

In terms of balance of trade, a surplus often means suppressing nascent industries in importing countries. India has consistently run a deficit with Africa. The Indian demand serves as an engine of growth for African economies. It also testifies to the openness of India's economy. Indian companies are investing in telecom, energy and other sectors of the African economy.

A pre-requisite to development is security. India has contributed to the cause of peace and security through its participation in every major UN peacekeeping operation (UNPKO) in Africa. India provided the largest contingent for the UN peacekeeping operation in Congo in the 1960s. Since then, India has been part of UNPKOs in Namibia, Somalia, Angola, Rwanda, Mozambique, Sierra Leone and the Democratic Republic of Congo. The Indian participation has not only helped stabilise these countries, but also brought Namibia and Mozambique to freedom and statehood.

People-to-people contact between India and Africa pre-dates India's independence. Indian indentured labour was taken by the British to work in English colonies in Africa. In fact, India's independence owes much to the non-violent Satyagraha, developed by Mahatma Gandhi in South Africa.

“The oldest existing political organization in South Africa, the Natal Indian Congress, was founded by Mahatma Gandhi in 1894. He became its first secretary and in 21 years of his stay in South Africa, we were to witness the birth of ideas and methods of struggles that have exerted an incalculable influence on the history of the peoples of India and South Africa. Indeed, it was on the South African soil that Mahatma Ji founded and embraced the philosophy of Satyagraha”

“However, it is precisely India's exemplary role in world affairs that also serves to remind us that our problems, acute as they are, are part of humanity's problems and no part of the world can dare consider itself free of them unless and until the last vestige of man-made suffering is eradicated from every corner of the world.”

-Nelson Mandela on India in his letter dated August 3, 1980 smuggled out of the Robben Island prison.



Today, the Indian diaspora is present in South Africa, Mauritius, Kenya, Nigeria, Tanzania and a host of other countries. Indians have contributed their skills to the development of their country of adoption, and are integrated into the local milieu. They also act as bridge between India and Africa.

Decolonisation

The Declaration regarding Non-Self-Governing Territories is contained in Chapter XI of the UN Charter. This refers to the vast majority of countries that were under colonial occupation when the Charter was adopted in 1945. While it called upon the colonial powers “to ensure, with due respect for the culture of the peoples concerned, their political, economic, social and educational advancement”, and “to develop self-government”, it fell far short of calling for independence. These Charter provisions were given a new thrust when the UN adopted the 1960 landmark ‘Declaration on the Granting of Independence to Colonial Countries and Peoples’. India was a co-sponsor of the Declaration. The Declaration solemnly proclaimed the necessity of bringing a speedy and unconditional end to colonialism in all its forms and manifestations.

The Declaration was followed by the formation of the Special Committee on the Implementation of the Declaration on Decolonisation. India was elected the first chair of the Decolonisation Committee. India took up decolonisation issue at all UN fora, in the Non-Aligned Movement (NAM) and meetings of the Commonwealth.

Fight against Racial Discrimination and Apartheid

India raised the issue of racial discrimination in South Africa in the United Nations in 1946. The response of the South African regime of the period was that the issue was part of its domestic jurisdiction in which the United Nations could not intervene.

India along with twelve other Member States of the United Nations, raised the general question of “Race Conflict in South Africa resulting from the Policies of Apartheid of the Government of the Union of South Africa”. India played a key role in the formation of the Special Committee against Apartheid set up by the General Assembly in 1963. India also contributed to

the United Nations Trust Fund formed in 1965. The Special Committee played a key role in the efforts to bring to an end the practice of apartheid. India was also a signatory to the Convention on the Elimination of All Forms of Racial Discrimination, when it was adopted in 1965.

A special session of the UN Committee against Apartheid was convened in New York on October 5, 1976 to pay tribute to India. Speaking on the occasion, the Chairman of the Special Committee, Ambassador Leslie O. Harriman of Nigeria said:

"We in the Special Committee owe particular appreciation to India for its consistent cooperation. When this Committee began its work on April 2, 1963, the very first document for it was a letter from India offering full cooperation. When this Committee appealed in 1964 for assistance to political prisoners and their families in South Africa, the very first contribution came from India."

Africa Fund

The Action for Resisting Invasion, Colonialism and Apartheid (AFRICA) Fund was created at the Eighth Non-Aligned Summit in Harare in 1986, at the initiative of the Indian Prime Minister. The Fund was created to express solidarity with the seven frontline states of southern Africa and the liberalisation movements in South Africa. As many as 61 countries, including India, pledged contributions amounting to nearly half a billion US dollars in cash and kind. The Fund provided much needed medical assistance, drinking water, transport equipment and training for personnel to the frontline states in the struggle against the apartheid regime in South Africa.

Chapter II

Development

Agenda 2063

India's development co-operation with Africa reflects African priorities. They reflect the Agenda 2063 adopted by the AU Summit in 2015. The document charts the future of a more prosperous Africa, based on inclusive growth and sustainable development. *Agenda 2063* is also blue print for an integrated continent, based on the ideals of Pan-Africanism. The document lists seven aspirations. The African Union Summit of 2015 also adopted a Call for Action. Some of the key recommendations are: poverty eradication, affordable housing, education and skill development, industrialisation, modernisation of agriculture, building infrastructure, domestic resource mobilisation, conflict prevention, and a Pan-African perspective.

Since then, an agreement has been signed on one of the action points - the establishment of a Continental Free Trade Area by 2017. The Agenda 2063 sets the target of increasing intra-Africa trade from less than 12 per cent in 2013 to 50 per cent by 2050. It also envisages that Africa's share of global trade will rise from two per cent to 12 per cent.

Continent Wide Free Trade Area

The AU Summit of 2015 adopted a decision to fast-track the establishment of the Continental Free Trade Area by 2017. The objective is to double intra-Africa trade by 2022, strengthen Africa's common voice and policy space in global trade negotiations and establish the financial institutions within agreed upon timeframes.

Forty-four African countries signed the Agreement on the Continent-wide Free Trade Area in March 2018. However, two of the largest economies in the continent – Nigeria and South Africa - have not signed up so far. These two account for a third of Africa's GDP of \$2.1 trillion. Nevertheless, a pact signed by 44 out of the 54 Member States is a pointer to the unmistakable trend towards greater integration (New York Times, March, 21, 2018).

Africa's Growth – An Outsider's Perspective

“Consumer spending in Africa is projected to reach \$2.1 trillion by 2025. Technology is opening many new doors for consumers. Mobile money, for instance, is growing five times faster in Africa than in any other region.

By 2025, 65% of African households will be in the “discretionary spending” income bracket (earning more than \$5,000).

Africa remains a high-potential region, but growth is concentrated in a few markets and income segments. To win, companies need a tailored, data-driven approach.”

-Mc Kinsey & Company, October 2017

“Low commodity prices and reduced growth in emerging markets & advanced economies have contributed to slow growth in the majority of African countries, following a decade of sustained GDP growth (above 5%). Rapid growth of Africa's working-age population has been hailed as a possible boost to regional economic growth. However, there is no teleology leading from population growth to job creation.

-The Africa Competitiveness Report 2017, World Economic Forum

AFRICA'S GROWTH – AN AFRICAN PERSPECTIVE

African Development Bank's report on “African Economic Outlook 2018”, notes that African economies have been resilient and gaining momentum. Real output growth is estimated to have increased 3.6 percent in 2017 and to accelerate to 4.1 percent in 2018 and 2019. Overall, the recovery of growth has been faster than envisaged, especially among non-resource-intensive economies.

However, with declining trend in official development assistance,

many African governments have turned to international capital markets to meet the financing needs of their infrastructure and social sectors. As of now, the debt levels have not exceeded historical levels, and have in fact gone down for some countries.

The AfDB report mentions that employment growth has not kept pace with growth in GDP. "Between 2000 and 2008, employment grew at an annual average of 2.8 percent, roughly half the rate of economic growth." This has slowed down the rate of poverty reduction.

The continent's infrastructure needs are estimated at \$130– 170 billion a year, with a financing gap in the range of \$68–\$108 billion. In addition, social sectors, including education, health and capacity building also demand funds. The African countries are meeting this challenge largely through their own resources. "Africa now collects about \$500 billion in tax revenue every year, \$50 billion in foreign aid, \$60 billion in remittances, and \$60 billion in FDI inflows."

There are wide regional disparities in growth rate. East Africa has shown the highest growth rate at 5.6 % in 2017. North Africa followed with the second highest growth rate at 5 % in 2017. Southern Africa has recovered from 0.9 % in 2016 to 1.6 % in 2017. The West African growth rate was slightly higher than 2 %, while Central African growth rate was lowest at 0.9 % in 2017.

The fall in commodity prices increased Africa's fiscal and current account deficits. However, increase in crude prices since 2016 has contained the fiscal deficit at 5.7 % for Africa as a whole. This is further expected to narrow down to 4.5 % of GDP in 2018-19.

The average tax-to-GDP ratio in Africa was only about 17.1 percent in 2014, much lower than the optimal threshold of about 25 percent required to finance development.

Concessional financing has gradually declined since the financial and economic crisis of 2008/09, although there was a small increase in 2015. To bridge the revenue gap, some African countries have turned to international capital markets as an alternative source of financing.

Visits

Since mid-2010, there has been a flurry of diplomatic visits to Africa at the highest level from India. Since 2015, Prime Minister Modi has visited nine African countries. These are: South Africa; Mozambique; Tanzania; Kenya; Mauritius; Seychelles; Rwanda; Uganda; and South Africa. The current and former Indian presidents, Ram Nath Kovind and Pranab Mukherjee respectively, have visited the 10 countries of Namibia, Ghana, Ivory Coast, Djibouti, Ethiopia, Mauritius, Madagascar, Equatorial Guinea, Swaziland and Zambia. Current and former Indian vice-presidents, Hamid Ansari and Venkaiah Naidu respectively, have visited the seven countries of, Morocco, Tunisia, Nigeria, Mali, Algeria, Rwanda and Uganda.

Heads of State (HOS) and Heads of Government (HOG) of 10 African countries have also visited India since 2015. They are: (i) President of Tanzania, Jakaya Mrisho Kikwete (June 2015), (ii) President Filipe Nyusi of Mozambique (August 2015), (iii) President Gurib-Fakim of Mauritius (December 2015) (iv) President Sisi of Egypt (Sept 2016), (v) President Zuma of South Africa (BRICS) Summit (October 2016), (vi) President Kenyatta of Kenya and President Kagame of Rwanda (January 2017), (vii) King of Swaziland Mswati-III and (viii) Prime Minister of Uganda Ruhakana Rugunda (March 2017), (ix) President of Senegal Macky Sall (May 2017), and (x) President of Benin Patrice Talon (May 2017).

Team 9

In 2004 India initiated the Techno-Economic Approach for Africa-India Movement (TEAM-9), together with eight West African countries viz. Burkina Faso, Chad, Cote D'Ivoire, Equatorial Guinea, Ghana, Guinea Bissau, Mali, Senegal. The first meeting of TEAM 9 foreign ministers was chaired by Prime Minister Vajpayee in March 2004 and held in New Delhi. India offered and extended lines of credit under this initiative to these countries. Since then, this initiative has been subsumed under India-Africa Forum Summit (IAFS).

India Africa Forum Summit (IAFS)

In 2008, India elevated its development partnership with Africa to the summit level. The three India-Africa Forum summits have been held in

2008, 2011 and 2015. The third India Africa Summit held in 2015, was attended by 54 African countries including 41 heads of state.

India has committed \$7.4 billion in concessional credit and \$1.2 billion in grants since the first India-Africa Summit in 2008. It is involved in creating 100 capacity building institutions, and developing infrastructure, public transport, clean energy, irrigation, agriculture and manufacturing capacity across Africa.

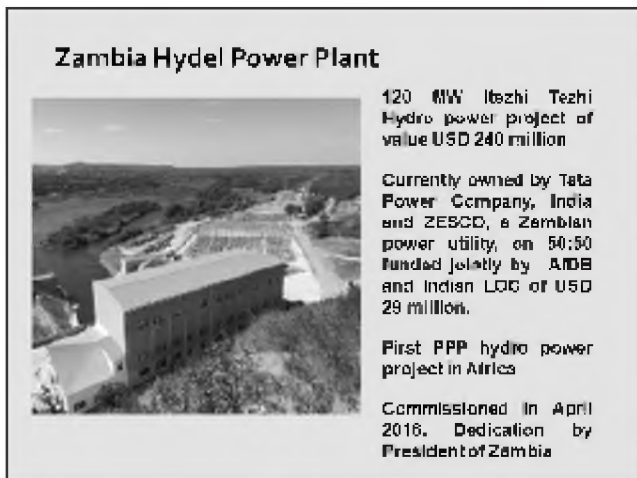
During the third India-Africa Forum Summit (IAFS-III), India provided \$10 billion in lines of credit (LOCs) for a host of development projects over the next five years was offered. India also offered grant assistance of \$600 million including an India-Africa Development Fund of \$100 million and an India-Africa Health Fund. India will also provide 50,000 scholarships in India over the next five years and support the expansion of the Pan Africa E-Network and institutions of skilling, training and learning across Africa.

Development Partnership

India has extended project assistance to Africa through two windows: lines of credit (LOCs) and Buyer's Credit under National Export Insurance Account (BC-NEIA). Both are administered by the EXIM Bank, which has played an important role in channelling credit from the government, as well as market borrowing at comparatively cheaper rates, for projects in Africa.

India extends lines of credit through India's Exim Bank. So far, 168 lines of credit have been extended to 41 countries for a total amount of nearly \$9.42 billion dollars. After IAFS-3, we have approved new Lines of Credit of US\$1.705 billion under IAFS-3. As on June 2018, India has extended LOC worth USD 8.6 billion dollar.

Several LOC Projects have been completed in the last three years. Of these, 9 LOC projects worth \$716 million in 8 countries were completed in 2016-17. Twenty-five LOC projects worth \$806 million in 18 countries are likely to be completed in 2017-18.



In order to boost trade, a regional East Africa Conclave was held in Kampala in November 2017. It was inaugurated by President Museveni of Uganda. The annual CII-EXIM Bank Conclave was held in May 2018.

India has also worked closely with African partners on issues relating to the 2030 Agenda for Sustainable Development, WTO and *Agenda 2063*.

EXIM LOCs

Year	Amount of Credit (in USD mn)	Value of contracts covered under the LOC by Exim Bank (USD mn)
2007 -08	524.50	466.62
2008 -09	449.13	446.05
2009 -10	481.50	454.50
2010 -11	1,055.07	905.12
2011 -12	1,061.36	613.15
2012 13	384.39	194.68
2013 -14	1,027.4	364.86
2014 -15	1,589.96	362.93
2015 -16	609.93	53.08
2016 17	593.51	-

Source: Exim Bank

Exim Bank's Buyer's Credit under National Export Insurance Account (BC-NEIA)

Year	Amount of Credit (in USD mn)
2011 - 12	63.39
2012 - 13	-
2013 - 14	31.00
2014 - 15	386.06
2015 - 16	468.08
2016 17	809.58
2017 - 18*	114.29
Total	1,872.40

Source: Exim Bank

Mozambique: Rural Drinking Water Development Project

- LOC of USD 19.72 million
- Rural water coverage of the respective provinces has increased from 30% to 50%.
- Project has impacted lives of 824,500 people directly benefiting from gaining improved access in clean water.



- Clean water sources have helped local community in combating water borne diseases such as cholera, chronic diarrhea and improved their standards in health, hygiene and sanitation.

Tanzania Water Treatment Plant



LOC of USD 178 million

Upper Ruvu water treatment plant to increase supply from 80 to 200 MLD

Executed by WAPCOS (PMC), Va Tech WABAG & Megha Engineering

Potable water to 7,00,000 people in Dar-es-Salaam in Phase-I

Inaugurated in June 2017



Sudan-Kosti Power Plant



Um Dabakir Power Station (Kosti), a 4x125 MW combined cycle power plant

LoC of USD 350 million

Largest thermal power plant commissioned in Sudan.

One-sixth of the total power demand of Sudan.

Executed by BHEL.

Inaugurated in Feb 2016.

International Solar Alliance

The President of Comoros, Azali Assoumani and President Paul Kagame of Rwanda, attended the International Solar Alliance (ISA) Founding Conference in New Delhi in March 2018. The vice presidents of Malawi, Zimbabwe and Uganda attended the CII EXIM Bank Africa Conclave held in New Delhi in March 2018.

During ISA, 27 specific solar projects in 15 countries worth \$1.4 billion were announced. Of these, a billion dollars are for African countries. Thirteen projects worth \$143 million in eight countries are complete, or under implementation.

Vocational Training Centres

During India-Africa Forum Summit-I (IAFS-I) held in 2008 at New Delhi, it was decided to establish Vocational Training Centres (VTCs)/Incubation Centres (ICs) in 10 African countries. National Small Industries Corporation (NSIC) was nominated as Implementing Agency for execution of the project. The VTCs/ICs were being set up primarily to enhance development programmes of African countries on skill development training and self-employment.

So far, six vocational training centres have been established in Ethiopia, Rwanda, Burundi, Burkina Faso, Gambia and Egypt. Besides, four IT centres have been established in South Africa, Egypt, Morocco, Lesotho and Tanzania, apart from technology centres in Madagascar and Zimbabwe.

The vocational training centres aim to give first generation entrepreneurs the opportunity to acquire skills in basic technical trades and gain exposure in all areas of business operation. These include: business skill development; identification of appropriate technologies; hands-on experience in working projects; project/product selection including the commercial aspects of business etc.

Export Credit Guarantee Corporation (ECGC)

The ECGC plays an important role in boosting Indian exports through risk mitigation. It has covered around Rs 90 billion worth of Indian exports to Africa in the period April 2016 to March 2017. This is a 16 per cent growth

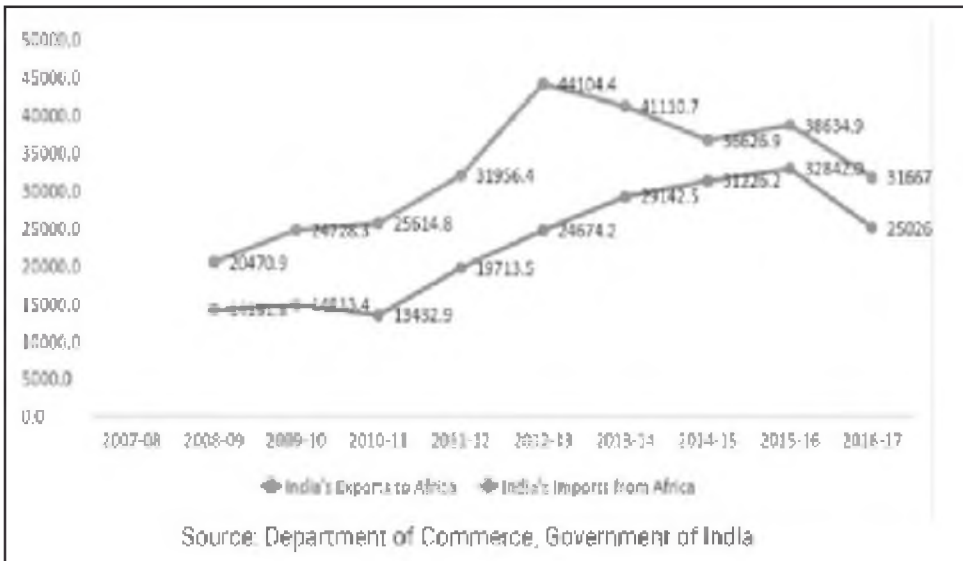
in coverage despite the five per cent decline in Indian exports to Africa during this period (Decline from Rs. 164,000 crores to Rs. 155,000 crores).

India-Africa Trade

India runs a deficit with Africa with imports being consistently higher than export. Indian demand serves to boost African growth. The two way trade peaked at USD 68.7 billion in 2012-13. It has since gawn down to USD 56 billion in Financial Year 2016-17. The decline reflects fall in oil prices.

	2014	2015	2016
Export	31.22	32.84	25.03
Import	36.63	38.63	31.67

Source: Department of Commerce, Government of India



The graph has started going up again, with two way trade reaching \$62.66 billion, an increase of nearly 22 percent over the previous year. On a sustained basis, the trade has shown promising growth.

Duty Free Tariff Preference (DFTP)

The Hong Kong WTO Ministerial Meeting, in December 2005, decided to provide Duty Free Quota Free (DFQF) access to exports of Least Developed

Countries (LDCs). India was the first developing country to extend the DFTP to LDCs in 2008. The market access under the 2008 scheme covered 92.5 percent tariff lines covering global exports of 34 LDCs that included 26 African countries.

The scope of the scheme was expanded in 2014. It currently provides duty free/preferential market access on about 98.2 percent of India's tariff lines (at HS 6 digit level of classification). Only 1.8 percent of the tariff lines have been retained in the Exclusion List, with no duty concessions.

The DFTP scheme was further simplified in March 2015. It currently provides market access on 95.5 percent of the lines on which LDCs have made exports to India in the last two financial years (2015-16 and 2016-17).

Country Coverage

As of May 2018, the following 26 African LDCs have been covered under the scheme:

S. No.	Country name	S. No.	Country name	S. No.	Country name
1	Benin	13	Liberia	25	Togo
2	Burkina Faso	14	Madagascar	26	Zambia
3	Burundi	15	Malawi		
4	Chad	16	Mali		
5	Comoros	17	Mozambique		
6	Central African Republic	18	Niger		
7	Eritrea	19	Rwanda		
8	Ethiopia	20	Senegal		
9	Gambia	21	Somalia		
10	Guinea	22	Sudan		
11	Guinea Bissau	23	Uganda		
12	Lesotho	24	Tanzania		

*Those LDCs which have graduated out of UN list of LDCs have been deleted from this list

(Source: Department of Commerce, Government of India)

UTILISATION OF THE DFTP SCHEME

The 12 LDCs that have substantially utilised the scheme in terms of the utilisation rate (> 25 per cent) for 2016-17 are the following:

- i. Benin – 57.8 per cent
- ii. Burundi – 100 per cent
- iii. Cambodia 25.9 per cent
- iv. Comoros – 98.6 per cent
- v. Gambia – 54.2 per cent
- vi. Guinea Bissau – 30.0 per cent
- vii. Madagascar – 55.6 per cent
- viii. East Timor – 82.1 per cent
- ix. Rwanda – 70.3 per cent
- x. Tanzania -29.2 per cent
- xi. Togo – 30.2 per cent
- xii. Zambia–84.8percent

TRADE UNDER THE DFTP SCHEME

The total global imports under the DFTP scheme for 2016-17, were \$2.8 billion. The imports by India under the DFTP Scheme for 2016-17 have been confined to 64 HS lines at the national tariff line level of India. These include: shells; nuts; spices; oil seeds; gums; cocoa; oil cakes; minerals; essential oils; plastics; rubber; wood; raw products under base metals such steel, copper, aluminium and lead; and battery waste.

The top 10 products of import under the DFTP Scheme are the following:

S. No.	HS Code	Description	DFTP Imports (USD mn)
1	8013100	Cashew in shell (raw cashew)	512.8
2	74020010	Blister copper	399.8
3	74020090	Other unrefined copper	230.6
4	9071010	Cloves extracted, not crushed or ground	53.1
5	9071020	Cloves not extracted, crushed or ground	36.1
6	12077090	Other melon seeds	23.2
7	12019000	Other soya beans (not seed)	22.6
8	25102010	Natural calcium phosphate, ground	19.6
9	28092010	Phosphoric acid	18.9
10	25101010	Natural calcium phosphate, unground	18.9

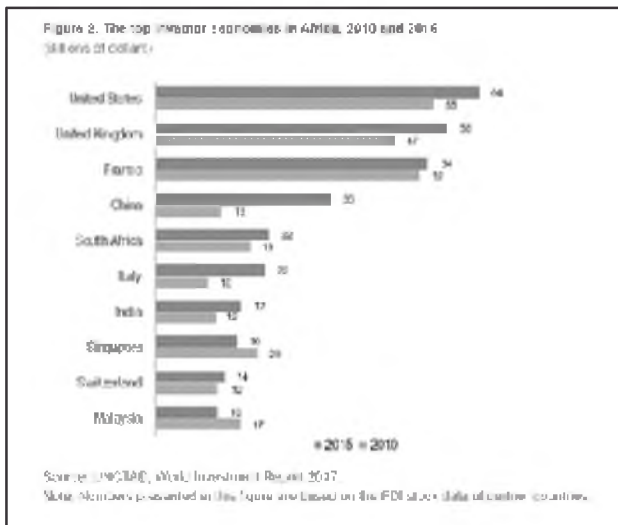
The above 10 products comprise nearly half of the total imports under the DFTP scheme. (Source: Department of Commerce, Government of India)

INVESTMENT

About two per cent of the total Indian FDI (amounting to \$5 billion) outflows go to Africa. Although 597 Indian companies invested over \$5

billion from 2008 to 2016 in Africa, the top 11 companies account for about 80 per cent of the total Indian investment flows to Africa. All the major Indian companies have a presence in only one or two African countries.

The Indian investment in Africa grew from \$12 billion in 2010 to \$17 billion in 2015. In terms of comparative ranking, India comes seventh after US, UK, France, China, South Africa and Italy.



Over a longer time horizon, India has invested \$54 billion since 1996, emerging as the fifth largest investor in Africa.

Pan-African Tele-Education and Telemedicine Project

The Pan African e-Network Project was conceived by former President of India Late Dr. A.P.J. Abdul Kalam. It was launched in February 2009 to provide tele-education and telemedicine services. This linked educational and medical centers of excellence in India with their counterparts in 54 African countries.

The Pan African e-Network Project was treatment funded by the government of India at a cost of Rs 5.43 billion. It is being implemented in collaboration with the African Union Commission. The first phase was successfully completed on June 30, 2017.

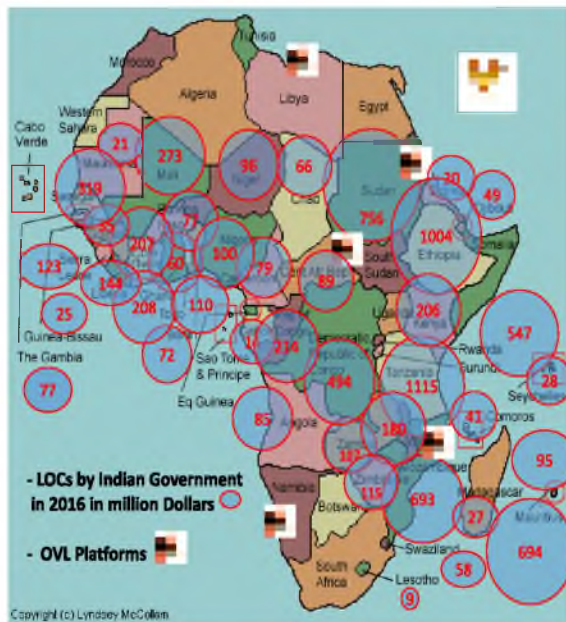
Under tele-education, 21,280 students from five Indian universities

participated in the network with 5913 sessions on various post-graduate, undergraduate, diploma and certificate programmes.

On Tele-Medicine side, 6771 (English – 5960 and French – 811) Continued Medical Education sessions were delivered for the benefit of the Doctors and paramedics in Africa by 12 Indian Super Specialty Hospitals and Tele-Consultations (online and offline) were provided for the benefit of patients in Africa.

Africa is the recipient of nearly 20 per cent of India’s pharmaceuticals. In addition to medicines, India has also supplied state of the art, medical equipment such as the Bhabhatron to Tanzania, Kenya and Madagascar. India also hosted the first ever India-Africa Health Sciences Meet in September 2016.

The government of India has decided to upgrade the existing Pan African e-Network under the new name of *e-Vidyabharti* and *e-Aarogybharati*. The programme will be continued for the next five years at a cost of Rs 9.512 billion. The satellite based programme will migrate to a digital platform with internet communications and web-portals.



Lines of Credit by Indian Government in 2016 to African Continent

Chapter III

Capacity Building

The Indian Technical and Economic Cooperation (ITEC) programme was launched in the mid-1960s. Its objective was to provide technical assistance for human resource development. African countries have been the largest recipients under the ITEC programme. Scholarships have also been provided under programmes run by the Indian Council of Cultural Relations (ICCR). Since the third India-Africa Summit in 2015, India has provided 16,599 scholarships for African students. Under the ITEC and ICCR programmes, 18 programmes have been conducted in India; and the six held in Africa, were conducted exclusively for African candidates.

Science and Technology

Several programmes are being run by the department of science and technology under the India-Africa Science and Technology Initiative. These include the CV Raman Fellowship for African students in Indian universities, for the science and technology stream. Also, India has signed agreements with four African countries namely: South Africa; Tunisia; Egypt; and Mauritius for technological cooperation, agriculture, renewable energy, technology, and information. Cooperation in agriculture can be widely seen in the setting up of the i) International Crop Research Institute for the Semi-Arid Tropics (ICRISAT); and the ii) International Livestock Research Institute (Saran and Chakrabarty, 2015).

A Technology Development and Innovation Centre in the Science and Technology Park in Mozambique; a Technology Park in Cape Verde; and the Mahatma Gandhi IT and Biotechnology Park in Cote d'Ivoire, have been set up with the help of the lines of credit extended by the government of India,

CHAPTER IV

PEOPLE -TO-PEOPLE CONTACTS

The electronic tourist visa facility has been extended to include more than 33 countries in Africa. The cultural cooperation has also got a tremendous boost, with an increase in the celebration of Indian festivals and the International Yoga day as there is a large Indian diaspora in Africa. A large number of Africans visit India for education and medical treatment. Air connectivity has been enhanced with commencement of direct flights by Rwandair (since April 2017), and Ethiopian airlines have also increased their flights to India. Kenya Airlines also flies direct to India.

Indian Diaspora in Africa

The Indian diaspora in Africa is estimated to be around three million. The largest Indian diaspora is in South Africa, Mauritius, Reunion Islands, Kenya, Tanzania and Mozambique. We can divide the diaspora into four categories according to their strength. Nearly 70 per cent of the total population in Mauritius is of Indian origin. In South Africa, the Indian diaspora constitutes around three per cent of the total population. In the Reunion Island, 30 per cent of the total population consists of Indians.

Indian Diaspora in Africa

Source: Ministry of Overseas Indian Affairs, Government of India (2012)

S. No.	Country	Indians Diaspora	NRI	PIO
1	Algeria	450	447	3
2	Angola	6000	6000	0
3	Botswana	11000	9000	2000
4	Burkina Faso	100	100	0
5	Burundi	250	200	50
6	Cape Verde Islands	12	12	0
7	Comoros	300	50	250
8	Congo (Dem. Rep. of)	4000	3600	400
9	Djibouti	350	350	0
10	Egypt	3600	3450	150
11	Equatorial Guinea	100	100	0
12	Eritrea	500	0	500

13	Ethiopia	994	992	2
14	Gambia	333	329	4
15	Ghana	10000	10000	0
16	Guinea (Republic of)	550	550	0
17	Guinea Bissau	31	31	0
18	Ivory Coast	500	500	0
19	Kenya	75000	37500	37500
20	Lesotho (Kingdom of)	1200	800	400
21	Liberia	1501	1500	1
22	Libya	15000	14995	5
23	Madagascar	23000	3000	20000
24	Malawi	7000	1500	5500
25	Mali	201	200	1
26	Mauritania	30	30	0
27	Mauritius	882220	15000	867220
28	Morocco	300	300	0
29	Mozambique	21500	1500	20000
30	Namibia	160	140	20
31	Niger	60	60	0
32	Nigeria	30000	0	30000
33	Reunion Island (France)	275200	200	275000
34	Rwanda	1040	1000	40
35	Sao Tome and Principe (Republic of)	4	4	0
36	Senegal	440	412	28
37	Seychelles 8500 4000 4500	8500	4000	4500
38	Sierra Leone 710 700 10	710	700	10
39	South Africa	1218000	18000	1200000
40	Sudan	3599	3500	99
41	Swaziland	700	200	500
42	Tanzania	54700	5300	49400
43	Togo	510	500	10
44	Uganda	20000	15000	5000
45	Zambia	20500	12500	8000
46	Zimbabwe	10500	500	10000
Total		2710645	174052	2536593

Chapter V

Peace and Security

India has contributed to peace and security in Africa through its participation in UN Peacekeeping Operations (UNPKO). India has participated in every major UNPKO in Africa. This has also entailed the highest sacrifice of Indian lives for upholding the principles of the UN Charter and protecting the sovereignty and territorial integrity of African states.



<https://www.pminewyork.org/pdf/menu/49151pkeeping.pdf>

The UN Peacekeeping Operation in Congo (ONUC) is considered to be a landmark not only in the history of peacekeeping, but in the development of the United Nations. Secretary General Dag Hammarskjold lost his life in the course of the operation, while playing a mediatory role. The Operation was mandated to uphold the national unity and territorial integrity of Congo in the face of a secessionist movement. It was the first multi-role Peacekeeping Operation. During the four year period - from 1960 to 1964 - India provided 12,000 troops.

The UN Operation in Namibia played a key role in the successful transition of that country to freedom. Lt. General Prem Chand was the UN Force Commander. Indian military observers in Namibia were responsible for smooth withdrawal of foreign troops, elections and handing over authority to the newly formed government.

The UN established the ONUMOZ to restore peace and conduct elections in

Mozambique. India provided a large number contingent of staff officers, military observers, independent headquarters company and an Engineers and Logistics company. The Operation was successful.

The UN Operation in Somalia (UNOSOM II) was one of the riskiest UN Operations during the 1990s. With stand-alone capacity, the Indian brigade had operational responsibilities for 173,000 sq kms, representing one third of Somalia. The Indian contingent provided humanitarian relief, dug a large number of wells, constructed schools, mosques and ran mobile dispensaries.

India provided a contingent comprising of one infantry battalion and support elements for the UN Assistance Mission in Rwanda, to help ensure security for the refugees and to create conditions for free and fair elections.

Indian contingents have participated in successive phases of the UN Mission in Angola since 1989. India provided one infantry battalion, one engineer company, staff officers and military observers for the third and last phase of the UN Operation, which was completed successfully.

India provided the largest contingent for the UN Peacekeeping Mission in Sierra Leone (UNAMSIL). The operation succeeded in restoring peace and security to that country.

Currently, India is engaged in UN Peace-Keeping Operations in South Sudan and the Congo in Africa.



Source: Indian Mission in South Sudan



Source: Indian Mission in DRC

<https://betterworldcampaign.org/u-n-peacekeeping/democratic-republic-of-congo-monusco/>

Missions to which India has Contributed since 1950.	Details of the Peacekeepers
Congo (ONUC)	Two infantry brigades comprising of 467 officers, 401 JCOs and 11354 participated in operations. Six Canberra bomber aircraft of the IAF also participated in the ops. 39 personnel of the Indian contingent laid down their lives. Capt GS Salaria was posthumously awarded the Paramvir Chakra for action in Katanga, Southern Congo
Mozambique (ONUMOZ)	Military observers with 1083 all ranks participated in this.
Somalia (UNITAF & UNOSOM II)	The Indian Navy and Indian Army took active part in UN Operations. Indian Army deployed a Brigade

	Group comprising of 5000 all ranks and the navy deployed four battleship.
Rwanda (UNAMIR)	An Infantry Battalion group and Military Observers was provided by India. Total of 956 all ranks took part.
Angola (UNAVEM)	Besides providing a Deputy Force Commander, an Infantry Battalion group was provided by India.
Sierra Leon (UNAMSIL)	There are two Infantry Battalion groups here.
Ethiopia-Eretria (UNMEE)	Indian contribution comprised one infantry battalion group
Current Indian Missions	Details of the Peacekeepers
Congo (MONUC/MONUSCO)	India has deployed an augmented infantry brigade group (four infantry battalions) and two Formed Police Units (FPU) ex BSF and ITBP.
Sudan (UNMIS / UNMISS)	India has contributed two Infantry Battalion groups in Sudan.
Ivory Coast (UNOCI)	The mission is supported by Indian SOs and MILOBs since inception till February 2017. Six Indian Army officers are working with the UN Operation in Cote d'Ivoire (UNOCI).
Liberia (UNMIL)	India's contribution consisted of a 125-member, Female Formed Police Unit (FFPU) of the CRPF to the United Nations Mission in Liberia since 2007, representing the first-ever women's contingent in the history of UN peacekeeping.

Source: <https://www.pminewvork.org/pdf/menu/49151pkeeping.pdf>

Centre for UN Peacekeeping

Since its inception in 2000, the Centre for United Nations Peacekeeping (CUNPK), has been imparting quality training for UNPKOs. So far, 336 foreign participants (excluding participants in the United Nations Peacekeeping Course for African Partners (UNPCAP) from 27 African countries; have been trained at CUNPK. At the Leaders' Summit on Peacekeeping in 2015 at the UN HQ in New York, Hon'ble PM of India Shri Narendra Modi announced India's new commitment to UNPKOs that included additional training for peacekeepers at training facilities in India. Subsequently, in June 2016 during the Hon'ble PM's visit to Washington DC, in a joint statement with President Barack Obama, the PM committed to deepen India's engagement in UN peacekeeping capacity-building efforts in the African countries.

This commitment, resulted in the conduct of a UNPCAP at the CUNPK and Joint Mobile Training (JMTT) in African countries to enhance the capacity of African partners in the field of UN peacekeeping. Based on the initiative taken by India and US, the UNPCAP-01 was held in New Delhi in August 2016. Subsequent to the success of UNPCAP-01, the second and the third edition of the course was conducted in 2017 and 2018 respectively. In the three editions of the UNPCAP course, CUNPK has trained a total of 109 participants from 24 African countries in addition to three officers from the US and nine officers from India.

Within the frame work of ongoing trilateral cooperation between India, US and African countries in the area of UN Peacekeeping Operations, CUNPK has fielded a JMTT along with the instructions from US to train the Zambian contingent in Zambia on the nuances of Peacekeeping operation in the year 2018.



Chapter VI

Asia –Africa Growth Corridor

This initiative emerged from the Joint Statement issued at the end of PM Modi’s visit to Japan in 2016.

“India’s partnership with Africa is based on a model of cooperation which is responsive to the needs of African countries. It is demand-driven and free of conditions”.

- PM Modi at AfDB meeting, in Gujarat, in May 2017

India is working with like-minded countries to support development in Africa. India for the first time hosted the annual meeting of African Development Bank in Ahmedabad in May 2017. The first meeting with Germany on Africa was held in May 2017; with France in June 2017; and Russia in November 2017. India also attended the G-20 Conference on Africa in July 2017. The sixth round of the dialogue on Africa with Japan was held in August 2017. India has also been approached by the UAE for trilateral cooperation in Africa. India has also initiated a dialogue with Japan on Asia-Africa connectivity. India for the first time, attended the TICAD-VI review meeting in Maputo in August 2017.

Japan

At the official opening ceremony of the African Development Bank Group’s annual meeting in Ahmedabad in 2017, Prime Minister Narendra Modi said:

“India is ... working with United States and Japan to support development in Africa. I gladly recall my detailed conversation with Prime Minister Abe during my visit to Tokyo. We discussed our commitment for enhancing growth prospects for all. In our joint declaration, we mentioned an Asia Africa Growth Corridor and proposed further conversations with our brothers and sisters from Africa... The idea is that India and Japan, with other willing partners, would explore joint initiatives in skills, health, infrastructure, manufacturing and connectivity.”

Japan through its Official Development Assistance (ODA), has been engaged in various assistance projects in Africa, the most pre-eminent being the Tokyo International Conference on African Development (TICAD). Both

India and Japan's development cooperation with Africa is in line with Agenda 2063 which aims to accelerate Africa's economic growth. Some of the key areas within the framework of the AAGC that Japan and India currently focus on are: education; human resource development and skills enhancement; agriculture; infrastructure; information technology; and health. Japan is also involved in developing the Nacala Corridor in Mozambique; the Northern Corridor linking Mombasa in Kenya and Kampala in Uganda; and the West Africa Growth Ring connecting Burkina Faso, Togo and the Cote d'Ivoire.

Official Development Assistance (ODA) (2014 figures in millions of US Dollars)							
Countries	Total	Grants			Government Lending		
			Grant s-in- aid	Technic al assistan ce		Loan	Repayment
Uganda	86	49	31	17	37	37	-
Ethiopia	83	83	56	27	-	-	-
Kenya	46	61	24	37	-15	51	66
Democrati c Republic of the Congo	54	54	43	10	-	-	-
Zambia	50	39	25	14	11	11	-
Sudan	53	53	39	13	-	-	-
Senegal	45	45	23	22	-	-	-
Tanzania	114	60	28	32	54	54	-
Malawi	42	42	25	18	-	-	-
South Sudan	43	43	31	12	-	-	-
Mozambiq ue	85	51	26	25	34	34	-

Source- <http://www.stat.go.jp/english/data/nenkan/66nenkan/1431-06.html>

Japan -Africa Trade (in US Dollars)				
Countries	2017		Share	
	Exports	Imports	Exports	Imports
Africa Total	7,503,449,000	8,296,141,000	1.1	1.2
Egypt	834,682,000	132,090,000	0.1	0.0
Algeria	144,627,000	304,059,000	0.0	0.0
Morocco	243,337,000	299,699,000	0.0	0.0
Kenya	762,275,000	60,438,000	0.1	0.0
Tanzania	310,170,000	117,876,000	0.0	0.0
Nigeria	320,763,000	783,125,000	0.0	0.1
Cote d'Ivoire	66,497,000	13,307,000	0.0	0.0
Liberia	803,782,000	763,000	0.1	0.0
South Africa	2,513,755,000	4,757,726,000	0.4	0.7

Source- <https://www.jetro.go.jp/en/reports/statistics.html>

United Arab Emirates (UAE)

According to a report of the Organisation for Economic Co-operation and Development (OECD), the UAE was the world's largest donor of official development aid in 2017, relative to its national income. With a total contribution of Dh 19.32 billion (\$ 5.26 billion) in developmental aid in 2017, the UAE spent 1.31 per cent of its gross national income on foreign developmental aid — almost twice the global target of 0.7 per cent set by the United Nations. The donations made in 2017 represent a 23.72 per cent increase from the previous year, when the country contributed Dh15.57 billion (\$ 4.23 billion). Almost 43 per cent of the UAE's aid was distributed across Asia, making up Dh8.28bn (or \$ 2.25 billion); about 28 per cent (Dh5.4bn, \$ 1.47 billion) was donated in Africa and 23 per cent in Europe (Dh4.44bn, \$ 1.20 billion).

The UAE follows the principle of sustainable development and welfare of all mankind while disbursing foreign aid. In order to maximise the impact of its foreign aid, the UAE cabinet has formed the 'UAE Humanitarian Committee', which aims to channel and combine the collective expertise of UAE humanitarian responders in order to facilitate, oversee and coordinate the

country's humanitarian aid. The foreign aid targets priority areas such as: humanitarian assistance, elimination of poverty, support for children, global sectoral programmes such as transportation, infrastructure, governments support and empowerment of women.

According to a UAE Ministry of Foreign Affairs and International Cooperation document titled 'Summary of the UAE Policy for Foreign Assistance (2017 – 2021)' the areas of focus will be:

- The largest share of UAE aid will be allocated to Country Partnerships for Development that are tailored to contribute to each country's development plan and implemented in close collaboration with those countries' governments.
- The UAE will create three global thematic programmes in transport and urban infrastructure; government effectiveness; and empowerment and protection of women.
- Humanitarian aid will form an important part of the UAE's overall foreign assistance, and the UAE will expand on its role as a hub for humanitarian aid.
- UAE foreign assistance will seek opportunities to work with the private sector, in particular UAE-based companies, and to encourage them to trade with and invest in developing nations.
- Technical cooperation will share UAE's knowledge and experiences with other countries.
- The UAE will support UAE organisations and charities, whose work in international aid complements that of UAE governmental donor organisations.
- Partner with relevant and effective international multilateral organisations.

France

In Africa for France the 16 priority nations are Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros Islands, the Democratic Republic of the Congo, Djibouti, Ghana, Guinea, Madagascar, Mali,

Mauritania, Niger, Senegal and Togo. French aid is primarily focussed on eight different areas: environment and natural resources; agriculture and food security; water and sanitation; education; productive sector; health and the fight against AIDS; infrastructure and urban development. However, unlike other nations, France does not have one department or governmental agency dedicated to the distribution of foreign aid; it instead relies on a multi-agency board to oversee its distribution.

With Europe facing its most acute migration crisis since the end of World War II and jihadi groups active in countries around the Sahara, Paris has boosted overseas aid spending to Euros 9.4 billion going to 657 projects around the world, according to figures published by the French development agency, AFD, in 2017.

In January 2017, President François Hollande speaking at a France-Africa summit in Mali, declared that French commitments to Africa would touch Euros 23 billion euros over the next five years.

Germany

A 2017 proposal from Germany's development ministry seeks to rewrite Germany's, and possibly the G-20's, aid relationship with Africa. The Marshall Plan with Africa would prioritise encouragement of private investment on the continent, possibly while reducing official development assistance. The plan is part of a broader German focus on Africa in 2017, to engage a wider range of actors, including other donors and multilateral banks, to introduce a range of initiatives that could truly have a long-term impact.

The Marshall Plan, though only a proposal, is effectively a blueprint for tackling a range of challenges on the continent — chief among these being the problems that could follow from Africa's likely population explosion by 2050. The proposal aims to take an "integrated overall approach" to help African governments with more than 100 different reform ideas that fall under three broad pillars: Economic activity, trade and employment; peace and security; and democracy and the rule of law. Each pillar includes recommendations for African governments, the German government and the larger international community. Some are quite specific, as for example,

calling on African countries to support a continental human rights court. Others offer more general guidances, such as asking international partners to “promote local value chains.” The plan overall lays emphasis on improving the investment climate. Among the proposed initiatives is providing for the creation of incentive packages for businesses. It also floats the idea of using ODA funds to secure private investment. “It's not the governments that will create all the long-term employment opportunities that are needed, it's the private sector,” the plan reads. “So it's not subsidies that Africa needs so much as more private investment.”

In 2015, the German government spent about Euros 16 billion (\$17.8 billion) on ODA — the third highest amount in the world - after the United States and the United Kingdom.

Russia

The Russia–Africa trade in goods is limited (below \$20 billion) but is growing year on year since the new millennium. Between 2000 and 2012, Russia’s trade with Africa increased ten times. Russia and Africa have complementary features that can be expanded in terms of economic engagement. Russia's core economic strengths are infrastructure, energy and raw materials. Africa is a fast growing market for Russian grain and agricultural machinery, with Russian wheat exports heading to Morocco, South Africa, Libya, Kenya, Sudan, Nigeria and Egypt. Egypt, Côte d'Ivoire, Benin, Nigeria, Guinea-Bissau, Guinea, Burkina Faso and Mali are in turn increasingly supplying fruit and vegetables to Russia, benefiting from Russia’s counter-sanctions against European food products. Projects for nuclear power development by Russia in Africa have also gained momentum. The Russia-South Africa nuclear deal may have been a fiasco but it has agreements with Nigeria, Egypt etc. Sudan, Congo and Senegal have also indicated their interest in undertaking oil and gas projects with Russia. In 2016, Russia and Zimbabwe signed an agreement for the joint development of the world's second largest platinum project at Darwendale.

There is however, a declining trend in infrastructure finance in Africa, which has come down from \$75.1 billion in 2012 to \$62.5 billion in 2016. This calls for greater efforts by partner countries.

Trends in infrastructure finance in Africa, by source (USD billion):

Source	2012	2013	2014	2015	2016	Average
African Governments	26.3	30.5	43.6	24	26.3	30.1
Donors (ICA Members)	18.7	25.3	18.8	19.8	18.6	20.2
MDB and other bilateral institutions	1.7	2	3.5	2.4	3.1	2.5
China	13.7	13.4	3.1	20.9	6.4	11.5
Arab countries	5.2	3.3	3.4	4.4	5.5	4.4
Private sector	9.5	8.8	2.9	7.4	2.6	6.2
Total	75.1	83.3	75.4	78.9	62.5	75.0

Source: ICA 2017 as cited in AfDB report.

Chapter VII

Prospects and Problems

To fully realise the potential of India-Africa partnership for development, it is necessary to address some of the structural issues affecting shipping, insurance and credit.

Shipping

Connectivity is vital for increasing trade and economic cooperation. Unfortunately, there is no direct shipping line between Indian and African ports, as of now. There was a liner service operated by Shipping Corporation of India (SCI), which was discontinued some years ago, due to the slump in global shipping. Beyond the temporary fluctuations of shipping and trade driven by commodity prices, there is a need for long term perspective. A two way trade exceeding USD 55 billion certainly gives scope for sustaining a regular shipping line.

There are issues relating to empty containers for the return voyage, as there are not enough non-oil exports from Africa. However, this may not be an insurmountable problem. Arrangements can be made for collecting cargo in one or two other designated ports, for shipment to and from India.

Apart from specific problems of trade with Africa, there are structural issues affecting the Indian shipping sector. The percentage of Indian trade carried by Indian ships/ Indian flagged ships has come down from 42 per cent in the 1980s to less than 8 per cent now. The financial cost of dependence on foreign flagged and foreign owned vessels, amounts to an outgo of \$54 billion per annum. The figure is alarming considering that in an emergency situation like war, only government shipping is available for carriage of essential goods. During the Iran-Iraq War, oil was brought on board the SCI tankers.

The high share of Indian shipping in India's trade flowed from the official policy of imports on 'Free on Board' (FOB) basis, and exports on 'Cost Insurance and Freight' (CIF) basis. This ensured that the decision to hire ships was in Indian hands. This policy was originally enunciated during Prime Minister Shastri's term of office. Its erosion over time has led to a decline in the share of Indian ships/ Indian flagged ships in India's trade.

India ranks 18th by tonnage and 15th in terms of value in 2017, so far as Indian owned ships are concerned. In terms of ships registered in India, it ranked 17th.

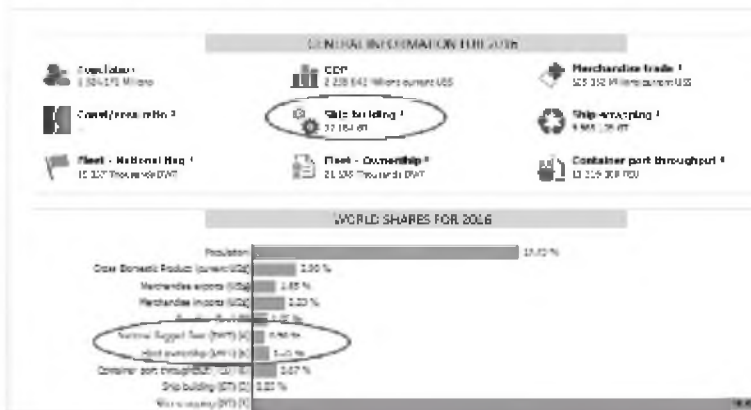
Ranking of Ship Owners and Registration - 2017

Country	Ownership (Rank)		Registration (Rank)	
	Tonnage(mn)	Value mn \$	Tonnage (mn)	Av Size DWT/ Numbers
Japan	223 (2)	77898(2)	34.5(11)	8574/5259
China	165 (3)	65044(4)	78.4(8)	20555/4287
Germany	112 (4)	38412(8)	10.4(22)	20084/614
Singapore	104(5)	39193(7)	124(5)	36942/3558
U States	67(8)	96182(1)	11.8(20)	6329/3611
South Korea	81(7)	20928(11)	15(18)	9008/1907
Russia	22(19)	9081(19)	11.8(25)	3292/2572
Brazil	14(27)	19676(14)	-	-
India	22.6(18)	6938(25)	17.2(15)	10899/1674
Greece	308.8(1)	72538(3)	74.6(9)	66999/1364

Analysis: Smart countries focus on Ownership and Registration is priority 2

Indian Shipbuilding Tonnage and Fleet Share

MARITIME PROFILE: INDIA



The decline in the fleet size under the Indian flag has been accompanied by the decline of the ship-building industry. China, the ROK, and Japan account for 92 per cent of the global ship-building industry. India with 32,184 tons per annum, ranks far behind, even the Philippines, which has 1.168 million tons of ship-building (4.2 per cent share of world ship-building industry).

The Right of First Refusal (RoFR), which was the foundation of this policy, does not amount to price preference. Indian shipping companies are asked to match the prices offered by foreign shipping companies. The foreign owned vessels can also register under the Indian flag to access the market.

The policy of RoFR can be used to gradually raise the share of Indian flagged ships in India's trade and Indian built ships. The RoFR as of now, exists in respect of chartering of vessels (operated through Indian National Ship-owners Association –INSA). The RoFR has been abolished for carriage of cargo.

The policy of RoFR is followed by a number of countries such as Germany and Japan. In the case of China, all Chinese cargo is carried by Chinese owned vessels, this is also the case in South Korea, where all government cargo is carried on government liners. No such financial mechanisms support the Indian shipping fleet. Indian shipping is now entirely subject to market commercial terms that put it at disadvantage, compared to the easier rates and longer loan terms of countries like China, South Korea etc.

Indian shipping has strong soft skills (that are internationally commended) such as flag administration, maritime education and training, port management, long range identification and tracking technology (IRNSS satellite), search and rescue (SAR) etc. These can be used for increasing its footprint that will enable it to pursue both Indian strategic and economic interests. It will also ensure dissemination of information both from India to international forums and back to India.

The Indian government could also consider offering major trunk routes on shipping in return for shipping companies plying between India and Africa to offset costs.

EXIM Bank

The EXIM Bank, which channels credit under LOCs as well as Buyer's Credit,

plays a crucial role in the success of projects undertaken by India. Since it deals with projectised aid, its success also depends upon the absorption capacity of the recipient organisation. The Government of India has established a Project Finance Facility to help them in the task of project preparation. This should help expedite pre-project activities, and speed up disbursement, which is in the interest of both the sides.

If the Exim Bank is allowed to join in the co-financing of the projects with some of the established regional African banks, it will increase the reach and scope of Indian programmes. India has already set a precedent for routing LOCs through the ECOWAS Bank for Investment & Development (EBID), which has proved very efficient as well as operationally convenient. It would be useful to explore the increased routing of LOCs via the African Development Bank, the Trade & Development Bank, and others.

India has a very small equity holding, and no board seat in the African Development Bank (AfDB). Increasing its equity in the bank would be well received by the AfDB and African countries, thus giving India a seat on the board and a greater say, on a substantial platform, to protect Indian interests and give it a voice in the disbursement.

While the bulk of the credit could continue to flow through bilateral route, it is worthwhile to partner with select banks that have extensive presence in the region.

Insurance

To sustain and promote exports in a potentially risky environment, the government has set up the Export Credit Guarantee Corporation (ECGC). However, the ECGC premium tended to be much higher than that of other countries (India -0.25 per cent; Japan -0.12 per cent; South Korea -0.1 per cent). This has a bearing on the competitiveness of Indian exports.

The reason for the higher premium is that the ECGC was brought under the purview of Insurance Regulatory and Development Authority (IRDA) in 2002. The ECGC when established, was exempt from the Insurance Act, which is designed for consumer protection, not the protection of export credit. This position needs to be studied, and status quo ante restored.

Chapter VIII

Recommendations

There is a need to maintain and step up engagement with Africa.

1. Shipping

There is a need to have a direct shipping service between India and Africa. Without connectivity, the concept of “corridor” will have no meaning.

There used to be a direct shipping service between India and Africa operated by SCI, which has been discontinued. Presently the trade is carried by ships operating via Jabel Ali or Salala or Colombo. The voyage through multiple ports adds to the time period during which the exporters’ money remains blocked. This in turn raises transaction costs.

The Chabahar port could be used as the port for trans-shipment for trade with Africa. The Indian government is investing in the project for transit to Central Asia and Afghanistan. Trans-shipment could translate into more business for the port.

The outgo of more than \$50 billion on shipping fee is sufficient to gradually build up the shipping fleet, as well as revive the ship building industry, which has considerable employment potential.

2. Export Credit Guarantee

There is need to review coverage of ECGC scheme under IRDA, which forces up the premium rates, making Indian exports non-competitive. Originally the ECGC was not under the IRDA.

3. EXIM Bank

The EXIM Bank’s borrowing limits need to be revised. Currently the Bank is held to a borrowing multiple of ten times its net owned funds, which compares poorly with the Korean Exim Bank which has a borrowing multiple of 15 times and the Chinese Exim Bank with it unlimited borrowing multiple. Either the central government needs to infuse additional capital or the borrowing multiple needs to be increased, to say 15 times, as an initial step.

The Exim Bank's lending limits have to be reviewed and augmented and the ceiling on maximum lending to individual projects has to be relaxed. The Bank's prudential concentration exposure limits on a single borrower, a borrower group etc. are identical to those prescribed by the RBI for commercial banks, and despite the Exim Bank's business model and role being in a different league altogether.

The EXIM Bank maybe given the flexibility to raise more money for lending.

The Bank may acquire sufficient equity in regional African banks, so that they can explore the option of co-financing. This will increase the reach of Indian programmes.

The option of debt credit swaps, which China does, maybe allowed to EXIM Bank on a selected basis.

The EXIM Bank may also be allowed to tie up barter trade arrangements, as many of the African countries, despite being resource rich, have cash flow problems.

The Bank may be encouraged to step up its overseas offices in Africa (currently three one-person offices) and its senior officers must travel to meet project authorities and functionaries in the borrowing countries (currently constrained by government travel restrictions).

4. Visas

There is a need to consider granting visas for the duration of post graduate or PhD programmes.

Visa requirements should also be relaxed for African nationals coming to India for health tourism.

African students have to complete the registration process with Foreigners Regional Registration Office (FRRO) within six months; otherwise there is technical lapse of the visa that requires the student to return to his country for fresh endorsement of visa. There should be a two month limit for the university authorities for issuing the Bonafide Certificate, and FRRO to

complete the process, so that the registration process is completed within the six month time limit.

African students should be issued multiple entry visas ones if their study periods are for more than one year. For African students wishing to pursue a post graduate course, the visa should be extended locally, instead of requiring them to return to their country for grant of fresh visa.

5. Education

India could expand its footprint in Africa by sponsoring teachers to work in African countries. This will be more cost effective than bringing African students to India, though both the streams need to be pursued simultaneously.

The students may be allowed to take on internships on completion of professional courses. This does not mean permanent jobs, but only an opportunity to raise their technical competence. This would require the visa to be extended to cover practical training.

6. UN Peace Keeping

Indian participation in UN Peace Keeping has helped bring peace and security to countries in Africa. This engagement needs to be intensified.

The participation in UN Peace Keeping in Africa needs to be sustained.

India has established a UN Peace-Keeping Centre to impart training to peace-keepers from different countries. The Indian contribution to peacekeeping need to be highlighted, and the scope of the course expanded.

7. Partnership with Other Countries

There is need to explore partnerships with other countries including Japan, UAE, Russia, France and Germany. This could be done on a selective basis in respect of identified projects in different countries, rather than being tied to one partner country. Some high visibility projects could be identified. This may include shipping and banking, which are capital intensive industries, and a partnership with US or Japan in this field would be helpful.

About the VIVEKANANDA INTERNATIONAL FOUNDATION

The Vivekananda International Foundation is an independent non-partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India's leading practitioners from the fields of security, military, diplomacy, government, academia and media fields have come together to generate ideas and stimulate action on national security issues.

The defining feature of VIF lies in its provision of core institutional support which enables the organization to be flexible in its approach and proactive in changing circumstances, with a long-term focus on India's strategic, developmental and civilisational interests. The VIF aims to channelize fresh insights and decades of experience harnessed from its faculty into fostering actionable ideas for the nation's stakeholders.

Since its establishment, VIF has successfully embarked on quality research and scholarship in an effort to highlight issues in governance and strengthen national security. This is being actualized through numerous activities like seminars, round tables, interactive-dialogues, Vimarsh (public discourse), conferences and briefings. The publications of the VIF form the lasting deliverables of the organisation's aspiration to impact on the prevailing discourse on issues concerning India's national interest.



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