

Afreximbank Accession

Briefing to the Select Committee on Economic Development & Trade – 5 November 2025



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za



Presentation Outline

- ❑ Background
- ❑ Objectives and Implications
- ❑ Afreximbank' s Mandate and Sovereign Value
- ❑ National Executive Approval
- ❑ Benefits of Accession: Strategic Programmes and Industrialisation Support
- ❑ Provincial Focus
- ❑ Recommendations
- ❑ Acronyms



Afreximbank Accession: Background

- **What is Afreximbank** The Africa Export-Import Bank (AFREXIMBANK) is a multilateral financial institution, headquartered in Cairo, Egypt. It was established in 1993 to facilitate, promote and expand intra- and extra-African trade. The Bank officially commenced operations in 1994, and currently has 52 African states as members.
- **South Africa's Involvement:**
 - The absence of a Sovereign membership has restricted the Bank's ability to extend support to South African projects. South Africa's current shareholding (via ECIC/PIC) restricts the full scope of financial and strategic support the Bank can offer to our national enterprises.
 - Without a sovereign seat, we lack optimal influence over the strategic direction and resource allocation of a vital continental financial institution.
 - The urgency of the African Continental Free Trade Area (AfCFTA) demands a robust, well-funded trade promotion engine to secure market share for South African goods.
- **Purpose of Accession:** To enabling South Africa to attain full membership. This move is a strategic in consolidating South Africa's role as the industrial hub of the continent, immediately unlocking high-impact financial and strategic facilities.

Afreximbank Accession: Objectives and Implications

- The goal is for South Africa to become a full sovereign member (Class A shareholder) by acceding to the Establishment Agreement: The accession is expected to directly contribute to:
 - ❑ **Driving Inclusive Growth and Job Creation:** By providing access to additional funding and greater decision-making rights.
 - ❑ **Increasing Exports and Investment:** Facilitating financial assistance for South African companies, commercial banks, and State-Owned Enterprises (SOEs) to expand into the rest of Africa.
 - ❑ **Strengthening Economic Linkages:** Deepening integration with key African partners and strengthening South Africa's role in the African Continental Free Trade Agreement (AfCFTA).
- In the past the bank provided support to the value of around US\$1 billion for projects through an exceptional approval from the Afreximbank board to do business with South Africa, which has since expired.

Afreximbank Accession: Afreximbank Mandate and Sovereign Value

The Mandate (as per the Establishment Agreement)

- Afreximbank's core purpose is to **facilitate, promote, and expand intra-African and extra-African trade**.
- It is explicitly mandated to support **Industrialisation and Export Development** to achieve economic transformation across the continent.
- The Bank acts as a **systemic solution** to address market failures in African trade and finance.

Sovereign Membership: Unlocking Full Capabilities:

- **Sovereign Influence:** A Class A seat on the Board of Directors provides South Africa with the **strategic power** to influence the Bank's core purpose, functions, structure, and the nomination of its President. This ensures the Bank's strategic priorities align with South Africa's National Development Plan (NDP) and Industrial Policy.
- **De-Risking Mechanism (PCS):** Full membership grants South African entities access to the Bank's **Preferred Creditor Status (PCS)**. This reduces the political and commercial risk of operating across Africa, allowing institutions like the ECIC to offer more competitive insurance and boosting overall investor confidence in South African projects.
- **Immediate Financial Access:** It transitions the relationship from a transactional one to a partnership, instantly activating the full suite of the Bank's large-scale funding and guarantee programs.

Afreximbank Accession: Mandate and Sovereign Value Cont.,

Catalytic Funding and Financing Scale:

- **Project Finance Capacity:** Afreximbank's capability extends beyond traditional trade. It is a proven source of **large-scale project finance** for infrastructure and industrial projects. Membership opens South Africa to these large, structured deals that are otherwise difficult to finance.
- **Dedicated Funding Programmes:** Membership will ensure South Africa benefits from the Bank's **dedicated, large-scale Empowerment and Trade Promotion Programmes**. These funds are specifically designed to inject high-impact capital into key national sectors—including manufacturing, mining, energy, and tourism—by fostering local beneficiation and black economic empowerment.
- **Trade Finance Lifeline:** The Bank provides crucial **pre-shipment and post-shipment finance** and guarantees, directly assisting South African manufacturers to secure and execute large international export orders while mitigating payment risk.

Afreximbank Accession: Mandate and Sovereign Value Cont.,

Competitive Terms and Market Access:

- **Lower Cost of Capital:** Leveraging the Bank's strong institutional rating, South African exporters and project developers will access **better financing terms and lower borrowing costs** for their continental activities, making their businesses more globally competitive.
- **Scaling Regional Trade:** Membership is the mechanism to secure dedicated funding streams to relaunch and scale critical trade and investment promotion programmes focused on expanding South Africa's economic footprint across the continent.

Afreximbank Accession: National and Executive approval

NATIONAL EXECUTIVE APPROVAL

The process undertaken is the same as for legislation, where it is submitted to Cabinet before Parliament.

- **Cabinet Endorsement**

- The Cabinet has been consulted on this matter and has endorsed that the accession to the Afreximbank Establishment Agreement be pursued. This decision triggers the domestic legal process to make the Agreement binding on the Republic.

- **Parliamentary Approval [Section 231(2)]**

- This Agreement falls within the ambit of Section 231 (2) of the Constitution of the Republic of South Africa and will therefore require parliamentary approval prior to implementation.

LEGAL IMPLICATIONS

- Legal opinions have been obtained from the State Law Advisers at the Department of Justice and Constitutional Development and the Office of the Chief State Law Adviser (International Law) at the Department of International Relations and Cooperation.
- These opinions confirm that the Agreement is consistent with both domestic and international law and that the process for accession is correct.

Afreximbank Accession, National and Executive approval cont.,

FINANCIAL IMPLICATIONS

- Acceding to the Establishment Agreement will not impose any additional costs on the fiscus.
- The ECIC's conversion will comply with Section 54(2) of the PFMA, which requires prior written approval from its executive authority.
- Afreximbank has confirmed some of the following regarding transitioning to Class A Shareholding:
 - o **No additional costs** to the fiscus associated with **ECIC and PIC converting** Class B Shareholding to Class A Shareholding – with the same obligations (capital calls) as current.
 - o **No commitment** for the SA Government to acquire **additional shares**.
 - o **No annual subscriptions** or **other fees** required upon signing the subscription agreement.

CONSULTATIONS

- Extensive consultations were conducted with key stakeholders, including the National Treasury, the ECIC, the PIC, and four major commercial banks (Standard Bank, Absa, Nedbank, and FNB). All parties consulted are supportive of South Africa's accession and the subsequent conversion of shares
- Accession will provide access to the full suite of support to the government and its entities, whilst not affecting the current support that private banks enjoy through their Class B shareholding.

Afreximbank Accession, National and Executive approval cont.,

Signature and Depository

- Once parliamentary approval is secured, the Minister can sign the Instrument of Accession (Prepared by DIRCO).
- This instrument is then deposited with the official depository, formalizing South Africa's full membership in the Bank.

Post-Depository Phase

- **ECIC Share Conversion:** Upon accession, ECIC Class B shares will be converted to Class A shares. This conversion is a key step in solidifying South Africa's position as a sovereign member.
- **Board Representation:** As a Class A shareholder, accession will be on a country basis with South Africa entitled to a seat on the Board of Directors. This provides a stronger voice and greater influence over the Bank's strategic direction, institutional structure, and leadership appointments.

Benefits of Accession: Strategic Programmes and Industrialization Support

- By acceding to the Establishment Agreement and transitioning its shareholding to Class A shares, SA could leverage the Afreximbank to better support South African Industrial, exports and investments. More specifically, Sovereign membership could offer South African companies, commercial banks as well as State Owned Enterprises (SOEs) enabling:
 - ❑ More competitive trade finance;
 - ❑ Expanded funding for trade activities under the AfCFTA;
 - ❑ Greater participation in cross-border projects and investments;
 - ❑ Increased partnerships and cooperation with other African financial institutions; as well as
 - ❑ Access to various risk mitigation tools.
- Entities such as the ECIC could leverage the **Afreximbank's Preferred Creditor Status (PCS)** to offer more competitive insurance to South African exporters and outward investment projects.

Benefits of Accession: Strategic Programmes and Industrialization Support

- In light of the Afreximbank's institutional rating, sovereign membership could offer access to better financing terms and lower borrowing costs for our exporters and investors; more funding for projects on the continent; as well as access to expanded services such project finance and guarantees to better support operating in the rest of Africa.
- Afreximbank support could contribute to key sectors such as manufacturing and industrial development, and providing pre-shipment and post-shipment finance for South African manufacturers and mitigate payment risk.

Strategic Programmes and Industrialisation Support

1. Industrialisation and Value-Addition:

- **Financing SEZs and Industrial Parks:** The Bank has a proven track record (e.g., Ethiopia, Nigeria) in financing the development of industrial parks and Special Economic Zones (SEZs). This expertise and funding will accelerate investment into South Africa's key industrial hubs (Coega, Dube TradePort, etc.) to boost value-added exports.
- **Mineral Beneficiation:** The Bank actively promotes local beneficiation. South Africa will gain a dedicated partner to finance the development of local smelters, refineries, and processing plants for strategic resources like gold, platinum, and battery minerals, ensuring value is captured locally before export.

Benefits of Accession: Strategic Programmes and Industrialization Support

2. AfCFTA and SMME Integration:

- **Digital Trade Ecosystem:** South African businesses gain immediate access to the Bank's digital platforms—the **Africa Trade Gateway (ATG)**, which includes MANSA (Due Diligence) and TRADAR Club (Market Intelligence). This is essential for navigating the complexities of AfCFTA.
- **SMME Empowerment:** The Bank's programmes are designed to support SMME development across all strategic sectors (e.g., automotive components, pharmaceuticals, agro-processing) through tailored trade finance and capacity-building. This directly supports job creation and integrates local firms into lucrative regional supply chains.

3. Institutional Capacity and Sustainability:

- **Exim Bank Incubation:** Afreximbank will provide technical, management, and operational assistance in establishing South Africa's own National Export-Import Bank, ensuring the new institution is rapidly operational and optimally structured.
- **Knowledge Transfer:** Membership includes structured training and secondment programmes, significantly enhancing national expertise in project preparation, trade finance, and sector-specific project implementation.

Benefits of Accession: Provincial Focus

- **Sovereign membership, through the Afreximbank's resources and improved rating, could potentially offer South African companies and projects across provinces, some of the following:**
 - o More competitive trade finance
 - o Expanded funding for trade activities under the AfCFTA
 - o Project Funding
 - o Greater participation in cross-border projects and investments;
 - o Increased partnerships and cooperation with other African financial institutions; as well as
 - o Access to various risk mitigation tools.
- Financial instruments an support for companies and projects in provinces could include access to project preparation support; lines of credit; project finance; trade finance; guarantees; letters of credit; syndication support; capacity building; as well as financial advisory and advocacy services.

Benefits of Accession: Provincial Focus (2)

- The Afreximbank support could also contribute to SMMEs based in various provinces, including:
 - SMMEs could receive access to Afreximbank-backed trade finance and training programs.
 - Afreximbank funding could be leveraged to integrate SMMEs into regional supply chains, fostering job creation and industrial growth.
 - The bank also has initiatives to promote e-commerce readiness for SMMEs to tap into digital trade across the continent.
- Afreximbank support could contribute to development of provinces in sectors such as manufacturing and industrial development, including through funding SEZs and industrial parks.
- In the area of energy and power, the Afreximbank could co-finance energy projects and supports just energy transition projects, especially under climate finance mechanisms.
- In the area of mineral beneficiation, funding support could target developing local smelters, refineries, and processing plants for gold, platinum, and battery minerals, including lithium.

Recommendation

- ❑ In anticipation of South Africa's accession, initial discussions with the Afreximbank indicates a commitment for a pipeline of support which initially covers:
- Funding for transformation initiatives
 - Country programme to fund key industrial and other projects
 - Incubation support for a South African Export Credit Agency (ECA) or Exim Bank

RECOMMENDATIONS

- It is recommended that Parliament approve the accession of the Government of the Republic of South Africa to the Agreement for the Establishment of the Africa Export-Import Bank, and that it also approve the conversion of the shares held by the Export Credit Insurance Corporation of South Africa (ECIC) from Class B to Class A.
- The accession of the country to the Establishment agreement, will also enable the Public Investment Corporation (PIC), which is led by National Treasury, to convert its shares to Class A shareholding at a later stage following its relevant approval processes.

Acronyms

Afreximbank	African Export-Import Bank
MOU	Memorandum of Understanding
ATG	Africa Trade Gateway
ATEX	Africa Trade Exchange
SEZs	Special Economic Zones
ICT	Information and Communications Technology
PCS	Preferred Creditor Status
ECIC	Export Credit Insurance Corporation of South Africa
NDP	National Development Plan
PCS	Preferred Creditor Status



THANK YOU



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

the dti Customer Contact Centre: 0861 843 384

the dti Website: www.thedti.gov.za

