AFREXIMBANK

The journey of a Bank that has played a transformational role. A unique story driven by values, integrity and determination.

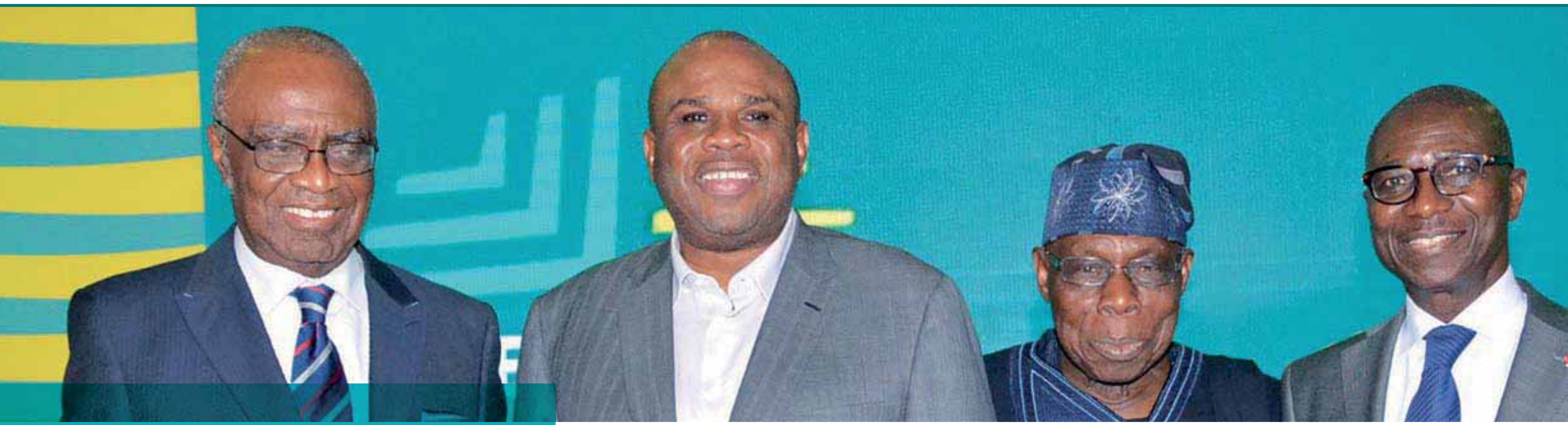
DELIVERING THE VISION OF A PROSPEROUS AFRICA

Exclusive interviews and insights

The role of SEZs • Trade in the era of AfCFTA • Africa's changing trade relationships
Why Africa needs strong institutions • Building a $30 billion bank
A history of the Bank through global events • Managing change

‘It was not the usual African story of the time, but in fact the reverse, and became an example of African success. The years of turbulence did not destroy it but in fact, made it resilient. That makes me happy’

Christopher Edordu –
Pioneer President of Afreximbank



Editorial
4 Introduction: Afreximbank's 30 remarkable years

Timeline
6 Some major events from the Bank's first 30 years

Gallery
12 Afreximbank's 30th Anniversary Annual Meetings in pictures

By the numbers
16 Key stats illustrating Afreximbank's growth since 1993

Testimonials
18 Leading figures from across Africa give their verdict on the Bank

Through the eyes of the Presidents
24 Afreximbank's first President, **Christopher Edordu**, describes the Bank's early years

28 "A period of remarkable achievements" – **Jean-Louis Ekra** recounts how he guided the Bank's development from 2005 to 2015

32 **Prof. Benedict Okey Oramah** talks to us about his time at the helm since 2015

Features and interviews
36 Intra-African trade: turning the AfCFTA dream to reality

40 We are development agents first, bankers second – in conversation with Executive Vice-President **Dr. George Elombi**

44 How Afreximbank is working to expand SEZs across Africa

46 Finding solutions is part of our DNA – in conversation with **Denys Denya**, Executive Vice President – Finance, Administration and Banking Services

48 Leaving a better Africa than the one we found – in conversation with **Kanayo Awani**, Executive Vice-President of the Intra-African Trade Bank

52 Promoting bold and courageous thinking – in conversation with **Dr. Hippolyte Fofack**, Chief Economist and Director, Research and International Cooperation

56 The outlook for African trade and development

60 Strategic success is based on meticulous attention to detail – in conversation with **Emeka Uzoigwe**, Acting Director, Strategy and Innovation

62 A private sector mentality in a public sector environment – in conversation with **Rene Awambeng**, Head of Client Relations

66 Inspired by a sense of purpose – in conversation with **Stephen Tio Kauma**, Director & Global Head, Human Resources

68 Providing much needed patient capital – in conversation with **Marlene Ngoyi**, CEO, FEDA

71 Revolutionary cross-border payment solution – in conversation with **Mike Ogbalu**, CEO, PAPSS

72 Afreximbank builds on historic Caribbean ties

74 **Vera Songwe:** Afreximbank is an example of Africa at its best

Produced by

African BUSINESS

UNITED KINGDOM
IC PUBLICATIONS

FOUNDER
Afif Ben Yedder

PUBLISHER & EDITOR-IN-CHIEF
Omar Ben Yedder | *o.benyedder@icpublications.com*

EDITOR
Anver Versi | *a.versi@icpublications.com*

SUB EDITOR
Charles Dietz | *c.dietz@icpublications.com*

DESIGN
J Venkatasamy | j.venkatasamy@*icpublications.com*

PRODUCTION MANAGER
Stuart West | *s.west@icpublications.com*

Registered with the British Library.
ISSN 0141-3929

Afreximbank is celebrating 30 years packed with drama and achievement. From a modest beginning as a trade finance agency, it has evolved into one of the most powerful forces shaping the economic transformation of Africa. The story of the Bank's evolution is told by the people most responsible for its success – its leadership. **Anver Versi**, editor of *African Banker* magazine, introduces this report.

30 remarkable years

It's a management truism that the quality of an organisation's performance is inextricably linked to, and derives, from the quality of the people who work for it. On that basis, the staff of The African Export-Import Bank (Afreximbank) can take a well-deserved bow as the Bank enters the 30th year of its existence as perhaps the most successful public organisation in the continent's history.

The Bank was established in 1993 with a straight-forward mandate to promote Africa's internal and external trade at a time when the economies of the continent were in the doldrums and the future looked bleak.

30 years later, the Bank has assets worth over $30bn and its ever expanding list of activities is changing the destiny of the continent as we speak.

From the view expressed by various members of staff of the Bank in this report, perhaps the cardinal aspect separating the organisation from its peers was the culture of openness and discussion that was fostered by the first President, Christopher Edordu, and maintained and elaborated by succeeding leaders.

It was this culture of discussion, debate and learning that set the nascent Bank on a path that would lead to a string of successes. Given the myriad difficulties, obstacles, internally and externally induced problems and the sheer scale of the acute deficits of its operating environment – Africa – that the Bank and its staff faced, one can have little argument against the verdict of its previous President, Jean-Louis Ekra, who says that all things being equal "We have exceeded our expectations."

Afreximbank has now also become the primary thought leader in the world when it comes to African development and its relationships with other economies and geographies

This ability to solve a multitude of problems raises Afreximbank beyond its peers elsewhere in the world who have to deal with only a fraction of the issues that the Bank takes into its stride day by day. Rene Awambeng, head of client relations at the Bank, sums up what the Bank has evolved into neatly when he says: "We are not a typical lending business or a typical trade finance business; we are the entire trade solutions ecosystem."

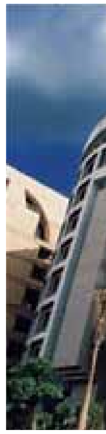
In fact, it is even more. Over the years, the Bank, says current President Benedict Oramah, has also become an important instrument for crisis response management in Africa. "Each time the continent experienced a crisis, the Bank expanded its operations to support its member countries."

The crises have ranged from filling financing gaps for the continent's exporters and importers, helping commodity-dependent countries mitigate counter-cyclical shocks, setting up a fund to purchase vaccines when the Covid pandemic hit the world and also softening the social and economic fallout from the pandemic through its specialised trade support facilities.

Along the way, it has also given teeth to the African Continental Free Trade Agreement; set up a sophisticated intra-African payment system that for the first time in Africa's independent history bypasses expensive hard-currency intermediation; taken a cautious but determined step in Africa's industrialisation strategy; changed long-encrusted traditions to break the stranglehold of foreign commodity processing value-addition; and set up various funds and initiatives to support African entrepreneurs and find markets for their products.

Not satisfied with this bewildering menu of activities, it also set out to "rejoin ancient African strands severed for 500 years by the Atlantic slave trade" when it followed up on a request from Caribbean counties to help in the purchase of Covid vaccines by taking an extra step and inviting these countries to join the Bank. It is part of its outreach to Africa's sixth region – the diaspora.

This expansion has been part of the Bank's long-held mandate to not only increase intra-African trade – a process that it holds as an article of faith if Africa is to move to the next level and evolve into



$170m

Net profit in Q1 this year alone has been a remarkable $170m

an industrial force – but also forge greater South-South trade.

Interestingly, China was one of the few non-African members when the Bank was originally established in 1993. It intensified its interest in Africa through its own export-import bank established in 1994 and what followed was one of the greatest spurts of bilateral trade in human history as China has become the continent's biggest trade partner and has contributed hugely to its infrastructure development. Relations were so strong that Afreximbank held its first AGM outside Africa in Beijing in 2012.

The Bank's total assets grew from around $5bn when Prof. Oramah assumed leadership of Afreximbank in 2015 to $30bn in 2022. Net profit in Q1 this year alone has been a remarkable $170m. It aims to raise its assets to well over £50bn and has set its sights on doubling its disbursements to over $40bn over the next five years with a healthy portion of this going to supporting intra-African trade.

It is difficult to take in that this breakneck pace of achievements has come in only 30 years. What is even more impressive is that these great strides were made without once compromising the soundness of the Bank. As a self-regulating organisation, the onus of maintaining adequate liquidity has always fallen on its leadership and the leadership has always passed the test with flying colours.

A unique concept

While its mandate – to promote Africa's internal and external trade and cover market failure – was straightforward enough, we should bear in mind that there was no roadmap to show the way nor for that matter, any examples to follow. No one else had even considered setting up a regional Exim bank.

The concept of the Afreximbank was an untried idea and it remained in gestation for years before the withdrawal of credit from international financial sources concentrated minds and made it imperative to establish a regional source of finance to maintain the pace of African external trade.

As part of my coverage of Africa in those days, I clearly remember how the idea was dismissed, including from some Africans, who predicted an early and inglorious end to what they called 'the experiment'. That it did not follow the fate of many other financial institutions of the time and sink without a trace, is one of the most inspiring and dramatic stories of our times. How this happened, the nuts and bolts of the processes and paths taken or not taken, the dangers faced and survived, the near misses, the bold decisions, the poor choices as well as the brilliant ones, are detailed superbly by the Bank's officers involved in the following pages of this report.

From an outsider's perspective what struck the most strongly was the quality and determination of the people who ran the institution. When I met Jean-Louis Ekra, he was astonishingly open about what the Bank was trying to do and the odds for and against his strategy working or sinking. He made his moves like a chess grand-master and they paid off.

This culture of openness, continuous learning and discussion has continued apace creating fertile space for new ideas to germinate, take root and flourish. Innovation and finding solutions have become hard-wired into the Bank's DNA.

Afreximbank has now also become the primary thought leader in the world when it comes to African development and its relationships with other economies and geographies. The Bank moved seamlessly from a low-profile trade finance agency to a major, high-rated multinational institution working on equal terms with the likes of the IFC and China Eximbank.

Ethos and values

Prof. Oramah, who had spent most of his professional life with the Bank, picked up the reins and, while sticking religiously to the driving mandate of the Bank, applied his own interpretation of the scale and scope. He, it appears to me, sees his role as solving any issue to do with trade and Africa, including competitiveness and value addition. In short, this opens up virtually any activity that impacts on African economies. But like his predecessors, he cuts and measures all his strategies to make sure that any expansion is covered and there is no danger of financial overreach. He has been both selective but also fortunate in the quality of his staff.

One can clearly discern the ethos and values inculcated by the Bank and its leadership in the reminiscences of its elite officers which you can read in this report. There is no doubt that all of them see their work not as a job but as a life-long vocation. Their horizon a fixed on the vision of a prosperous, healthy and happy Africa and they are working their way towards it, project by project, day by day. They are dreaming with their eyes open.

As Prof. Oramah says: "The Bank was a child of necessity, but today it is the driver of economic transformation." This is not a wish – it is a statement of fact and it goes a long way to explain why Afreximbank is the most successful public organisation in the continent's history. Roll on the next 30 years, and if the Bank has anything to do with, Africa will be different continent when that happens. ■

Key events in the history of Afreximbank

Christopher Edordu – first President of the Bank

1987

June
Babacar Ndiaye, then President of the African Development Bank, proposes feasibility studies on the establishment of an African export and import bank to finance trade on the continent in his address at the annual meeting of the bank in Cairo, Egypt. The Board accepts the proposal.

UNDP's Africa Regional Bureau, under Pierre-Claver Damiba, agrees to fund the feasibility study.

1991

November
Professor Dragoslav Abramovic, a former World Bank economist, who led the study, submits his report to the Board of Governors of the bank. The report recommends the establishment of the bank, which is found to be viable by the study.

1993

May
Babacar Ndiaye secures approval from the AfDB's constituent assembly in Abidjan, Côte d'Ivoire, following enthusiastic support from African governments and central banks.

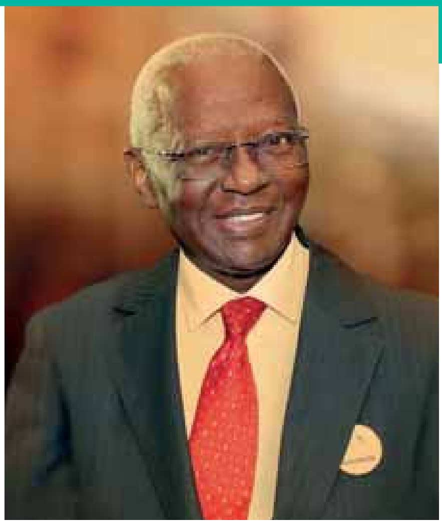
27-28 October
The first general meeting of shareholders is held in Abuja, Nigeria. Following tense negotiations, Egypt is chosen to host the Bank's headquarters, while Nigeria will choose the first President from among its nationals.

1994

1 March
Afreximbank's first President and Chairman of the Board, Christopher Edordu formally assumes office.

June
The Bank issues its first capital call but has to wait for over two years before the bulk of the funds are made available by shareholders.

30 September
The Bank commences operations from its headquarters in Cairo (*pictured below*).



Babacar Ndiaye – moving force behind the establishment of the Bank

World Events

1994

In December, global financial markets are rocked by the Mexican crisis, which triggers large and unanticipated capital movements and weakens the dollar.

The Bank's HQ in Cairo, Egypt

1996

The Bank launched a five-year strategic plan to support Africa's integration into global trade by leveraging international trade finance into the continent, supporting the commodities sector and helping to diversify exports.

First branch opened in Harare

1997

The Bank makes its first dividend payment to shareholders. Since then, the Bank has paid dividends every year.

2001

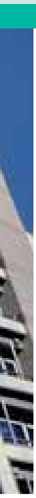
September
The attacks on the World Trade Centre exacerbate challenging global economic conditions. In response the Bank intensifies its mitigation measures and adopts a more cautious approach.

2003

Second branch opened in Abuja

2005

January
Jean-Louis Ekra assumes the position of President and Chairman of the Board. Members of the Paris Club of lenders announce a historic debt forgiveness package for some African countries. The optimism from this is offset by Hurricane Katrina in the US and Rita in Asia, which impact the overall global economy. The Bank continues to maintain a judicious balance between profitability, liquidity and safety.



1998

Difficult global economic conditions arising out of the turmoil in Asian economies that began in the previous year compel the Bank to review its operations, emphasising quality of assets and slowing the rate of disbursements.

Jean-Louis Ekra, the second President of the Bank

Timeline

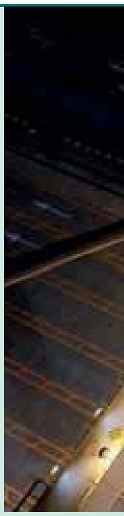
2009

Afreximbank is granted investment grade credit rating and begins to actively diversify its treasury.

2012

The Afreximbank Cocoa Initiative (AFRICOIN) was aimed at providing solutions to the African cocoa sector through financing and advisory services to eligible entities in the African cocoa value chain.

Professor Benedict Oramah, current leader of the Bank



2015

Professor Benedict Okey Oramah takes over as the third President and Chairman. The Bank steps up to support African countries in the face of a slump of commodity prices, while the counter-cyclical trade liquidity facility to help member states deal with foreign currency shortages is also launched.

Third branch opened in Abidjan

World Events

2008

Global markets were rocked by the collapse of major American banks, leading to a credit crunch and the foundations of the great recession as it would come to be called. Most African countries, however, remained on a growth trajectory, and while the swing in commodity prices presented risk management challenges to the Bank, it was able to take advantage of growth in its markets, while maintaining a cautious approach.

2012

On Nov. 15, China's ruling Communist Party officially named Xi Jinping (*pictured left*) as the country's next president, who will likely lead the world's most populous nation, and its 2nd largest economy, for the next 10 years.

2016

World markets are unsettled by the United Kingdom's vote to leave the European Union and later in the year, the outcome of the presidential election in the United States.

The signing of the Ugandan government land to African-Afreximbank for the construction of regional headquarters in Kampala

2017

The Fund for Export Development in Africa (FEDA) was created to align with Afreximbank's mission of revolutionising trade in Africa. FEDA's primary objective is to offer developmental equity and quasi-equity financing to facilitate intra-Africa and promote the development of value-added exports.

2018

On 12 May, Afreximbank organised its inaugural Founders' Day event in Cairo to commemorate the signing of the Bank's Establishment Agreement, which occurred on 8 May 1993, in Abidjan.

2019

The Bank exceeded $1bn in gross income for the first time.

Fourth branch opened in Kampala

2018

The African Continental Free Trade Agreement is signed on 21 March in Kigali.

2018

In June, new Ethiopian Prime Minister Abiy Ahmed surprised the world by announcing he would accept a peace deal with Eritrea that had been gathering dust for 18 years. The two countries fought a 12-year long war that ended in 2000 with nearly 80,000 dead. In July, Ahmad traveled to Asmara to meet Eritrean President Isaias Afwerki and sign the peace deal.

Left: Moussa Faki Mahamat, Chair of the African Union (AU), celebrates the signing of the African Continental Free Trade Agreement

2019

On 15 April 2019, a structural fire broke out in the roof space of the famous Notre-Dame cathedral in Paris. Within hours of the fire, more than $1bn had been pledged to restore the Paris icon to its former glory.

Timeline

2020

As countries around the world scramble to save lives and protect their economies, the Bank intensifies its existing programmes and initiates new programmes, including the $3bn Pandemic Trade Impact Mitigation Facility, to support member states to deal with the socio-economic impact of the pandemic. The African Continental Free Trade Agreement comes into effect while at the Bank, Professor Oramah is elected to serve another five-year tenure as President and Chairman of the Board.

2021

The Afrexim Insurance Company was incorporated in Mauritius on 9 July and thereafter obtained a Global Business License from the Mauritius Financial Services Commission.

2021

Fifth branch opened in Yaoundé

2022

The Bank launches a $4bn Ukraine Crisis Adjustment Trade Financing Programme for Africa, to help mitigate the impact of the global predicament. The Bank also steps up its support for member countries that have been driven into debt distress by the combination of crises. In a boost to the AfCTFA, the Bank also launches the Pan-African Payment Settlement System, which will domesticate payments and remove the need to clear intra-continental payments through an external system.

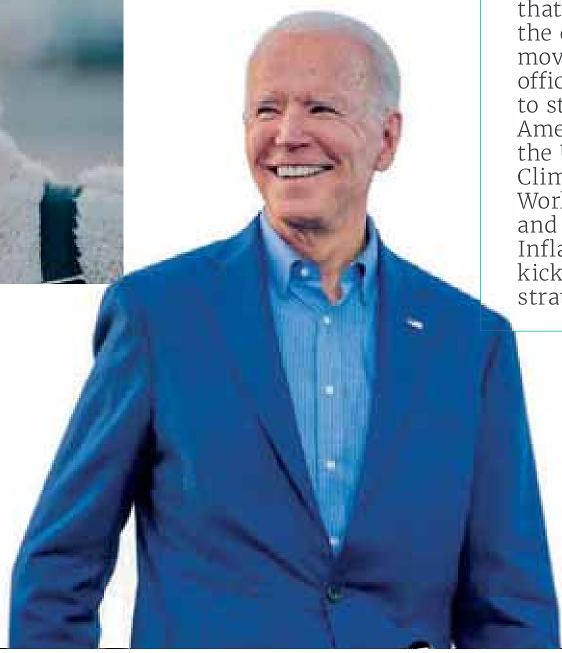
FEDA and AfrexInsure commence operations.

Operating income surpassed $1bn.

World Events

2020

A global pandemic, the first of its kind in a 100 years, ruptures the global economy, leading to Africa's first recession in 25 years.



2021

Joe Biden (*pictured below*) becomes US President and repeatedly makes the point that "America is back" over the course of the year. He moved quickly upon taking office to fulfill his promise to strengthen relations with America's allies.He returned the United States to the Paris Climate Agreement and the World Health Organization and later launches the Inflation Reduction Act to kickstart investment in strategic sectors in the USA.

2022

On 8 September, a groundbreaking ceremony took place in Harare, Zimbabwe for the commencement of construction for the Regional Headquarters and Afreximbank African Trade Centre for Southern Africa. Anticipated to be completed within a period of 28 months, the development will encompass offices and a 119 room hotel.

2022

Afreximbank hosts the Africaribbean Trade and Investment Forum from 1–3 September at the Lloyd Erskine Sandiford Centre in Bridgetown, Barbados, to develop economic ties between Africa and the Caribbean diaspora.

President Oramah with the Prime Minister of Barbados, Mia Mottley

2023

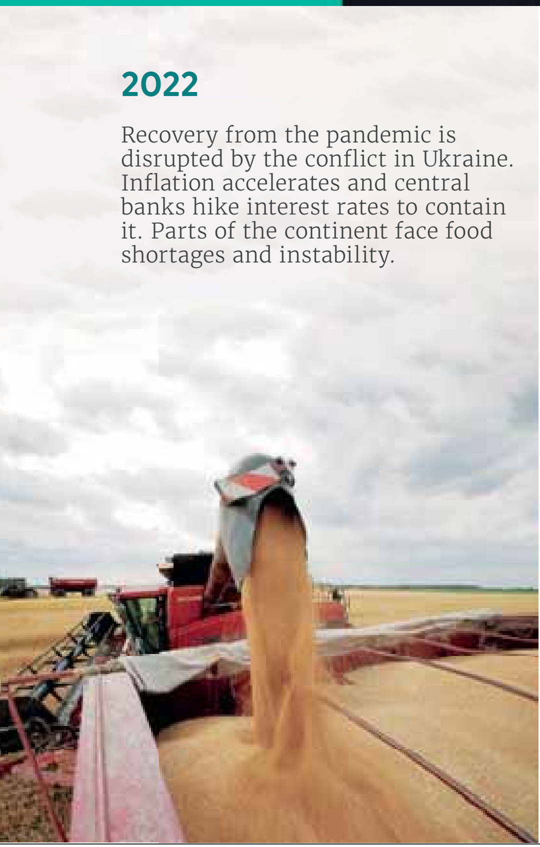
Afreximbank is the largest single lender to the Dangote Petrochemical Refinery Plant project contributing over $1bn of funds. The petrochemical complex officially opened on 20 May 2023, boasting a capacity of 650,000 barrels per day. With total investment of $20bn, it stands as the largest private investment in Africa.

2023

May marks 30 years of operations for Afreximbank.

2022

Recovery from the pandemic is disrupted by the conflict in Ukraine. Inflation accelerates and central banks hike interest rates to contain it. Parts of the continent face food shortages and instability.



2023

OpenAI launches GPT-4, the next-generation large language model for artificial intelligence chatbot ChatGPT. The new model can respond to images and has the ability to process up to 25,000 words.

China reopens its borders to international visitors, marking the end of travel restrictions that began in March 2020.

2023

On February 25, Bola Tinubu is elected as Nigeria's President, defeating former Vice-President Atiku Abubakar and Peter Obi.

Afreximbank 30th Anniversary Annual Meetings

The Bank celebrated its 30th anniversary at its AGM in Accra from 18 to 21 June 2023 under the theme "Delivering the Vision. Building Prosperity for Africans". The event was accompanied by a Gala Dinner and the inaugural edition of the Pan-African Business and Development Awards (*see following page*)

1

2

3

4

5

6

7

8

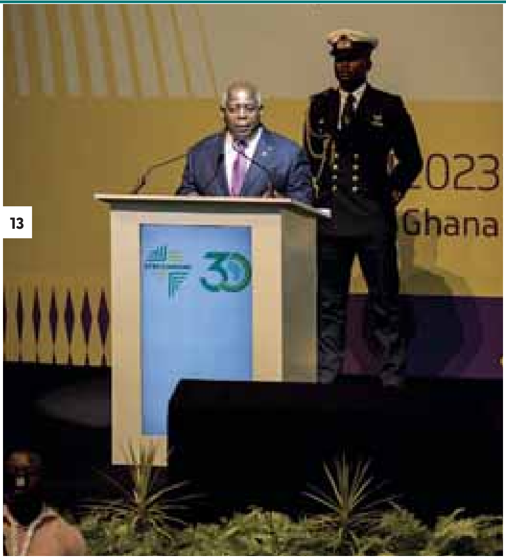
9

10

11

12

13



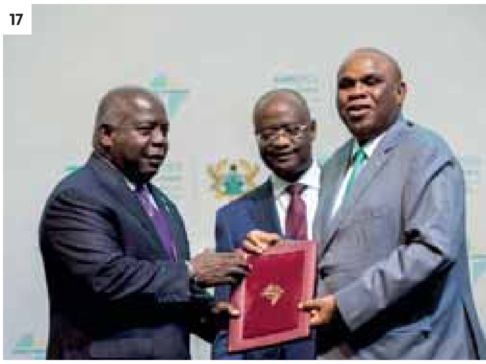
The AGM brought together thousands of people, including African and Caribbean leaders such as President Nana Akufo-Addo of Ghana (image 15); President Lazarus Chakwera of Malawi (16, right); Prime Minister Mia Mottley of Barbados (14); former President Olusegun Obasanjo of Nigeria (11); former President Mahamadou Issoufou of Niger (18, left); and Ken Ofori-Atta, Finance Minister of Ghana (3, left). Also in attendance were current and past leaders of African institutions such as Wamkele Mene, Secretary General of the AfCFTA (7, left); Nardos Bekele-Thomas,Chief Executive Officer, AUDA-NEPAD (4, left); Albert Muchanga, Commissioner for Trade and Industry of the African Union Commission(5). Leading participants from the world of African business and banking included Nigerian industrialist Aliko Dangote (2); and Arnold Epke, Chair of the BCA and former Group CEO of Ecobank (3, right). Prof. Benedict Oramah, Chairman of Afreximbank is pictured in image 17, flanked by Dr. George Elombi Executive Vice President – Corporate Governance and Legal Services. Footballing icons Didier Drogba and Asamoah Gyan joined the closing ceremony – see image 8.

14

15

16

17



18


23


19


19


20


20


24


21


25


22


22


26


27


31


33


28

At a Gala Dinner, Afreximbank hosted the inaugural Pan-African Business and Development Awards, designed to celebrate the excellence of outstanding organisations and individuals within the African business and financial sectors.

Prof. Benedict Oramah was presented with an award for his long service to the Bank by its first President, Christopher Edordu (image 27), while Executive Vice President Kanayo Awani can be seen presenting the Financial Institution of the Year Award to Coris Bank (25), and Arnold Epke is seen delivering a Special Recognition Award to MTN Group. Also present at the event were leading figures such as Antonio Pedro, Acting Executive Secretary, UNECA (26).

Participants were entertained by musicians including Ghana's Kofi Kinata(20); and Nigeria's Flavour (23).

Participants were later entertained by musicians including Ghana's Kofi Kinata (20); and Nigeria's Flavour (23) at the AFREXIMFest, an evening of entertainment with a diverse set of musicians that also included Malian Oumou Sangaré and Nigerian DJ Cuppy.


34


29


35


30


32


36

$170m

Afreximbank reports $170m net profit in Q1 2023

Afreximbank achieved a remarkable net profit of $170m in Q1 2023, marking a 92% increase from the previous year. The growth was driven by higher net interest income and an improved net interest margin of 4.4%. The Bank's balance sheet stood at $30.4bn, with a 3% growth in the loan book to $23.6bn. Lending to the financial services sector accounted for 54.7% of loans, while exposure to oil and gas decreased to 18.8%. The West African region received 45% of loans, reflecting strategic market focus. Asset quality remained strong, with a non-performing loan coverage ratio of 142%.

$40bn

Afreximbank sets sights on doubling loan commitment

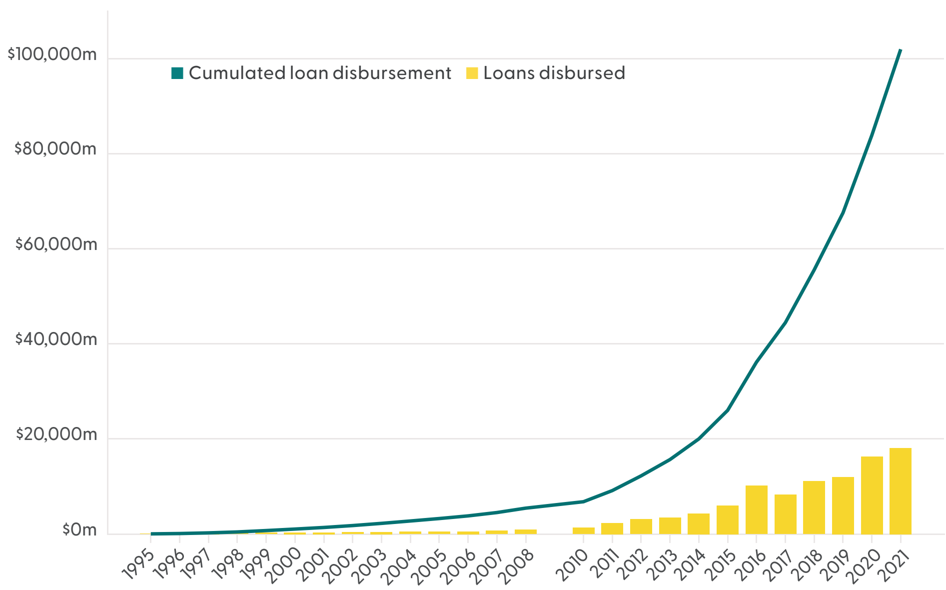
Afreximbank's General Capital Increase (GCI) has received a significant boost as existing and new shareholders have committed a total of $4.1bn, with $1.7bn already of paid-in capital, adjusted for discounted pricing. Notably, in 2022 alone, the bank welcomed seven new shareholders, including the governments of Algeria, Equatorial Guinea, and Nigeria's NNPC.

By doubling its annual lending capacity and expanding its balance sheet over the next five years, Afreximbank is poised to make a significant impact on Africa's trade landscape.

The Bank has outlined an ambitious roadmap for the utilisation of funds raised through the GCI. Key highlights include disbursing an impressive $40bn over the next five years, doubling the amount disbursed in the previous four years.

Furthermore, Afreximbank aims to provide $8bn in trade finance facilitation support to bolster intra-African trade, leveraging its extensive network of 470 African banks. In addition, the bank has committed $1bn to an $8bn AfCFTA adjustment facility, signaling its dedication to supporting the implementation of the African Continental Free Trade Area (AfCFTA).

+$100bn disbursed in 26 years



27%

The Bank has always maintained a high liquidity and capital adequacy ratio, much above the Basel recommended requirements of 20%. As at December 2022, its CAR had increased from 26% to 27%

$4.8bn

Of the $16.6bn disbursed in 2022, $4.8bn was made to support intra-African trade in 2022 ($3.9 billion in 2021) which represented a 3.4% proportion of total intra-African trade.

$6.5bn

To support the Bank's lending ambitions it is currently undergoing a General Capital Increase (GCI). The Bank is aiming for a $6.5bn GCI made up of $2.6bn paid-in capital and $3.9bn callable capital.

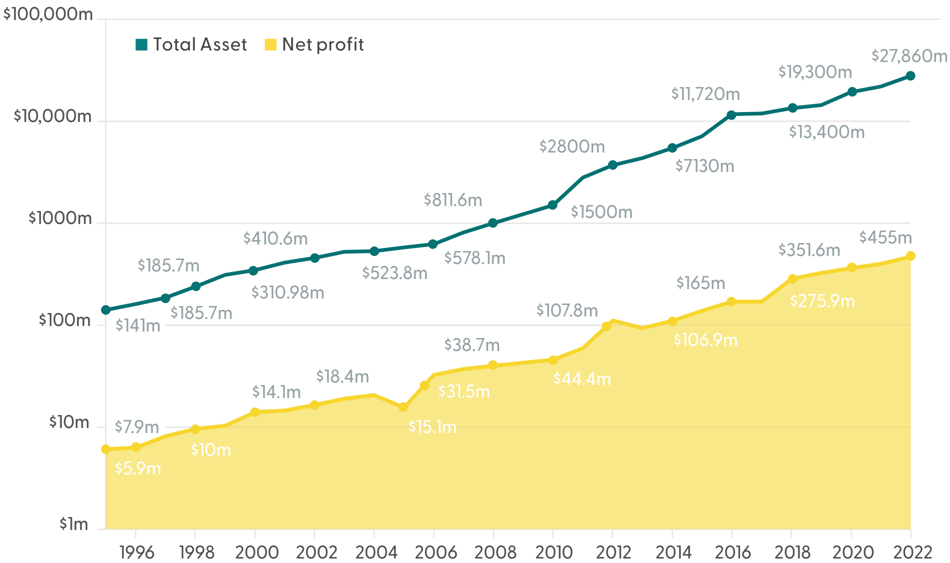
$31.1bn

Guarantees and Letters of credit portfolio grew by 7% percent to reach $3.2bn as at 31 December 2022, (2021: $3bn). This resulted in the Bank's Total Assets and unfunded exposures to close the year at $31.1bn (2021: $24.9bn). This growth aligns with the Bank's strategic objective of increasing its unfunded activities.

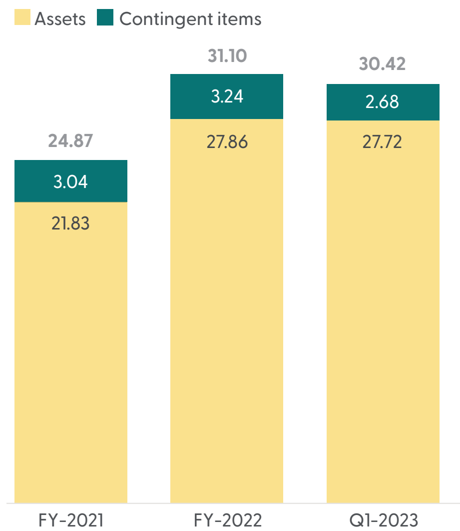
$3bn

As part of its GCI, the Bank plans to avail $3bn to central and commercial banks participating in the Pan-African Payments and Settlement System (PAPSS) to enable them to clear and settle intra-African payments within the system.

Afreximbank Growth



Total balance sheet ($bn)



Testimonials

'Afreximbank has been very effective in promoting the agenda of intra-African trade. Some of its success can be credited to the culture of continuity at the Bank, where past presidents continue to work with and assist the current president in pursuit of the Bank's goal of facilitating greater intra-African trade'

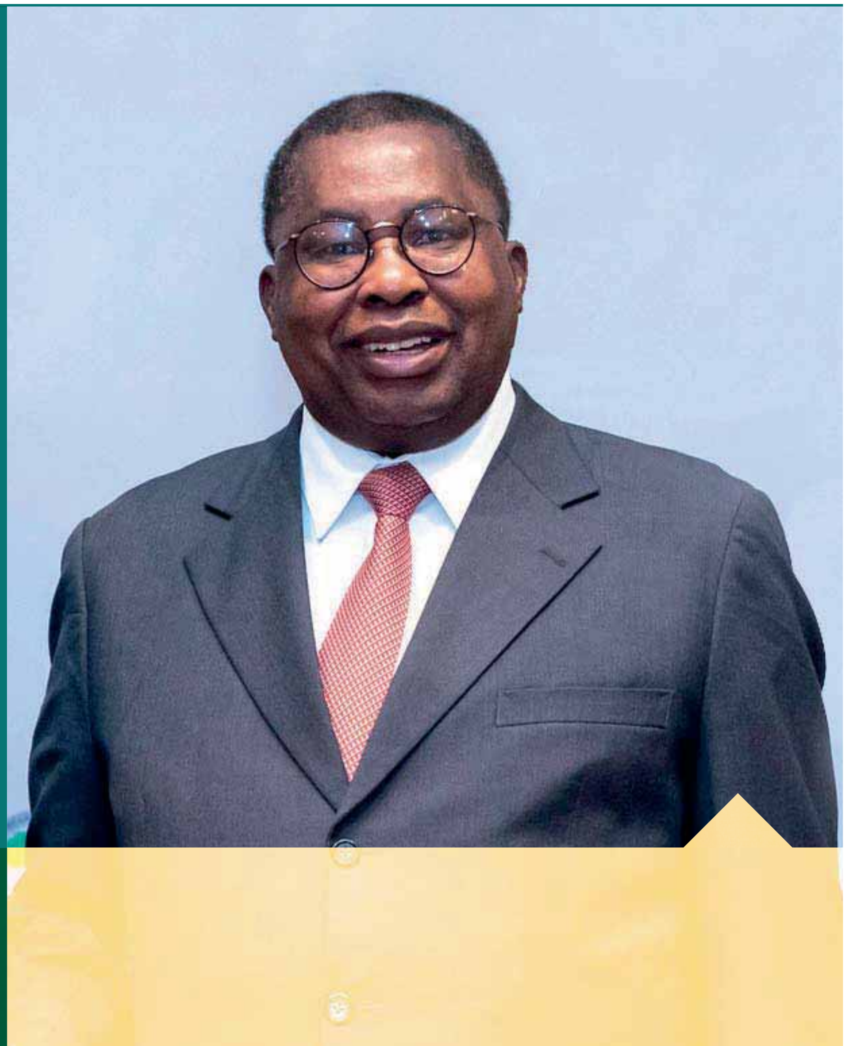
Former Nigerian President Olusegun Obasanjo, speaking at the the 2018 Intra-African Trade Fair

'The AfCFTA Adjustment Fund from Afreximbank is a critical instrument in the realisation of the African Continental Free Trade Area. The Fund addresses, among other things, potential tariff revenue losses, infrastructure deficits to facilitate trade growth and possible supply chain disruptions that States Parties may face in the implementation of AfCFTA'

H.E. Wamkele Mene, Secretary-General of the AfCFTA Secretariat, on the launch of the facility to support vulnerable countries to adjust to the loss of tariff revenues

‘We the people of the Caribbean must salute the vision and the work that Afreximbank is doing to create a presence here and recognising that global prosperity for Africans must include not just the continent of Africa but the sixth region of the African Union, which is the diaspora’

Mia Amor Mottley, Prime Minister of Barbados in her keynote address at the 6th annual Babacar Ndiaye Lecture in Washington DC, USA, October 2022



‘The Intra-African Trade Fair represents an important collaborative effort between the African Union and Afreximbank and an important step in realising the goals and objectives of the AfCTFA. Afreximbank deserves commendation for this initiative’

Albert Muchanga, African Union Commissioner for Trade and Industry, speaking at the signing of a hosting agreement between the bank and Egypt in Kigali, December 2018

'Afreximbank has been instrumental in spearheading initiatives that are critical to the successful implementation of the AfCFTA. As a partner of choice, the Economic Commission for Africa (ECA) values the Bank's focus on developing practical solutions to address challenges that have for a long-time contributed to low volumes of intra-African trade. The AfCFTA Adjustment Fund, the Intra-African Trade Fair and the Pan African Payment and Settlement System are just a few of the pragmatic initiatives that are both timely and game changing. It is for this reason that the ECA is partnering with the Bank on enhancing the quality of informal cross border trade in the ECOWAS region and also promoting the development of an inclusive Battery Electric Vehicle value chain in DRC and Zambia along with other partners, making Africa an attractive investment destination'

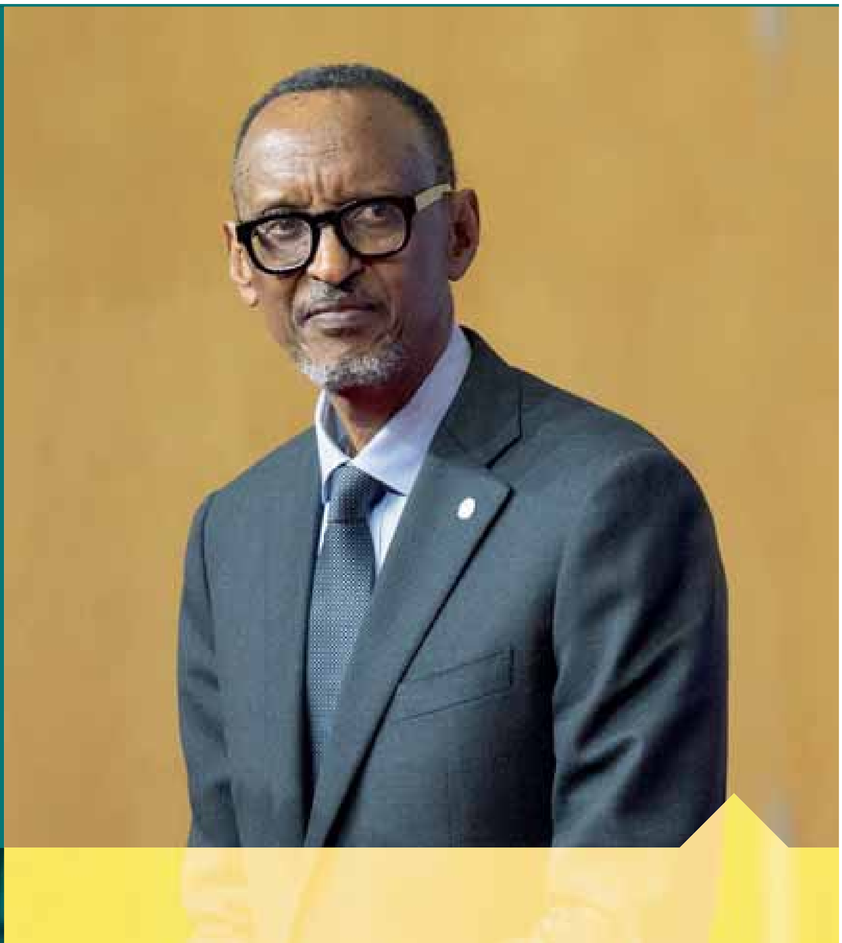
Antonio Pedro, ECA Acting Executive Secretary

'Afreximbank has been a true development partner of Zimbabwe and they have been for us through our period of difficulty. We thank the Bank for their financing support and the various interventions in our economy. We are committed to a mutually beneficial relationship with the Bank'

EMERSON MNANGAGWA, *President of Zimbabwe, while receiving a delegation from the bank in December 2017*

‘Afreximbank has been instrumental in building of capacity for understanding international trade, trade finance and trade-related project finance and the various tools available to structure financing by instilling the skills required to meet the challenges of financing transactions, especially in times of economic uncertainty’

DR MICHAEL ATINGI-EGO, *Deputy Governor, Bank of Uganda, speaking at the 2022 Afreximbank Trade Finance Seminar in Kampala, Uganda, October 2022*



‘For the last two decades, Afreximbank has been raising money, financing strategic projects and contributing to Africa’s pursuit of prosperity, and independence. I thank you for your valuable partnership and support. Governments and the private sector should make the most of possibilities offered by Afreximbank’

PRESIDENT PAUL KAGAME, *President of Rwanda, in his address at the bank's 24th Annual General Meeting in Kigali, Rwanda, July 2017*

‘When we want to do anything serious in Africa, we turn to Afreximbank. We had a serious crisis with [Covid-19] vaccines. We needed $3bn before the suppliers would even talk to us. The governments of Africa, led by Nigeria and Egypt, held an urgent meeting at which they asked Professor Oramah to lead us to buy the vaccines. Afreximbank does more in Africa than any other institution’

STRIVE MASIYIWA, *Zimbabwean entrepreneur and philanthropist at the Global Africa Business Initiative on the sidelines of the United Nations General Assembly meetings in New York, September 2022*

‘The recent positive Moody’s rating is a signal of how well Afreximbank is managed, and the mark of the shareholder’s confidence is further manifested in the increase of Afreximbank’s capital base, as a founding parent, the African Development Bank is proud of its instrumental role in laying Afreximbank’s foundations’

AKINWUMI ADESINA, *President of the African Development Bank, congratulating the Bank on the occasion of its 25th anniversary in July 2018*

'Afreximbank has once again shown the way forward by enabling the continent to tackle the impact of the crisis head-on through financing solutions tailored to the specific pressure points facing our member countries. I hope that UKAFPA will play a major role in building resilience in nutrition and food security on the African continent, in line with the theme of the 36th AU Summit'

PRESIDENT MACKY SALL OF SENEGAL, *Chairperson of the African Union at the time, welcoming the Ukraine Crisis Adjustment Trade Financing Programme for Africa initiative from the bank in April, 2022*

'The new facility is timely and will support countries to build resilience as they face yet another exogenous shock. The facilities approved by Afreximbank are also core tools needed to continue strengthening the continental financial architecture as countries look to rebuild their economies'

DR VERA SONGWE, *then United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa, commenting on the Ukraine Crisis Adjustment Trade Financing Programme for Africa launched by the bank, April 2022*

CHRISTOPHER EDORDU – Pioneer President of Afreximbank

Adversity made us resilient

Christopher Edordu was parachuted in to take over the leadership of the newly established trade-finance organisation 30 years ago. It was at a time when Africa and its financial sector were both at a very low ebb so any error could have been fatal to the nascent organisation. He describes how he navigated the early years to Dianna Games.

When he arrived in Cairo in December 1993, he had the resolution appointing him as his only official tool – no office accommodation, no equipment, no residence, no staff and not even a letter headed paper to conduct official correspondence. This is how Christopher Edordu, who was to become the pioneer President of Afreximbank a year later, recalls early times.

He was taken on a job for which there was no template and at a challenging time in Africa's history. Afreximbank, with a broad mandate to finance and promote intra- and extra-African trade, had been launched in October 1993 following the first general meeting of the shareholders, including African sovereigns and foreign partners, in Abuja, Nigeria.

Cairo was selected as the headquarters and Edordu was dispatched to start it off. He came with some experience within a bank offering trade credit and support in Nigeria, the Nigeriz Exim Bank, and well-armed with his own thoughts about what the pan-African institution should be.

He also had the backing of the African Development Bank, (AfDB) established 30 years earlier, and its then President, the legendary Senegalese economist Babacar Ndiaye. "We had a very positive relationship," Edordu recalls, "and he was a source of immense encouragement.

He understood what needed to be done and provided support. He also opened doors with the governments he had been associating with. He was a great tonic and source of inspiration all through the time we partnered just prior to his retirement in 1994.

"He used to tell me that the first president is the first investment and if you miss the goal, you totally miss the road. The management and the Board were determined not to 'miss the road'. We set up systems to facilitate operations and our operational goals were derived from the founding charter, the feasibility study, and other constitutive documents."

Overcoming Afro-pessimism

At the time Afreximbank started its work, the continent was beset by a period of the so-called "Afro-pessimism", which was informed by a litany of governance and economic failures. Bank failures seemed more the rule than the exception. The donor community had started to turn away from the continent. In this febrile atmosphere, to succeed and to change the narrative as it related to the Bank meant treading carefully and avoiding risk. Any early instances of failure would feed the climate of pessimism and undermine the institution's ability to operate.

Edordu believed that its early partners watched the Bank carefully, worried about the potential for problems. This was reflected in the fact that the first Board of the Bank was only given a one-year tenure even though its charter allowed for three years. It was a time when few African financial institutions survived for more than five years. "But if you did survive this time, you had a good chance of making it. We were conscious of this and were mindful of managing risks carefully.

"Our core objective was to build a track record and a balance sheet of strength," he recalls. "Our initial step-by-step approach yielded success and this, in turn, attracted partnerships and investment from co-operating banks."

The charter of the new bank was comprehensive, he says, covering all the details of what the Bank was set up to do. It had been the subject of considerable debate and the mission of the institution had been broadened in the process, for example moving from providing short-term to longer-term finance.

"But this could not happen on day one – it had to happen gradually as we became more familiar with the philosophy of getting into big ticket project finance." In addition to the institution stepping gingerly on new ground, there was initially concern about having a board of political appointees rather than experienced bankers.

Babacar Ndiaye played a prominent role in designing the Board and bringing in a mixture of skills and experience. In the end, the Board was one of the success factors of the Bank. "The presence of an informed Board provided encouragement to our partners and created more confidence in the institution.

The failure of African development financial institutions (DFIs) in the past has often been because of the weakness of the Board." Also important was having some Regulators on the Board, who knew what the pitfalls were and could provide requisite guidance.

Indeed, the structure of the Board which reflected the Bank's shareholding was a source of business strength and risk mitigation. There were initially three shareholder classes which later became four. It was thought that having different shareholder classes would bring strength to the Board and spread risk.

One of the classes included African governments whose motivation was the development of trade, while African commercial banks' participation was driven by the desire for profit.

The non-African shareholders were there to provide foreign exchange funding, deepen trade and have some of their African trade finance risk mitigated on profitable terms.

Search for reliable funding sources

Typically, funding was a major problem of African DFIs. Reliance by most on government funding was a poor solution. "Experience had shown that

‘It was not the usual African story of the time, but in fact the reverse, and became an example of African success. The years of turbulence did not destroy it but in fact, made it resilient. That makes me happy’

the most serious weakness of these non-deposit taking financial institutions established to remedy market failure was the over-reliance on equity paid from government budgets,” says Edordu.

“This is usually unstable and unreliable and no real bank deserving of that name would really wish to depend on that kind of resource to fund its activities. That fact was a potential threat to Afreximbank.

“For example, when a capital call-up was made by the Bank in June 1994, it took over two years to receive the bulk of the funds even from non-government shareholders such as banks. The critical lesson was that success for the Bank meant depending on a viable treasury

CHRISTOPHER EDORDU – Pioneer President of Afreximbank

strategy to drive business.

"If you look across Africa, DFIs were very difficult animals to manage for this reason and there have been very few success stories – so I felt inspired to see how I could contribute to making a change, using my experience from Nigeria."

For a bank to be properly funded, it needs access to the market for funds, not to governments, which was a very narrow funding source, particularly as there were competing agencies for such funding.

"We would not have been viable in such a situation. Also, a lot of DFIs in Africa were viewed with pessimism because of high operating and personnel costs. We had to find a way to deal with that and create an institution that was lean and agile in order to bring down our operating costs."

The Bank also had to be careful about how it deployed credit resources to ensure that funding remained sustainable based on strong market confidence. "We tried to balance trade development and non-development finance business, even though governments were strong shareholders. In furtherance of this balance, funds had to be disbursed to meet both development and commercial priorities."

An important feature of the African trade finance scene at the time was the dominance of international banks and the relative thinness of African institutions on the ground. As a result, trade transactions were, then and to some extent today, routed through Europe particularly the UK and France. This reality compelled the Bank to work with Western banks in credit and treasury.

Human resources (HR) quickly became a priority and decisive. "The long gestation period that ushered in the Bank meant that expectations were high soon after take-off. The compelling HR policy was to absorb existing skills from the market. We did not want to start with people who were learning on the job but with people with the capacity to hit the ground running. Also, we were lucky with our people as the AfDB stepped in with some foundation staff. So, overall, human resources were a huge factor in our success."

Laying a solid foundation

Edordu's two terms as President were similar being guided by the Bank's first two Strategic Plans but quite different from each other in focus. "In the first five years, we were focussed on creating systems and establishing a culture of being a lean and agile organisation, which was the trend at the time. We also sought to be knowledge-driven and innovative. Our operational compass was focussed on four major variables – Credit, Treasury, Operational Costs and Manning.

"In the above context, the bank was very risk averse in credit and treasury at the time. We had to take things carefully because any error would have triggered an investor herd behaviour. We had to move carefully through settled syndications, risk participations, settled club deals to projects in order to build not just a strong balance sheet but also trust in our operations and sustainability.

"The main objective was to take measured steps forward to build up a track record while ensuring our survival. We needed a strong balance sheet to support a medium-term treasury strategy which involved going to the market to our partner banks in Europe and elsewhere to raise funds for growth.

In the second Strategic Plan, we were able to undertake larger initiatives and own mandates and self-driven products. By then the Bank was becoming known and we could be more robust in our action"

The low levels of intra-African trade were then, as they still are, an issue in the 1990s. "Trade on the continent was not the pattern we were most familiar with which was trade with Regions outside Africa."

Today's familiar trade with regions outside Africa took time to develop so would intra African trade. The current low levels of intra-regional trade may be a source of concern," he says "but some components of that trade was fairly straight forward, such as the trade in petroleum products and could be readily developed."

Other areas of intra-trade in Africa with growth potential were for example trade among landlocked countries, energy trade, between neighbouring countries such as Zimbabwe and Zambia or trade in other products between neighbouring countries such as Zimbabwe with South Africa."

Lowered risk in trade deals involving African multinational companies boosted intra and extra-African trade. Growth in actual export business was worthwhile development and the Bank was able to enter into major syndications for African exports not just as a participant but as a main arranging partner involving, for example, cocoa in Ghana, copper in Zambia, various commodities in.

At the same time, the Bank continued to hone its culture of agility, knowledge and innovation.

"We wanted to be a knowledge-driven organisation that was also agile. We were also very intentional about building a

'We wanted to be a knowledge-driven organisation that was also agile. We were also very intentional about building a culture of Afrocentricity'

Employees of the CEMOI chocolate factory cocoa processing plant in Abidjan

culture of Afrocentricity." This was not as easy as it might seem. There were various pessimistic definitions of what 'Africa' meant at the time, says Edordu.

"For some it meant sub-Saharan Africa only, for others it included North Africa. Some would remove North Africa and South Africa to create the pessimist's image of the continent. However, this approach meant that the average indicators were negative and it did not paint a favourable picture of Africa.

"If you started stripping out the successful countries, what was left was lots of small failures. We tried to redefine Africa to literally mean Cape to Cairo, as it had been defined by Ndiaye. "Both in operation and in sentiment, we sought to drive the Optimist's Africa and be an African institution."

Gaining strength from adversity

"I am happy that the shares of our partners did not burn out, and that the Bank emerged as a robust institution, which was able to encourage others to partner with it," recalls Edordu.

"It was not the usual African story of the time, but in fact the reverse, and became an example of African success. The years of turbulence did not destroy it but in fact, made it resilient. That makes me happy."

In hindsight, Edordu says, he would have perhaps got his team to look more at the development component of the Bank's activities. He also believes the existing model allowed too much weighting for import incomes and now feels it should have been weighted rather towards exports.

"The bulk of our funding is mainly import financing, for items we cannot make. We should gradually put more weight on export performance, allocating more capital to export activities."

In 2023, he says, it is positive that the continent is becoming ready to co-operate in trade, but serious problems do still remain. "Africa still only has a share of between 1% and 2% of global trade that is worth about $32 trillion. The problems are structural – about 45 of our 54 countries have a negative balance of trade.

"Where you have such a situation, the opportunities are very difficult to exploit. But there are many positives as well, including the fact that there are far fewer countries engaged in conflict than they were when he headed the Bank, and fewer political problems.

"The situation on the continent has definitely improved even though there is still much to do. I am an optimist and like to keep a positive attitude." ■

JEAN-LOUIS EKRA – Former President of Afreximbank

A period of remarkable achievements

The growth of Afreximbank into one of the continent's most important financial institutions can also be traced back to the immediate past President of the Bank, **Jean-Louis Ekra,** who guided its development from 2005 to 2015. In this special feature, he reminisces about his times at the institution.

Afreximbank has played a vital role in the development of African economies over the years but, looking back, says the bank's former President, Jean-Louis Ekra, more could have been done to boost structural transformation.

Nevertheless, in hindsight and given the prevailing hostile conditions of the times, the Bank's achievements during Ekra's tenure from 2005 to 2015, were remarkable. The era was characterised by global headwinds and economic crises, including the global financial crisis of 2008-09.

Despite the financial uncertainty that marked this period, the Bank buttressed vital value addition initiatives and applied capital judiciously to expand critical productive sectors. It also threw its weight behind strengthening the African banking sector.

"When I look at the banking landscape of the continent in the 1990s, most banks were [foreign-owned] international. Over time, they have been replaced by large African banks and institutions – and we played a role in that process by partnering with them. We were always very supportive of our partners and African institutions," he says.

This, he adds, was part of Afreximbank's mandate as the Bank had been created to fill a gap in the market for trade finance – particularly given the withdrawal of many international banks from Africa in the wake of the global debt crisis of the 1980s. It was established to promote and finance both extra- and intra-African trade.

He recalls that, at that time, the birth of the Bank was received with scepticism in some international circles and by proponents of the so-called "Afro-pessimism" concept.

Completely undaunted, Ekra and his team set about fulfilling their mandate. Among the Bank's most significant interventions at this time was supporting and nurturing the inclusion of local companies in the value chains of the continent's major sectors – such as the extractive industries as well as large-scale agriculture.

For example, under the African Content Support Programme, the Bank provided financing to local companies in Zambia's copper value chain. It initiated a similar scheme in Nigeria's oil sector as well as in agricultural projects.

A source of particular pride is the Africa Cocoa Initiative (AFRICOIN) launched in 2012 as an end to end solution to expand the local processing of cocoa in Côte d'Ivoire, Nigeria and Ghana (which pro-

$6bn

Between 2005 and 2015, the Bank's portfolio grew to more than $6bn, corresponding to a compounded annual rate of growth of more than 30%

Despite the financial uncertainty that marked this period, the Bank buttressed vital value addition initiatives and applied capital judiciously duce 70% of the world's supply of cocoa beans) – and thus capture more of the lucrative value add of an industry that generates over $120bn annually. This resulted in local capacity increasing from about 17% of production to at least 35%.

The support provided by the Bank has enabled Côte d'Ivoire to become a leader in the global cocoa processing space and to overtake the Netherlands as the world's largest processor of cocoa during the 2014-15 season.

"I am very proud of the impact we had on cocoa, at least from an awareness and potential perspective. If a country like Côte d'Ivoire has become the largest processing hub in the world, it is because of some of those initiatives we implemented at the time."

He admits the Bank did not always get things right. For example, he says in the late 1990s, when Nigeria was trying to sell three licences for mobile phones, "we questioned the potential for mobile telephony on the continent".

They were not alone to come to this conclusion. A study conducted by a leading international consultancy firm had concluded that it was not a viable business with so many Africans living on less than a dollar a day.

"Prudently, however," he recalls, "we lent money for one year to a company in the industry to get into the business. The loan was fully repaid after six months. They borrowed again and again and wanted ever bigger amounts. Eventually the deal went to syndication. What we learned was that each and every Nigerian will try to own a phone if they can."

Period of sustained growth

Ekra joined the Bank in 1996 as Executive Vice-President then under the stewardship of Christopher Edordu, the organisation's inaugural President, later becoming Senior Executive Vice-President of the Bank before assuming the role of President.

He was determined to build a globally competitive institution to allow it to play in a much bigger space and derive greater benefits for Africa as a result.

Among the first steps was the need to secure its first international credit rating and with Ekra pushing relentlessly, it succeeded and was assigned a rating of BBB- in October 2009 by Fitch following a rigorous process.

This, he said, was a particular proud moment for the Bank because it was achieved at a time of great global uncertainty following the financial crisis, and because 85% of the Bank's assets were accounted for by loans and advances to African entities.

It was followed by ratings from two other major agencies, Moody's (which gave it a higher rating than Fitch had), and S&P.

"As the Bank is a supra-national body," he explains, "it was not regulated and had to rely on self-regulation. So, for the institution to get an investment grade rating on its own efforts meant we had the systems properly in place."

This is an even more remarkable achievement as it happened while the Bank was undergoing a shareholder dispute, which had forced Ekra to run operations from a remote location.

The ratings were critical. "Most of our partners saw us as a reliable partner and international banks came into syndicated deals when they saw we were there. This gave them confidence that it was a good deal."

Further reputation enhancing moves followed. The Bank moved towards full automation of operations and adopted an Enterprise Risk Management Framework that greatly strengthened its systems. In 2005, it was one of the first African financial institutions to adopt the International Financial Reporting Standards (IFRS-7).

With its standing in the international capital markets firmly assured, it issued its first Eurobond valued at $300m in 2009. It was five times oversubscribed. This enabled the Bank to accelerate the growth of its loan book in defiance of the turbulent market conditions at the time.

Increase in assets

Ekra is also justifiably proud of the spectacular increase in the Bank's total assets under his watch. When he took over in 2005, the Bank's total assets were about $532m. The initial plan was to double this to $1bn. This was accomplished in under two years. "It was a hard sell to the staff, but I felt unless we could increase it, we could not be considered a big player in African trade," he recalls.

After his 10 years of leadership, the Bank's portfolio had grown to more than $6bn, corresponding to a compounded annual rate of growth of more than 30%. Total operating income also saw remarkable growth under his leadership, rising at an average annual rate of about 19.5% to reach $204m between December 2004 and June 2015.

Although the Bank was now solid and adequately capitalised, it required a push from China to set it on a much more ambitious path. China had been a shareholder through the Bank of China back in 1993, and later through the Export-Import Bank of China, which was set up in 1994.

The Chinese factor

The Asian giant, having raised more than 300m of its own people from extreme poverty and registering spectacular economic

The Export-Import Bank of China worked with Afreximbank to fund many projects... Trade between the regions rose from about $8bn in 2000 to around $127bn in 2010

growth year after year, had focussed on Africa as part of its "win-win" formula of development.

Earlier, China had been something of a sleeping partner in the Bank but after 2000, it wanted a more active role in the Bank's development activities. Ekra recalls that "when we showed our strategic plan to the Chinese representative on Afreximbank's Board and the figures we were trying to achieve, he said 'you people have to think big, not small'."

This suited Afreximbank to the ground and the new partnership era was sealed when the Bank held its 2012 AGM in Beijing. "This was the first time the Bank held its AGM outside the continent, and it was a strong message about the role that China was playing in Africa at that time."

Exim Bank China worked with Afreximbank to fund many infrastructure and other projects on the continent. The Asian giant was also rapidly becoming Africa's most important trading partner – importing the continent's commodities and exporting manufactured goods and technical knowhow. Trade between the regions rose from about $8bn in 2000 to around $127bn in 2010.

This massive growth in trade with China and other Asian economies changed all perceptions of Africa. It led to the "Africa Rising" narrative and a fresh and much more positive attitude towards the continent.

"It was a very nice narrative at the time, and it did a lot of good because it did attract attention to Africa," Ekra remembers. "But we didn't follow it through with proper policies. I regret we did not do this enough," he says.

'When we showed our strategic plan to the Chinese representative on Afreximbank's Board and the figures we were trying to achieve, he said **You people have to think big, not small**'

$1bn

The Bank's total assets were about $532m in 2005. The initial plan was to double this to $1bn. This was achieved in under two years

Jean-Louis Ekra is currently an independent Director of the Bank of China and head of the Risk Policy Committee of the Chinese bank in the US.

Progress made – but not enough

In many ways, Africa today is a very different continent from what it had been when Ekra took over the leadership of what has now grown into one of the world's most dynamic financial institutions but is he satisfied with the current situation?

He feels that while there has been progress - for example, intra-African trade has grown from between around 11% at the time he joined the bank to between 15% and 17% today, "we have moved on, but not to our satisfaction," he says.

Increasing the volume and scope of intra-African trade has always been at the heart of the Bank's mission and while it has improved, "Africa is still the continent that trades less with itself than other regions," he points out.

He says it is the structure of African economies that continues to hold the continent back. "We are still focused on commodities and African countries have not taken advantage of high prices to transform their economies.

"When prices are high, they are very happy to export and get a higher return. When prices are low, they concentrate on transformation. But it needs to be a consistent effort."

"The potential of African economies for trade is limited because of a lack of diversification and competitiveness and while we continue to mostly export commodities, trade is increasingly dominated by manufactured goods. Hence, enhancing the integration of Africa into the global economy will depend on the speed of diversification."

On the other hand, while the perception of Africa outside the continent has improved considerably, the continent is still unfairly viewed a risky place to do business in, despite the very strong balance sheet of its financial sector.

"We have to make sure that we change the incorrect perceptions that we are the cause of crises that emerge elsewhere."

Looking back on his times as the head of Afreximbank and the developments that have followed, he says: "We were also going into some areas where international banks would not go as we wanted to add more value. If you look at the achievements of Afreximbank over its existence, I think you could say we have exceeded even our own expectations."

He says while much still needs to be done in Africa, "the continent still has a lot of resources, a lot of land and a large young population. If we were not able to do it before, why not do it now?" ■

PROFESSOR BENEDICT OKEY ORAMAH – President Afreximbank

Having taken office in 2015, Professor Benedict Oramah is the third President of Afreximbank. During his tenure so far, the Bank's assets have risen to well over $30bn and it is now at the heart of the continent's long cherished dream to move into industrialised status based on a vastly extended volume of intra-African – as well as external – trade. He reflects on the forces that have shaped the evolution of the institution from its difficult early years to its globally acclaimed status today.

Proud to turn aspirations of the Founding Fathers into reality

Reflecting on his first, fairly vague introduction to what was to evolve into the behemoth it is today, Professor Benedict Okey Oramah says that back in the early 1990s, he had an uncanny feeling that the proposed continental trade finance bank, then still on the drawing board, was exactly what Africa needed to work its way out of the morass it was in – and that, despite the odds, it would succeed. He also knew he wanted to be a part of it.

Today of course, he leads the institution (having succeedeed the second leader, Jean-Louis Ekra in 2015) that is rewriting the African narrative and steadily but surely setting the continent on its next major leap forward and transform into an industrialised, progressive, increasingly prosperous and economically integrated region.

Recalling the beginnings, the young Oramah – then employed by the Nigerian Export-Import Bank which had been set up mainly to facilitate external trade at the time – was already steeped into the mechanics of how such organisations worked when he was invited as a delegate from his institution to the very first general meeting of the proposed new Exim bank in Abuja in October 1993.

Earlier, in May the same year, Babacar Ndiaye, then President of the African Development Bank and the moving spirit behind the concept of a regional Eximbank – then an unheard of concept – had obtained approval from the AfDB assembly to go ahead with the idea.

After intense discussions during that first meeting, it was decided that the headquarters of the new African Export-Import Bank (Afreximbank) would be in Cairo, Egypt and that Nigeria would provide the first head of the new institution. Shareholders included the AfDB, Nigeria, Egypt, Ethiopia, Gabon, Tunisia, Côte d'Ivoire, China and Standard Chartered Bank.

Seeing such a diversity of Africans coming together to create such an institution made a profound impact on the young man. "I felt privileged to be among the group of people who make the dreams and aspirations so eloquently expressed by the leaders a reality," recalls Oramah.

Christopher Edordu, then head of the Nigeria Eximbank, was appointed as the premier President of the new institution and Chairman of the Board. He asked Oramah if he wanted to join him in the new venture.

Oramah jumped at the chance and resigned from his old post rather than transfer on secondment as was the prudent way. "I burnt my boats, there was no way back! The Bank had all the ingredients to make a change from day one. There was no way this experiment would not be successful" he says. "It meant I had to give it all I had. It was also because I had every confidence in the President, who had been my boss."

But Africa was still struggling to come to terms with the "lost decade" of the 1980s when optimistic dreams of a bright new dawn for the continent had turned to ashes as political turmoil and collapsing economies stalked the continent.

"Africa had been doing better than Asia in the 60s and 70s but suddenly deteriorated so badly that it was openly re-

ferred to as a basket-case – a place where corruption and stagnation were the standout features," reflects Oramah.

With the winds of pessimism and failure swirling around them, the small staff felt the heavy onus to succeed – or at least survive – settling heavily on their shoulders.

This was felt very acutely by the leader, Christopher Edordu. "He was a deeply intellectual person, an accomplished banker and very hardworking," says Oramah. "He was determined that we would prove the naysayers wrong; so he made sure that the Bank operated at the highest standards of professionalism."

So rigorous were the procedures set in place that for the first three or four years, it achieved the seemingly impossible – it didn't have even a single bad loan. "It left us wondering whether it was even a bank," Oramah reflects.

The trade-off was that growth was initially slow. However, it was necessary for the Bank to be cautious. Apart from the need for it to install its own systems

> So rigorous were the procedures set in place that for the first three or four years the Bank didn't have even a single bad loan

and fine tune its operational procedures, the environment in which it was born was still one of high risk.

Innovation was called for. The solution was to use trade finance structures to manage country risk that was inherent in the continent. "That worked very well for us because it meant that we didn't lose any money in the early years."

Such prudence won the confidence of partners and stakeholders, establishing the Bank as a credible proposition even in a continent that was still economically fragile.

Laying a solid foundation

Oramah says that it was that foundation of rigour, discipline and commitment to the mission established in those first years of its existence that has helped the Bank till the present day. "We instil these values in anyone who comes to work at Afreximbank."

Reflecting on his early times at the Bank, Prof. Oramah says he moved to Cairo in 1994 to join the team on the ground a few months after Edordu had set up shop. He joined others, some who had been seconded from the AfDB, including the Bank's first Executive Secretary who was tasked with getting the operation up and running.

"We were a team of six, working from the Intercontinental Hotel. We were there for months until we started moving to our temporary office at the World Trade Centre."

Having a small team for the first few years helped keep costs low and also enabled the Bank to control the expansion of the balance sheet. "The goal of Mr Edordu was to make sure we had an institution that would earn the respect of anybody, anywhere in the world. And he succeeded in building that foundation and it is on that foundation that we continue to build till today," comments Oramah.

The Bank's first ever transaction, made on 30 September 1994, involved the Ghana Cocoa Board. "We took a participation in the syndication to the tune of $6.5m. It was the second time that Cocobod was syndicated in the market and it paved the way for future transactions," he reflects.

"We began very cautiously, participating in syndications while we studied the market before we started using structured deals to do bilateral transactions. Later, we would expand to providing line of credit to banks."

This attitude reflects the relentless self-improvement which has been a key tenet at Afreximbank since. That has meant incorporating ideas from others and no-holds barred discussions. Oramah says he finds criticism more useful than praise. "It is the criticism and new ideas that others bring to you that you can use to improve."

The Bank, therefore, has built and cultivated a vast network of experts and professionals who give advice and help review the Bank's operations. "We incorporate all of that in our own five-year plans and it has worked well for us. We find that many institutions may be doing something similar to what we are doing so that has also helped us to build strong partnerships with those institutions."

On a personal level, Oramah is a firm believer that history is a great teacher and the study of history is essential for any leader who has set out to do great things.

"History is a source of courage," he explains. "If you study history, there can be no challenge that is too great for you because you will find that others have taken on even more perilous challenges than you are faced with."

That conviction was tested by the 2008 financial crisis that reverberated around markets all over the world. What Oramah describes as the event that gave him most cause for concern.

"The debt crisis shaped the contours of the institution that emerged from it. All of a sudden, banks that you thought would never be in difficulty were calling and asking us to send money to support them. There was even one bank that failed to honour our deposits with them. As a banker, that is the ultimate nightmare."

Nevertheless, Oramah says, the lessons from the crash were beneficial to the Bank. "We developed systems to help us manage liquidity on a day to day basis. We took certain decisions that, with hindsight, made a huge difference.

"We took a certain deposit that was at a higher rate than we'd normally do but, in the end, it became our saving grace, enabling us to expand our loan portfolio when other banks were struggling.

"That was when we created the alliance of African international financial institutions which enabled us to mobilise more deposits from African institutions. So from a defensive position," Oramah adds, "we quickly rallied and helped lead a way in crafting a response to the crisis."

The global financial crisis also led to other structural shifts. "The world witnessed a major shift in the cartography of African trade over the last few years, with South-South trade becoming a major driver of African trade and growth."

Over time, Afreximbank has also become an important instrument for crisis response management by Africa, providing counter-cyclical support to help its member countries to better absorb numerous adverse economic shocks associated with recurrent cycles, working closely with the African private sector to expand economic opportunities during upturns and softening the blows during contractions.

"The Bank disbursed over $10bn under its Countercyclical Trade Liquidity Facility to help the continent achieve an orderly adjustment to the commodity price shock of 2015/16. Through its Pandemic Trade Impact Mitigation Facility, the Bank is helping to contain the social and economic fallout from the Covid-19 pandemic in its member countries."

Interconnected solutions

The Bank's initiatives are guided by and anchored to its grand objective of promoting trade. "When we are deciding on our initiatives, the question we ask is, 'to what end?' The answer to that question may even lead you away from trade but it is those things that will have the most impact."

The Bank itself is proactive in tackling market failures and it is increasingly taking on the role as Africa's voice in the global arena. More recently, it has made waves in its relentless advocacy for a fairer reorganisation of the global financial system. Oramah's support of African initiatives cannot be understated. He was instrumental in the launch of the Liquidity and Sustainability Facility (LSF), which will bring the benefits of a home-grown repo market to the continent.

The Bank has also committed itself to supporting an African central bank, a continental stock exchange and an African monetary bank.

The Bank's role has grown significantly in size and scope. In September 2015, when Prof. Oramah assumed leadership of Afreximbank, total assets were $5bn. By the end of 2016, this had increased to $12bn. This figure has since grown to over $32bn.

Oramah says the Bank has expanded its activities, not because it has increased its mandate but rather that it has been a natural progression and the Bank is simply executing what it has been set up to do.

Nowhere is Oramah's ambition to improve trade and expand the Bank's horizons more clear than in last year's ambitious Africa-Caribbean Trade and Investment Forum (ACTIF).

The establishment of a brand-new partnership will advance the aspirations of the AU when it designated the African diaspora as the sixth region of Africa.

Oramah's instincts, honed over three decades in development and finance, told him this new partnership could be something special. Eleven of the 15 CARICOM economies are now signatories to the Partnership Agreement between Afreximbank and each of them.

As a result, a number of groups, including a consortium made up of three Egyptian behemoths – Orascom, El Sewedy and the Hassan Allam Group are

> 'We all believe that the Bank is a child of necessity and it is a Bank that we must make stronger because having such a Bank that is strong and capable, is essential to Africa's future'

finalising major contracts to build roads, ports and logistic facilities across the Caribbean states, part of these funded by Afreximbank.

Long vision of Founding Fathers

Oramah says the founders of the Bank, showing remarkable vision, had recognised this and produced a charter that gave the institution a broad mandate. The objective of the Bank, to promote, facilitate and finance intra and extra-African trade, he argues, stems from the understanding that there is nothing you can do in isolation that will yield the results desired.

He points to the Pan African Payments and Settlement System (PAPSS), which the Bank launched in 2021, by way of example. "With the fragmented payment systems in the continent, how can we promote regional value chains?" he asks.

"You can go and build industries all over – but you will not achieve that objective because you will be hampered by the challenges in the payment system. An integrated payment system, however, immediately opens the market and provides a platform for innovation."

That integrated approach, he says, is what propels Afreximbank. The raft of innovations from the Bank are connected on the African Trade Gateway, enabling increasingly seamless trade in Africa – now bolstered by the African Continental Free Trade Agreement.

Oramah says the support from the Bank's shareholders has been vital to the Bank's growth. "I could not wish for stronger support from shareholders. They have been there for us through our capital increases. We launched less than two years ago a General Capital Increase – our second in 30 years – to raise $6.5bn, $2.6bn of which should be paid up over a five year window. Today, if you adjust for the discount, we have slightly over $2bn in paid up capital, and we are less than two years in this process. That demonstrates great confidence and support."

Support from member states, who are also shareholders, has also helped the Bank operate in difficult environments. "They always make sure we are given preferred status in our operations in their countries. Even when we lend to private sector bodies and there is a challenge, the government and central bank in that country step in to make sure that there is resolution."

Oramah can also count on a Board that is so rich in knowledge and experience that he calls Board meetings "intellectual excursions" where insight and perspectives from the Board are applied to enrich decision making and strategy formulation at the Bank.

"We share the belief that Afreximbank belongs to Africa. We all believe that the Bank is a child of necessity and it is a Bank that we must make stronger because having such a Bank that is strong and capable, is essential to Africa's future. Without it, we will be left behind."

This conviction, he believes, is the driving force behind the support from shareholders as well. "This is a collective endeavour and we are just the agents working to achieve the aspirations of the shareholders."

Oramah says running a Bank with such an important mission is an immense source of pride. Receiving the Afreximbank Outstanding Staff Award in 2010 was a particular highlight for him. "To me, that meant that all the sacrifices from over the years had been recognised, not only by management but by my colleagues as well. So that was a particularly humbling day."

On the macro level, however, he harks back to history. "I am particularly pleased that it is Afreximbank that is helping to realise the vision of the Founding Fathers of the Organisation of African Unity. We did some research and we found that in 1963, at the first meeting of the OAU, the 28 leaders who gathered that day made some very important decisions.

"They set out as a priority, the creation of a continental free trade agreement, the creation of a pan-African payment and clearing union, as they called it, the organisation of trade fairs to promote trade, the transit guarantees to facilitate the movement of goods across borders.

"I am happy and proud that 60 years after that meeting, thanks to the vision of those who founded Afreximbank 30 years ago, the Bank is making all those aspirations a reality.

"I am certain that those who helped found the Bank would be proud, too. We have proven, even to those who doubted us in the beginning, that it is important to have your own institutions."

"Every African that spares a moment to look at the history of the Bank," he says, "should be very hopeful about the future of our continent: it is a bank that was created at the height of Afro-pessimism; a Bank that was created at the height of an unprecedented economic crisis; a Bank that was created when many countries that were supposed to support it were struggling to survive.

"Despite the challenges the continent was facing at that time, they resolutely supported the Bank. History has shown that they put their money where their mouths were. I think every African, every child born in Africa, should spend the time to look at and study the history of the African Export-Import Bank."

Oramah may have already made his mark but he is clearly not finished redefining the African financial system and perhaps setting it on course for true transformation. These are some of the reasons his country awarded him the title of Commander of the Order of the Niger (CON). ■

Intra-African trade is still the lowest of all regions in the world but is essential for the rapid growth of an industrialised continental economy. **Neil Ford** outlines how Afreximbank's various strategies are rapidly turning the dream of the world's biggest trade area into reality.

Turning the AfCFTA dream to reality

Limited levels of intra-African trade have long been cited as one of the main causes of constrained economic growth across much of the African continent. While traditional metrics often overlook the considerable volume of unofficial cross-border trade, there is no doubt that internal trade levels are far lower in Africa at 17% than in Europe or Asia, for example where the average is around 60%.

The colonial era development of African economies is partly to blame, with infrastructure generally designed to move commodities from specific territories to markets outside Africa, with many roads and railways stopping short of crossing into neighbouring African states.

Such infrastructural shortcomings need to be overcome but trade tariffs and non-tariff barriers have perhaps even more of an impact.

The share of intra-African exports as a percentage of total African exports

increased slowly from around 10% in 1995 to about 17% in 2017 but there was a consensus that something drastic had to change given that the figure for Asia in 2020 was 58%.

The African Continental Free Trade Area (AfCFTA) has therefore been devised to help erode such barriers and create the world's biggest market by number of countries involved. The AfCFTA came into force at the start of 2021 but creating a genuine single market will be a long process, with national tariff and regulatory policies gradually harmonised over time.

The combined GDP of the 54 countries who have already joined it – only Eritrea is yet to commit – is just $3.6 trillion, about the same as that of Germany, but it

2.5bn

The AfCFTA area's current population of 1.4bn is forecast to reach 2.5bn by the middle of this century, creating an enormous single market

is hoped that the free trade area will help drive that figure up.

Moreover, the area's current population of 1.4bn is forecast to reach 2.5bn by the middle of this century, creating an enormous single market if the AfCFTA is developed as planned.

As might be expected from an organisation that was created to promote and finance both extra- and intra-African trade, Afreximbank has played a key role in creating AfCFTA and actually making it a reality on the ground.

Left: Aerial View of the commercial port of Cape Town

Creation of PAPSS

Under its most recent five year strategy, Afreximbank greatly increased its financing in support of intra-African trade. It supports the free trade area through direct funding, helping to leverage additional financing and reducing transaction costs through the use of new technology. One of Afreximbank's biggest contributions has been the creation of the Pan-African Payment and Settlement System (PAPSS).

Launched in September 2021, the Pan-African platform for processing, clearing and settling intra-African payments allows individuals, businesses and governments to make instant payments in more than 40 different African currencies,

With the implementation of PAPSS, Africa can expect to begin to reap the fruits of the African Continental Free Trade Agreement

TRANSIT GUARANTEE SCHEME

African trade is hampered by structural challenges that increase costs and reduce efficiency. One of these is the need for goods in transit through third party countries to be insured against the risk that they may be retained in that country and not make it to the stated destination. Traders are thus required to procure bonds in each country that the goods pass through their way to the destination country. The current system effectively imposes a $300m surcharge on trade in the continent.

The solution from Afreximbank, the transit guarantee scheme, enables traders to move goods through countries without having to obtain bonds for each of the countries they have to transport goods through.

Under the scheme, goods are deemed to be under the customs control of the country of departure until it arrives at the final destination, when it is passed on to that country's customs office. The duties and taxes, which are at risk during the entire period of transit, are covered under the guarantee scheme, with Afreximbank bearing the liability.

Implementation of the scheme, estimated at $1bn, has already begun with an agreement between the bank and the Common Market for Eastern and Southern Africa (COMESA). The bank will work with existing operators to share risk, which is expected to boost their capacity.

reducing the cost of trade and demand for US dollars and other hard currency.

Afreximbank President Benedict Oramah, who is also Chairperson of the PAPSS Management Board, commented: "With the implementation of PAPSS, Africa can expect to begin to reap the fruits of the African Continental Free Trade Agreement… PAPSS is not positioned to replace existing regional and national payment systems but to collaborate and work with them in better integrating African economies for the benefit of all."

Afreximbank provided $500m to finance the successful PAPSS pilot project held in the West African Monetary Zone and helped fund its rollout across the continent. It also acts as the main settlement agent, providing settlement guarantees and working with regional organisations, such as the West Africa Monetary Institute, to promote the use of PAPSS.

It is hoped that the 500-600 banks operating in Africa will all eventually make use of the system and Afreximbank Chief Economist Hippolyte Fofack has called on them to support the AfCFTA by providing long term loans to African manufacturers,

Chief among companies that have wider development potential is the automotive industry, as the continent already has almost all of the raw material needed to manufacture motor vehicles

in the automotive, steel and rail industries in particular.

The International Chamber of Commerce estimates the annual African trade financing gap at $110-120bn, partly because less than 20% of African bank-intermediated trade finance is directed at intra-African trade.

As a result, Afreximbank has sought to fill the gap, including by setting up the Intra-African Trade Initiative to support intraregional exchange and offering new uncommitted short term revolving trade finance facilities under the Afreximbank Trade Facilitation Programme (AFTRAF). Afreximbank's intra-African trade financing is on course to reach $40bn on a revolving basis by 2026.

AfCFTA Adjustment Fund

Afreximbank has set up a $1bn facility to operationalise the AfCFTA Adjustment Funds, consisting of the Base Fund, General Fund and Credit Fund.

It has also provided $10m as a seed grant to the funds, which will require investment of $10bn in total. Oramah com-

Tanger-Med container port and the Renault terminal in Ksar Sghir, near the northeastern Moroccan coastal city of Tangier

mented: "Afreximbank is delighted to have been appointed the fund manager of the AfCFTA Adjustment Funds following the extensive collaborative work it has done with the AfCFTA Secretariat and the Africa Union Commission during the past few years....These facilities will again be contributing to making a great idea a reality."

The Adjustment Funds are designed to help countries implement agreed protocols and support African companies in retooling for effective participation in the new trading regime.

They also aim to mitigate the negative impact of reduced tariffs on national governments, address infrastructure deficits and ease supply chain bottlenecks.

They are to be managed by the Fund for Export Development in Africa (FEDA), the impact investment arm of Afreximbank, which is headquartered in Kigali, following the signing of a host country agreement between Afreximbank and the Rwandan government in March 2023.

The automotive sector

Afreximbank has identified specific industries for support that can not only drive continental economic integration in themselves but also wider development through the benefits of agglomeration. Chief among these is the automotive industry, as the continent already has almost all of the raw material needed to manufacture motor vehicles, as well as growing markets for cars, but is hugely reliant on imports, which in turn is a big drain on foreign exchange.

At present, there is substantial manufacturing activity in South Africa and pockets of North Africa but production elsewhere is limited, so the continent as a whole accounts for just under 1% of global automotive manufacturing capacity.

However, this is exactly the kind of industry that could create the high skilled employment needed to propel African economic growth, while creating cross-continental supply chains that could fuel intra-African trade. ■

AFCFTA ADJUSTMENT FUND

The implementation of the African Continental Free Trade Agreement is expected to boost intra-African trade, create jobs and attract far greater investments into African economies than they are able to do now. Creating a single market, as the AfCTFA seeks to, will entail the removal of tariffs and other customs payments between borders of member states, ensuring the free flow of goods around the countries.

For some countries, however, this will mean the loss of vital resources that accrue to the national treasury from such payments and could be potentially disruptive to their economies and compromise the governments' ability to invest in social services.

In anticipation of this, the African Union Summit of Heads of State and the AfCFTA Council of Ministers responsible for trade tasked the secretariat and African Export-Import bank to establish an adjustment fund that will help mitigate the pain and help countries through the initial period of difficulty. In addition, the fund will assist countries as they seek to implement the AfCTFA's protocols and annexes, support private sector players to take advantage of the free trade area and also address some of the infrastructure challenges that could hamper its implementation.

The fund comprises a base fund which will be mobilised from state parties, a general fund which will be mobilised from concessional funding and credit fund organised from commercial sources to support both private and public sector actors to adjust and participate in the AfCTFA. Afreximbank has pledged $1bn towards the fund.

$1bn

Afreximbank has set up a $1bn facility to operationalise the AfCFTA Adjustment Funds, consisting of the Base Fund, General Fund and Credit Fund

DR. GEORGE ELOMBI - Executive Vice President, Corporate Governance and Legal Services

Executive Vice-President Dr. George Elombi joined the Bank when staff strength was barely a dozen and thus has been in prime position to watch the evolution of the Bank over the past 30 years. He focuses on the aspects of the Bank – and its governance – that have made it not only superbly resilient but also highly efficient.

We are development agents first, bankers second

Dr. George Elombi was among the small early band of bright young professionals being assembled by Afreximbank's first President, Christopher Edordu, when he left his position as a lecturer at the University of Hull, UK, to join the Bank in 1996.

He had been approached by the Bank's director of legal affairs, Akin Olubadie who told him the newly established pan-African organisation needed someone who was bilingual, a lawyer and had some understanding of trade finance, all qualities that Elombi had.

Drawn by the Bank's mission and some encouragement from his cousin who wanted to know what Elombi was doing in the UK when Africa needed its people back home, he accepted. "I walked into the office (in Cairo) and was immediately given a file to start working on. There was no time to go and introduce myself to the HR department. They took note of the fact that I was sitting somewhere and later they came round to take my details," he recalls.

Elombi who has been able to study the Bank's history and transformation from a front row seat, recalls that in the early days, sceptics gave it no more than five years before it would implode. But the Bank would not only confound these predictions, it would evolve into one of the most impactful institutions on the continent.

A lot of credit, Elombi says, must go to Christopher Edordu, its first leader. "I think it was lucky for the shareholders that they chose someone who had extraordinary amounts of experience and integrity to lead the Bank from the start. He was a patriotic African who did the work that had to be done quietly and diligently.

"He was also very conservative. If it was necessary, he would spend a day or couple of weeks debating a matter, arguing his position so that we could get it right when a decision was taken. It was values such as these that he instilled in the Bank and which are still evident today.

One of those values was to defend the interests of African countries fearlessly and consistently but with integrity at all times. There were times that this meant thinking ahead and devising creative solutions even before the problems actually arose.

One particular incident stands out in his mind. "There was a time in 1998, before the crisis in Zimbabwe had really started, when Mr Edordu called a few of us for a meeting one evening. He told us that he could see a problem coming in Zimbabwe because the government there had put its finger on something that was extremely sensitive and if care was not taken, there could be an economic catastrophe. And this was an economy that at

the time was extremely successful.

"He felt that we could not allow this economy to collapse because of politics so we immediately got to work on some schemes to help the Zimbabwean economy to stay afloat."

In Edordu's view, politics and politicians had to be seen as separate from the economy, which is eternal and must be preserved for the sake of citizens.

The discussions around Zimbabwe, Elombi says, reflect the collegiality that began under Edordu and continues to prevail at the Bank. No matter how junior a member of staff is, they can be sure of getting the ear of the most senior officials.

"You could, as a junior member of staff, call the president at 2am and tell him you disagreed with something he had said at the credit committee meeting and he would wake up and have a proper conversation with you about it. And if you couldn't come to an agreement, he would invite you to come to his office later, where there may be a couple more people to discuss the issue and resolve it one way or the other."

That culture of frank and open debate was critical to the success of the Bank, especially in the early years, with members of staff encouraged to contribute and defend their ideas to improve the quality of decisions and decision-making at the Bank.

The staff were encouraged to contribute and defend their ideas to improve the quality of decisions and decision-making at the Bank

The three phases

Elombi breaks down the Bank's history into three chapters. The first, Edordu's tenure was the establishment phase, marked by a determination to ensure that shareholders' funds were protected and the Bank was properly grounded.

"He spent a lot of time impressing upon us that our primary purpose was to secure every dollar for our shareholders. He said if we felt that we could not deliver on that mandate, then we should return all the money to the shareholders with a nice letter explaining that we were incapable of achieving the objectives they [the shareholders] had set for us, And in the first 10 years Afreximbank operated

DR. GEORGE ELOMBI - Executive Vice President, Corporate Governance and Legal Services

without a loss, which is quite unique."

The unintended consequence of this success was that the Bank became very important to a lot of people, leading to a shareholder dispute that threatened the Bank's next chapter, which Elombi describes at the "resilience phase".

This chapter, largely under the leadership of the Bank's second President, Jean-Louis Ekra, was also characterised by the Bank establishing itself as a key actor in the African development space. It was during this phase that it established initiatives such as AFRICOIN as well as playing a critical role during the Global Financial Crisis.

Having survived – and thrived – in this era, as well as having shown its mettle, relevance and systemic importance, the Bank was now set for more expansive growth which continues to the present.

"This phase is characterised by the very rapid growth in the balance sheet as well as a change in the structure of the kinds of businesses that the Bank is financing. We have now moved from just trade finance to supporting trade enabling infrastructure."

This is a transformation that Elombi says was anticipated by the Bank's founders, who realised that the Bank first needed to build its capacity before tackling its ultimate objectives. Created in a time of crisis, it has become quickly obvious that the structure of Africa's growth was responsible for the low growth and that it had to be transformed if the continent was to achieve sustained, accelerated growth.

"Our direction of trade was mainly towards Europe because we were just trading in commodities – oil from Angola, Nigeria and a few others with other countries also exporting some minerals. If we were to increase intra-African trade, as we needed to, then we would have to produce goods that Africa needs. That is why changing the structure of trade is now one of the key areas of focus for the Bank in its current, third phase."

"This is a realisation of the Bank's grand agenda, as articulated by its first President who had said that the Bank would not be achieving its mandate if it stayed solely in the trade finance sector.

"That means supporting the sea and land ports; the telecommunication infrastructure and the processing plants that will enable African businesses to add value to its raw materials and move it to other parts of the continent – which now has been made much easier by the African Continental Free Trade Agreement," he says.

The Bank's growth has meant bringing in more hands to carry its increasing burdens. Currently, the Bank has a core staff of over 300 and soem 600 consultants, support staff and other outsourced agents working on its behalf.

Companies of this size can often become overwhelmed with process and routine, leaving them incapable of moving swiftly. "And the nature of the task it has set itself means that Afreximbank must move with speed," says Elombi. The Bank's answer to this is to have separate units that address specific parts of its mandate.

"We are beginning to think that the Bank should have autonomous entities that function on their own. That is why you can see the creation of entities such as the Fund for Export Development in Africa, Pan-African Payment and Settlement System, AfrexInsure and others. It's because if we keep all these in one entity called Afreximbank, it will become too heavy to deliver.

"I believe that could be the final stage of our evolution and also how we can maintain our visibility and relevance to member states." Smaller units, Elombi argues, will be able to react quickly to challenges.

Independence of the Board

Credit for Afreximbank's unique strengths and ability to move with the speed of a private sector entity but with the weight of a multilateral, must also go to its founding instruments, which Elombi says are some of the "most creative legal instruments" he has ever seen.

The founders of the Bank created an institution that was partly owned by government agencies and partly by private sector players. So, unlike classic multilaterals which have only a treaty that countries sign onto, Afreximbank also has a charter to regulate the relationship between the Bank and its shareholders, which include private sector bodies.

"The creativity of this arrangement and the interplay between the two documents have made it possible for the Bank to have all the benefits of being a multilateral while at the same time retaining an ability to function like a private sector institution.

"It has to declare and distribute dividends and that means it has to have private sector discipline in its operations; and it also has to achieve development at the same time."

The founders were also careful to distinguish the Bank from other multilaterals on the allocation of power to shareholders. "Voting power of the board is not indexed to the size of shareholding. Each shareholder gets only one seat and one vote, no matter the size of their shareholding. That was another ingenuity intended to give the board and management a certain independence so that they are able to make decisions without the control of the larger shareholders."

So independent is the board that once it is appointed, shareholders cannot unilaterally recall a representative, meaning that they can dedicate themselves to the interests of the Bank without looking over their shoulder for the approval or otherwise of the entity that put them there.

For stakeholders outside the Bank, this took some getting used to. Lenders were unsure how to treat this unique hybrid organisation, while the Bank itself had to maintain a tight balance in order not to lose any of the benefits that come from having one foot on either side of the public-private sector divide.

Owing to its unique character, the Bank is not directly regulated by any of the usual bodies. When it came to ratings, typical for private sector lenders of its size, a huge debate raged in the Bank for about two years. "Edordu, as President, was convinced that it was not necessary for the Bank to submit itself to the ratings process, while other members of senior management at the time felt differently," Elombi recalls.

Some of the hesitation was derived by the institutional shortcomings of the ratings system and how that would affect the Bank's development objectives. "These agencies are coming from a different part of the world where Africa is only seen in terms of risk, despite the fact that African countries default less than countries in other regions," he points out.

"However, because we have to rely on the international markets for finance, we have to submit to these agencies because we need their blessings. So it's a complex relationship we have with these agencies," he says. "That is why at Afreximbank, we thought of turning to mobilising funds from African sources, which fortunately, we have been very successful in."

In the end, a compromise was reached where the agencies were invited to assess the Bank's processes and get accustomed to its unique character before the Bank formally submitted itself for a rating.

Source of resilience

The Bank's resilience in the face of crisis, Elombi says, can be traced to the circumstances of its birth. Created in the midst of challenges to fix challenges, the Bank owes its existence to the will of countries

'Banking is merely the tool that we are employing to achieve our development objectives'

‘Changing the structure of trade is now one of the key areas of focus for the Bank in its current, third phase’

to find the money for equity to fund it.

That it was forged in such difficult circumstaances makes the Bank naturally adept at facing challenges, he argues, pointing to the Bank's balance sheet, which has continued to grow in spite of the ongoing global economic downturns which have weakened the capacity of even larger financial institutions.

He points to the Bank's response to the Covid-19 pandemic as a demonstration of its characteristic adeptness in times of emergency. "Covid was considered a major threat across the world and it required a lot of courage to address it. We didn't have any vaccines and everyone thought there would be carnage in Africa.

"So we went to the board to ask for $2bn and they had only two questions. One was about the mandate – and that was easy because Afreximbank was also created to carry out trade financing for essential imports and Covid vaccines were clearly essential imports. If you didn't protect the lives of your citizens, there would be no trade to finance.

"The other question was about liquidity, how would we find the money? Fortunately, the loans were such that we could easily move liquidity from one side to the other and we were able to go to the market to raise money at a time when there wasn't much money in the market."

While Elombi is confident about the Bank's ability to face massive global ruptures, he believes that much will depend on keeping the employee corps focussed on the Bank's overarching ambitions.

"My fear is that staff may stop to see themselves as development agents and come to think of themselves as bankers. First and foremost, we are development agents. Banking is merely the tool that we are employing to achieve our development objectives.

"This is a message that risks being diluted as more people join the team and the sheer scale of the day-to-day financing tasks come to dominate all our attentions."

The way to address this, he says, is to consistently imbue new staff with a sense of mission and to drive home the understanding that the Bank's relevance to its shareholders is the one thing that defines and secures its very existence.

Staff at the Bank, he says, must never forget that the continent needs them to succeed and it is a privilege to be among the few people tasked to drive the Bank's mission. That requires them to be relentlessly focussed on the continent's challenges and efforts to address them.

"You cannot relax when there are parts of the continent where there are no roads, no power, no telephone networks. There is a lot of work that remains to be done," he concludes. ■

Special Economic Zones (SEZs) can catalyse industrialisation while building domestic supply chains. They also attract foreign investment and skills transfers. Afreximbank is currently working with governments to expand SEZs across the continent. **Neil Ford** provides the details.

Afreximbank ploughs $900m into SEZ creation

Special Economic Zones (SEZs) have long been recognised as one of the best methods of boosting industrial production in the face of infrastructural constraints in host countries. They offer tax concessions and other benefits often not available elsewhere locally and are designed to enable knowledge transfer between international companies and domestic partners.

Afreximbank has therefore identified them as a key method of attracting foreign direct investment (FDI) and building African supply chains.

It is hoped that SEZs can help drive industrialisation and diversification by keeping more of the benefits of raw material production within Africa. Boosting industrial, manufacturing and processing capacity within the continent reduces both the length of supply chains and costs for customers.

SEZs catalyse industrialisation

World Economic Forum research demonstrates that such zones can catalyse African industrialisation and boost extra- and intra-regional trade.

The first SEZs were developed in East Asia and Latin America in the 1950s. Shenzhen is often cited as the world's most high profile SEZ, with a fishing village now transformed into one of the world's most important manufacturing centres, creating huge Chinese corporations such as Huawei and Tencent in the process. By the end of 2020 Shenzhen had attracted $300bn investment from more than 90,000 foreign companies keen to take advantage of lower wage costs and tax incentives.

According to the UN Conference on Trade and Development (UNCTAD), the first African SEZ was created in Mauritius in 1970 and there are now 237 spread across the continent, including 61 in Kenya and 38 in Nigeria. However, UNCTAD argues that African SEZs have generally failed to generate the same benefits as those in Southeast Asia in terms of FDI, employment and supply chain development.

Although such zones are treated differently in terms of their tax arrangements and some other regulations, they are still heavily dependent on the wider environment within which they operate. Most rely on external power production and rail, road and port infrastructure, and are vulnerable when this is unreliable. Above all else, the smooth operation of new commercial operations needs the support of all relevant government ministries and regulators but this is not always forthcoming because of a lack of coordination across the relevant authorities. It is here that Afreximbank can make a big difference by offering technical advice as well as financing.

Afreximbank is currently working with African governments on projects worth $900m to develop and expand SEZs and industrial parks, including two in Malawi and one in Côte d'Ivoire, with talks ongoing on others in Botswana, Kenya and Rwanda.

According to UNCTAD, power supply problems are much less frequent for companies operating in Kenya's existing SEZs than for those operating elsewhere in the country.

The two Malawian projects, the Magweru and Matindi industrial parks, hope to attract agro-processing, manufacturing, chemical, pharmaceutical, light engineer-

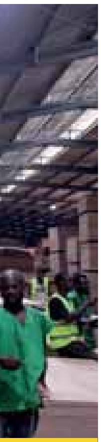
The first African SEZ was created in Mauritius in 1970 **and there are now 237 spread across the continent**

Above: The Gabon Special Economic Zone promotes in-country timber processing and attracts manufacturers that can make use of the material

ing, mineral processing and construction material investment that can take advantage of the emerging African Continental Free Trade Area (AfCFTA).

Crucially, the projects aim to support small and medium sized Malawian companies as well as foreign investors. Many SEZs are designed solely to attract foreign investors focused entirely on exports. Afreximbank, however, is keen to encourage both domestic and foreign companies to invest in the zones it is supporting.

Malawi's Minister of Industry, Mark Katsonga Phiri said the SEZ would help in transforming Malawi to an industrialised exporting nation to regional and international markets, "capitalising on the preferential market access privileges that Malawi can enjoy such as the African Continental Free trade Area".



Automotive supply chains

In April, Afreximbank and the UN Economic Commission for Africa (UNECA) signed framework agreements to set up SEZs in Democratic Republic of Congo (DR Congo) and Zambia dedicated to hosting battery electric vehicle (BEV) sector producers of battery precursors, batteries and electric vehicles, among other parts of the supply chain.

Afreximbank will be the projects' financial partner, with UNECA taking on the role as technical advisor and pan-African infrastructure developer Arise Integrate Industrial Platform undertaking pre-feasibility studies on both projects. Operating companies for each project will be created by consortia of public and private sector investors alongside international investors, such as Afreximbank's impact fund subsidiary, the Fund for Export Development in Africa (FEDA).

It is hoped that the two SEZs will capture more of the supply chain for batteries and EVs as global production ramps up. DR Congo and Zambia have substantial mineral resources that are needed in EV manufacture: DR Congo accounts for 88% of global cobalt exports, while they jointly account for 11% of global copper supply.

Afreximbank is prioritising financing for EVs and battery energy storage within its support for the energy transition. Speaking to the African Union annual conference in December 2022, Afreximbank President Benedict Oramah noted that the fact that there are more than 30,000 parts in a typical vehicle provides a good opportunity for building regional value chains and driving industrialisation.

Afreximbank's Director of Export Development, Oluranti Doherty, commented: "At Afreximbank, we are firmly convinced that industrial parks and special economic zones are critical tools the continent can deploy to fast track its industrial infrastructure development, promote intra-African trade, accelerate the implementation of the AfCFTA and facilitate export development."

This intervention also demonstrates Afreximbank's commitment to promoting climate finance solutions that will reduce carbon footprints and create "a pan-African narrative around encouraging a just, sustainable and responsible energy transition", she added.

Timber processing

Other zones have had success by focusing on particular sectors. The Nkok SEZ in Gabon was created in 2010 by Olam International (40.5%), the government of Gabon (38.5%) and the Africa Finance Corporation (21%) to promote timber processing in the country, while attracting manufacturers that could make use of the timber.

Afreximbank has provided financing while the Gabonese government has supported the project by following Mozambique's example among other African countries, by imposing a ban on the export of unprocessed logs.

A total of 160 companies now employ more than 4,000 people in the zone, which is located just east of Libreville, with its port and airport facilities. The success of Nkok has now persuaded Olam and the government of Gabon to develop another SEZ at Mpassa-Lebombi in the south-east of the country, again to support not only timber processing and manufacturing but also agricultural supply chains.

Apart from supporting specific industries, some zones can leverage their locations. One of the best known African projects is the Musina-Makhado SEZ in South Africa's Limpopo Province, on the border with Zimbabwe. Located close to Africa's busiest border crossing, Beit Bridge, it makes use of transport connections to target the entire South African Development Community.

Partnership with Arise

In June 2022, Afreximbank signed a cooperation agreement with Arise, which specialises in financing, developing and operating SEZs across the continent, under which it will offer financial and other support to investors in Arise industrial parks. The bank is providing trade finance, project finance, project preparation support, SME development capabilities and advisory services. In addition, the partners are to set up African Quality Assurance Centre (AQAC) testing and inspection laboratories to ensure that goods are produced to meet international standards.

The Bank said: "Both institutions recognise that Africa's industrial potential continues to be hampered by issues such as the non-conformity of African goods with international standards and technical regulations, as well as the inability to test and certify local produce for export." ■

AFRICAN MEDICAL CENTRE OF EXCELLENCE

The Covid-19 pandemic brought into sharp focus the need to reinforce Africa's health security. The global response to the pandemic prioritised rich countries, with African countries in particular given little attention. Even when vaccines became available, rich countries pursued an exclusionary policy that saw them procuring more than they needed while poorer countries were shut out. It took an intervention from Afreximbank, which backed a continent-wide medical procurement alliance with the funds that enabled countries in Africa to get the vital vaccines. With this in mind, Afreximbank is now funding the construction of an African medical centre of excellence in Abuja.

Construction began in December 2022. The project is estimated to cost $300m and be completed in the first quarter of 2024. The centre is meant to provide full medical services to people from the continent and beyond, including highly specialised care and procedures. In addition, it will have full research capability, focusing on diseases that are prevalent in the continent but largely ignored by the rest of the world. King's College Hospital, London, has been chosen as the official partner but the centre will also forge research partnerships with other institutions on the continent.

Above: Construction of the African Medical Centre of Excellence (AMCE) goes ahead in Abuja

DENYS DENYA – Executive Vice President – Finance, Administration and Banking Services

Despite being a $30bn+ bank, the organisation has to tread a careful path between its financing decisions and maintaining liquidity at all times. This, says **Denys Denya**, Executive Vice President – Finance, Administration and Banking Services, has required not only discipline but a culture of innovation.

Finding solutions is part of our DNA

When Denys Denya, now Executive Vice President with responsibility for Finance, Administration and Banking Services joined Afreximbank in April 2010, it was still a relatively lean operation with a staff strength of 66 that belied its expansive mandate and sprawling ambitions. At the time, the Bank was primarily focused on trade finance and short term facilities, which he says made managing the balance sheet a less challenging than it is now. The Bank was also present in only 33 of the 54 African countries and had only two branch offices in Abuja and Harare. However, all of this was about to change.

"There was a demand at the time to change the composition of trade on the continent, which meant that we needed to shift towards project financing and medium term financing. As a result we begun providing financial institutions with medium term lines of credit of between 12 to 36 months," he recalls.

That meant the Bank needed longer term sources of financing to ensure sufficient liquidity in order to effectively serve its growing roster of clients. In response to this need, the Bank took several measures, including issuing bonds on the European capital markets, sourcing funds from Taiwan, Japan and China as well as establishing relationships with stakeholders such as export credit agencies and other development institutions. In 2014, the Bank decided to explore sources closer to home and began an Africa mobilisation drive, which proved immensely successful.

> 'Every time we encountered a challenge, we rose to the occasion and delivered outstanding results'

"In 2014, the first year of this initiative, we raised only about $75m from the continent. However, cumulatively, we have raised up to $34bn so far from African sources, making it the largest source of our funding. This funding has largely come from central banks, insurance companies, pension funds and the commercial banks themselves."

These sources, along with bonds from international markets with tenures of up to 10 years, put the Bank in good position to handle its loan requirements which are in the region of $10bn annually.

Denys emphasises that Afreximbank has unique reasons to maintain more than adequate liquidity. "Unlike commercial banks, we do not have a lender of last resort, so we must always ensure that we have sufficient liquidity, regardless of whether we are in good or bad times.

He adds, "We are also not regulated by any external institution, so we made the decision to maintain a capital adequacy ratio of no less than 20%, which is significantly above the Basel requirements." This is necessary, according to him, to give comfort to the bank's stakeholders.

Achieving this, however, has required some creative maneuvers. "In 2017, we listed Depositary Receipts on the Stock Exchange of Mauritius to give us another avenue of raising additional capital as and when we needed it."

The Bank has also needed to call up additional capital from its shareholders. In 2015, it raised about $500m this way. In 2020, following its pandemic interventions, the African Union suggested that the Bank conduct another round of General Capital Increase, which has so far yielded $1.4bn of the $2.6bn targeted by end of 2026. Denys expresses confidence that by the end of the planned period, December 2026, the target will have been achieved.

"This would enable us to fund the growth of our manufacturing capacity, ensuring the production of vaccines in Africa, for instance. It will also help us finance intra-African trade under the African Continental Free Trade Agreement."

Strong governance procedures

The Bank's growth has been complemented by robust governance procedures that Denys affirms are comparable to the highest standards in any region of the world. Assets are rigorously screened through a multi-step process that, above a certain threshold, involves the board of directors. Similar procedures are also applied on the fund raising and liquidity management side, which Denys also oversees. To ensure absolute security, the Bank never stores funds in entities with a rating lower than 'A'. Additionally, the Bank maintains liquidity ratios that are above the Basel requirements.

The Bank has also embraced technology to enhance its operations, aiming to improve efficiency and minimise the potential for error. "Despite being a $30bn bank, our staff compliment is not that high, hence we heavily rely on technology. We have a lot of processes that could be prone to human error so technology is important to us. "We use an AI enhanced system to streamline document management, simplying processes such as Documentary letters of credit and guarantees.When operating at our scale, avoiding mistakes is paramount."

Inventive solutions

Over the years, Denys says Afreximbank has demonstrated its capacity to deal with challenges. The institutional approach has been to focus on solutions rather than dwelling on the problem or its magnitude, and devise inventive solutions.

For example, to maintain its high capital adequacy, the Bank took lessons from an instituition in Panama, where the idea of issuing Depository receipts on the Stock Exchange of Mauritius originated.

When in 2015, the commodities super cycle came to an end and some central banks were struggling to meet their obligations, the Bank introduced a programme that brought together its lending and central bank deposit functions, effectively resolving the challenges faced by customers and the Bank itself in one fell swoop.

Denys emphasises that these responses demonstrate the ethos that characterises the Bank's activities. "When I look back, I can confidently say that every time we encountered a challenge, we rose to the occasion and delivered outstanding results. When the Russia/Ukraine crisis began, our Board approved a Ukraine Crisis Adjustment Trade Financing Programme for Africa (UKAFPA) to help mitigate the impact of the crisis on our member countries and our balance sheet actually grew by 37% in that period. The ability to adjust and help our clients is ingrained in our DNA now."

According to Denys, leadership has been playing a pivotal role in Afreximbank's success.. "We have been fortunate to have leaders like [former president] Jean-Louis Ekra, Christopher Edordu, the pioneer President, and Prof Benedict Oramah. Their philosophy was and is that we are masters of our own destiny, and we have to look for solutions for Africa ourselves because no one else will come and do that for us.

"So the things that we have done, such as being the first institution to credit enhance our callable capital, have come from this belief in ourselves and our capacity to solve problems ourselves."

Going forward, Denya says the Bank will remain loyal to its mandate, delivering more products to help its clients navigating the diverse challenges of the modern global economy. "We are trying to build a one-stop-shop for anybody looking for trade, trade financing and enablement. We are trying to provide everything that we can to enable African entrepreneurs to succeed," he says of the bank's future plans. ■

KANAYO AWANI - Executive Vice-President, Intra-African Trade Bank

Leaving a better Africa than the one we found

Kanayo Awani, who leads the Intra-African Trade Bank, came to Afreximbank from a high level commercial banking background. She has used her experience in driving the Bank's intra-African trade policies and setting up several initiatives to improve and simplify the system. She also discusses how the Bank subjects new plans to its rigorous processes.

Kanayo Awani had already established a solid career with Citibank Nigeria in the 1990s and 2000s, handling multinational and top-tier local corporates in various industries including food and beverages and textiles, when she says she had "distressing experience' as Nigerian textile businesses crashed due to unfair trade practices and dumping.

She needed a break from the hard practices of the commercial world and took a year off to study for a Masters in Public Administration at the Kennedy School of Government at Harvard University in the United States.

"The Kennedy School gave me a lot of insight," she says. "We were also part of the Edward S Mason Fellowship, which brings people together from developing countries, and from my colleagues in the programme, I found that the problems in these countries were quite similar. For instance, I took a course on the civil service in India and realised that I could easily relate it to the civil service in Nigeria. This was the foundation of my aspiration to work in development."

Earlier, while still at Citibank, she had worked with Afreximbank when she helped structure a facility from the bank on behalf of a client. She says that the Bank had left a positive impression on her, and so a match was made.

She wanted a role that would bring her finance experience into something that was more meaningful than the strictly transactional nature of commercial banking, Afreximbank was at the time trying to inject some private sector energy into its operations by recruiting outside the mostly public sector professionals who had been the source of manpower for the bank in its early years.

"I think I was one of the first few to have joined the bank from the private sector in 2009, when Jean-Louis Ekra decided to go in that direction, having completed the consolidation stage of the bank," she recalls.

Her role as Director of Afreximbank's Trade Finance and Branches Department was to drive the Bank's business development efforts in trade finance across Africa.

In 2016, however, as part of a restructuring of the bank's operations by its new President, Benedict Oramah, Awani became Managing Director of the Intra-African Trade Initiative Division – literally a blank slate that she had to build up from scratch. This coincided with the 2017-21 plan dubbed "Impact 2021 - Africa Transformed" which included promoting,

'It was clear that financing was not the only challenge. In fact, when we looked at the challenges of intra-African trade, finance was the relatively easier part'

facilitating and financing an increase in intra-African trade as a deliberate intervention.

President Benedict Oramah had given that goal top priority and made it a major pillar of his tenure. He clearly showed a great deal of confidence in Awani by putting her in charge of the new division.

With only one other person, the administrator of the division, on her team, Awani co-opted the bank's then head of strategy and with some help from Deloitte, set about trying to figure out what African trade needed to grow.

"It was clear that financing was not the only challenge. In fact, when we looked at the challenges of intra-African trade, finance was the relatively easier part," she says.

The most significant barriers, they found, included the lack of access to market information, the multiplicity of cur-

renciers, the high cost of foreign exchange, the lack of infrastructure, informality of trade, and supply side constraints among others.

For trade to flourish, she knew, required, at its most basic, people to have products to sell and others to know that they do – as well as hard and soft infrastructure to enable that exchange to take place. It was at this basic level that a good deal of intra-African trade had massive deficits. This eventually has led to Afreximbank rolling out initiatives such as the Pan-African Payment Settlement System, the intra-Africa Trade Fair, Trade Information and Regulations Platform, Trade Exchange and numerous others to facilitate trade with end to end solutions that go beyond mere finance.

Moving up several gears on intra-African trade

Meanwhile she successfully led Afreximbank's engagements in the establishment and implementation of the AfCFTA and helped guide the negotiations that culminated in the signing of the AfCFTA agreement in Kigali in March 2018.

She was also responsible for growing the Bank's business attributed to intra-African trade from around 3% in 2016 to 28% by end of 2021, disbursing $20bn in support of intra-African trade and investments in five years.

She also led the establishment and deployment of the Bank's Intra-African Trade Champions programme, making it possible for major African businesses to expand their operations into other African countries, creating true African conglomerates and multinationals and making 'Made in Africa' products available across Africa. The Bank cumulatively supported over 25 contract awards estimated at over $10bn.

She also led the organisation of the biennial Intra-African Trade Fair, delivering the first edition in Cairo, Egypt in 2018 and in Durban, South Africa, in 2021. The 2021 event successfully brought together 32,541 visitors from 128 countries and 1,501 exhibitors from 69 countries, resulting in the closing of trade and investment deals worth $42bn. Collectively, both IATF2018 and IATF2021 brought more than 2,500 exhibitors and generated over US$74 billion in deals.

In 2022, she was appointed as Execu-

KANAYO AWANI - Executive Vice-President, Intra-African Trade Bank

tive Vice-President of the Intra-African Trade Bank (IATB). This is a new executive division of Afreximbank responsible for driving all the Bank's intra-African trade activities, including all its African Continental Free Trade Area (AfCFTA) implementation engagements.

Awani says this effort is a fulfilment of not just the vision of the bank's founders but that of Africa's first generation of leaders who formed the Organisation of African Unity, predecessor to the African Union.

Robust systems

Describing how the Bank arrives at policy and implementation decisions, she says that under the hood, there is a robust system of units and processes that are responsible for its successes.

The bank's approach in developing new products is very much based on data, intelligence and the results of the Bank's extensive research and strategic planning. "Our research department is strong in terms of research and macroeconomic diagnostics of the African continent. The Bank operates on 5-year Strategic Plans which enable us plan and set our goals for each period and then equip us with the activities and programmes to prioritise and implement".

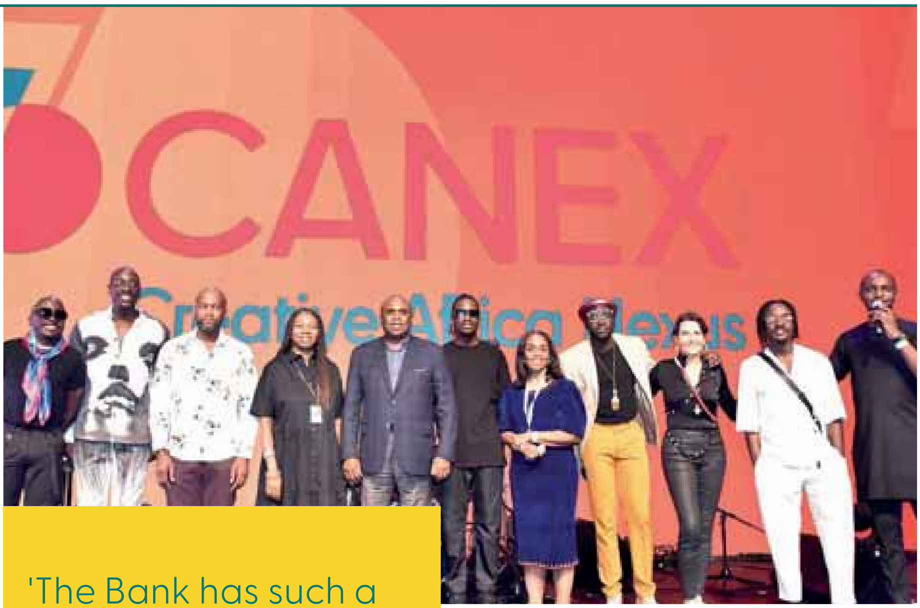
All of these are underlined with Information gathering from our business development efforts, as well as engagements with various stakeholders.

So rigorous is the bank in crafting these plans that it goes well beyond its own resources, seeking and incorporating the views of several stakeholders in the African development space, for Instance, Plan VI (2022 - 2026) - Extending the Frontiers - and particularly relating to the Intra-African Trade Pillar, agencies such as the United Commission on Trade and Development, the UN Commission for Africa, the Africa Continental Free Trade Area Secretariat, the African Union and players from the private sector contributed to the plan and were invited to the review sessions as well.

Some of our new products are Identified at strategic planning stage and we have in the Bank, an Innovation and Product Development Department that supports new product development effort. The new product, upon development is subjected to reviews by the Business and New Products Committee with cross-functional membership that allows inputs from departments such as Risk Management, Legal, Credit Assessment, Banking Operations, Compliance, among others.

This, combined with a culture of execution at the bank and continuous monitoring of Implementation plan is responsible for its increasing role and relevance in the continent, Awani says.

"In addition, we are consistently engaging our clients and partners, gathering intelligence and pursuing solutions for Africa and this is why we have been able to respond so quickly in times of crisis."



'The Bank has such a rigorous performance management system that It actually became a case study in Harvard Business School'

These responses include the Pandemic Trade Impact Mitigation Facility (PATIMFA) which the bank rolled out to support African states through the Covid-19 pandemic and the Ukraine Crisis Adjustment Trade Financing Programme for Africa which offered assistance as the continent, along with the rest of the world, was shaken by the impact of the war.

The wealth of information available to the bank, she says, positions it to respond to not only these events and but also others that may occur. "We now know that we are in a period of multiple crises. That is our new normal, so we have to position ourselves for eventualities. We need not wait for the next crisis. We were able to deal with new Issues as we did with - Covid and Ukraine - because of our state of preparedness and contingency planning efforts."

The Bank places a great deal of value on feedback from the market. Awani recalls how the Bank's African Quality Assurance Centres came about. "We were talking to an African merchant in the diaspora who shared with us about the challenges they were facing in importing ethnic foods from Nigeria, Ghana, and Sierra Leone and how they were confronted with shipment rejections.

"I was in that meeting with Professor Oramah, and we decided to do something about it. That is the genesis of the quality assurance centres, which seek to serve not just intra-African trade but extra-African trade. It also aligns with our Industrialisation strategy."

Sound strategies

Further on systems, she focused and emphasised the organisation's source of strength as being in its strategic planning, objectives setting and performance management. Since 1996, two years after it began its operations, Afreximbank's strategic approach has been based on five-year plans that frame and guide its approaches. Awani says the success of these draws not just from the rigorous research and intelligence on which they are based but also the quality of implementation and the mid-period reflections that are used to review and refine the plans.

After 30 years, she says, the bank's work is only beginning and there will be no easing of its pace anytime soon. Awani sums up the mission. "We are acutely aware that Africa is way behind - so we have a lot of work to do if we want to leave a better continent than we met.

"We want to make sure the continent is transformed in terms of components and direction of trade. We want to make sure our borders are eliminated, our resources become a blessing to us and that we join the club of industrialised and prosperous countries, where natural, human and also financial resources are properly leveraged for our progress." ■

DR HIPPOLYTE FOFACK – Chief Economist and Director, Research and International Cooperation

Dr. Hippolyte Fofack is one of the best known and most highly respected experts and commentators on Africa's economic development and one of the strongest defenders of the continent's interests in global fora. He leads an increasingly powerful ideas team at Afreximbank as it tackles an ever-widening list of activities. He is in conversation with Anver Versi.

Promoting bold and courageous thinking

Discuss economic analyses relating to Africa at the highest level anywhere on the five continents and Dr. Hippolyte Fofack's name is bound to come up. Some in the academic and policy making universes will quote him to prove a point, some will refer to his research to bolster their arguments and some will simply help themselves to his ideas to enhance their presentations and give them the necessary gravitas.

To say that Dr. Fofack is one of the world's thought leaders on the pace of development and its constraints in the emerging world is to say the sun brings light – it's so absurdly obvious.

But he is more than a thought leader – he is also a thought catalyst – changing hide-bound perceptions and revealing aspects of issues that few had even contemplated before they were presented fully formed to them. He is the archetypical change maker. He sparks off discussions and ideas at a time when Africa's original thought-bank is dangerously low.

During the 20 years he worked at the World Bank before joining Afreximbank, he had already shaken the often-ponderous organisation with his focus on inclusive growth and economic transformation.

His rigorous research, vast reading and meticulously prepared papers gave him the reputation of being an analyst par excellence – but he regarded research as only a step towards finding solutions that put the world on the desired path of global convergence.

In many ways he was ahead of the curve. As he explains later in this interview, it was clear to him that the most critical difference in the comparative progress that societies have made is the degree to which their human capital is developed and strategically deployed.

To his alarm, Africa has been very much in the slow lane in building up its human capital, especially in the sciences – the crucible in which technology – the main driver of growth and structural transformation – is forged.

Part of developing human capacity is the free flow of ideas, concepts, discussions, and debates that the developing world needs in order to own its own policies and shape them to its own ends. He wanted more freedom to explore a wider range of issues more deeply.

Afreximbank in the meanwhile had grown from a small trade finance organisation to becoming a leader in its own right on the transformation of African economies and, under the relatively new dispensation laid by incoming President Benedict Oramah, it offered Dr. Fofack the opportunity to shape policy and generate ideas to shift the frontier of development thinking.

He left the World Bank in 2015 and joined Afreximbank as Chief Economist and Director of Research and International Cooperation. This was a wide brief and a great deal depended on what he made of it.

Promoting a culture of research

Boiled down, with the explicit support and encouragement of the leadership at the Bank, his primary function was to promote a culture of research and innovation across the Bank to enhance ownership of innovative ideas and further strengthen the Bank's global leadership as a centre of excellence in African trade matters.

His department was expected to play a pivotal part in the Bank's ambitious – but essential – mission to expand and diversify African trade and increase the continent's share of global trade while it continued to function as a first-class, profit oriented and socially responsible financial institution. The battle of ideas was as important as that for capital. The deficit of economic diversification has resulted in huge and growing financial leakages that undermine the process of capital accumulation and long-run growth.

Dr. Fofack had joined an organisation that had come to the conclusion that if

> 'By promoting intra-African trade you drive industrialisation, capitalising on economies of scale associated with the AfCFTA to kill two birds with one stone'

Africa's economic pattern, derived from centuries old, raw commodity export-based system imposed on it, was to be truly transformed in a world where global trade has been largely driven by manufactured goods with increasing technological content, it had to break cultural eggs.

The Bank expanded the range of its activities and has increasingly played an important role in shaping Africa's economic agenda as well as challenging the orthodoxy that was constraining its development.

To solve a problem, you must first accurately diagnose it. Dr. Fofack explains that the Bank encourages rigorous intellectual debate and an honest analysis of problems but with a view to helping provide a solution to bring about a positive outcome.

When asked about Africa's performance over the last 30 years, he does not believe in putting on rose-tinted glasses when it comes to analysis or going down the 'Africa Rising' narrative which can be seen as patronising, comparable to praising a backward child for showing slight signs of improvement.

On the contrary, he is disappointed with Africa's performance since independence in the 1960s. "Read Gunnar Myrdal, the Swedish economist who won the Nobel Prize in 1974," he urges. "In his book Asian Drama: An Inquiry into the Poverty of Nations, published in 1968, he argued that Africa would perform better than Asia for a number of reasons."

A decade later, he points out, "it turns out that Asia did far better than Africa. The continent which had tremendous potential still has not been able to realise that potential."

Worse, in some metrics and everything else being equal, the continent has gone backwards. "Our share of global trade was 5.7%; today it is less than 3%. "Asia accounted for the lion's share of the world's poor at independence; today Africa is home to over 60% of the world population in extreme poverty."

Africa's performance cannot be regarded in isolation but must be compared to what others are doing. "It's like being in a race; you are running but the gap between you and those ahead of you is actually widening. We are not catching up. We should be running faster than others to set the world on the desired path of global convergence."

This clear-sighted view of Africa's position vis-à-vis the rest of the world may sound depressing, but it also illuminates Dr. Fofack's, and the Bank's, impatience with the pace of progress that has been

DR HIPPOLYTE FOFACK – Chief Economist and Director, Research and International Cooperation

made so far. The Bank does not want to lapse into a false sense of satisfaction when there is so much more to be done.

Expanding intra-regional trade

Can he identify the major causes that led Asia to its spectacular growth while Africa lagged behind? He lights on two: intra-regional trade and human capital.

"When intra-regional trade is over 50%, it becomes an insurance against global volatility. Asia, where intra-regional trade accounts for over 67% of total trade, has done that, the EU, where it accounts for 72%, has done that, Africa has not yet done that.

"Despite the significant increase, from just about 5% in 1980 to about 15% of total African trade, intra-regional trade remains very low in Africa. In large part this is the consequence of African patterns of trade that are still largely dominated by primary commodities and natural resources in a world where manufactured goods have become the engine powering global growth and trade."

This is one of the reasons why the Bank is so focussed on the African Continental Free Trade Agreement (AfCFTA). Also, it is a potential driver of economic diversification because intra-African trade is largely dominated by manufacturing. "The mutually reinforcing nature of intra-African trade and industrialisation is a positive sign. It is also cost-effective, by promoting intra-African trade you drive industrialisation, capitalising on economies of scale associated with the AfCFTA to kill two birds with one stone in the development arena," he says.

The human capital conundrum

But the major stumbling block facing Africa, says Dr. Fofack, is the dire situation of its human capital. "I dare say that the most significant thing that Asia has done to really relegate Africa to where it is today, in my view, has been in the area of human capital which has produced huge demographic dividends to the region.

Over the last 30 to 40 years, he says, "we've moved from an old era where growth was driven by organisational change into a new era where growth is largely driven by technological change."

Technology has been the most effective competitive weapon, he argues. The whole standoff between the US and China today is over technology. China and India invested heavily in developing human capital. "China and India, every year can produce more than 5,000 world class, elite, engineers at the apex of research. Africa has only 198 scientists per million inhabitants against the world average of 1,150 per million. The consequences of that scientific gap are huge. While Africa accounts for only 0.5% of the world's patent applications that will determine future output, Asia accounts for 66.8%."

Another aspect of the dearth of human capital is that most of Africa has to rely on others and pay a higher cost for its infrastructure development plus its maintenance. "This comes with all the direct implications for macro-economic management as the bill has to be settled in hard currencies in a continent where liquidity and dwindling stocks of foreign reserves have been among the key constraints to trade finance and growth."

Looking ahead, he feels that if the AfCFTA project works as it should, it should be able to accelerate the process of industrialisation to boost both extra—and intra-African trade. Preliminary estimates are very encouraging: according to World Bank's estimates the AfCFTA is expected to boost intra-African exports by 81% and extra-African exports by 19% in the coming decade. Interestingly, manufactured goods are expected to make the most gains – a 110% increase for intra-African trade and 46% increase for extra-African trade. Afreximbank, he tells us, has done a very good job by aggressively supporting implementation of the AfCFTA and also by making intra-African trade the arrowhead of its own strategy.

"We believe that if we can complete the rules of origin under the AfCFTA, (where some 88% of Rules of Origin have been agreed with only the automotive and textile sector currently outstanding) which is what I call the passport for industrialisation, then you will see intra-African trade grow more rapidly. "Under the best case scenario it will accelerate the process of industrialisation and foster the development of regional value chains as African and foreign investors take advantage of preferential treatment incentives and economies of scale associated with the continental trade integration reform."

The Bank has also played a big role in advocacy, he explains. It has published seminal research on the risk premium that Africa unfairly pays which has changed the way people today perceive Africa risk. The pernicious perception premiums are among the most important constraints to economic development in Africa. They have imposed default-driven borrowing rates that exacerbate liquidity constraints and undermine the process of economic transformation necessary for Africa's effective integration into the global economy.

His department, he tells us, has been encouraged to be bold and courageous in its thinking to help address structural issues that have held back development or that unfairly penalise the continent.

The Bank has been proactive and bold, he argues, playing a leadership role in addressing some of these issues which others have shied away from. He credits the leadership and ethos of the Bank, which is to be confident to put forward an agenda that supports African interests and to articulate loud and clear this viewpoint.

81%

The AfCFTA is expected to boost intra-African exports by 81% and extra-African exports by 19% in the coming decade

Putting Africa first

"The Bank and President Oramah really need to be commended for having the courage to put Africa first even when others are afraid of making the case for the continent.

"We have seen the position the Bank has taken on climate change and many other consequential issues. There is a true commitment to intellectual courage so that we get to the right answer, and this augurs well for development prospects in the continent. In a world of zero-sum mindset, courage is perhaps the most important currency for development."

It has encouraged deep discussions around critical issues. One such arena is the Babacar Ndiaye Lecture, named after the African Development Bank President who was so instrumental in helping establish the Bank. "President Oramah has ensured that we understand our history, and the history of the Bank, and that we crowd in ideas from as wide a field as possible," he adds.

And the Bank has walked the talk by launching numerous initiatives to tackle the important structural constraints: he cites the Pan-African Payments and Settlements System (PAPSS) to alleviate liquidity constraints in the financing of intra-African trade and AFRICOIN to pro-

mote local processing of cocoa as some direct interventions of the Bank that are saving and making the continent billions.

"One major lesson that we've learned from Asia is the need to own your development process. In contrast to Asia, African countries have essentially outsourced their development process... This is one of the fundamental reasons why I joined the Bank, because of its work on the continent and its determination to own and lead on that development process."

He credits the Bank's leadership for its desire to debate fundamental issues as well as its desire to learn from history. "Afreximbank is very fortunate to have had a series of leaders that truly value history. It is perhaps the one of the first institutions on the continent that has actually established a corporate museum detailing the history of trade. That history of African trade that the bank has valued is actually a foundation for our projection into the future."

It breaks the cultural discontinuity which has created a world of distance between Africans and their most precious historical creations now in European museums. That history is so central to African trade and economic development.

The AfCFTA, which has been touted as a game changer because it has the potential to accelerate the transformation of African economies, will only deliver on its huge potential if leaders across the continent are able to overcome the first-order constraint: transcending the invisible and yet real barriers that were erected in the 19th century during the Berlin Conference by speaking with one voice and reaping the full political and economies of scale associated with the continental trade integration reform in their long-walk towards African renaissance and global convergence. ■

'The Bank and President Oramah really need to be commended for having the courage to put Africa first even when others are afraid of making the case for the continent'

Despite a strong rebound in global trade in 2021, increasing headwinds such as the war in Ukraine, the US-China standoff, the impact of climate change and stubborn inflation are cause for concern for Africa. But the continent can forge its own path by increasing internal trade and shifting gears on its industrialisation plans, for example by developing the automotive sector. **Neil Ford** analyses global and African trading patterns to work out the right fit for the continent.

Finding a sure path amid uncertain global landscapes

As Afreximbank warned in its 2023 report on the continent's growth prospects, Africa is facing a perfect storm of international crises that could undermine its trade prospects. High levels of inflation, the brewing US-China trade war, the conflict in Ukraine and the growing impact of climate change are collectively creating an uncertain investment environment.

Yet there is much that African economies can do to shape their own export prospects – not least coming together to promote much greater trade within the continent.

According to the United Nations Conference on Trade and Development (UNCTAD), global trade reached a record $32 trillion in 2022, divided between $25 trillion trade in goods, a 10% rise on 2021; and $7bn in services, a 15% increase. Most regions benefitted but unsurprisingly Russia was by the far the worst performing major economy, with an 18% fall in the value of trade over the course of the year.

There was actually a $250bn decline in the value of manufactured goods – equivalent to 0.5% – in the final quarter of 2022 – with weak results in developing countries, particularly in Latin American and East Asian economies. However, the volume of international trade continued to increase, which suggests that the fall in value was the result of some softening of post-pandemic price rises.

The value of global trade declined in the fourth quarter of 2022 in comparison with the same period in 2021 in all sectors apart from agri-food, energy and road vehicles. The biggest falls were for communications and office equipment, textiles and pharmaceuticals.

One bright spot in 2022 was a 4.25% annual increase in the value of environmental manufactured goods. Trade in environmental goods totalled $1.9 trillion last year, accounting for 10.7% of total trade in manufactured goods.

Environmental goods and services are those used to prevent or minimise pollution and degradation, including wind farms and solar power plants but also cycle paths, water processing plants and biodiversity programmes.

The transition towards a greener global economy is likely to exert growing influence over patterns of international trade but Africa has much ground to make up.

Global trade prospects

UNCTAD expects global trade to have continued stagnating in the first quarter of 2023 but forecasts significant growth in the second half of the year, resulting in a 1% rise in the value of goods and 3% in services over the year as a whole.

3.4%

The easing of pandemic restrictions resulted in 6.2% global growth in 2021 but this was followed by a far more modest 3.4% last year

The outlook remains uncertain, although there are several grounds for optimism, including the easing of the logistics bottlenecks that emerged after the pandemic.

At the same time, the appreciation of the US dollar came to a halt in late 2022 and its value has since fallen somewhat, helping to fuel international trade as so many trade deals are dollar denominated. The economic outlook in most major economies has improved, with increased demand in China and both the EU and US now expect to avoid a recession in 2023.

On the other hand, inflation remains stubbornly high in many industrialised economies and also parts of Africa, so central banks have already ramped up interest rates but there is a limit to how much further they can be increased.

As a result, tighter monetary supply is affecting emerging markets in particular because they are more vulnerable to capital flow volatility. Debt access has been strained in Africa, with sovereign debt issuance on the continent falling from $20bn in 2021 to $6bn last year, while there are concerns over debt levels in both the industrialised and the developing world.

At the same time, global trade conflict and associated protectionism, particularly between the US and China, threatens trade between the world's two biggest economies.

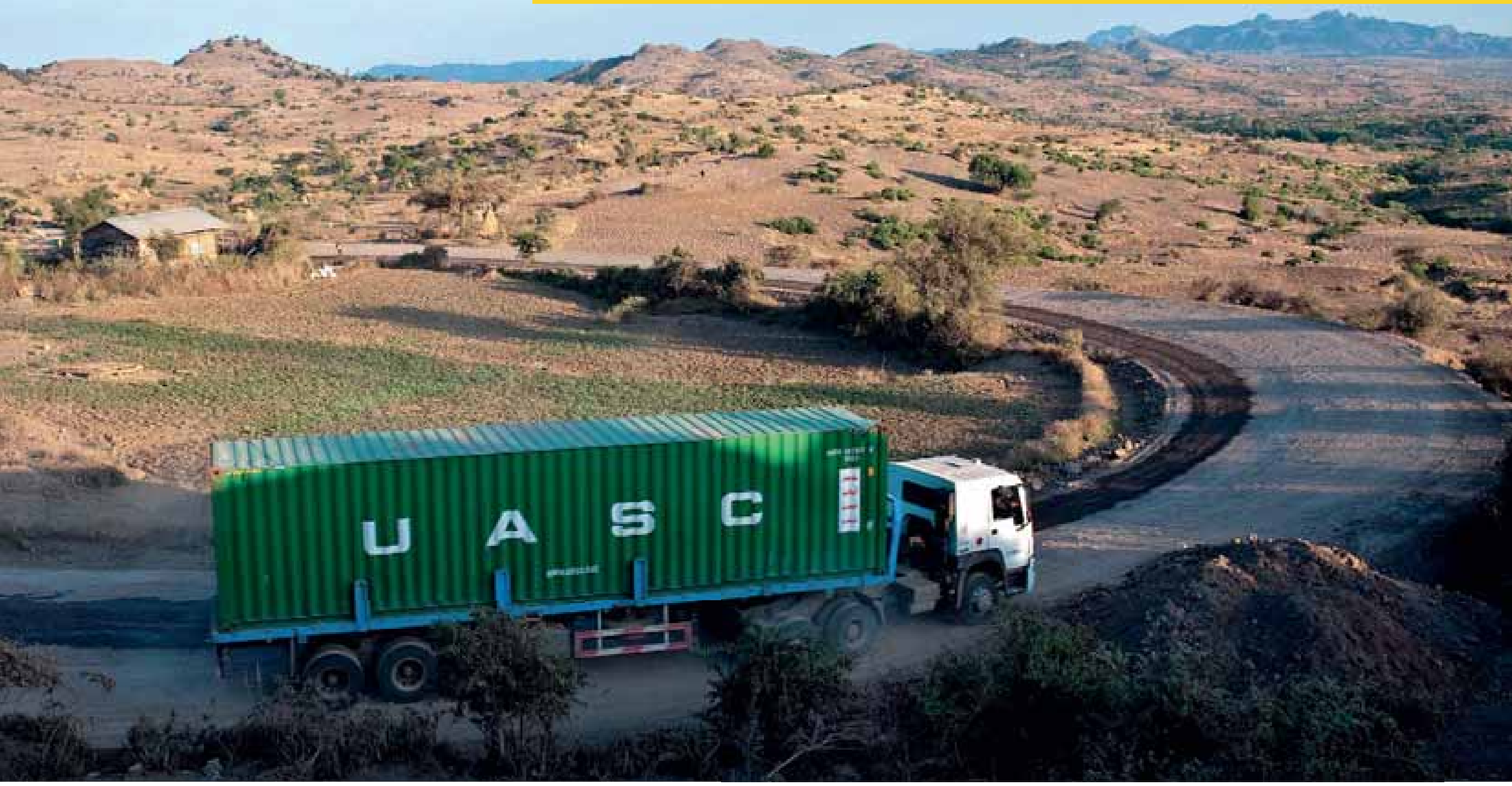
Afreximbank Chief Economist Hippolyte Fofack commented: "Trade restrictions increased dramatically over the past year, unlike in the era of the 2008 financial crisis, when there was a growing commitment to international cooperation and a concerted effort to boost cross-border trade and drive output expansion."

The World Trade Organisation has cut its forecast for global trade growth for 2023 from 3.4% to 1% because of the range of threats but if the US Federal Reserve and other key central banks begin cutting interest rates later this year, global growth prospects should improve. Moreover, the relaxation of Covid lockdown measures in China could release more pent-up domestic demand.

China's economic outlook is particularly important, as a single percentage point increase in Chinese domestic investment results in a 0.6% increase in Sub-Saharan economic growth.

Trade restrictions increased dramatically over the past year, unlike in the era of the 2008 financial crisis, when there was a growing commitment to international cooperation

Below: A heavy goods vehicle en route between the port of Djibouti and Addis Ababa, capital of Ethiopia



China-Africa bilateral trade reached a record $282bn last year, an 11% rise on 2022, comprising $164bn Chinese exports and $118bn African exports. As usual, African exports were dominated by oil, copper and cobalt but African agricultural exports are now growing strongly.

Balance of African exports

The African continent's trade performance in 2022 was roughly on a par with the rest of the world. For the year as a whole, African exports increased 3% and imports 1%, although the fourth quarter saw a 3% fall in imports and a more modest 1% rise in exports.

However, the outlook for Africa this year is more optimistic, with Afreximbank forecasting 4.1% growth for the continent spread across most economies but with just 0.5% for South Africa, as power shortages and unreliable logistics infrastructure compounds the impact of many years' weak growth. It forecasts East Africa to be the fastest growing region at 5%, with Rwanda (6.7%) among the standout performers.

According to World Bank figures, Sub-Saharan Africa as a whole exported $446bn in 2021, a big rise from $329bn in the Covid affected year of 2020 but still down from the peak of $539bn in 2012. The region's export revenues fluctuate considerably from year to year according to changes in commodity prices.

Greatly increasing the proportion of manufactured and processed goods, as well as services, in the export mix would help to smooth out these variations.

Africa's biggest exporter in 2021 was South Africa with $130bn and as Table 1 shows it has a diversified range of exports. It is followed by Nigeria ($47bn), Angola ($29bn), Ghana ($23bn), Democratic Republic of Congo (DR Congo) ($22bn), Cote d'Ivoire ($16bn), Kenya ($11bn), Zambia ($11bn), Gabon ($11bn) and Guinea ($10bn). Commodity exporters dominate this list, with Nigeria, Angola and Gabon reliant on oil, and DR Congo, Zambia and Guinea on mining

Table 1: South Africa's Top 10 Exports

Rank	Product	Value in US$ (bn)	% of total exports
1	Gems, precious metals	26.9	21.8
2	Mineral fuels including oil	16.9	13.7
3	Ores, slag, ash	16.4	13.3
4	Vehicles	11.1	9
5	Iron, steel	6.7	5.4
6	Machinery including computers	6.6	5.4
7	Fruits, nuts	4.4	3.6
8	Aluminium	2	1.6
9	Electrical machinery, equipment	1.87	1.5
10	Inorganic chemicals	1.86	1.5

Source: WTEx

$130bn

Africa's biggest exporter in 2021 was South Africa with $130bn

African intra-block trade

Efforts have already been made to promote trade within Africa's various regional trading blocs. The Southern African Development Community (SADC) has been the most successful to date, with intra-bloc exports reaching $44.3bn, equivalent to 18% of member states' total exports of $245.6bn, in 2021, although most of this is driven by South Africa.

Intra-bloc exports accounted for 14.5% of total exports in the East African Community in 2021, with $7.2bn out of $49.7bn. However, the EAC figure is dragged down by DR Congo exporting just 5.1% of its total exports to the rest of the Community. Although eastern DR Congo was historically economically most connected to East Africa, this relationship has faded in recent decades and it only joined the EAC in March 2022.

Intra-bloc exports within West Africa's ECOWAS were just $12.7bn in 2021, 11.2% of member states' total exports, with Nigeria particularly badly connected to the rest of the region as just 5.9% of its exports go to the rest of the bloc.

Trade levels are even more limited with Central Africa's CEMAC region, with just $585m of internal trade in 2021, just 2.5% of member states' total exports. The economies of most countries in the region are dependent on the export of oil, mining commodities and timber to the rest of the world, with very little cross-border trade within the region.

The implementation of the African Continental Free Trade Area (AfCFTA) should boost the continent's long term growth prospects. The immediate effect this year will be rather limited but it should see further groundwork implemented to open up future intra-African trade.

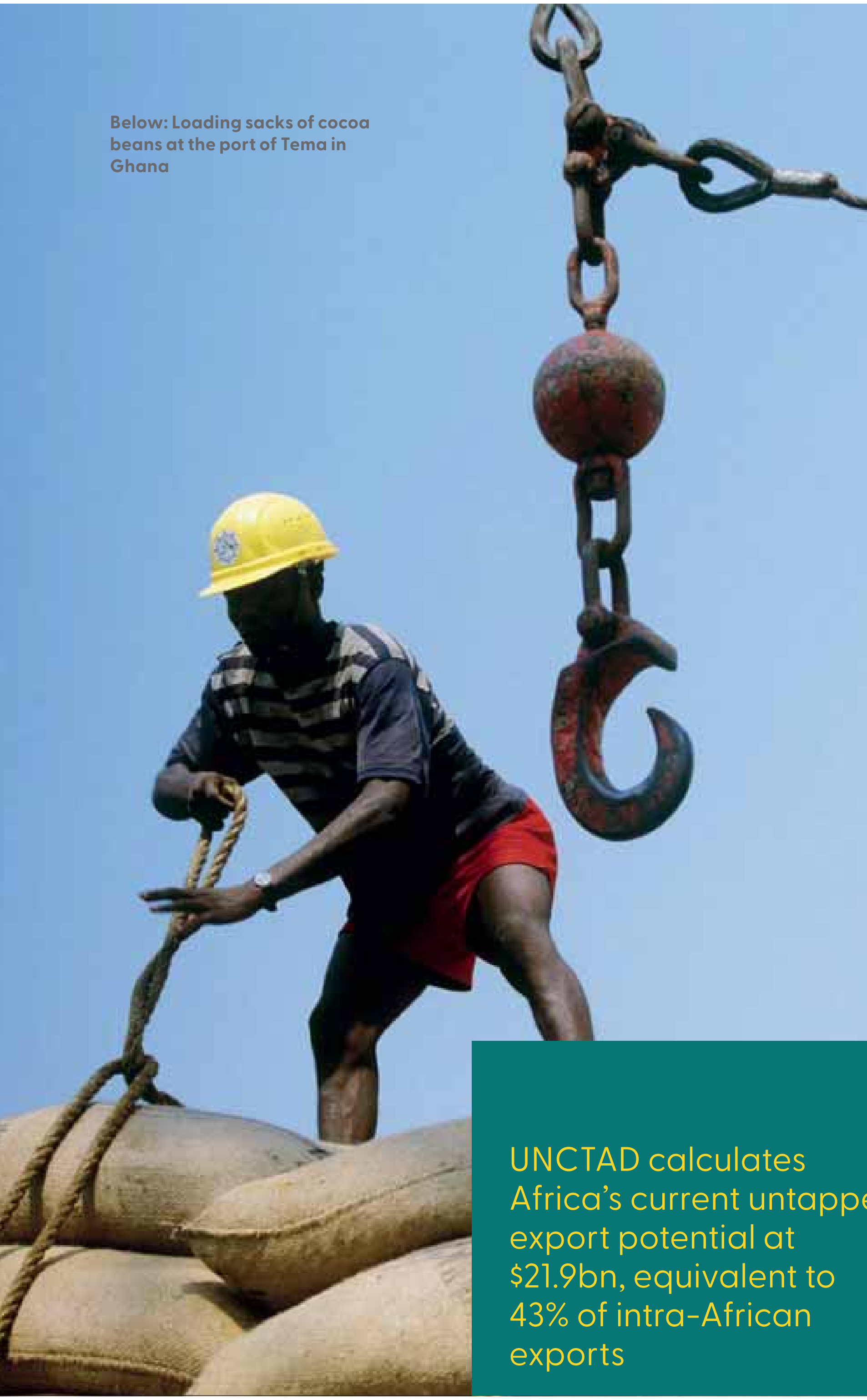
UNCTAD calculates Africa's current untapped export potential at $21.9bn, equivalent to 43% of intra-African exports, but believes $9.2bn of this can be tapped through partial tariff liberalisation under the AfCFTA over the next five years.

Unlocking potential

Fully unlocking this potential will require substantial progress on eroding tariffs and non-tariff barriers, infrastructural improvements and improved access to market information.

Many African governments are working to improve the regulatory regime for export orientated businesses. According to the most recent Standard Bank Africa Trade Barometer index, Uganda had the most attractive trade regime in East Africa in the first half of 2023, moving up to fourth in its table of 10 African major economies, ahead of Kenya and Tanzania.

Ease of credit, government support for trade and import and export growth prospects are all cited as attractions for



Below: Loading sacks of cocoa beans at the port of Tema in Ghana

UNCTAD calculates Africa's current untapped export potential at $21.9bn, equivalent to 43% of intra-African exports

investors in Uganda, although participants in its survey said that business taxes were still too high and there was some uncertainty over specific duty levels. The country has traditionally relied on Kenya as a trading partner but it is now making use of the growing EAC and already exports about $600m of goods a year to DR Congo.

South Africa was ranked first in the table, followed by Ghana and Namibia but Ghana's attractiveness appears to be falling. The Standard Bank report said: "Fewer Ghanaian businesses are interested in engaging in cross-border trade in the future… The perception of government support of trade is significantly lower among Ghanaian firms, and high import/export tax rates contribute to the belief that foreign trading is difficult."

The Standard Bank report said: "Fewer Ghanaian businesses are interested in engaging in cross-border trade in the future… The perception of government support of trade is significantly lower among Ghanaian firms, and high import/export tax rates contribute to the belief that foreign trading is difficult."

Outlook

Looking ahead, Africa's net oil exporters should benefit from continued relatively high crude prices, with many sources forecasting average prices in excess of $80/barrel. However, production is falling in Angola, Congo-Brazzaville and Equatorial Guinea, although Mauritania and Senegal are on the verge of exporting LNG for the first time.

South Africa has the potential to benefit from buoyant international demand for manganese but problems on its two biggest dry bulk railways could continue to constrain coal and iron ore exports.

The completion of Africa's biggest oil refinery in May could boost intra-regional trade in West Africa over the next couple of years. Until now, Nigeria has been forced to import more than 80% of its diesel, petrol and other refined petroleum products. The completion of the $19bn Dangote plant at the new port of Lekki outside Lagos will slash Nigerian imports and could boost intra-African trade if the plant exports products across the continent.

According to the Central Bank of Nigeria, the cost of the country's refined petroleum product imports jumped from $8.4bn in 2017 to $23.3bn in 2022 and would have been on track to reach $30bn a year by 2027 if the refinery had not been completed.

Similar projects that displace non-African imports with African production would go a long way to changing the continent's balance of trade for the better. ■

EMEKA UZOIGWE - Acting Director, Strategy and Innovation

A good part of Afreximbank's success can be ascribed to the meticulous care and scrutiny the Bank devotes to each of its five-year strategic plans and the constant monitoring and evolution of the implementation and execution of the plans once they have been approved by the Board. **Emeka Uzoigwe**, Acting Director, Strategy and Innovation, describes the various processes that go into the making of each strategic plan.

Strategic success is based on attention to minute detail

Some 30 years into its life, the African Export-Import Bank has grown tremendously and is having a significant impact on African trade and African economies. The key to this has been its persistent execution of its strategy. At the heart of its strategic approach are the five-year strategic plans that provide the guidelines for the Bank's actions over each planning period.

Emeka Uzoigwe, Acting Director, Strategy and Innovation at Afreximbank explains that the Bank is driven by its dual mandate as a multilateral development institution that delivers its interventions and solutions through commercial means. This means that to succeed, Afreximbank must deliver on its development mandate, specifically in trade, as well as deliver profits for its shareholders.

That puts the Bank in a unique position, one that justifies the rigour with which it approaches strategy formulation and execution. The strategy itself is informed by several factors. "We look at the exogenous and endogenous factors including the global environment in which we are operating and also assess the previous plan and the lessons and experiences from it. We look not just at our successes but also at failures because failure is also important as you try to formulate your strategy going forward," he says.

The main pillars or themes around which a specific five-year strategic plan is built are then developed and assessed by a number of Bank internal technical committees. Their work is complemented by a team that focuses on emerging businesses, opportunities and technologies which may be relevant to the plan and the Bank's areas of focus.

Presentations from the various teams are made in open sessions, as the Bank tries to determine how these individual initiatives fit into its overarching mission and the specific aims for the period of the plan.

This process can take up to three months, enabling the teams to assess the levels of priority that must be attached to the various proposals, before Management first reviews the results and then inviting members of the Board and other external stakeholders to also assess the proposals. The whole strategic planning process is, therefore, wholly inclusive of staff, Management, Board, clients, and various other stakeholders.

Uzoigwe says that monitoring mechanisms are extremely important to the success of the Bank's five-year strategic plans. "There are also other things that you need to do because once you have formulated the strategy and determined the major thrusts of it, you need to also to define the major strategic objectives that you want to use to track and monitor your strategy."

"We also produce strategy maps to show how the objectives will achieve both our commercial and developmental objectives and this is then followed by the development of measures and targets that will be used to track and monitor the strategic objectives earlier defined," he says. Once all these steps are done, the strategic initiatives that will be embarked on are decided.

It is only then that the final strategic plan can be drafted and presented to the Board for approval before implementation. Subsequently, there are further checks, as Uzoigwe explains. "Each year, we prepare an annual Work Programme and a Budget. It is actually the annual Work Programme and Budget that are the instruments for implementing the strategy."

Over the last seven years, Uzoigwe says the Bank's strategic themes and focus have been largely consistent. "Our focus has been on intra-African trade and AfCFTA [African Continental Free Trade Agreement] implementation, industrialisation and export development, leadership in global trade banking and financial soundness, which has evolved into financial sustainability in the current Plan Vi. We have tried to ensure a healthy balance between profitability, capitalisation, and risk. We are currently on an expansion drive so obviously we need to focus on amassing the necessary resources that will enable us to execute the projects that we must deliver for the continent."

The Bank's balance sheet, currently north of $32bn, is evidence of the success of that objective. Uzoigwe says that while the strategy has remained broadly consistent, there has been an increase in the focus on some key areas.

One of these is ensuring the success of the AfCTFA, which aligns perfectly with the trade facilitation mandate, one of the key drivers of the Bank's founding.

"The AfCFTA is playing an increased role and it's important for us to ensure that we support it to achieve its objectives. This is because the objectives of the AfCFTA are aligned with the objectives of the Bank, so an increased focus on the successful implementation of the AfCFTA has become the key focus of our strategy."

Monitoring and evaluating

Post formulation, the Bank takes just as much care to ensure proper implementation and execution, employing a variety of measures to monitor and evaluate its strategy. Apart from a monitoring function that is inbuilt into the framework, the Bank has a dedicated team that monitors implementation based on the strategic objectives, measures and metrics set out in the Strategic Plan.

"For example, when we set a target to increase intra-African trade financing as a proportion of the Bank's total loans and guarantees in 2023 to 30%, this team would track the Bank's loans and guar-

antees and intra-African trade financing and through monthly operational reporting we monitor whether we are on track to achieving this target and take course correction, if need be."

Similarly, the developmental objectives are also measured. "We have a different team which does impact analysis of what the Bank is doing in Africa."

Apart from its internal mechanisms, the Bank also utilises outside expertise to review the implementation of its strategic planning and performance process and the extent to which it remains relevant to the Bank's broad objectives.

As always, leadership is vital. "In any organisation, the tone is set by the CEO or by the President. In the case of Afreximbank, we have a visionary, energetic and dynamic President who leads from the front and is always striving for the best. So, it becomes impossible for anyone to do anything less."

And while strategy and planning are essential, a certain dynamism and agility is also necessary to address contingencies, especially in uncertain times such as the one we are in now. There is also an unintended consequence of growth, where size can become an obstruction to speed. So that is a balance that Afreximbank seeks to maintain.

"We need to maintain an ability to respond to market events and external issues. And that decision-making process requires agility. Take the Ukraine crisis, for example. Within two weeks, led by the President we were able to put together a programme to support member states and help them adjust to the challenges that arose from that crisis."

The need to remain agile and focused is also part of the reason the Bank has spun off some subsidiaries, such as the Fund for Export Development in Africa (FEDA) and the Pan-African Payments and Settlement System (PAPSS) to cater to specific aspects of its mandate, enabling it to retain the advantage of size as well as the ability to focus and respond quickly to relevant issues.

Technology is embedded

Key to the Bank's ambitions in the future is the use of digital technologies through innovation to sustain our mandate and vision. We have also articulated the use and application of digital innovation as a new frontier for growth, impact and efficiency. Uzoigwe argues that technology is no longer just a tool, it is an integral part of business strategy.

"When we think of corporate strategy today, we need to think of digital strategy as enmeshed in it. Because that is how you can deliver more efficiently, lower your costs, increase speed of decision-making and services, improve convenience, create new markets, make savings for yourself and for the customer, and leapfrog key challenges and structural barriers in Africa."

'The AfCTFA is playing an increased role and it's important for us to ensure that we support it to achieve its objectives because the objectives of the AfCTFA are largely also the objectives of the Bank so an increased focus on it has become the key focus of our strategy'

This view, he says, is reflected in the Bank's most recent strategic plan. "We believe that digital technology should be core to what we are doing. And you can see this in the digital ecosystem, Africa Trade Gateway (ATG), that we have just launched and will enable people to unlock the full potentials of Africa's trade, investment and commerce."

Which is not to say there will be any brakes on growth. As Uzoigwe explains, "to achieve what we need to achieve or even to consolidate them further once achieved, we need to keep on growing our balance sheet. Without that, we will not be able to continuously fulfil and sustain our mandate." ■

RENE AWAMBENG - Director & Global Head, Client Relations, Afreximbank

Afreximbank has grown beyond a DFI focused on only trade finance to become an entire trade development ecosystem says **Rene Awambeng**, Head of Client Relations.

A private sector mentality in a public sector environment

Rene Awambeng joined Afreximbank in 2016, a year into the tenure of current President and Chairman Professor Benedict Okey Oramah.

"President Oramah gave me a task," he recalls, "which was to expand the business; I hit the road running – I got to the Bank on my first day at 7:30 in the morning and chaired my first working group meeting at 10:00." Until then, he had been Group Head of Global and Regional Corporates at Ecobank Transnational's London office. Drawn by Oramah's compelling vision for the pan-African trade finance bank, he joined the team and embraced his brief.

He reels off a number of achievements the Bank has chalked up since 2016. "We changed the Bank's customer relationship management and core operating systems and introduced technology to improve our business tremendously. We have introduced new processes that are world class across the entire business and credit chain.

"When I joined the Bank, we were doing a lot of heavy lifting, which means we were only lending to a few customers. We were covering under 30 countries with about $10bn-$11bn in total assets in 2016. Today, the business has grown and we are covering about 53 countries with a balance sheet in excess of $30bn. Profits have grown threefold and this year we expect them to exceed $550m. Only Libya and Somalia are yet to sign the establishment agreement of the Bank." Somalia, he says, is close to joining its compatriots, on the back of a $60m telecoms deal that Awambeng says he is very confident of closing.

"We have grown the books to over 1,000 active clients, with 740 transactions booked and 572 transactions in the pipeline, and we have added more than 500 banks. One key statistic I always use is that when I joined the Bank, we had only 36 Swift key exchanges with banks, including African and international banks. Today we have over 500 Swift key exchanges with banks, which means we have a fantastic exchange network for intra-African trade and facilitation.

"We actually have banks in Namibia that can speak to banks in Botswana, for example, because we have exchanged swift keys within those banks. Previously all of them had to go up north, either to Europe or to North America before coming back to Africa," he says.

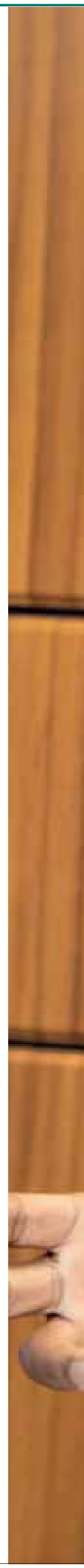
Digitisation has been an important part of that strategy, with the Bank investing not just in systems that will enrich the customer experience and improve ease of transactions, but also to enhance internal communications and work flow. This was especially critical during the pandemic, when the team had to pull together from remote locations to continue to serve clients and deliver on critical products that helped sustain the continent through the pandemic. And there is more to come, as Awambeng explains "You know, we had the vision to actually automate and digitise our customer experience across the entire value chain to create a seamless interaction between the customer and the Bank.

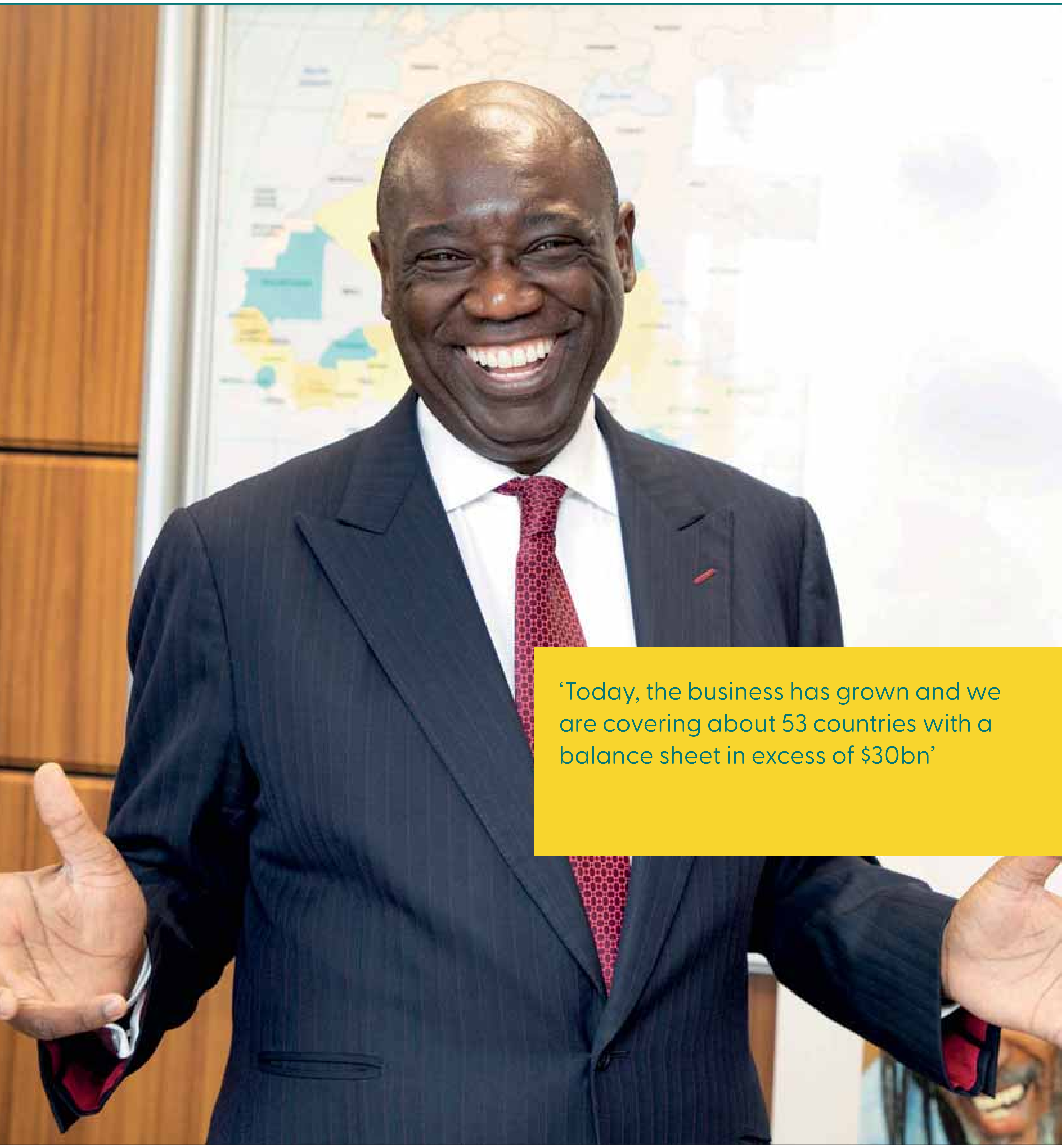
"We are actually developing something called the Customer Online Portal where all our interactions between the bank and our customers will be on that portal. We will offer all our services through the portal, which we plan to launch before the end of August. It is actually ready but we are just waiting to bring in customer service staff so we can launch it."

Setting higher targets

In recent times the Bank has, under the current leadership, renewed its commitment to ambitions that Awambeng says were embodied in the founding charters of the institution. Perhaps, previous leaders might have been more focused on stability and the Oramah team is now able to reach higher goals from those solid foundations.

For Awambeng, this meant that he had his work cut out for him. "The first task





‘Today, the business has grown and we are covering about 53 countries with a balance sheet in excess of $30bn’

RENE AWAMBENG - Director & Global Head, Client Relations, Afreximbank

that was given to me was to expand the role of the branches. We expanded the coverage and regional distribution of the Bank, leveraging technology to deliver efficient customer service and grow new products around transactional and correspondent banking. We standardised the processes to reduce turnaround time and to deliver on a suite of products for our customers, while also improving liquidity of the Bank," he says.

It also entailed making more fundamental changes."Traditionally, DFIs are not deposit taking institutions, so in 2014 we launched the African Resource Mobilization Programme and created the Central Bank Depositary Programme (CENDEP), which has become very successful. Cumulatively, we have collected over $32bn of deposits under that programme since 2014," he reveals.

The Bank's management remains committed to the full implementation of Afreximbank's Africa Trade Gateway project, an ecosystem composed of a number of technology-driven initiatives, including the MANSA platform, the Pan African Payments and Settlements System (PAPSS), The Trade and Investment Regulations Platform (TRADAR regulations), the Trade Information Portal (TRADAR Intelligence), and Corporate Internet Banking.

Credit ratings agencies have also noticed and adjusted the Bank's ratings accordingly, which is itself a boost to the Bank's efforts to raise funds and execute its transformational, pan-African mandate. Awambeng is quite clear where to place the credit for these results. "This has been brought about through the hard work of the leadership team and tremendous support from the Board and shareholders. We have built new products and diversified our product suite [*see table*]."

It also hasn't hurt that there have been renewed efforts to improve the culture at the Bank and improve efficiency, effectiveness and productivity. "We have put clients at the centre of value creation. Everything we do is aimed at improving the customer experience. We don't just provide the customer with a single product; we facilitate them to move to new markets in addition to the loans that we give them," he says.

Rising interest rates in the last year have posed a challenge to lenders and borrowers as costs increase but Awambeng says the Bank is still doing its best to look out for its customers.

The crises of recent years have also given the Bank an opportunity to expand its mandate. When Covid struck, the Board approved the Pandemic Trade Impact Mitigation Facility (PATIMFA) in March 2020 and the $1.5bn Collaborative Covid-19 Pandemic Response Facility (COPREFA) in November 2020. PATIMFA played a key role in supporting Afreximbank's member countries to mitigate and manage the financial, economic and health effects of the coronavirus outbreak on the continent, while COPREFA supported African economies to weather commodity price shocks and procurement of medical supplies. PATIMFA was essential to help countries, disbursing over $6.5bn to cushion them from the fiscal repercussions of a once-in-a-lifetime exigency.

And when vaccines eventually arrived and African countries were struggling to procure supplies, the Bank marshalled a consortium of nations under the umbrella of the Africa Medical Supplies Platform, complete with a $2bn AVATT facility to bulk-purchase critical vaccine supplies for the continent. Similarly the Bank sprang into action in the face of the conflict in Ukraine, launching the $4bn Ukraine Crisis Adjustment Trade Financing Programme for Africa, the sole purpose of which is to help African nations manage the impact the crisis of the food security challenge would have on their economies and businesses.

The ability to deliver on an ever broadening mandate requires skills and competencies that Awambeng says the Bank has honed over the years. "We have to execute at speed – grow the quality of our assets and diversify it to improve the profitability of the Bank while at the same time trying to handle a very complex stakeholder map. Our stakeholders range from governments, regulators, ratings agencies, clients and the board," he underscores.

That means having a nimbleness that is worthy of a private sector operation that may not come naturally to the typical multilateral or development finance institution. "It's very much a private sector mentality in a public sector environment. We operate like a business in the corporate private sector. We still have the government protocols and immunities as a diplomatic agency but we have to do business with a private sector mind-set," he says.

That means remaining unflinchingly African, while striving for standards that are comparable with any other part of the world. It means having a team that works closely together, engaging and consulting with one another on the big decisions.

"It means that when a deal comes, we need to understand the nature of the deal, the type of deal to deliver to the customer and we need to allocate resources from compliance, from legal, from coverage, from the product that we are selling, from treasury and from operations.

"So if we are doing a transaction there may be 10 to 12 people that will be working on that deal but only one person may be dealing with the customer as the coverage person. That is a significant improvement in the process in that there is seamless flow of information within the team so that people are informed at every stage of the process," he asserts.

Complex transactions

On the road to becoming a $30bn Bank, Afrexim has been involved in several big ticket transactions. Since the launch of the African Trade Finance Confirmation Programme (AFTRAF) in 2019, Afreximbank has confirmed over 2000 trade transactions worth $6.3bn for over 100 African banks. Access to trade finance remains a significant challenge for African firms. Recent estimates shows that the estimated value of unmet demand for trade finance in Africa was $81.8bn in 2019 and has averaged $91bn over the past decade. Indeed, this is reflected by the low percentage (40%) of African trade that is bank intermediated compared to 80% globally.

That is not all. "I have also been involved in projects that have had impact in places like Cape Verde, building hotels from design conception to seeing them in reality. In Comoros, I have been involved in getting the country to sign up on providing strategic imports. I have been involved in Eritrea where we are managing all their payments and ensuring they can get all the strategic goods and services they need," he recalls. Similar support has been extended to Ethiopia for strategic imports and logistics in very challenging times.

The important thing is that as total assets increased, the quality of the assets

improved, as these risks are well thought through, he says. "All these are structured trade finance risks and well calculated. This is not about pushing the Bank to take on unnecessary risks through investments."

It is also important, he says, that the Bank achieves its $50bn ambition, which will further empower the it strategically. "When you are a $50bn bank, you are systemic in the global financial system and people have to reckon with you," he argues.

Emboldened by its success on the continent, Afreximbank is now reaching outwards. In December 2022, the Bank approved a $1.5bn facility for the benefit of participating member countries of the Caribbean Community. In September that year, nine member states of the Caribbean Community and Common Market (CARICOM) were admitted into the Afrexim community at a historic Africa-Caribbean Trade and Investment Forum held in Bridgetown, Barbados. Today a total of 11 countries have joined. This has given fresh impetus to Oramah's ambitions to make the Bank a financial home for the larger African community home and away.

Under the Bank's sixth strategy, here are plans to extend its network, with representative offices in the UK and UAE while seeking to create and deepen ties with other export-import banks in China and Korea to give the Bank's ambitions more ballast.

Back home, the Bank has, in partnership with the African Petroleum Producers Organisation, conceived the African Energy Bank, an African solution to a problem that other continents may not have to contend with. As climate concerns heat up, the oil and gas industry is struggling to attract and retain investment, which, for African countries that are rich in deposits and poor in energy, would pose more than a few challenges.

The African Energy Bank would provide the funding for exploration and exploitation, enabling the countries to make money off their resources, power their homes and industries and fund their transition to cleaner energy in a manner that is not disruptive to their economies. Awambeng says the energy bank is on the verge of becoming a reality. "All the feasibility studies and business plans have been completed and we are just finalising the establishment agreement after which we will have to establish the host country agreement. Then we will need countries to ratify the agreement and support it in terms of equity and shareholding," he says.

Going forward, the Bank will seek to further expand its role, with its six regional offices leading the charge to bring in new deals that could potentially transform the African economic landscape, while also satisfying the Bank's hunger for growth.

For the Bank, this means, becoming more agile and sensitive to the demands of its customers and stakeholders and serving them where they are. "Afreximbank has grown beyond a traditional DFI. Today, it is the one stop shop for trade finance solutions in Africa. We are not a typical lending business or typical trade finance business; we are the entire trade solutions ecosystem.

"Stakeholders come to Afreximbank for advisory services, for trade facilitation, intra- and extra-African financing of debt and equity, the full suite. They come to us with their problems and we find them solutions, working with other strategic development partners. Sometimes these solutions are even outside the box." Going outside the box to support Africa may be an odd proposition for a typical bank but as Awambeng says, "Afreximbank is to support Africa. And if we don't do it, who will do it for Africa?

"The Bank has launched the new five-year strategy to support its growth and mandate between 2022-2026. The five-year plan will enable the Bank to double its size. We will build on the success and lessons learnt in the last medium-term strategy by adapting to emerging developments and growing in a sustainable manner. This will support the AfCFTA and accelerate the process of industrialisation to diversify the sources of growth and trade at a time of global supply chain disruptions." ■

New products developed recently

AFTRAF
(Afreximbank Trade Facilitation Program)

ATEX
(Africa Trade Exchange)

FEDA
(Fund for Export Development in Africa) AfrexInsure

PAPSS
(Pan-African Payments and Settlement System)

UKFPA
(Ukraine Crisis Adjustment Trade Financing Programme for Africa)

It is also important, says Awambeng, that the bank achieves its $50bn ambition, which will empower it further. **'When you are a $50bn bank, you are systemic in the global financial system and people have to reckon with you'**

STEPHEN TIO KAUMA - Director & Global Head, Human Resources

Inspired by a sense of purpose

Recruiting and managing resources is a critical aspect of any organisation. It takes on a greater challenge when the institution is multinational and multicultural. Dianna Games is in conversation with **Stephen Kauma**, head of Afreximbank's Human Resources.

Stephen Kauma joined Afreximbank in 2008 as employee number 47. By the end of April this year, there were 319 permanent staff and a further 600 consultants and contract workers.

The increase has been gradual, with growth never more than about 25% a year. "But it's been quite a journey from less than 50 people to where we are today," says Kauma, Director and Global Head of Human Resources.

Employees are spread across six regions, and he has had to put in place a structure to not only address a growing organisation at home but one that can operate seamlessly across all the regions without losing the core values of the Bank.

Kauma, who hails from Uganda, joined Afreximbank in 2008 after working in consulting at KPMG and PwC. He moved on to LafargeHolcim for a year before responding to an advertisement to join Afreximbank.

This was the second major recruitment drive the Bank had done in almost a decade. In its early days, it moved cautiously and tried to maintain a lean structure as it focused on survival. "When I arrived, there was a small team in place, but what struck me was the sense of purpose. People were really focused on delivering what was required."

Then president, Jean-Louis Ekra, was running the Bank from Nigeria, rather than from the Cairo headquarters, due to a long shareholder dispute. "I got to meet him in Abidjan eventually and he did mention it was going to be a long, hard road as the Bank had no human resources function as such. Most of it was personnel management, which fell under administration.

"He warned me it would be very challenging and assured me of his support as long as I remained professional in my work. It was up to me to introduce new systems for a growing institution and put in place best practices from the outset. It was also clear I needed to bring a pan-African approach to the job. Everyone had that vision and spoke that language. I realised I had to take off the Ugandan cloth and put on an African one."

All talent welcomed

Recruitment was focused on the continent, with an ambition to attract experienced people from private sector banks operating both in Africa and also in New York, Paris and London.

"The Bank prioritises the recruitment of African citizens, and also in the diaspora including New York, Paris and London, but it is not precluded from seeking talent elsewhere if there are skills we cannot find at home or people who could do a better job. It is important for us to have a robust enough structure to attract skills of that calibre while also being conscious of cost control. At the end of the day, we need competent people to get the job done."

In terms of recruitment, advertisements are open to African and Carribean Community (CARICOM) nationals, this being part of the sixth region of coverage of the African Union (the diaspora). There are some definite regional trends among respondents, with, for example, the majority being English speaking candidates from West and Southern Africa.

"The recruitment process has always been that when there are vacancies, we advertise in the media and through recruitment agencies. Candidates are assessed, a short list drawn up and the Bank makes the final selection".

Although the Bank tries to ensure selections are representative in terms of geography, skills and gender, the aim is to base selections on merit. "In a multilateral organisation, it can get messy if you don't have a process to manage that kind of thing."

The visibility and reputation of the institution helps with recruitment. "When I joined, not many people knew about the Bank or had even heard of it. It was hard to convince people to join us. Relocating to Cairo was also a huge unknown for many people."

But over the past decade, this has changed dramatically. This is partly because of better management of external communications.

"But it is also because people want to be part of a winning team; a team that is creating an impact on the continent in a solid, visible way."

"The Diaspora are willing to come back to Africa to join the Bank. It provides them with an opportunity to fulfil a sense of purpose. This is also what I felt when I joined, and I am pleased we have managed to keep that."

Top of the list of the seven core values embedded in the Bank's structure is a commitment to Africa.

"We ensure our staff learn about the continent. They must understand the geography, the history and the trading environment. Even though they live here, many often know more about other regions than they do about Africa.

"When you are negotiating a transaction with a third party, how do you ensure you don't sell out your continent if you don't understand it? Our staff need to always recognise that they have an opportunity to represent the continent and show their commitment to being a true African."

Afreximbank does an annual survey of staff and one of the areas strongly identified as a plus is the sense of purpose. The survey aims to see how employees experience the Bank – how they feel about issues such as leadership, management, their peers, the products, values and generally, what they think is important.

"It helps us to monitor how people feel and to identify what we need to keep our eyes on. It is how employees feel that will determine their productivity and outcomes and that has a direct impact on the Bank.

Creating the model

"When I came in, I was given a blank slate. There was no human resources function and I had to get it up and running. I was planning to focus on leadership behaviour, including making sure

The Diaspora are willing to come back to Africa to join the Bank. It provides them with an opportunity to fulfil a sense of purpose

Above: Stephen Tio Kauma (front, centre) alongside the current Afreximbank HR team in April 2023

line managers had the right attributes and showed the right example to staff.

"Within the first few months, I realised that I was putting the cart before the horse. It quickly occurred to me that I needed to put the foundations of an HR structure in place before moving to these specific areas, including performance assessment frameworks."

Performance assessment at the time was below par, which led to concerns at the top levels of the Bank on the likely impact on delivery. "People who were managing teams needed more clarity on key strategic activities to carry out. We needed to provide a line of sight from the goals in our strategic plan down to each individual's goals. Then they will understand how they contribute to the Bank, and we can assess whether they have accomplished that."

In 2010, the Bank had adopted a new performance reward system, which aimed to stimulate a total reward culture. The system would ensure that individual employees were rewarded and developed according to their performance. This was complemented by the introduction of the balanced scorecard system, which involved a cascading of targets and objectives agreed to by the board and cascaded down through three tiers, to allow a full review of performance throughout the organisation on a regular basis.

"It has worked well, it is very clear. Everyone knows what they are responsible for achieving in any given year."

A testament to the success of Kauma's ongoing efforts is the low staff turnover – less than 5% – at the institution, with many people having been employed for two or even three decades.

But even then, the demand outweighs the ability to keep up. And this year, the Bank is bringing on board Caribbean countries as member states and will begin recruitment in that region.

In 2017, Kauma gave a talk on the Bank's transformation strategy at Harvard Business School in the US. There was much interest in the process of transformation in the Bank's human resources strategy and a case study was created that is still used by Harvard and other business schools. Learning has also become a part of the Bank's day-to-day process. "Without learning, skills become stale, and it is important to put in place a structure of continuous learning," says Kauma.

In 2022, the Afreximbank Academy was launched. It is a learning, knowledge, and networking hub to house the Bank's capacity building and leadership initiatives.

"When people join, we tell them that working for Afreximbank is not a soft life. Each day brings a multitude of demands, and each has to be dealt with. You need emotional resilience to deal with this and we train and support people on how to be emotionally resilient."

"We have to be ready to take calls at all hours, work on some weekends and travel non-stop to ensure we see the transformation we want for our continent." ■

MARLENE NGOYI, CEO, FEDA

Providing much needed patient capital

The Fund for Export Development in Africa (FEDA) based in Kigali, Rwanda, is specifically designed to close the gap in equity and quasi-equity funding for projects promoting industrialisation, intra-Africa trade and value-added export development. The Fund's CEO, **Marlene Ngoyi** is in conversation with Omar Ben Yedder.

The Fund for Export Development in Africa (FEDA) is another of the initiatives from Afreximbank in pursuit of its overarching mission of promoting trade and economic growth in Africa.

Over its 30-year history, Afreximbank has been actively pursuing this evolving mandate with increasing success. The fund, however, is meant to meet a specific objective that the Bank has identified across Africa's financial landscape, namely the dearth of patient capital available to economic actors on the continent.

The Bank estimates that the gap for equity capital is in the region of $100bn and with the recent exit of higher value, non-native funds from the continent, this may only widen.

In true fashion, Afreximbank moved to find a solution where it found a problem. The Fund was officially established and launched in 2021 but its operations commenced in 2019.

Headquartered in Kigali, Rwanda, FEDA serves as the impact investment arm of the Bank, with the express objective of addressing the substantial gap in equity and quasi-equity funding that is needed to boost trade and trade related activities as well as value-add export development in Africa.

The areas of focus for the fund include manufacturing, financial services, agribusiness, and essential trade-supporting infrastructure like industrial parks etc.

One of FEDA's objectives is to help add value to African production and to exit the unhelpful paradigm that has prevailed since colonialism, where African countries export raw materials and import finished goods at several times the value of their exports.

This preponderance of raw materials in Africa's exports explains, in part at least, why its share of global trade stands at a mere 3%in value, despite the wealth of resources on the continent.

A perfect fit

Last year, Marlene Ngoyi, a Harvard trained banker, joined as the Fund's CEO. Ngoyi has been in the business for a while, with a resume that spreads across continents and includes leading several financial services companies in East, Central and West Africa.

The pan-African ambition driving FEDA and Afreximbank's wide footprint and high-impact philosophy were some of the many things that drew her to the job, she says. "One thing that really attracted me is the pan-African aspect. I like the pan-African mandate and for me, it's the perfect fit because I get to apply my experience from all the key jobs that I have done – commercial banking, investment banking, trade finance and private equity."

It also helps, she adds, that she gets to work with a talented group of people drawn from different parts of the continent and who bring varying perspectives to the task.

This eclectic group has their work cut out for them. Ngoyi concedes that FEDA's funds under management, after its first closing in September 2022, is only a drop in the ocean when you look at the $100bn need. Nonetheless, with $670m of assets under management, it is easily one of the top 20 funds focused exclusively on Africa. Its ambition is to double in size by 2025.

Making impact

One challenge is to deploy the funds in ways that would make the most impact and also to use it to catalyse further investment into the continent.

Of the $670m raised, $270m will be applied towards FEDA Direct Equity Fund, which provides equity and quasi-equity financing to businesses aligned with FEDA's mandate. Another $250m is earmarked for the Strategic Initiatives Fund, which supports critical greenfield projects in the healthcare or trade services sectors for instance.

The remaining funds are allocated to implementation of an Africa Credit Opportunities Fund, which FEDA jointly sponsors with Gateway Partners Group and which will offer credit instruments for the benefit of trade in Africa.

While FEDA sees itself as complementing Afreximbank's role in the continent, there are still important distinctions. "We go for longer maturity and more flexibil-

‘We are not just providing short-term or medium-term debt; we provide longer term instruments’

ity in the way we deploy the capital but the common denominator will always be intra-Africa trade, export development and industrialisation. We have different set of tools that we use to solve the same big issue,” says Ngoyi.

The Bank, as a lender, has different methods and approaches, Ngoyi explains. That being said, there are a lot of synergies and coordination between FEDA and the Bank with joint intervention at different levels of a company’s balaNce sheet when it makes sense for both entities. She notes however that the Bank is able to undertake deals of a higher ticket size than FEDA’s funds would allow.

“What we realised is that there is the need for more patient capital. Trade funding solutions are quite important and medium-term facilities are quite essential. But there is a need for longer-term funding, which is also strategic and comes with a seat on the board so that there can be other, non-financial forms of assistance that can be brought on board. That is where FEDA comes in.”

The approach, she says, is to put skin in the game and be as invested as the entrepreneurs themselves, so that success becomes the shared objective. “We are not just providing short term or medium-term debt; we provide longer term instruments and are there with the sponsors for the long run, sharing the execution risks throughout the harvesting period” she emphasises.

One of the ways that this has manifested is FEDA’s $85m investment into ARISE Integrated Industrial Platforms, an infrastructure developer and operator that has recently accelerated its expansion across the continent.

Ngoyi says the landmark transaction is a demonstration of the approach and a model of how FEDA is approaching its mandate. “Arise is an obvious one. It is present in 11 countries and has a transformational impact on the economies in which it operates in terms of industrialisation and promoting value-add exports.

It also operates in a sustainable way, using best practice and that is one of the things that we insist on, that the businesses satisfy high standards. So that’s a big one.”

There are exciting investments on the way. “We have a lot of transactions we are working on, some of which we will be announcing very soon. A lot of them will be strategic and have a transformative effect in the countries where they are.”They will be investments in companies that are important in the local economies and also have strong prospects for growth.

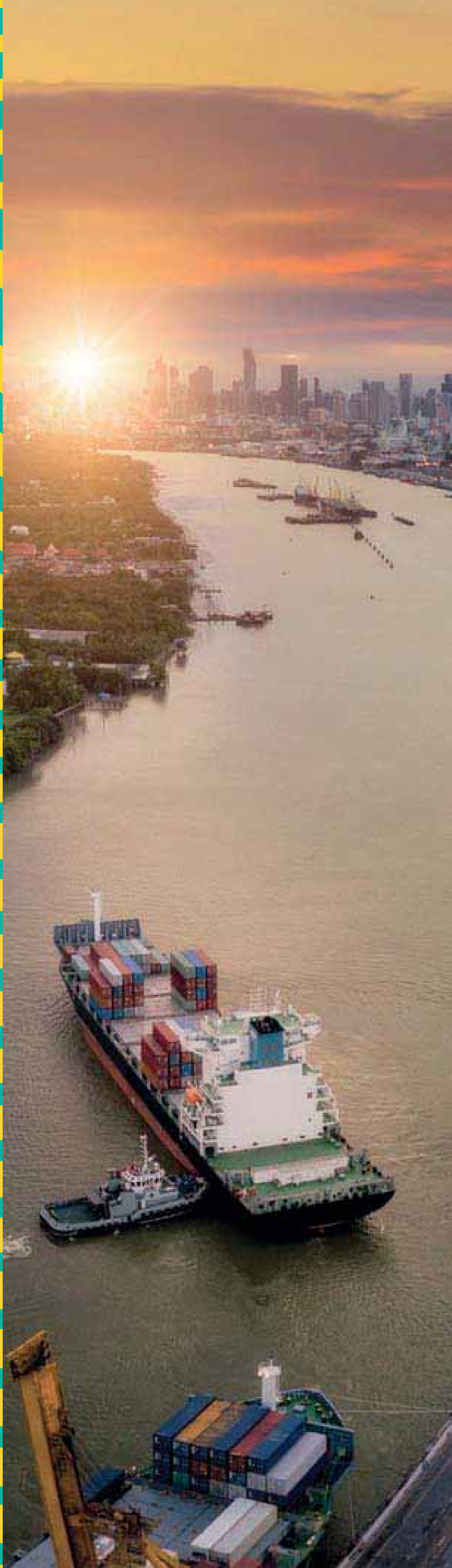
Long-term plans

Much like Afreximbank, FEDA operates long-term plans that guide its activities. Over the course of the next few years, it hopes to boost its own war chest, as well as seek partnerships with other firms, helping to direct more funds towards its strategic objectives.

“It is important to us to be the catalyst that brings in more investors. It is important that besides having a sizable platform and replicable projects, that we can bring in large players to come in as co-investors in some of our projects. So that we can say to them, for instance, that we have Arise and we have been able to do it in 10 countries but we can do it in 30 or 40 countries so come and partner with us to do that.”

A fundraising drive is also on the horizon. “Over the next two years, we hope to reach our target of $1.3bn and this will be from our partner development finance institutions, sovereign funds and other regional and international institutional investors.

“This is important because we have seen the business models that work in Africa and we believe that there should be opportunities for them to scale and to multiply by attracting more capital.” ■



Afreximbank's Pan-African Payments and Settlement System (PAPSS) is a revolutionary cross-border transaction system that bypasses correspondent international banks. It was developed in conjunction with the AfCFTA and could save the continent $5bn in costs every year. By **Dianna Games**.

Revolutionary African cross-border payment solution

Bringing down the cost of transactions for African traders and businesses, as well as reducing the complexity of moving money across borders on the continent is at the heart of the Pan-African Payments and Settlement System (PAPSS), says its CEO Mike Ogbalu.

The initiative is still in its pilot phase but already seeking to branch out beyond the nine countries that are currently participating in early-stage use of the system.

This is no small feat on a continent with 42 different currencies, few of which have value outside their borders. Ghana, with its cedi, has not been able to accept naira from nearby Nigeria, nor rands from South Africa, for example and relies on trade in US dollars and other international currencies.

Trades done through correspondent banks and money transfer systems cost Africans about $5bn in charges every year, according to Afreximbank.

The Bank partnered with the African Continental Free Trade Area Secretariat to launch PAPSS, a platform to facilitate instant cross-border payments in local currencies between African countries.

The system was formally launched in January last year and currently has nine central banks linked to the platform. In addition to the six launch countries that make up the West African Monetary Zone – Nigeria, the Gambia, Sierra Leone, Liberia, Ghana and Guinea – the pilot has been extended to include Djibouti, Zambia and Zimbabwe.

Ogbalu likens the initiative to a railway that will connect key stakeholders and countries on the continent and guarantee that transactions can be done instantly anywhere in Africa.

Fine-tuned system

In the pilot, the target time for a transaction to be completed under PAPSS was set at 120 seconds, but it is now well below that, he says.

Ogbalu, a former banker from Nigeria, has been in the technology space for some time, more recently in payments. He has worked for global payment systems companies such as Interswitch and Verve International.

The CEO says the system is being run with the central banks of participating countries, but he is engaging with African commercial banks that have an extensive footprint on the continent to speed up the adoption rate.

There are some complications. In some of the pilot countries, policies and frameworks are designed for dollar trades and the payment systems are often specifically mentioned in law or are incorporated in regulatory frameworks. Getting this checked and adapted can slow things down, but a number of countries are on track, says Ogbalu.

The exchange rate of each transaction is set by the real-time gross settlement system of the central banks, with PAPSS setting benchmark reference rates to set a reasonable boundary on the exchange rate to give comfort and avoid arbitrage. There is also a mechanism that ensures they are not out of sync with other available rates.

In essence, the buyer and seller agree on the rate and transactions are sent in one local currency and terminate in another.

Participants must agree to a pre-funding arrangement. "It makes it easier that all deals are fully funded at each tier before you can trade. And it reduces risk," says Ogbalu

The bilateral transactions are done on a net basis between the amounts to be transferred from both sides, which can dramatically reduce the funds actually moving between countries. Net settlement occurs at the same time every day and every stage of the transaction is communicated to all stakeholders.

Ogbalu says modelling has shown that at peak, this system will reduce demand for the movement of money by more than 80%.

The system will continue to expand, he says, as it is fine tuned, and more countries are keen to come on board. It is already in discussions with Francophone nations as well as Egypt and Tanzania. ■

Building bridges with the Caribbean

Since the era-defining Afri-Caribbean Trade and Investment Forum in September, Afreximbank President **Benedict Oramah** has been relentless in pursuing even greater relations with Caribbean partners.

The Afri-Caribbean Trade and Investment Forum, held in September in Barbados, represented a historic moment in Africa-Caribbean relations.

Hundreds of years after the slave trade wrenched millions of Africans from their homes to a brutal life across the Atlantic, this era-defining summit, organised by Afreximbank, succeeded in reigniting the historic links between Africa and the Caribbean – a crucial member of the African diaspora, defined by the African Union as the continent's sixth region.

The need was great: trade between the two regions remains low. Africa accounts for only 4.4% of the $18.8bn worth of goods exported from the Caribbean annually, while only supplying about $603m of the $33bn imported into the region. It is believed that trade between the two regions could be increased to as much as $11bn annually.

The outcomes of the Forum were substantial – the partners pledged the implementation of a strategic partnership between the business communities in Africa and the Caribbean with the objective of fostering bilateral cooperation and engagement in trade, investment, technology transfer, innovation, transport, tourism, culture and other services.

Key among the signings was the Partnership Agreement between the Afreximbank and an initial seven of the 15 Caribbean Community (CARICOM) countries – Antigua and Barbuda, Barbados, Dominica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines and Suriname.

But from the start, Afreximbank was clear that the Forum would not just be a one-off, but would usher in a new era in economic relations. Afreximbank had already built strong links with the Caribbean during the pandemic, when the African Medical Supplies Platform, backed by Afreximbank, helped source personal protective equipment, testing kits and other supplies that African and Caribbean countries needed to protect citizens during the pandemic,

But since the Forum, Afreximbank President Benedict Oramah has been relentless in pursuing even greater relations with Caribbean partners.

Addressing Caribbean leaders during the 44th Meeting of the Heads of Government of the Caribbean Community (CARICOM) in Nassau, The Bahamas, in February, Professor Oramah lamented that "for so many decades, the global capitalist economy, built on the sweat and blood of African slaves, has remained an unbearable burden on the shoulders of Africans;

'There are enormous opportunities to scale the trade and investment flows between the African continent and the broader African diaspora'

President Oramah with the Prime Minister of Barbados, Mia Mottley. The Bank and the Caribbean countries have strengthened ties since it helped them acquire vaccines through the Africa Medical Supplies Platform

we are now poised to make it work for us."

"It is capital, owned, controlled and deployed by us, and not by others, that has the best chance of turning the iniquities of that sad history into an asset for a fresh new beginning of shared prosperity."

He revealed that, in just under six months since the Partnership Agreement was opened for signature, Afreximbank had put in motion arrangements to set up a Caribbean Regional Office to drive its interventions across the CARICOM States, and revealed that the Bank's Board of Directors had approved a limit of $1.5bn for current signatories of the Participation Agreement, with that limit set to rise to $3bn when all CARICOM countries join.

That was no idle boast – by April, Afreximbank had confirmed that 11 out of the 15 CARICOM Member States had signed the Agreement, which confers upon the signatories the status akin to those held by Africa Participating States and consolidates the Bank's efforts to promote and develop South-South trade.

It was also in April that Afreximbank confirmed that its Board of Directors had approved the opening of the Bank's CARICOM Office to be established in Barbados; a step hailed by Oramah as crucial.

"There are enormous opportunities to scale the trade and investment flows between the African continent and the broader African diaspora. Investment flows between Africa and the Caribbean are currently almost non-existent. This strategic partnership will open the door for enhanced trade and investment between Africa and the Caribbean. We are poised to right the wrongs of the middle passage. This approval is an important step towards that end."

At time of writing 11 countries have signed up. When all CARICOM countries join – as Afreximbank expects they shall – it is clear that the Caribbean diaspora will be able to play a crucial role as Africa's sixth region. ■

At 30, Afreximbank is young enough to keep expectations high but has been extremely precocious in its success, writes **Vera Songwe,** Chair of the Liquidity and Sustainability Facility, and former Executive Secretary of the UN Economic Commission for Africa.

Africa at its best

Afreximbank has been at the forefront of the determining issues for Africa in this decade and through the polycrises of the last decade. Since 2014 when the commodity bubble collapsed Afreximbank has been on the side of countries working to move production to Africa. Without pride or favor it has stretched its balance sheet, pegged its credit rating to the needs of its clients and used the over $31 billion in assets and guarantees to serve the needs of the continent.

It has championed the singular growth strategy of the continent, the African Continental Free Trade Agreement, Africa's Marshall plan. Not only has Afreximbank championed this, it has funded and provided key pieces of infrastructure to make this happen, including providing funding for the few countries that may in the short run risk losing tax revenues from duties and other revenue streams.

They have built a payments system which will allow African countries to trade directly with each other without going through third party countries. Saving the continent lots of resources and time.

Trade remains the singular highway for countries to get out of poverty, create jobs and deliver prosperity and Afreximbank with its free trade zones from Congo Brazzaville to Zambia is delivering this and contributing to the industrialisation of Africa in a sustainable way.

The mark of a unique institution is to support its members respond to crisis. Afreximbank's astute foresight to step up working with the UN Economic Commission for Africa (ECA), CDC Africa under Dr John Nkengasong's leadership and Strive Masiyiwa's Econet to devise a funding mechanism for vaccines for Africa during the Covid pandemic is proof of its ingenuity, its agility and its reactivity. It delivered over a two hundred million vaccines at a time when it was most needed. This is the spirit of an institution that understands its constituency and their needs.

'This African institution is a proud example of 'Africa's best'

Today Afreximbank is not only helping countries build better and stronger health care facilities but it is also funding vaccine factories and logistics systems to move them. An integrated approach to problem solving that helps deliver solutions that work.

Market based innovations are a trade mark of Afreximbank. With the cost of financing too high for frontier economies, Afreximbank again stepped up to help launch a unique repo market concept to help lower costs of funding and thus providing more liquidity for African countries through the Liquidity and Sustainability Facility. It has recently launched an Africa Re-Insure programme once again leading the charge on finance and trade for a more robust market infrastructure.

This African institution is a proud example of 'Africa's best'.

And as an African institution, it is building bridges with our diaspora, in the Caribbean and beyond. A strong Africa is one that works with all Africans, those on the continent and further afield. The new partnerships will build new markets for business across the Atlantic and export African expertise to markets hitherto inaccessible to African businesses. Market creation will be a strength we build on as we access Atlantic and Pacific markets. Afreximbank is at the fore of these bold initiatives.

Act now, solve now, deliver now and debate later is a 30's attitude that Afreximbank exudes and Africa needs!

“This strategic partnership will open the door for enhanced trade and investment between Africa and the Caribbean. We are poised to right the wrongs of the middle passage. A CARICOM office will be opened in Barbados this year and a $1.5bn CARICOM initial limit has been approved by our Board. Afreximbank is therefore well on its way of being the Exim Bank for Global Africa.”

Prof. Benedict Oramah,
President of Afreximbank and Chairman of the Board

AFREXIMBANK

www.afreximbank.com