REGIONAL MARITIME BANK – RESOURCE MOBILISATION FOR SUSTAINABLE A MARITIME AND TRADE DEVELOPMENT

BEING A PRESENTATION BY MR. ROBERTS ORYA, MD/CE NIGERIAN EXPORT - IMPORT BANK (NEXIM) AT THE SOUTH AFRICAN MARITIME INDUSTRY CONFERENCE HELD AT CTICC, CAPE TOWN 4 – 6, JULY 2012
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World economic growth rebounded in 2010 and 2011 to annual percentage change of 3.9% and 3.1% respectively with the contribution of African GDP Rate of 5% and 3.7% for the same period as gleaned from www.uneca.org.

According to UNCTAD Review of Maritime Transport 2011 Report, World merchandise trade also overcame the slump of 2009 with a growth rate of 16.2% in 2010 and a projection for slower growth rate of 6.6% in 2011. African growth rate in 2010 was 8.6% with a 2011 projection for developing economies trade at 9.5%.

World Container traffic in 2010 was over 400 million containers with Africa’s percentage contribution at less than 1%

About 90% of trade worldwide are undertaken through maritime transport services with world loaded cargo of over 8,408 million tons in 2010, comprising of 2,752 – Oil, 2,333 - Bulk and 3,323 - Dry Cargo. UNCTAD compiled data.
The contribution of Africa to the world owned fleets by number of vessels and deadweight tonnage, which is currently dominated by Europe, Asia and North America is quite low and insignificant.

On flags of Registration in which over 68% of the world’s tonnage is registered under foreign flags, Liberia (the only African country in the big league) is the second largest after Panama with 11.9% of the world fleet deadweight tonnage.

The upward trend in growth of global container trade picked up from 2009 level of over 130 million TEUs to over 150 million TEUs and 170 million TEUs in 2010 and 2011 respectively. There are also considerable growth indices for tanker, and dry bulk volumes.
Below is the graphical illustration and trend of the world seaborne trade in past 30+ years:

World seaborne trade 1969-2010

Source: Fearnley’s Review culled from International Chambers of Shipping website
Key Issues / Challenges comprised of the following among others

**Cost Structure**
- High transportation/logistics costs
- High Maritime Tariff

- **Weaknesses in physical transport and Institutional infrastructures**
  - Long Dwell Time / Inefficiency in ports
  - Poor infrastructure
  - Inadequate investments in key infrastructure and super-structures such as cranes and handling equipment

- **Perceptions on Low traffic / Trade Transaction Proposition**
  - Cargo Volume / Weak export base
  - Constrained intra-regional trade
  - Lack of timely statically trade data / High unrecorded / informal Trade

- **Limited / Restricted Access to Finance**
  - Lack of expertise / Sectoral Knowledge supported by regulation
  - Low Risk Appetite / Capital-Intensive e.g. shipbuilding and fleet owning
The prospects for enhanced growth and sustainable development in the sector are quite bright and strengthened by the following historical and emerging developments, among others:

- Consistent positive GDP growth rate averaging at over 5% for long before dipping at over 3% in 2009 and 2011 respectively.
- African trade ratio at an average of 50% of annual exports and imports to GDP.
- Change in global trade patterns, especially with considerable trade growth between Africa and Asia, as well as increment in direct shipping.
- Increased intra-regional trade from about 10% - 12% annually over the past three years to 15% in 2011 according to AfDB and domestication of regional trade protocols.
Heightened interest in the development of inland water ways and river ports as a cheaper alternative to roads / rails development

The issues of Domestic / Regional Cabotage Regimes

Increase in African Loaded and unloaded total cargo in million tonnages from 708.0 and 386.8 in 2009 to 733.3 and 399.3 in 2010 respectively. In 2010 % terms, African %tage contribution were 8.7% and 4.8% respectively as per UNCTAD compiled data.

With strong political support for inter-regional cooperation and good policy frameworks, opportunities abound to unlock the developmental potential in the global industry in some maritime value chains like ship scrapping / recycling, open ship registration, supply of seafarers, terminal operations, container construction, ship repairs / dry docking, bunkering, etc
3.0 PERSPECTIVES ON TRADE & DEVELOPMENT ISSUES

Below are some perspectives trade-related development issues:

- Global economic challenges affects trade and consequently affect investments and development

- Limitation in traditional trade finance facilities, especially to support exports outside OECD countries, transition economies and long standing trading partners as well as absence of credit to support export of new products to sustain existing export potentials affects external sector of any economy,

- The infrastructural deficit in Africa coupled with some Governments fiscal challenges have recently led to public-private-partnership arrangements and creation of new institution to foster developmental objectives.
The low level of development in the all the maritime value chain vis-a-vis inherent potentials among others highlighted hereunder are some of the justifications for the establishment of a Regional Maritime Bank to facilitate ships’ lifecycle financing and other maritime related transactions by mobilizing domestic as well international resources for the sector;

- African international trade levels have increased by 18.5% to US$949 billion in 2010 according to Afreximbank report, but intra-regional trade barely improved and was muted at US$104.4 billion. This was largely due to short sea trade constraints and other regional barriers.

- The financial crises and the expanding scope of tighter regulation on banks have constrained credit growth, especially to support unfamiliar sectors like the maritime sector irrespective of socio-economic benefits of high employment and revenue generation potentials.

- Desirability to have a sector-specific policy bank in the form of a Development Finance Institution (DFI) like AfDB, Afreximbank, IDC, DBSA, etc that will help facilitate development, overcome challenges and address market failures with unconventional financial products and banking instruments.
China has four policy banks designed to tackle different sectoral challenges besides the state owned commercial banks. AfDB and Afreximbank are regional DFIs with different sectoral funding intervention policies.

- The DFIs facilitate the attraction of concessionary long term investment capital by leveraging their balance sheets through availment of Lines of Credits, Bond Issuance, establishment of managed funds, Technical Assistance Funding / Grants, etc for mandate specific activities.

- With the proposed establishment of a Regional Maritime Bank championed by Maritime Organisation of West and Central Africa (MOWCA), it is expected that all the maritime value chain activities including market development funding intervention could be availed by way of:
  
  a. Long term concession finance
  b. Loan Syndication / Co-financing
  c. Risk Sharing / Mitigating Instruments thereby de-risking the sector
  d. Foreign Buyers / Suppliers Credit
  e. Equity / Mezzanine Financing
The Nigerian Export – Import Bank was established by Act 38 of 1991 as a DFI and Nigeria’s Trade Policy Bank. The Bank is equally owned by the Central Bank of Nigeria (CBN) and the Federal Ministry of Finance Incorporated (MOFI). The Bank’s broad mandate include the provision of export finance, export credit guarantee and insurance as well as export financial advisory services.

The Bank also complements in attracting foreign investment capital towards the development and growth of targeted industries and strategic sectors of the economy.

The Bank has over years had modest funding interventions to the maritime sector to the tune of about US$75 million the various sub-sectors were for vessels acquisitions (fishing / shrimping trawlers, Oil Product and LPG Tankers), ship scrapping factory, etc.
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