



## **Russian-African Forum (RAF) in Kenya 27-31 January 2015**

**Location: Nairobi, Kenya**

**Number of participants: 30**

**Russian delegates: 7**

**Russian companies and organizations: 5**

**Kenyan companies and organizations: 10**



## Overview

Following the fall of the Soviet Union, Russian enterprise disappeared almost entirely from Africa. Today, Sub-Saharan Africa is experiencing a real boom with economic growth rates breaking all records; and ever more new projects attracting multi-million dollar investments. Kenya as capital of the Eastern African region is of particular interest to Russian businesses aiming to revive Russian exports to the fertile lands of Africa.

A race is underway across the African continent, with world powers rushing to establish spheres of interest due to the obvious promise of the markets. Jeffrey Immelt, head of General Electric, the American power giant, visited the Eastern African region in January, remarking on its 'colossal potential'. He went on to state that doing business in Africa is not only straightforward, but also quick, as evidenced by the final round of negotiations with the authorities in Ghana on the agreement to construct a thermal electric power plant in the West African country.

The Russian-African Forum took place in Kenya's capital Nairobi on January 27-31. Leading Russian export companies joined in the discussion of cooperation opportunities in the East African region. The Russian delegation included representatives of Power Machines OJSC, the leading Russian power machine builder, and RusHydro, Russia's leading generation and renewable energy company.



## Energy

Russian businesses were particularly interested in energy projects in Kenya. During a meeting with the Kenyan Geothermal Development Company (GDC) they discussed the construction of two new geothermal power stations with a capacity of 140 MW each; and a reconstruction project for the Olkaria I power station with a capacity of 50 MW.

Commenting on the results of the Forum, Russian delegation participant Mikhail Kozlov, Deputy General Director of RusHydro International, said:

“With regard to the country’s development prospects, I can only compliment and admire the way everything is done and not just in Kenya, but in neighbouring countries as well. Development is very fast and well thought out, at least when it comes to energy generation and the overall strategy in this area. I am jealous about how well geothermal energy is being developed here. Our country’s geothermal potential is perhaps as great as Kenya’s but our total capacity is just 70 Mega Watts. Kenya already has ten times this and plans to further double this capacity over the next few years. We would have liked to have as much geothermal energy generation in Russia, but we are limited by geographic factors.” The expert went on to explain that the Kenyan state bearing the investor’s risk in unsuccessful well drilling is a major advantage.

Negotiations with a delegation from neighbouring Rwanda also took place during the Forum. Mikhail Kozlov noted that Rwanda also has great potential and that its energy industry is developing at a brisk pace. Rwanda has a population comparable to that of Moscow, yet for now the country has an energy capacity 20 times smaller than Russia’s capital.

Given the company’s many years of experience in the design and supply of both core and auxiliary equipment for energy generation units, Power Machines was primarily interested in thermal-electric power plant construction projects. During the event, Power Machines also discussed the possibility of building coal energy stations not only in Kenya, but also in Tanzania and Malawi; whilst Russian manufacturers might also participate in the construction of several pipeline sections.





## Infrastructure projects

Development of infrastructure in the region offers extensive opportunities for cooperation. The Rwandan delegation presented their priority investment and infrastructure projects, many of which attracted the interest of the visiting Russian companies.

The Russian companies are willing to participate in the construction of a new railway between Uganda and Rwanda; connecting Kampala and Kigali with Mombasa port; built to improve connections and boost trade between Uganda, South Sudan and Kenya; and to facilitate access to international markets.

Construction of this railway is part of one of the largest infrastructure projects in the world, LAPSSET (Lamu port – South Sudan – Ethiopian transport corridor), costing \$25 billion. The project includes an oil refinery plant, pipelines from South Sudan, rail, automobile and air transportation hubs, as well as a huge port for oil tankers.

Russian delegation member Alexander Korchmarik, Presidential adviser for International Affairs of the National Railway Union, described the proposals from Russian suppliers are rather competitive, however stated his belief that the main hurdle to participation in such infrastructure projects is financing. “The Chinese, for instance, work on credit. If we could employ the same arrangement using our own instruments; such as the Russian Bank for Development and Foreign Economic Affairs, the Russian Agency for Insurance of Export Loans and Investments and other Russian financial institutes; in order to attract financing and complete this financial puzzle, we would be able to count on work in the region.”



## Finance and development prospects

These projects were among those discussed during the Forum at the highest level, along with discussion of financing at a meeting with the Kenyan Minister of Energy and the country's main state energy companies, including KenGen, the National Oil Corporation, the Nuclear Electricity Board and the Electricity Generation Company.

On the Russian side, Russian-Kenya cooperation has the support of the Russian Bank for Development and Foreign Economic Affairs, whose mission is to promote economic development and support Russian exports. "The region has enormous potential, as Kenya is viewed not as a standalone country but as a kind of corridor to Uganda and the entire Eastern African community," said Alexander Tikhomirov, head of the Bank for Development and Foreign Economic Affairs in Africa. He added that the bank is willing to provide substantial support once specific agreements are in place: "The Bank is willing to cooperate. Our goal is to accompany business but for this to happen business has to be tangible, and projects need to be properly documented. We need to understand how to finance, how much money is needed and how to evaluate risks."

RusHydro is already undertaking a major project to restore the capacity of two hydroelectric power stations in Nigeria, with work set to run for the next three years. In terms of new projects, the company is participating in various tenders having already passed the pre-qualification stage in one. "Meeting with local authorities has demonstrated that there are several projects we can be looking at today, and the ball is now in our court. If we can offer our partners the best conditions then we are in business" said Mikhail Kozlov.

"This year we are planning a rather active programme. Following the Forum, a delegation from Kenya and Rwanda visited a Russian railway car factory, as well as other companies that produce goods for the railway industry. Discussions on the supply of railway equipment will most probably follow with Mozambique, Angola, Brazzaville and other African countries too," said Ekaterina Dyachenko, Forum organizer and head of B2B-Export online trading platform.

The Kenyan government is also interested in negotiations with Russia at the very highest level, with a meeting being arranged between the heads of the two states to promote further cooperation down the line. The Russian business representatives agreed that, despite a lack of prior experience cooperating with East African countries, the foundations are definitely in place for trade to be a success.



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