GTR
MENA
2025 DUBAI

Zhann Meyer
Head of Agricultural Commodities: Global Commodity Finance at NCIB.

1. Ports and trade infrastructure

Over the past decade, countries in the Gulf Cooperation Council (GCC) have collectively invested over $100 billion in Africa. Of that, the United Arab Emirates (UAE) has invested $59.4 billion (60%).

In 2023, companies in the GCC announced 73 foreign direct investment (FDI) projects in Africa worth more than $53 billion.

During the past decade, the sum of imports and exports between UAE and sub-Saharan Africa increased by over 30%, and trade between Saudi Arabia and sub-Saharan Africa is now 12 times the value it was a decade ago.

Investing in port infrastructure and operating key transport nodes are central to the GCC's strategy in Africa. The UAE in particular has established a strong presence in the African transport sector.

By securing long-term port concessions, GCC states are enhancing their geopolitical influence in Africa, positioning themselves as key players in the economic development of the continent.

The report further highlighted that the UAE's expansion into the African port sector is further supported by its airline companies' outreach to the continent. This strategic move aims to capitalise on the rapid growth of intra- and extra-African trade and to secure the UAE's control over key import–export routes, connecting Africa with the Middle East, Asia, and Europe.

For GCC states, these investments represent a move to diversify their economies, reducing dependence on oil revenues by tapping into the growing African market.

DP World, which is a global leader in port operations, has established a substantial presence in Africa by securing long-term concessions to develop and manage critical seaports and inland ports. They have a presence in Algeria, Egypt, Senegal, Somalia, Rwanda, Democratic Republic of the Congo (DRC), Tanzania and South Africa.

AD Ports Group, another major player from the UAE, has also secured significant port concessions across Africa. Notable concessions are in Egypt and Tanzania, with more to come.

Challenges facing African ports are not limited to congestion: Infrastructure deficiencies, regulatory and administrative hurdles, security concerns and lack of a skilled workforce all contribute to the problem.

How GCC helps

GCC helps in the following ways:

- These investments include modernising berthing facilities, expanding storage capacities, and upgrading handling equipment.
- DP World and the Tanzanian government signed a deal for the Emirati logistics company to manage two-thirds of Dar es Salaam port for the next 30 years.
- GCC investments often include training programmes to enhance the skills of the local workforce.

Results are tangible with good feedback from clients on long-term bottlenecks being cleared in Maputo and Dar es Salaam.

2. Food security

The growing Africa–GCC economic partnership, shaped by geographical proximity, is focused on addressing critical issues such as food security, the energy transition, and infrastructure development.

Food security remains a paramount concern for GCC states, prompting significant investments in Africa's agricultural sector. Countries like Angola, Egypt, Ethiopia and Sudan are engaging in long-term land lease deals with GCC states aimed at bolstering food production and ensuring sustainable food supply chains.

The 2007–2008 food crisis, during which more than 30 countries imposed food export restrictions, as well as the current disruption of global food supplies caused by the Russia–Ukraine war, have changed this. Climate change is also expected to add further pressure on the Gulf's food supplies. Against this dire canvas, Africa, with its vast amounts of arable land, could double or triple its cereals and grains output, which would add 20% to worldwide output. Similar increases are possible with horticulture crops and livestock.

Zambia and Kenya have been devising terms for land use that meet both local and investor needs. Saudi Arabia has also invested heavily in Africa's agribusiness, especially in East Africa, with a portfolio thus far of roughly 2 million hectares.

Africa exports a range of agricultural products to the GCC, including fruits, vegetables, grains, and coffee. These imports are crucial for the GCC countries, which face challenges in domestic food production due to their arid climates.

see money differently

Nedbank Ltd Reg No 1951/000009/06. Licensed financial services and registered credit provider (NCRCP16).

Opportunities for finance institutions in Africa

African banks can add value to the GCC partnerships through active collaboration with UAE- and Saudi-based traders and processors that aim to procure agricultural produce from Africa.

If this is done in a sustainable and responsible manner with local African interests, food and job security in mind, this could strengthen banking and economic relationships between the GCC and Africa.

Infrastructure and warehouse finance

More than a third of Africa's food is wasted due to a lack of storage and cold chain management along the supply chain. Financing capital expansion for refrigeration and warehousing infrastructure could significantly reduce this number and enable Africa to enhance export revenues through the sale of this produce.

Pre-export finance

Financing commodities post-harvest with a minimum or fixed-price offtake from a GCC-based buyer significantly decreases the risk profile for trade finance banks. We are seeing more of these structures with GCC players in the portfolio but are also noting significant investment into Africa in infrastructure and warehousing, especially from Dubai-based traders who are keen to engage earlier in the supply chain.

Capex for secondary processing and value-add on the African continent

Requests for the financing of plants for soybean crushing, sesame seed dehulling, cashew nut processing, cocoa liquoring, coffee processing and macadamia cracking are becoming more frequent, and African banks should embrace these opportunities from a risk perspective.

As long as the commodities form part of the financing package to manage the revenue and repayment stream, there are multiple benefits to help Africa increase its export revenues, enhance job creation and skills development, and create liquid and transparent markets for its produce.

Production finance with corporate offtake-based prepayments

The primary production landscape on the African continent is based primarily on hundreds and thousands of small-scale farmers growing crops on areas of a hectare or less. The financing of these farmers is complex from a governance perspective and administratively expensive – and therefore remains a challenge for most commercial banks.

The GCC's investment into corporate farming structures in Africa creates a vehicle that could act as a corporate borrower for commercial banks – with a typical hub-and-spoke model engaging with small-scale farmers around the hub.

The hub creates a symbiotic relationship with these farmers through providing the following:

- Mechanisation.
- Inputs like seed and fertiliser at the right time in the season.
- Insurance against crop failure due to climate change.
- Training and skills transfer to optimise yields.
- Secondary processing, should farmers decide to hold back a portion of their harvest for own consumption.
- A liquid and transparent market for their produce.

It is in this space that Nedbank's Virtual Farmer Programme is a unique tool that transfers farming and farmer risk to an insurance structure that guarantees payment, on condition that financing is provided through a platform that extensively uses remote sensing, infrared tracking and soil moisture monitoring as early-warning tools to manage and mitigate risk.

When DP World Trade Finance, and its unique characteristics, was introduced to the Virtual Farmer Programme, they immediately realised that this could be a useful tool in developing trade and the flow of goods between the GCC and target countries where the programme is planned to be deployed. Through its ability now to engage with small-scale farmers and provide inputs through a risk lens different from that used in conventional production finance loans, the Virtual Farmer Programme can stimulate production and increase yields while providing finance with focus on the income statement of the farmers, rather than their balance sheets.

The GCC agricultural landscape

It would be a mistake to think that the GCC is looking only at Africa and beyond to solve its food security issues – the agricultural markets in Saudi Arabia and the UAE are booming. By 2030, the market is expected to reach $10.76 billion, with dates and watermelons making up 75% of fruit production. The $1 billion investment of the governments in greenhouses and plant resources by 2025 will further fuel growth.

In the UAE, the fisheries market is growing rapidly, with a focus on sustainable practices. The UAE aims to boost aquaculture production to 90 000 metric tons by 2030.The UAE has a booming hydroponics industry, which has grown from 50 farms in 2009 to 1 000 in 2021.Technologies like recirculating aquaculture systems (RAS) and AI-driven monitoring have already improved yields by 50%, opening vast opportunities in segments such as shrimp, salmon and pelagic fish.

see money differently

Nedbank Ltd Reg No 1951/000009/06. Licensed financial services and registered credit provider (NCRCP16).